

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

CHILE

PROGRAMA ORÍGENES, PHASE II INTEGRAL DEVELOPMENT PROGRAM FOR INDIGENOUS PEOPLES

(CH-L1014)

LOAN PROPOSAL

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Electronic Links and References	
Basic socioeconomic data	http://www.iadb.org/RES/index.cfm?fuseaction=externallinks.countrydata
Status of loans in execution and loans approved	http://ops.iadb.org/approvals/pdfs/CHsp.pdf
Tentative lending program	http://opsgsl/ABSPRJ/tentativelending.ASP?S=CH&L=SP
Information available in the technical files	http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=770356
Annex II - Procurement Plan	http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=809116

ABBREVIATIONS

AWP	Annual work plan
CASEN	Encuesta Nacional de Caracterización Socioeconómica [National Socioeconomic Profile Survey]
CGR	Contraloría General de la República [Office of the Controller General of the Republic]
CONADI	Corporación Nacional de Desarrollo Indígena [National Indigenous Development Corporation]
CONAF	Corporación Nacional Forestal [National Forest Corporation]
DIPRES	Dirección de Presupuesto del Ministerio de Hacienda [Budget Bureau of the Ministry of Finance]
FDL	Fondo de Decisión Local [Local Decision Fund]
IBE	Intercultural bilingual education
IBEP	Intercultural Bilingual Education Program
IDP	Integral Development Plan
ILO	International Labour Organization
INDAP	Instituto de Desarrollo Agropecuario [Agricultural Development Administration]
LPG	Local Planning Group
MES	Program monitoring and evaluation system
MIDEPLAN	Ministry of Planning
MINAGRI	Ministry of Agriculture
MINEDUC	Ministry of Education
MINSAL	Ministry of Health
PEP	Project Execution Plan
PLADECOS	Planes de Desarrollo Comunales [Communal Development Plans]
PPMR	Project Performance Monitoring Report
REU	Regional Executing Unit
SERCOTEC	Servicio Cooperación Técnica [Technical Cooperation Service]
SERNAPESCA	Servicio Nacional de Pesca [National Fisheries Service]
SERNATUR	Servicio Nacional de Turismo [National Tourism Service]
SIGFE	Sistema de Información para la Gestión Financiera del Estado [State Financial Management Information System]
UBNs	Unmet basic needs

PROJECT SUMMARY

CHILE PROGRAMA ORÍGENES, PHASE II INTEGRAL DEVELOPMENT PROGRAM FOR INDIGENOUS PEOPLES (CH-L1014)

Financial Terms and Conditions ¹				
Borrower: Republic of Chile			Amortization period:	15 years
Guarantor: Republic of Chile			Grace period:	5 years
Executing agency: Corporación Nacional de Desarrollo Indígena [National Indigenous Development Corporation] (CONADI)			Commitment period:	4.5 years
			Disbursement period:	5 years
Source	Amount	%	Interest rate:	Adjustable
IDB (Ordinary Capital)	US\$ 45.2 million	41	Inspection and supervision fee:	0%
Local	US\$ 64.7 million	59	Credit fee:	0.25%
Total	US\$109.9 million	100	Currency:	U.S. dollars from the Single Currency Facility
Project at a glance				
<p>Project objective: The objective is to promote the development with identity of 1,000 rural indigenous communities in five of the country's regions. Development with identity is defined as efforts to improve the living conditions of indigenous communities based on respect and consideration for their cultures with ample opportunity for horizontal participation and an exchange of know-how between indigenous peoples and public services.</p> <p>Special contractual conditions: See paragraphs 3.2 and 3.3. Conditions precedent to the first disbursement: (i) entry into force of the program's Operating Regulations; and (ii) signature of agreements between CONADI and the subexecuting agencies, which are the Ministry of Education (MINEDUC), the Ministry of Health (MINSAL), the Agricultural Development Administration (INDAP), and the National Forest Corporation (CONAF).</p> <p>See paragraphs 2.4 and 1.1. Presentation to the Bank's satisfaction of the following will be a special condition for having access to more than 50% of the funds: (a) a transparent procedure based on objective criteria for the selection of 500 communities in Regions IX and X, as well as a definitive list of beneficiary communities; and (b) the program's baseline information and proof that (i) an independent agency has been selected to perform a midterm evaluation; and (ii) terms of reference guaranteeing methodological continuity in the evaluation process have been drafted for the program's final evaluation.</p> <p>Exceptions to Bank policies: None.</p>				
<p>Project consistent with country strategy: Yes [X] No []</p> <p>Project qualifies as: SEQ [X] PTI [X] Sector [X] Geographic [X] Headcount [X]</p> <p>Procurement: See paragraph 3.20. Bank supervision of procurements and disbursements will be based on the work of the Office of the Controller General of the Republic (CGR). The CGR will present the Bank with two reports a year, one after six months and another at the end of the year, including a review of disbursements and procurements to determine the eligibility of expenditures and their material existence.</p> <p>Verified by CESI on: 21 July 2006.</p>				

¹ 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. INTEGRAL DEVELOPMENT OF INDIGENOUS PEOPLES, PHASE I

A. Background

- 1.1 Because of its innovative and complex nature, the integral development program for indigenous communities (Programa Orígenes) (loan 1311/OC-CH) was designed and approved by the Bank as a single two-phase operation, with an estimated total cost of US\$133.4 million, with the Bank financing a total of US\$80 million (US\$34.8 million in phase I and US\$45.2 million in phase II).
- 1.2 Intended to improve the living conditions and promote the economic, social, cultural and environmental development with identity¹ of the Aymara, Atacameño and Mapuche peoples in rural areas, Programa Orígenes is unprecedented in Chile. It has a strong innovation component and is a daring public policy move in support of indigenous peoples and a vote of confidence in Chile's indigenous peoples. Indeed, indigenous participation is the cornerstone of the program and the foundation upon which a program for development with identity is built that performs a dual task: to attend to the needs of poor rural indigenous communities through innovative interventions that consider the specific nature of their culture; and to initiate processes of change in the way in which public agencies provide services in order to make them more responsive to the cultural profiles of the different indigenous peoples. This second task responds to the Chilean government's explicit intention to promote and establish a new relationship between the State and the indigenous peoples.
- 1.3 The design, organizational structure, and operation of the program respond to a cross-sector, cross-cultural, decentralized, and essentially participative rationale. Phase I of the program is the result of an effort by many actors at the central level, in addition to regional and municipal governments and other services. On account of its objectives and operating plan, the program is highly complex and the main results achieved thus far have not been fully verifiable from a quantitative standpoint.
- 1.4 When phase I was approved on 21 February 2001, the Chilean government and the Bank agreed that approval of phase II would be subject to the following conditions: (i) have disbursed a minimum of 50% of the loan proceeds; (ii) have complied satisfactorily with the triggers for phase II; and (iii) have drafted a performance report compiling the lessons learned. To date, 97.2% of the phase I loan proceeds have been disbursed, virtually all of the triggers have been fulfilled, and several activities for evaluation and identification of lessons learned have been carried out, including specialized external consulting services and broad-based consultation processes with the beneficiary population.

¹ Development with identity is defined as efforts to improve the living conditions of indigenous communities based on respect and consideration for their cultures, with ample opportunity for horizontal participation and an exchange of know-how between indigenous peoples and public services.

- 1.5 The objectives of this document are to: (i) report on the extent to which the triggers for phase II have been fulfilled; (ii) present a summary of the conclusions reached based on phase I evaluations; and (iii) submit a proposal for phase II of the program to the Board of Executive Directors for consideration and approval.

B. Programa Orígenes in the development strategy of the country and the Bank

- 1.6 According to the 2002 census, 4.6% of Chileans identified themselves as belonging to one of the country's eight indigenous peoples. Although the size of the rural population living below the poverty line has shrunk since 2000, poverty among indigenous groups is significantly higher than among the nonindigenous population, affecting 31.6% and 17%, respectively. In rural areas, one third of the indigenous population lives below the poverty line.² Eighty percent of the indigenous population falls into the two lowest income quintiles, and women are poorer than men.
- 1.7 President Bachelet's administration has proposed to promote policies of social inclusion to narrow opportunity gaps, eliminate all forms of discrimination, guarantee observance of human rights, promote development with identity of the country's indigenous peoples, and work to strengthen the culture of Chileans. The New Deal Policy for indigenous peoples (2004-2010) is intended to build a multicultural and multilingual State through the following measures: (i) the provision of land; (ii) development with identity; (iii) mainstreaming indigenous issues into the public services sector; and (iv) recognition of the rights of indigenous peoples.³ The program is consistent with the New Deal Policy in that it seeks to install a new type of relationship between the State and indigenous peoples and to contribute through its activities to their development with identity.
- 1.8 The program is consistent with the Bank's mandates and strategies for poverty reduction, social equity promotion, and social inclusion of the most vulnerable groups. The program also complies with the recently-approved Operational Policy on Indigenous Peoples (OP-765) (see paragraph 3.28) and is consistent with the Bank's country strategy with Chile (GN-xxx, 2006-2010) which has the objective of supporting the country in its growth process and, particularly, of reducing inequality of opportunities and assuring the social inclusion of vulnerable groups, including indigenous peoples.

² In all, 12.3% are indigent while 19.3% are nonindigent poor, which represents a more critical situation than in urban areas, where 27% of indigenous people are poor (6% of them indigent and 21% nonindigent poor).

³ Still pending are the constitutional reform, ratification of ILO Convention 169, the special administrative statutes of Easter Island (Rapa Nui peoples), and recognition of ancestral rights of the Lafkenche peoples to use of the coastline, and other measures.

C. Outcomes of phase I of the program and fulfillment of triggers

- 1.9 In 2001, the Chilean government decided to launch Programa Orígenes to promote a model of institutional coordination in the territory, endeavoring to bring order to the supply of public services that reached the communities and to test participatory planning exercises with empowerment of indigenous communities, seeking to put in place demand.
- 1.10 Phase I had the goal of benefiting 600 rural indigenous communities, or approximately 12,000 families. Those targets were greatly exceeded. During execution, 645 communities benefited from planning and investments and an additional 250 communities from planning. The number of beneficiary families in phase I was almost double the original target, with a total of 22,609 families receiving support for planning and investments.

Table I-1
Indigenous beneficiaries targeted by phase I of the program

Region	Peoples	No. of communities	No. of families
Tarapacá	Aymara	38	1,447
Antofagasta	Atacameña	13	1,045
Bío-Bío	Mapuche	58	2,250
Araucanía	Mapuche	414	14,540
Los Lagos	Mapuche	122	3,327
Total		645	22,609

Source: Program monitoring and evaluation system (MES), April 2006.

- 1.11 Owing to difficulties at the start of the program which will be discussed later (see paragraph 1.26), the baseline was not established until 2003, two years after the program began, which means that baseline information could not be used to measure the impact of the interventions. An exact measurement of the impact of phase I on the beneficiary communities will be performed during phase II. Nonetheless, although no impact assessment is available at present, a performance evaluation and two participative evaluations were conducted that contain sufficient empirical evidence to demonstrate that the program is meeting its development objectives and achieving its expected outcomes. The final performance evaluation of the program, which used a combination of quantitative and qualitative analyses, shows that the main outcomes were achieved, systemizes lessons learned, and indicates that most triggers have been satisfactorily fulfilled. The two participative evaluations conducted in the first half of 2006 reflect very favorable opinions by the program beneficiaries, with a medium-high level of satisfaction.
- 1.12 The level of fulfillment of phase II triggers is described in the following table.

Table I-2
Phase II triggers

Actions	Compliance and source of information
1. At least 400 communities have a development plan approved by the community.	1. Fulfilled. The target was more than doubled. In all, 895 communities have formulated and approved development plans, of which 645 have been executed and 250 will be executed in phase II. (Program performance evaluation, 2005 ; Data from the monitoring and evaluation system, MES, 2006).
2. Five indigenous development areas have indigenous organizations and the capacity to design and manage their annual work and investment plans.	2. Fulfilled. (Evaluation of management practices and capacity in indigenous development areas, 2005).
3. Officials from the public agencies involved offer services that are culturally appropriate according to users.	3. Fulfilled. There was an improvement in cultural sensitivity and relevance in the work of public officials: 6,147 officials were sensitized and trained. The National Forest Corporation (CONAF) prepared a Mapuche forest model (Program performance evaluation, 2005 ; Data from the MES, 2006).
4. The National Indigenous Development Corporation (CONADI) has improved its technical and organizational capacity.	4. Fulfilled. CONADI improved its efficiency, increased the percentage of its annual budget execution, and has complied 100% with its Management Improvement Program since 2003 (Report by the Budget Bureau of the Ministry of Finance (DIPRES) <i>Balance de gestión integral 2005</i> , CONADI).
5. The average net income of the families that benefited in the first year of the program is 10% higher than the income of indigenous rural families that did not participate (this percentage was based on country experience).	5. Fulfilled. Average net income rose by 20.6%. (Program performance evaluation, 2005).
6. 180 projects financed for the recovery of indigenous cultural heritage.	6. Fulfilled. The target was more than doubled; 443 artistic and cultural projects were financed (Data from the MES, 2006).
7. At least 70% of the 150 schools participating in the Intercultural Bilingual Education Program have a statistically significant improvement in school retention rates (attendance, dropouts, and repeaters).	7. Not fulfilled.
8. Intercultural health care models designed, implemented, and evaluated at four pilot centers (two Mapuche, one Aymara, and one Atacameño).	8. Not fulfilled.
9. Use of health care services increases by 30%.	9. Not fulfilled.

- 1.13 Thus far, there is no information available regarding trigger 7. To obtain such information, the Education Quality Measurement System will be applied during phase II, and initial results will be obtained for the impact of bilingual intercultural education on school performance and a baseline defined for the new beneficiary schools.

- 1.14 The health care component underwent a large budget cut and substantial changes during execution of phase I (see paragraphs 1.47 to 1.50), which explain the unsatisfactory fulfillment of triggers 8 and 9.

D. Achievements, challenges, and lessons learned in phase I of the program

- 1.15 Programa Orígenes represents a significant multidisciplinary effort that has succeeded in implementing the programmed activities and coordinating the work of the coexecuting agencies. Indeed, in many cases the original targets were surpassed. Progress and effectiveness have been documented in applying four strategic lines (participation, cultural relevance, a cross-sector approach, and integrality), with the greatest achievements in the first two areas, and indigenous communities have shown a strong sense of ownership of the program. Phase I has helped to establish a new type of relationship between the Chilean State and the indigenous communities, characterized by confidence and respect for the indigenous voice. There is acute awareness amongst indigenous leaders that this is an effort to make amends for the historic debt, which, coupled with the program's innovative participative approach, has meant that indigenous persons consider the program to be a project in which they are the ones responsible for deciding how to invest resources. In addition, the program has launched major changes in the delivery of public services, making them more culturally appropriate, and has given visibility to multiculturalism and multilingualism, which were virtually unknown in Chile.
- 1.16 Nonetheless, phase I encountered a series of challenges that are summarized below.
- 1.17 *The challenge of integrality.* The option chosen in phase I of the program was to delegate execution of sector-specific components (education, health care, and production) to the appropriate respective government agencies and to transfer funds to carry out these tasks. This organizational decision demanded a great deal of horizontal coordination on both the national and regional levels. Phase I showed that the coordination achieved was not sufficient to meet the program's needs for integrality. The centralized nature of government agencies in Chile means that policies are applied autonomously and independently from the program.
- 1.18 The slow pace at which funds arrived for productive investments also affected the program's integrality. Slowness in preparing the Community Development Plans, partly due to the excessive time taken to select the promoters and the lack of experience of the regional teams in developing planning methods, bothered the communities, which began to pressure to speed up the arrival of resources and begin execution of the productive projects, thereby breaking with the integral nature of the program. This situation largely explains the weakness of the interagency coordination processes and the limited integrality of phase I program interventions. The lesson learned is that in phase II it will be necessary to: (i) transfer the responsibility for cross-sector coordination to the regional execution level; (ii) coordinate the program based on the demands and territorial profiles of the

communities; and (iii) ensure a minimum investment to facilitate planning processes and guarantee an integral approach.

- 1.19 *The challenge of regionalizing the program's actions.* The relations between the national, regional, and local levels defined by the program in phase I led to problems that hindered the development of more effective execution systems and appropriate control systems. The central level had a privileged voice in its relations with the government and the Bank. The regional level established its own priorities, which the program was also called upon to follow. Lastly, on the local level, the communities had their own concerns, shaped by their culture and subsistence requirements, among other factors, which determined their own demands, priorities, and execution deadlines. In this context, situations arose in which priorities were established on the central level. This meant that certain investments were made in the communities when they were still not mature enough to take them on and, therefore, the expected outcomes were not achieved. Given that the program prioritizes meeting demand (as this is where the ethnic character of the communities expresses itself), actions in phase II will have to adequately value community demand and continually retool the instruments and priorities established at the other levels. The lesson learned is the need for greater regionalization and decentralization of the program's execution, in order to bring it closer to the local decision-making level. Accordingly, for phase II, it is proposed that core cross-sector coordination be at the regional and local levels.
- 1.20 *The challenge of territoriality.* During phase I, there was excessive fragmentation of the investments. The program has been criticized for having too many small projects, which led to a fragmentation of resources that went to meet immediate needs instead of resolving medium- and long-term issues. The program's actions on the subnational level should support families and communities in urgent and permanent subsistence processes through small projects in cooperation with other State agencies, in addition to promoting medium- and long-term investments which, together with public and/or private agencies and services, allow for sustainable development processes to be set in motion. The lesson learned is that medium- and long-term investments should be included in phase II of the program. This approach also makes it possible to coordinate different public services and agencies on that level to develop a joint vision of development in a given region. The program should play the role of coordinator, and its financial resources should be used to promote linkage of public and private investments.
- 1.21 *The challenge of coordination between flows, program, and activities.* Given the complexity of the program's organizational chart, which separated the coexecuting agencies by component, operated in five regions, and executed its activities through public and private entities (consulting companies), executive responsibilities in operational matters were diluted to the point where they were sometimes not adequately executed. Also, the mechanisms for monitoring and evaluation in phase I focused exclusively on formal and budget considerations and failed to look

at processes and milestones in project execution. Therefore, warnings were not sounded about potential distortions that could occur in their implementation. Phase II will include simpler operating schemes and better defined responsibilities on the local execution level, and will establish information monitoring and evaluation systems from the start of execution, so they remain in place at the pertinent public institutions.

- 1.22 A summary of achievements, challenges, and lessons learned is presented below by component.

E. Component to strengthen indigenous communities and public institutions

- 1.23 The objectives were: (i) to generate capacity in indigenous communities for participatory planning and execution of program interventions; and (ii) to boost the technical capacity and commitment of public institutions to integrate the indigenous perspective into their projects and programs, and improve the efficiency and impact of public programs. Both objectives were fully attained. This component was executed directly by the program's Executive Secretariat and was considered the hub around which all the other interventions revolved.
- 1.24 The outputs obtained from this component indicate that the physical targets have been surpassed by far: (i) 363 communities have Community Development Plans and 532 have Territorial Development Plans, for a total of 895 communities that have carried out participatory planning (of that total, 645 received investments in phase I, and 250 communities will receive similar investments in phase II); (ii) 6,147 public officials were trained in cultural relevance; (iii) 666 community initiatives and 142 territorial initiatives were carried out; (iv) 34 agreements were signed with public institutions (prefectures, governor's offices, municipalities, public universities, and others); and (v) two diploma courses intended to modify the working practices of public officials were offered by the Technical Metropolitan University (UTEM) and the Arturo Prat National University (UNAP).
- 1.25 Despite this high level of fulfillment of physical targets, some lessons learned and adjustments made during execution of phase I should be mentioned, which will be taken into account in phase II.
- 1.26 *1. The selection of beneficiary communities.* The program experienced a year-and-a-half delay in starting up that was due, among other things, to the complexity of the process of selecting the communities that would be beneficiaries in phase I. Indeed, the funds available in phase I were not sufficient to cover all the communities that were potentially eligible under the criteria established. There were also neighboring communities that belonged to the same cultural territory or the same commune, but not all were selected to be beneficiaries in phase I, causing divisions in the communities, a breakdown of the social fabric and, in some cases, conflicts with municipalities. This weakness was solved during the program by

making an effort to involve mayors and other relevant territorial players and by changing the community planning unit.

- 1.27 *2. Cultural relevance of planning units.* The program began by using communities with legal status (set forth in Law 19253) as the planning units, which are the most appropriate administrative and legal units for the formal transfer of program resources. However, the legally established communities did not always coincide with the preexisting indigenous institutional framework (ancestral community) which is broader and is where the traditional authorities and mechanisms for planning and analysis are found to build joint visions of the future. There were also cases in which one ancestral community had two or more legally established communities.⁴ To overcome this weakness, in 2003 the program, in agreement with the Bank, changed the participatory planning strategy to expand, when necessary, the 'community' planning units into 'socio-territorial units' composed of a series of communities linked by family relationships and economic, ritual, agroecological, and historical factors. These planning units, apart from being a better reflection of the cultural realities of indigenous peoples, permit the coexecuting agencies to work with indigenous cultures on a scale that does not fragment their efforts, which was the case when they had to deal with a large number of small community organizations. The territorial planning approach also strengthens the indigenous institutional framework, by fostering the integration of other members of an ancestral community, thus fortifying social capital, and by bringing various communities together to identify common development objectives. Thus, the Territorial Development Plan replaced the Community Development Plan.
- 1.28 *3. Complexity of the participatory planning process.* The program has encountered difficulties in accommodating the pace of community participation to the pace and priorities of execution. The participatory planning began with methodologies that were lacking, insufficient guidelines, a scant budget, and with some consulting firms and support personnel without sufficient capacity to lead the planning exercise. To overcome these weaknesses, the participatory planning methodology and its procedures were improved as of the 2003 execution period thanks to the application of a Territorial Development Plan that allowed for significant quality improvement. Since 2005, with technical support from the Bank, the program has been consolidating this methodology and developing a new planning tool, the Integral Development Plan (IDP) (see the IDP document) to be implemented in phase II. The IDP incorporates all the lessons learned from previous instruments, including measures to guarantee the participatory process's quality and the model's sustainability through linkage with the public institutional framework in the region. The main changes in the IDP have been in the following aspects, among others:

⁴ The Indigenous Act states that a community can be legally established when at least one third of the elders of the traditional community agree thereto, at which point the community is registered with CONADI. In some cases this procedure has led to fragmentation of the social fabric and there have been instances in which more than one legally established community has been registered in a single ancestral community.

(i) adjustments by region, respecting the cultural profile of each peoples; (ii) incorporation of an analysis of alternatives in the diagnostic stage; (iii) greater effort and allocation of resources in planning and management training for indigenous communities and leaders; (iv) reinforcement of environmental analysis and the gender perspective, taking a cross-cutting approach; (v) coordination of public institutions subnationally (municipalities, public services, regional governments) from the start of the process; (vi) increase in resources for technical assistance related to participatory planning; (vii) inclusion of activities to transfer methodology to the technical assistance providers; and (viii) redefinition of field personnel's professional profile (local technical coordinators).

F. Production-oriented activities component

- 1.29 The specific objectives of this component were: (i) to increase the independent income of 600 rural indigenous communities through farming and nonfarming activities that they themselves consider compatible with their cultures; (ii) to ensure appropriate participation by indigenous communities in project formulation, monitoring, and control; (iii) to help raise the level of private investment in rural indigenous areas as a mechanism for long-term socioeconomic development; and (iv) to provide institutional support to government development agencies that promote production that are executing the component.
- 1.30 As for the outputs obtained, the level of resources delivered to the communities through the execution of small productive projects should be underscored. In general, the communities and families interviewed appreciated this provision of resources and stated that their income had improved thanks to the program. It is important to note that this increase in income is not a one-off event; rather, about 90% of the resources were invested in property capitalization. A summary of the number, type, and cost of the productive projects executed in phase I is given in the following table:

Table I-3

Type	No. of projects	US\$
Farming	1,531	10,063,756
Livestock	1,152	12,180,494
Irrigation	241	2,691,944
Handicrafts	209	1,220,389
Tourism	75	1,079,901
Fisheries	24	271,456
Repair shops	285	1,136,919
Microenterprise	94	1,137,589
Marketing	19	126,001
Forestry	211	653,097
Environment	101	422,390
TOTAL	3,942	30,983,936

- 1.31 The communities were directly involved in the execution of productive projects, such as fruit and vegetable growing, tourism projects, livestock improvement, etc. This participation has allowed new technologies to be transmitted, familiarized people with public instruments that were not within the reach of many of the communities, and access of indigenous families to the services offered by public agencies such as the Agricultural Development Administration (INDAP) and CONAF.
- 1.32 The main lessons learned from this component are described below.
- 1.33 *1. Opening up public services for the program's productive activities.* The program's Executive Secretariat coordinated the activities of the component, which was coexecuted by INDAP, CONAF, and CONADI. The main activity in the component was the identification and execution of production-oriented projects that formed part of a production plan which, in turn, was supposed to be incorporated into the Community Development Plan. The communities participated by supporting the analysis and defining the production-oriented projects. The methodology used sought to respond to demand from beneficiaries, but since the public supply of services was restricted to the instruments offered by INDAP, CONAF, and CONADI, community participation was limited to choosing among preestablished services from those institutions. Even so, in the interviews conducted for the program evaluations, the beneficiaries appreciated the opportunity to participate, since "no one had ever asked them before." In phase II, although the same subexecuting agencies will be maintained on the national level, there is the possibility of planning locally and reaching agreements with other public services engaged in promoting production on the regional and community levels, such as the National Tourism Service (SERNATUR) and the National Fisheries Service (SERNAPESCA). This will not only expand the options for adequately addressing demand that arises from the participatory processes, it will also permit different models to be used, depending on a region's productive potential. Also, during phase I, the coexecuting agencies exhibited different degrees of cooperation and commitment to the program's objectives and activities and therefore in phase II, joint planning activities have been strengthened to obtain a higher level of program ownership by the subexecuting agencies.
- 1.34 *2. Inclusion of differentiated strategies for food security and market-oriented economic activities.* The economy of rural indigenous households is marked to a large extent by work in the informal sector, very low levels of capitalization, a wide variety of income sources and, in the agricultural sphere, a management rationale based on self-supply and reproduction of the family unit. It is therefore necessary for the program to bear in mind that small-scale production-oriented projects are subsidies whose impact is an increase in assets, and that they will not necessarily bring high returns. It is also important to respond to the demand for support by

certain indigenous groups and associations in entering the market under equitable conditions. Although interventions of both kinds were included in phase I, during execution efforts focused on the first type. In phase II, a line of action will be established aimed exclusively at market-oriented projects, and preinvestment funding has been included to perform market studies for productive projects with merits. Resources have also been increased to ensure ongoing, high-quality technical advisory services in the preparation and execution of projects of both kinds.

- 1.35 *3. Importance of promoting private-sector partnerships with indigenous entrepreneurs.* During phase I, no support was included for the establishment or strengthening of partnerships between the private sector and indigenous entrepreneurs. That relationship, marked by conflict and mistrust, particularly in the forestry and mining sectors, can be rebuilt with support from the program.
- 1.36 *4. Strengthening and training as a prerequisite for productive investments.* Experience shows that the strengthening component is the best way of initiating contact with the communities to prepare and train them to carry out program activities. In parallel, this strengthening should be undertaken with the participating public institutions, making them aware of the topic and guiding the modification or creation of tools for intervention, based on experience gained during phase I. In order to promote joint responsibility, strengthening should also be a condition for allowing communities to participate in the program, and not a voluntary activity.
- 1.37 *5. Deepening phase I experience as regards delivery of investment, accompanied by technical assistance, training, and advisory services.* To ensure that this program intervention is an effective mechanism for empowering producers and the community and permits them to acquire the capacity and minimum conditions for participating in the public and private supply, it will be necessary to increase the budget for technical assistance and community support and to maintain it throughout the project execution period (including the marketing stage).
- 1.38 *6. Allocation of resources on the local level.* This component would have a stronger impact if it had the capacity to allocate resources on a local level, and became a means of coordinating projects that brought together different regional or local players. Experience in phase I suggests that it is difficult for the program to influence institutional decisions on a central level. Therefore, by working with regional organizations and entities, it might be possible to arouse greater interest among public and private services in cofinancing local development projects. Phase II will build on experience in some regions in establishing subnational working groups. The groups will be composed of representatives of the public services, the program, and leaders of all the communities.

G. Educational and cultural component

- 1.39 The objectives of this component were: (i) to restore, strengthen and develop the culture of the Aymara, Atacameño and Mapuche communities by fostering society's recognition of cultural diversity; and (ii) to design, implement and evaluate an initiative to improve intercultural bilingual education (IBE) in the national elementary education curriculum in 150 schools attended by children from the Aymara, Atacameño and Mapuche peoples.
- 1.40 The initial goal of having 70% of the 150 targeted schools participate in the Intercultural Bilingual Education Program (IBEP) by the end of phase I was exceeded (160 schools participate). The outputs achieved in phase I include: (i) 900 teachers trained in IBE; (ii) 6,682 direct beneficiaries (boys and girls in grades 1 and 2 in the 160 targeted schools); (iii) design and delivery of supporting materials (textbooks, libraries, sports equipment) and a technological kit (computers, data-show) for 160 schools; (iv) IBE curriculum development; (v) incorporation into schools of 160 cultural advisors who facilitated the contextualization of national curricula, linked the community to the school and, most importantly, taught the students about cultural practices and traditions. Participation by cultural advisors in the schools has been one of the aspects most highly appreciated by the families, who noted significant changes in their children in valuing their own culture and an increase in their self-esteem. With respect to activities to promote cultural development and the arts, 443 projects were financed and an Indigenous Peoples' Arts and Culture Biennial was held in Santiago. The indigenous communities and their leaders highly valued both activities.
- 1.41 The following difficulties were encountered during phase I: (i) there were differences in implementation and functioning between the regions owing to difficulties in managing a large volume of resources, certain conflicts with the communities, and historical difficulties in integration with the communities; and (ii) one of the IBEP management tools (IBEP Guidelines that are established annually by the National Program Coordination Office to define specific objectives and actions for intercultural education on the national level) was changed during the 2002-2003 period. This lack of continuity in priorities hampered the evaluation of the program's educational activities.
- 1.42 Despite these difficulties, it should be noted that prior to the program's implementation the Ministry of Education's IBEP had been a proposal that was a work in progress and whose intervention had limited coverage and did not include targeted schools. Thanks to the program, the IBEP has included an intervention model that institutionalizes previous experience through the inclusion of curricular programs, Institutional Education Projects, theoretical principles, information and communications technologies, traditional educators, internships, and teacher training, among other measures, which offer the schools a high-quality, relevant IBE model.

- 1.43 The lessons learned are described below.
- 1.44 *1. The need to consider the capacity of schools in preparing the IBE curriculum.* Progress and achievements in applying the IBEP have been uneven, as not all schools had favorable conditions or the same school and pedagogical managerial capacity to advance at the same pace. During phase I, three categories of schools were identified, depending on their initial capacity to develop an IBE curriculum: (i) schools with the capacity to draw up a proposal for their own curriculum (approximately 25) and that are more advanced in IBE; (ii) schools that are able to prepare teaching materials and supporting texts and are in an intermediate situation; and (iii) schools that do not have the capacity to develop IBE initiatives (about 30). In phase II, three IBE proposals will be established, which will include the profile, objectives, and contents of a general model, IBE-specific contents and objectives adapted to each indigenous peoples, as well as proposals and contents that each school can incorporate as a specific contribution to IBE, depending on their capacity. Particular strategies will also be applied inside the schools to narrow the existing gaps between the three types of establishments, so that by the end of phase II they will all be in a similar position.
- 1.45 *2. The importance of focusing on educational activities that support fulfillment of program objectives.* In phase I, the program included a large number of activities that resulted in a dispersal of efforts. In phase II, the number of IBEP activities to be financed by the program has been pared down to those aimed at strengthening cultural identity and cultural appropriateness in schools.
- 1.46 *3. Need to coordinate the selection of beneficiary schools with the program.* During phase I, the schools that were program beneficiaries were selected by MINEDUC at the start of execution. This meant that in some cases there were beneficiary communities whose schools did not participate in the program and vice versa, which diluted efforts. In phase II, new schools will be selected jointly with the program to ensure coordination on the ground.

H. Intercultural health component

- 1.47 The objective of this component was to improve the health of the indigenous population by eliminating cultural barriers and expanding physical access to public health services. To fulfill this objective, the plan was to design, validate, and institutionalize intercultural health care models and to finance technical assistance, sensitization and training, meetings and seminars, social promotion and marketing, and investments in works.
- 1.48 The component encountered numerous execution difficulties, such as: (i) a lack of consensus between the Ministry of Health and the person in charge of this component in the program's Executive Secretariat regarding the guidelines to be followed; (ii) high turnover in that position in the secretariat (five people in four

years); (iii) a 42% budget cut; and (iv) and reorientation of strategic lines. The foregoing explains the poor performance of this component.

- 1.49 Nevertheless, the following results were obtained: (i) 4,420 health officials trained; (ii) six models for intercultural health care being designed; (iii) 255 projects for the recovery and strengthening of indigenous medicine executed; and (iv) 121 projects to improve access carried out.
- 1.50 In phase II, the number of intercultural health activities to be financed by the program has been reduced to activities aimed at consolidating an intercultural health care model and modifying practices and instruments.

I. Lessons learned about operational aspects of the program

- 1.51 *Need to establish streamlined procedures for the timely arrival of resources in the communities.* The program evaluations point to the slowness with which the program operated in the early years and the delay in resources reaching the communities. This can be explained by the initial difficulties in submitting expenditure reports to facilitate replenishment of the revolving fund. The two causes of this delay were: (i) the communities lacked technical capacity to render accounts; and (ii) the executing agency did not have the installed capacity to present accounts to the Bank's satisfaction. The following steps were taken during execution of phase I: (i) training was provided for indigenous leaders; (ii) technical assistance was provided; (iii) a purchase order mechanism was introduced that reduces the time for obtaining invoices; and (iv) the executing agency started up an online information and monitoring system that sped up processes between the coexecuting agencies, the program, and the Bank, in addition to improving management control. The problem was gradually solved and disbursements doubled in 2004 and 2005 as compared to 2003. In phase II, the purchase order mechanism will be extended to more types of projects to increase annual disbursement capacity, and the funds set aside for training for indigenous communities and leaders will be increased.

II. INTEGRAL DEVELOPMENT OF INDIGENOUS PEOPLES, PHASE II

A. Targeting the beneficiaries of phase II

- 2.1 As in phase I, the beneficiaries of phase II will continue to be families from the Aymara, Atacameño and Mapuche communities located in rural areas of Regions I, II, VIII, IX, and X, and the Quechua peoples will be added. During phase I, the targeting was territorial in nature and the program acted in 44 communes prioritized according to the established criteria at that moment, which were estimated to contain about 1,300 communities. The program was designed to serve 600 communities in phase I and the remaining 700 in phase II. During execution of phase I it became clear that the number of indigenous communities in those communes had been underestimated, as was the number of families they contained, as the studies used that referred to the number communities were based on anthropological rather than legal parameters. In fact, the universe of 83 rural indigenous communes contains 2,484 indigenous communities, and the 44 communes prioritized in phase I include 2,069 communities rather than just 1,300.⁵
- 2.2 Firstly, phase II targeting was carried out by revising the exercise that targeted the communes in phase I. An index prioritizing the communes was prepared, based on the following criteria: (i) a high concentration of indigenous population living in poverty; (ii) a high concentration of population with unmet basic needs (UBNs); and (iii) a high concentration of rural indigenous population. Phase II will be implemented by including 50 communes in the three highest priority quintiles according to the commune prioritization index.⁶ These 50 priority communes have a population of 178,074 (80% of the total rural indigenous population), poverty levels affecting more than 36% of the population (47% in the first priority decile), UBNs of over 34% (40% in the first priority decile), and contain 85.5% of all the indigenous communities in the country.

⁵ The first phase of the program assisted 645 communities from the 2,069 targeted, (just 31% of the total) which constitutes approximately 22,609 indigenous families. Therefore, to assist 100% of the targeted communities, holding true to the spirit with which the program was designed, would require assisting about 1,424 communities in the second phase, if the original list of 44 targeted communes is maintained. The Chilean government has decided to assist 1,000 communities in this second phase, while the remainder will be covered in future phases.

⁶ These 50 communes include all the communes targeted in the first phase, except for three that belong to the lowest priority quintile.

Table II-1
Total number of indigenous communities and number assisted under phase I

Region	Total No. of communities in 83 communes in Regions I, II, VIII, IX and X	Total No. of communities in the 50 communes prioritized in phase II	Total number of communities assisted in phase I	No. of communities to be assisted in phase II
Region I	142	107	38	70
Region II	30	--	13	14
Region VIII	139	123	58	80
Region IX	1,676	1,534	414	662
Region X	497	361	122	174
TOTAL	2,484	2,125	645	1,000

- 2.3 Secondly, the government decided that priority would be given in phase II to communities in those communes that also: (i) are beneficiaries of the Land and Water Fund; (ii) have participated in planning processes but have not received investment resources; and (iii) are located in Regions I, II and VIII, where the government, for reasons of economic efficiency, wishes to complete the investment cycle. This means that in a subsequent phase of the program, unserved communities in regions IX and X, where the largest number of indigenous communities are found, will be assisted.
- 2.4 The prioritization of communes and the introduction of criteria (i) to (iii) in paragraph 2.2 make it possible to fully identify only about 500 of the 1,000 communities to benefit from phase II, with the pending task of designing a transparent mechanism for selecting the remaining 500 communities—97% of which are in Region IX, with some in Region X. **Presentation to the Bank's satisfaction of a transparent procedure based on objective criteria for the selection of the 500 communities to be chosen in Regions IX and X, together with the definitive list of the beneficiary communities, will be a special condition for access to more than 50% of the funds.**

B. Objectives and description

- 2.5 The goal of the program is to improve the quality of life of rural communities of the Aymara, Atacameño, Quechua, and Mapuche peoples. The purpose is to promote development with identity of rural indigenous communities in five of the country's

regions, building up their capacity⁷ and creating more opportunities in their public spheres.⁸

- 2.6 The interventions have been structured into two subprograms to attain these objectives.

- 2.7 **Subprogram 1. Integral development of indigenous communities (US\$65.3 million).** The objective is to strengthen the human, social, cultural, natural, physical, and financial capital of indigenous communities. There are three components.

1. Component 1. Strengthening of indigenous communities and organizations (US\$18.2 million)

- 2.8 The objective is to strengthen the human and social capital of the beneficiary indigenous communities and organizations. To this end, the project will carry out participatory planning processes and strengthen communities, their leaders, and their organizations in planning, management, execution, and evaluation of development plans and projects to achieve effective representation of their interests. Two subcomponents will be financed.

- 2.9 **Subcomponent 1.1. Participatory planning (US\$11.5 million).** Participatory planning processes will be undertaken, ensuring that all the participants have the information and capacity needed for effective decision-making and process management. These participatory planning exercises should culminate in the preparation of Integral Development Plans (IDPs) which include a multiyear investment plan. The planning will follow the methodology established by the program, which will allow for comparable quality standards for the processes (see paragraph 3.5(c) and the IDP document). All costs related to the formulation and execution of the IDPs will be financed, such as: (i) hiring technical assistance providers to guide the process of preparing the plans and provide support during their execution; (ii) technical and logistical support for the Local Planning Groups to ensure their smooth operation; (iii) preparation and execution of a plan for training and strengthening indigenous communities in project planning, management, and evaluation, as well as in other areas identified by the communities during the participative diagnostic stage; (iv) specialized technical support for leaders in the detailed formulation of the profiles of projects given priority in the IDPs and advisory services to support project execution and

⁷ Strengthening community capacity refers specifically to three areas: (i) community organizational and self-management capacity; (ii) the capacity to protect and broaden their cultural heritage; and (iii) the capacity of indigenous households to generate independent income.

⁸ “More opportunities” refers to conditions created in the community’s environment, specifically in the area of public institutions and tools, with the adaptation and/or establishment of programs and regulations, as well as the linkage and integration of the IDPs with public sector planning tools.

monitoring by indigenous leaders; and (v) the operational and logistical costs of workshops and other participative events.

- 2.10 The cost of consultants' fees, transportation for participants, workshops, meetings and other events, childcare, preparation, publication and distribution of materials and inputs, rental of premises, and communications are included.

- 2.11 **Subcomponent 1.2. Organizational strengthening (US\$6.6 million).** The capacity of indigenous communities and organizations will be strengthened, to enable them to carry out development with identity processes, through three lines of action.

- a. **Broad education and training processes** for members of communities, associations, organizations, leaders, and other relevant players in the region in the following areas, among others: (i) planning, drafting, and presentation of proposals; (ii) project administration, management, monitoring, and evaluation; (iii) knowledge of government and dissemination of the supply of programs and resources offered by public and private services for local development; (iv) communications and leadership; (v) management control; (vi) establishment of social networks; (vii) political and social rights; (viii) negotiation and conflict resolution; and (ix) women's leadership and gender issues.
- b. **Support for indigenous organizations** to strengthen their capacity for linkage and negotiation with communal and regional bodies. Seminars, workshops, internships, and activities that are typical of the organizations, such as encounters and other activities (*trawün*⁹ and *collam*¹⁰) will be financed.
- c. **Self-management** to improve community and territorial infrastructure and equipment, as well as organizational development. This includes both resources to be self-managed by communities to build, equip, and repair centers, as well as meeting places for organizations, groups, leaders, and cultural agents in order to carry out activities aimed at organizational strengthening that are not included in subparagraphs (a) and (b) above. Financing for this line of action will take the form of a Local Decision Fund, which consists of money to invest in projects whose allocation is decided participatively in the Local Planning Groups.¹¹

⁹ Mapuche meeting ceremony; meeting of several communities.

¹⁰ Meeting where the history of the Mapuche is narrated.

¹¹ Several of the lines in subprogram 1 will be executed under Local Decision Funds, whose procedures will be described in the Operating Regulations.

- 2.12 The cost of consultants' fees, transportation, production of events, materials and inputs, seminars, meetings, and internships, and rehabilitation and construction of infrastructure and equipment will be financed.

2. Component 2. Cultural identity (US\$9 million)

- 2.13 The objective is to promote the appreciation, protection, and development of the cultural and natural heritage of indigenous communities from the standpoint of their own worldview, furthering its recovery, recognition, and protection by society. Projects designed to promote indigenous culture that are identified and prioritized by the communities in the IDP process will be financed. This component will be executed through Local Decision Funds, whose eligibility criteria, amounts, and procedures are described in the program's Operating Regulations.
- 2.14 The possible list of projects for the Local Decision Funds includes, among others: (i) fostering use and appreciation of native languages (Mapudungun, Aymara, Quechua); (ii) recovery and dissemination of historical memory; (iii) promotion of guidelines for indigenous education; (iv) recuperation and practice of indigenous medicine (*machi*,¹² *yatiri*¹³); (v) promotion and strengthening of indigenous rituals, ceremonies, sports, and arts (*nguillatún*,¹⁴ *palín*¹⁵); (vi) promotion and strengthening of cultural management of natural resources, including projects by families and communities to manage, recover, and conserve their natural heritage (forests and native shrubs, coastline, rivers, lakes and maritime watersheds), control of soil erosion, access to water, rainfed natural pastures, meadows, and marshes.

3. Component 3. Economic development of families and communities (US\$38 million)

- 2.15 The objective is to boost the capacity of indigenous families to earn independent income¹⁶ by improving their production systems, seeking to ensure they are consistent with the cultural and territorial vision of indigenous peoples and are environmentally sustainable. Activities to build up the assets of indigenous individuals, households, and communities will be financed to enable them to participate in economic processes by strengthening: (a) human capital, particularly for youths and women; (b) social capital (economic associations and linkage and

¹² Mapuche spiritual guide to cure illness.

¹³ Aymara spiritual leader and healer. Literally means "he who tends and protects the people."

¹⁴ Mapuche ceremony or prayer; conversation with nature.

¹⁵ Mapuche ball game.

¹⁶ Independent income is defined as per the National Socioeconomic Profile Survey (CASEN) as the series of payments received by a household as the result of its possession of factors of production. Includes wages and salaries, earnings by self-employed workers, self-supply of goods produced by the family, income, interest, pensions, and retirement funds.

relations with market agents); (c) physical and financial capital (private capital goods, public or community goods linked to economic development); and (d) sustainable businesses, ranging from individual businesses (households) to larger business associations.

2.16 Two lines of action will be financed for that purpose:

- a. **Local production-oriented projects** (US\$31.8 million). The basic economic activities of indigenous individuals and households will be strengthened. This includes subsidies for production-oriented projects involving community or inter-community investments (regardless of whether their impact is on a single family or an association) to provide food security and, eventually, to generate surpluses for sale on the market. It further includes, as decided by the participants and as part of a Local Decision Fund: (i) production-oriented investments in family and community properties; and (ii) group-based investments for production chains geared to the market, product marketing, and value added. To calculate the maximum earmarked for projects of this kind, the Operating Regulations will establish a standard amount per family, that will be the same in all the program's regions and communities.
- b. **Group-based projects and networks with comparative cultural advantages** (US\$6.2 million). Includes financing for: (i) production-oriented projects demanded by organized indigenous groups that will have an economic impact on the subnational level; these projects should be capable of generating one or more of the following: direct and indirect income, jobs, demand for raw materials or services, promotion of a climate that is favorable for the rise of other complementary economic undertakings, or attracting public or private investments to generate public benefits; also included is financing for indigenous entrepreneurial projects to develop production chains; (ii) economic activities that present comparative advantages offered exclusively by indigenous peoples, such as ethnotourism, handicrafts, native forest and protected wild areas, coastline, native medicine, and special agricultural activities; and (iii) technical advisory services for organizations and efforts to link up with existing financing instruments and others to leverage resources with the private sector, particularly in forestry and mining in the five regions where the program is implemented, creating and fostering partnerships between indigenous communities and private companies.

2.17 The Operating Regulations will establish eligibility criteria and the methodology for allocating the resources, the institutional players involved, technical assistance and training requirements, etc., for each line of action.

2.18 **Subprogram 2. Culturally pertinent public services (US\$19 million).** The objective is to contribute to the institutionalization of a model for intervention by public agencies to ensure that the supply of public services is more relevant and

suited to the sociocultural realities of indigenous communities. This objective will be achieved by: (i) adapting the intervention tools and practices of public services; and (ii) supporting initiatives for the institutionalization and sustainability of the program intervention model on the subnational level. This subprogram will have the following two components.

4. Component 4. Adaptation of public service tools and practices (US\$16 million)

2.19 The objective is to help public agencies to create or adapt their working tools (regulations, programs) and practices to serve the indigenous population in a more culturally relevant way. Two subcomponents will be financed for that purpose.

2.20 **Subcomponent 4.1. Tools (US\$14.4 million).** The adaptation and consolidation of the intervention tools used by public services will be supported, through two lines of action:

- a. **Partial financing for national programs with high impact on the quality of life of indigenous peoples.** The consolidation and/or expansion of coverage of the sector-specific and other programs in phase I will be supported, seeking to improve linkage and access by communities, households, and individuals to public institutions. Therefore, a plan will be developed to improve and integrate tools, incorporating other service areas which, in turn, will require the formulation of specific adaptation proposals. The following will be financed: (i) **Education.** The Ministry of Education's IBEP, which includes the following activities: implementation of the IBEP curriculum for grades 1 and 2 in schools located in the geographical areas targeted in phase II; continuation and expansion of work in phase-I schools by preparing and implementing the IBEP curriculum in grades 3 to 6; development and implementation of plans and programs to teach indigenous languages in schools in communities participating in both phases of the program; and development of participative projects to adapt the intercultural curriculum in schools in order to improve their IBEs. (ii) **Health.** Support will be provided for the Ministry of Health's (MINUSAL's) Special Indigenous Peoples' Health Program, by implementing complementary intercultural models in the health care networks; drafting regulatory and administrative proposals for recognition of indigenous medicine in Chile; cross-cultural training and skills improvement for officials from MINSAL and municipalities; inclusion of intercultural health issues in the university curriculum; and development of processes to encourage and have exchanges with indigenous health care practitioners. (iii) **Agriculture.** Support will be provided to implement INDAP's program for indigenous agricultural development and CONAF's Natural Resource Management Program, which includes a Mapuche Intercultural Forest Model and an Andean Intercultural Environmental Model.

- b. **Support for adjusting public services in other sectors.** The objective is to help adapt instruments in four new sectors, which could include legal services, tourism, public infrastructure, and the environment, among others. The definition of such sectors will be based on an analysis of specific demands by indigenous peoples as reflected in their IDPs. To move forward in this direction, interagency agreements will be reached whose implementation will be supported by different incentives—technical assistance, training, studies, and cofinancing of initiatives agreed to be priorities.
- 2.21 Consulting services, events planning, materials for work and dissemination, publications, inputs, workshops, seminars, internships, studies, transportation, grants, project financing, etc., will be financed.
- 2.22 **Subcomponent 4.2. Working practices (US\$1.6 million).** Adaptation of civil servants and municipal employees' working practices will be promoted, as will good practices that are culturally appropriate. This will be achieved through two lines of action:
 - a. **Support for consolidation in public institutions of good practices that take into account indigenous affairs.** The consolidation and coverage of 10 culturally appropriate good practices will be financed each year, in addition to events to disseminate them on the regional and national levels. Good practices will be selected by a committee of experts, on the basis of replicability, indigenous participation, social inclusion, effective integration, and/or cultural relevance, as defined in the program's Operating Regulations.
 - b. **Training and education for public employees and managers.** Financing will be provided for implementing and evaluating training processes for employees and managers from the public sector and municipalities, through agreements with academic institutions to start up and/or consolidate integral training programs in indigenous affairs.
- 5. Component 5. Support for initiatives for the institutionalization and sustainability of the program intervention model (US\$2.9 million)**
- 2.23 The objective is to help regional and municipal governments and public services on the local level operate in an integrated fashion in their work with indigenous communities, both locally and subnationally, fostering the inclusion of the indigenous perspective in local and regional planning tools thereby promoting the sustainability of the program, as well as appropriate coordination with structures for indigenous representation. Two lines of action are planned:
 - a. **Linkage of the IDPs with public planning tools on the communal and regional levels (US\$2.7 million).** The objective is to integrate the main content and guidelines of the IDPs prepared by indigenous communities into

the different public territorial planning tools that exist today.¹⁷ The following will be financed: (i) technical assistance for including the IDPs in public sector planning tools; (ii) preinvestment studies for projects prioritized in the IDPs that are the responsibility of municipal or regional public services, to facilitate their implementation; (iii) partial financing for some of the above projects (infrastructure, services), provided they have significant value added with respect to achieving the program's objectives.

- b. **Support for consolidating the program intervention model in national indigenous policy (US\$148,000).** The idea is to internalize the program's methodology in CONADI, as well as regional and national public agencies involved in implementing indigenous policy. Financing will be provided for technical assistance, studies, training, seminars, workshops, internships, etc., to design and implement an institutional-strengthening plan for the public institution charged with indigenous affairs and other activities to support indigenous policy on the national level, defined in a work plan. During the the program's first year, a specialized external consulting firm will perform an analysis and propose a model whereby CONADI integrates the program institutionally and uses its intervention methodology. At the end of the program, CONADI will present a proposal for an Indigenous Management Improvement Program.

C. Cost and financing

- 2.24 The estimated total cost of phase II of the program is US\$109.9 million, of which, US\$45.2 million will come from the Bank's Ordinary Capital and with the remaining US\$64.7 million from the Chilean government's counterpart contribution (see Table II-2). Administrative and operating costs account for 21.1% of the total owing to the need to decentralize activities, support the subexecuting agencies, and have field staff to assist in the planning and execution of activities and advise families in the communities themselves.

¹⁷ The main ones are: regional development strategies, preliminary regional investment plans, provincial Territorial Development Plans, Communal Development Plans, and municipal budgets.

Table II-2
Programa Orígenes. Integral Development Program for Indigenous Peoples
Estimated costs
(in US\$ thousands)

Items of Expenditure	Total	IDB contribution	Local contribution	Percent
I. Integral development of indigenous communities	65,315,971	24,856,077	40,459,894	59.4%
<i>1 Strengthening of indigenous communities and organizations</i>	18,213,951	9,975,930	8,238,021	16.6%
1.1 Participatory planning	11,574,074	6,339,215	5,234,859	10.5%
1.2 Organizational strengthening	6,639,877	3,636,715	3,003,162	6.0%
<i>2 Cultural identity</i>	9,088,515	4,977,854	4,110,661	8.3%
2.1 Promotion of cultural identity	9,088,515	4,977,854	4,110,661	8.3%
<i>3 Economic development</i>	38,013,506	9,902,293	28,111,212	34.6%
3.1 Local production-oriented projects	31,809,802	6,504,474	25,305,328	28.9%
3.2 Group and network-based projects with comparative cultural advantages	6,203,704	3,397,819	2,805,884	5.6%
II. Culturally pertinent public services	19,004,263	10,408,790	8,595,472	17.3%
<i>4. Adaptation of public service tools and practices</i>	16,078,337	8,806,237	7,272,100	14.6%
4.1 Tools*	14,467,226	7,923,818	6,543,408	13.2%
4.2 Practices	1,611,111	882,419	728,692	1.5%
<i>5. Support for initiatives for institutionalization and sustainability of the program intervention model</i>	2,925,926	1,602,554	1,323,372	2.7%
5.1 Linkage of IDPs with public planning tools on the communal and regional levels	2,777,778	1,521,412	1,256,366	2.5%
5.2 Consolidation of the program intervention model in national indigenous policy	148,148	81,142	67,006	0.1%
III Executing unit	18,139,462	9,935,132	8,204,330	16.5%
Program's operating costs	12,047,577	6,598,557	5,449,020	11.0%
Local technical coordinators	2,879,532	1,577,143	1,302,389	2.6%
Publicity	1,851,852	1,014,274	837,577	1.7%
Monitoring and evaluation	1,360,502	745,158	615,344	1.2%
Financial costs	7,440,304	0	7,440,304	6.8%
TOTAL	109,900,000	45,200,000	64,700,000	100.0%
Percentage	100%	41%	59%	

*This amount includes US\$8.2 million (7.5%) of program funds for subexecuting agencies' operational costs.

2.25 This operation qualifies as a social equity enhancing project as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704). Furthermore, it qualifies as a poverty-targeted investment, since it is aimed at the rural population living in poverty. The borrower will not be using the 10 percentage points of additional financing.

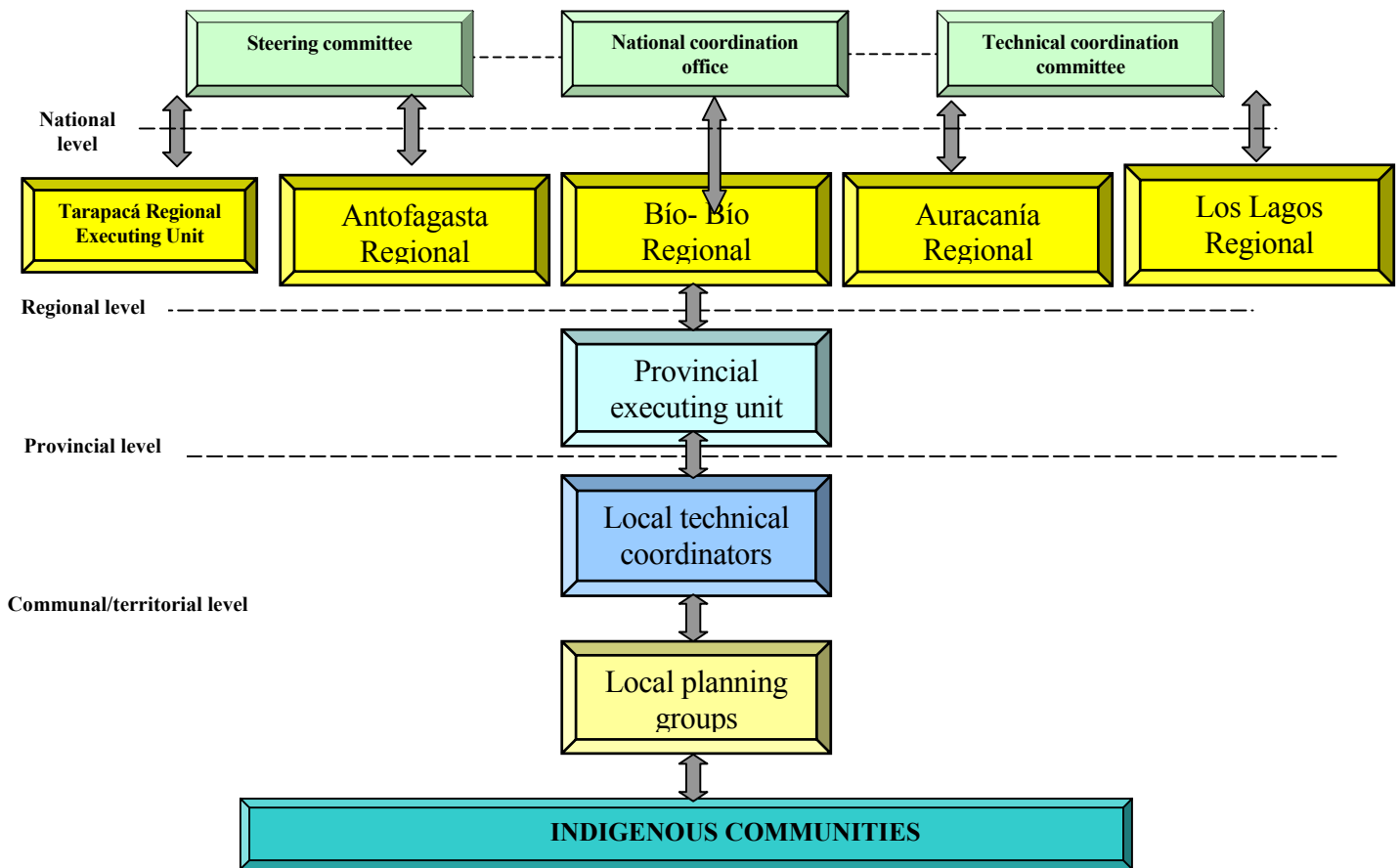
III. EXECUTION

A. Borrower and executing agency

- 3.1 The borrower is the Republic of Chile and the executing agency will be CONADI, through the National Program Coordination Office and the Regional Executing Units (REUs). Other public institutions will participate as subexecuting agencies. The main subexecuting agencies will continue to be MINEDUC, MINSAL, INDAP, and CONAF, with the latter two reporting to the Ministry of Agriculture (MINAGRI). Nevertheless, in phase II agreements may be signed with other national or regional private or public services to permit other interested government or private agencies to join in the program's efforts. Such agreements should indicate the amounts contributed to the program.
- 3.2 CONADI was established under Law 19253, which defines it as a decentralized public service, with independent legal status and its own assets responsible for promoting, coordinating, and executing government measures to promote the integral economic, social, and cultural development of indigenous communities and oversee compliance with the law.
- 3.3 In order to offer integrated services, CONADI will sign agreements with each of the subexecuting agencies, which should contain the following as a minimum: (i) commitments to fully execute the agreed activities during program execution, including, if possible, a determination of resources per year, to be provided increasingly by the agencies during execution; (ii) when applicable, commitments to coordinate on the ground by participating in the Local Planning Groups and an express statement of willingness to be involved in the program's participatory planning processes; (iii) designation of the persons responsible for fulfilling the commitments; (iv) a breakdown of execution and specific targets with time frames and associated resources for the health and education sectors, and with regard to INDAP and CONAF, a commitment to participate in the IDPs that are drafted; (v) commitments associated with the evaluation systems of the subexecuting agencies and the transfer of information to the program; (vi) procedures for accounting for funds transferred under the program, with subexecuting agencies being responsible for establishing and maintaining adequate accounting and filing systems to track program spending and investments; and (vii) commitments to operate and maintain works and equipment financed with program resources that are held by the government, in keeping with generally accepted technical standards and financing practices. **Signature of an agreement between CONADI and each of the subexecuting agencies is a condition precedent to the first disbursement.**

B. Execution scheme

- 3.4 The program execution scheme continues to be decentralized and promotes active participation by beneficiary families and communities and self-management. It also maintains the three levels established in phase I: (i) national, which is where the National Program Coordination Office, the technical coordination committee, and the program steering committee are located; (ii) regional, where the REUs are supported by a regional technical coordination committee, and Provincial Executing Units (PEUs) in regions where a large number of beneficiary communities are located (Tarapacá, Araucanía, Bío-Bío and Los Lagos); and (iii) local, composed of the Local Planning Groups and the communities, which will be the sources of proposals for interventions and where the program's actions and projects will be implemented. Adjustments in the execution scheme have been made in each of these levels, based on experience in phase I and on the current profiles of the communities and territories to be assisted in phase II. This means that there has been a redefinition of roles and functions and that there are differences in the organizational structure of each of the program's five REUs. The functions and organizational structure of each region are described in detail in the Operating Regulations. A summary of the execution plan and the main adjustments is presented in the organizational chart.



3.5 The fundamental changes in this phase as compared to the first, are:

- a. **On the central level:** (i) more coordination responsibilities as regards the National Program Coordination Office and a reduction in its role as executing agency, with administrative functions being deconcentrated in the REUs; furthermore, planning and decision-making about investments will be carried out on the local level and will not require authorization from the central level; (ii) the technical coordination committee will have a more technical and operational profile; (iii) a program steering committee is created, composed of the five REU coordinators and the national coordinator, whose mandate is to plan for activities management and coordination.
- b. **On the regional and provincial levels:** (i) more execution responsibilities for REUs, which become decentralized bodies with decision-making power over regional issues, program organization and investments, focusing their work on subnational execution of the program and its consolidation, and support and sustainability in subnational government structures (in coordination with CONADI's regional directorates); (ii) the REUs will be able to organize and coordinate the execution structure based on indigenous peoples' regional realities; (iii) the program's subnational operating structure in the provinces is strengthened, by giving the provincial executing units the responsibility of coordinating and integrating with regional public agencies. The foregoing will strengthen the support and sustainability of program objectives beyond the execution period, while making program operations more flexible and able to adapt to the situation on the ground and the ethnic groups being served.
- c. **On the communal level:** (i) the professional profiles of the technical support staff and their roles in the field to support program execution are redefined (technical coordination committees); (ii) the program's participative structure is strengthened through the establishment of the Local Planning Groups (LPGs), whose function will be to promote and bring about the necessary participation to operationalize the principles of cultural relevance, development with identity, integrality, and interagency cooperation. The LPGs are the main conduit for indigenous community participation and operations, and they coordinate the process of establishing Integral Development Plans (IDPs) and the subsequent decision-making as regards program investments and priorities. The LPGs are intended to ensure that the beneficiary communities have a venue for meeting, dialogue, planning, and negotiation, and their main responsibilities are to coordinate the activities leading to the preparation of the IDPs and facilitate social control and oversight by the beneficiary communities over program execution and achievements. The qualitative leap as compared to phase I is that the LPGs establish a clear structure for participation with functions that will allow for

all the challenges of planning as a socio-territorial practice to be fully addressed. The groups facilitate community dialogue with the program's agencies and public institutions and permit development and integration of measures to support and sustain the program's objectives.

- 3.6 This proposal for execution is intended to gradually integrate the program's structure and working methodology into CONADI's structure. The program will also be integrated into the structure of Chile's subnational governments, i.e. into the regional and municipal governments, through participation by the REU coordinators in participative regional institutional structures, such as the expanded regional cabinets or integration of the IDPs into communal planning instruments.
- 3.7 Program execution will be governed by the loan contract and the Operating Regulations and their annexes, which establish the eligibility criteria for the activities to be financed, the rules and procedures for the execution of each component and subcomponent in the program, as well as the obligations and responsibilities of the executing agency and all participating institutions. **Entry into effect of the Operating Regulations is a condition precedent to the first disbursement of the loan**

C. Bank supervision and procurement

- 3.8 Procurement of goods, services, and works and hiring of consulting services will be carried out in accordance with the Bank's procurement policies for goods and works (document GN-2349-7) and its policies for the selection and contracting of consultants financed by the IDB (document GN-2350-7).
- 3.9 On 10 January 2006, Bank Senior Management authorized a pilot project to streamline and simplify and make operations supervision procedures more flexible in Chile (document CC-6066). Consistent with the objective of extending the benefits of greater flexibility and simplification of procedures to all operations in the Chile portfolio, a formal process of risk analysis of the program was carried out, which resulted in a low risk classification in the three main categories considered (fiduciary and operational performance, development effectiveness, and social, environmental, and quality safeguards). Accordingly, it was agreed with the Chilean government that phase II of the program would have a simplified oversight mechanism and would focus on management by results.
- 3.10 The streamlining and simplification of procedures means that the relevance of expenditures will be verified in the annual work plans (AWPs), which include the Procurement Plan. The AWP will be prepared by the executing agency and approved by the Bank to allow for ongoing monitoring of operations. Cost eligibility will be approved annually by the Bank based on a review of internal controls, procurement and disbursement processes, and financial statements, to be performed by the Office of the Controller General. These reports, together with the

audited financial statements of the project, will provide the necessary information for the Bank, through its Country Office in Chile, to determine whether costs are eligible. This approach will reduce operating costs resulting from duplicated efforts, such as when documentation must be prepared for review by both the external auditors and by the Bank, based on their requirements.

3.11 *Program management planning.* The borrower, via the executing agency, commits to carrying out the program management planning based on the three complementary tools discussed below:

- a. The Project Execution Plan (PEP) will be submitted to the Bank instead of the initial report, included in the general contractual terms, as a condition precedent to the first disbursement and is to include: (i) planning of all project activities based on the critical path method during the program's entire execution period; (ii) financial planning and its link to development objectives and performance indicators or expected outcomes for each activity, as well as its associated risk level. The PEP is a program execution management tool based on results, from which the AWP is derived.
- b. The annual work plans (AWPs) will list the activities to be carried out, specifying their contribution to achieving the specific objectives of each component, as well as the expected outcomes and outputs identified in the program's logical framework. The AWPs will include: (i) a plan for selecting consultants and technical assistance providers, or their renewal based on a performance evaluation; (ii) information on the list of communities that join or that complete their activities in the period, as well as program monitoring and evaluation activities; (iii) information regarding management of program monitoring and evaluation activities; and (iv) proof that indicators regarding efficient processing of payments and program resolutions have been included in the collective targets for the five regions in which the program is executed, or in CONADI's last Management Improvement Program, and that these have been submitted to the Ministry of Finance. The AWPs are to be submitted to the Bank by 30 December of each year.
- c. The program's Procurement Plan must specify, within the framework of the AWPs, the expenses regarding works, goods and related services, as well as consulting services, that will be contracted for each program component. As regards procurement and contracting carried out by beneficiary indigenous communities, it will be sufficient to list in the Procurement Plan the name of the project and its respective cost. Procurement Plans must be presented by 30 December of each year during program execution.

3.12 The thresholds for international competitive bidding will be:

- a. for contracting works: over US\$5 million;

- b. for contracting goods and related services: over US\$350,000; and
 - c. for contracting consulting services: up to US\$500,000; the shortlist of consultants may comprise entirely national consultants.
- 3.13 Under the above-mentioned thresholds and within the thresholds for national competitive bidding established in the loan contract, the ChileCompra platform will be used for program procurements financed with loan proceeds in the following cases: (i) procurements of goods and works; (ii) procurements of goods using framework agreements through catalogues in the platform; and (iii) contracting of consulting services through competitive bidding, in accordance with Bank procedures, where if the quality and cost-based selection method based is used, the price may not count for more than 30% as a selection criterion. When the local counterpart funds are used, the local rules and procedures applicable in each case can be followed.
- 3.14 As in phase I, the communities will procure goods and hire consulting services up to a maximum amount of US\$30,000. Under exceptional circumstances, the communities may procure goods for over US\$30,000 and up to US\$250,000.
- 3.15 The executing agency has prepared and presented to the Bank a Procurement Plan that covers the first 18 months and includes estimates of contract costs, sources of financing, grouping of processes, procurement methods for each process, and the applicable procedures for Bank reviews. The executing agency will present the Bank with annual updates of the plan. The entire procurement process will be carried out in accordance with the most recent update of the Procurement Plan approved by the Bank.
- D. Terms, reimbursement and recognition of expenditures, and disbursement schedule**
- 3.16 Prior expenditures may be recognized from the local counterpart contribution for up to a maximum of US\$1.5 million, incurred after 1 July 2006, for consulting services and procurement of goods, services, and works for the two subprograms, and in the areas of publicity, monitoring and evaluation, and the executing unit. Furthermore, as of 1 July 2006, up to the equivalent of US\$1.5 million of the financial resources may be used to reimburse expenditures made under the program as regards the items described herein.
- 3.17 In accordance with document GN-2331-5 and the country financing parameters for Chile, loan proceeds can be used to finance taxes related to program expenditures, provided they do not exceed 30% of its costs.
- 3.18 The term for committing loan proceeds will be 54 months and the disbursement period for the loan will be five years, both counting from the date on which the loan contract for phase II enters into force. It is expected that the Antofagasta and Bío-

Bío regions will complete program execution, unless the parties agree to extend the term, in the first half of 2009, when the program will close in those regions and they will no longer be eligible to participate.

- 3.19 **Revolving fund.** The revolving fund for the program will be up to 10% of the loan, scaled in keeping with the program's working capital requirements and the characteristics of the expected financial flow.
- 3.20 Based on the execution plan, Table III-1 presents the tentative investment and disbursement program for loan proceeds and local counterpart for phase I.

Table III-1
Disbursement schedule

FUNDS	2006	2007	2008	2009	2010	2011	Total
IDB	0	13,674	12,238	10,063	6,513	2,712	45,200
Local	6,109	12,466	16,617	14,559	10,185	4,764	64,700
Total	6,109	26,140	28,855	24,622	16,698	7,476	109,900
%	6%	24%	26%	22%	15%	7%	100%

E. Supervision of program procurements and disbursements

- 3.21 Bank supervision of procurements and disbursements will be based on the work of the Office of the Controller General of the Republic (CGR). The CGR will submit two reports to the Bank annually, one midterm and one at the end of the year, which will include a review of disbursements, verifying the existence of documents that support expenditures and examining whether the procurements were made in accordance with the applicable rules and procedures. The Bank will determine the appropriateness of the expenditures based on the AWP's and Procurement Plans approved for each year and will subsequently determine whether the expenditures are eligible for financing from loan proceeds, based on the reports of the CGR.

F. Monitoring and evaluation

- 3.22 The executing agency will present semiannual progress reports to the Bank within 30 days after the end of each six-month period, containing information on the following aspects, among others: (i) an analysis of progress in executing each component, including cumulative progress towards achieving the outputs, objectives, and expected outcomes, and the extent of fulfillment of the targets set in the AWP; and (ii) an analysis of whether the assumptions and risks of the operation continue to be valid and whether new factors beyond the control of the executing agency have been identified that could affect the critical path of program execution.
- 3.23 The program currently has a monitoring system (MES) to be enhanced and broadened that the National Program Coordination Office will administer and coordinate. This system should: (i) continue with a decentralized structure and

- terminals in each of the REUs and the services charged with the components' execution; (ii) include information broken down by gender and ethnic group; (iii) have a financial module and a module for monitoring AWP (planning); (iv) be designed with baseline information loaded, processed, and available,¹⁸ within six months after the loan contract enters into force, so that it can be implemented in the following six months.
- 3.24 The borrower will submit to the Bank the following evaluations carried out by an independent agency: (i) a midterm program evaluation 30 months after the loan contract enters into force, with an evaluation of the outcomes of the Antofagasta and Bío-Bío regional program, results of the phase I impact assessment, as well as information on progress and fulfillment of targets and objectives in other regions where the program is active; and (ii) a final evaluation after program resources are committed, which examines attainment of logical framework indicators agreed upon with the Bank and identification of the factors contributing to success, good practices, and lessons learned during program execution. Both evaluations should document progress in gender equity. The methodology for evaluations will include a combination of quantitative and qualitative techniques (focus groups, semi-structured interviews, household surveys, satisfaction surveys, etc.) and will be highly participative. The baseline will be designed such that it will allow for longitudinal impact assessments to be performed if the government so decides in the future and therefore the evaluation sample must be sufficiently large. To measure impacts, a quasi-experimental non-equivalent control group (comparison group) design will be used if possible. **A special condition to access more than 50% of the funds will be submission of the program's baseline information to the Bank's satisfaction, along with proof that: (i) an independent agency has been selected to perform the midterm evaluation; (ii) the terms of reference drawn up for the program's final evaluation guarantee a consistent evaluation methodology.**
- 3.25 The Bank's Country Office in Chile will bear basic and technical responsibility for supervising the program and preparing the Project Performance Monitoring Report (PPMR). When the Bank considers it necessary, administration missions will be carried out to review progress in the program and decide on any necessary adjustments.
- 3.26 The Country Office in Chile will prepare a program execution oversight plan that will include: (i) support for the executing agency in project management through advisory services for the introduction and use of management tools for results-based project management; (ii) operational supervision, through meetings with the executing agency and inspection visits in the field to program sites, every two months, as a minimum (iii) opinion on procurement processes corresponding to

¹⁸ The baseline will include socioeconomic profiles of targeted families, communities, and territories and the extent of cultural relevance of tools and practices used by public agencies in delivering services.

international competitive bids and on advisory services for the executing agency on all bid processes for which it requests such services; (iv) review of whether local framework assumptions and indicators continue to be current and identification of early warnings about difficulties that could alter the critical path of execution; (v) ongoing interaction with the Project Team Leader on key aspects of program execution and coordination of administration missions.

- 3.27 During program execution and within 120 days after the end of each fiscal year, the executing agency will submit to the Bank the program's financial statements, duly audited by the CGR. The CGR will also perform midterm audits by 30 June of each year. The program's final financial statement will be presented within 120 days after the date of the last disbursement. Audits will be performed in accordance with the Bank's terms of reference (AF-400) and requirements (AF-100, AF-200, and AF-300).

G. Environmental and social considerations

- 3.28 When phase II was being prepared, environmental consulting services were hired whose conclusions show that no negative environmental impacts were found in phase I as a result of the activities financed by the program and there was compliance with environmental legislation. However, as production-oriented projects were small scale and individual, they were not subject to an environmental assessment. Furthermore, the absence of a territorial approach to planning relegated the environmental analysis to the sidelines and stood in the way of a proactive approach to the communities' environmental requirements. For phase II, environmental analyses will be conducted from the start of the participatory planning processes (in preparing the IDPs). This will make it possible to ensure that activities are promoted to recover and protect ecosystems, such as grasslands, marshes, native forests and medicinal plants, as well as the management and administration of protected areas and species, degraded soil, among others. The updated environmental procedures will be part of the program's Operating Regulations.
- 3.29 Broad consultations were held for the design of phase II, in which more than 700 indigenous leaders participated. Most of their recommendations have been included in the final design of this phase and the report on the consultation process shows that agreement exists on the features of phase II. The project team thus considers that this program is feasible from the sociocultural standpoint and complies with the Operational Policy on Indigenous Peoples (OP-765).
- 3.30 Phase I of the program did not make any major contributions to gender equity, particularly with respect to direct access to the program's investment resources or participation by women in decision-making. Therefore, in phase II, to ensure that the project promotes equal opportunities for indigenous women compared to men, the following actions have been proposed, among other measures: (i) to include a

gender mainstreaming approach in all training activities; (ii) to have an information system disaggregated by gender that allows for progress in this field to be measured; and (iii) to undertake affirmative action in favor of access by women to program resources, particularly in production-oriented projects.

H. Risk analysis

- 3.31 In addition to the formal risk analysis performed to adopt simplified oversight procedures (paragraph 3.10), during phase II preparation, the project team identified a series of environmental, sociocultural, institutional, political, fiduciary, and sustainability risks and has included specific measures to mitigate them. A table summarizing those risks and their mitigation measures is included in Annex IV.

**LOGICAL FRAMEWORK
PROGRAMA ORÍGENES, PHASE II**

Narrative summary of objectives	Objectively verifiable indicators ¹	Means of verification	Assumptions
Goal To improve the quality of life of rural communities of the Aymara, Quechua, Atacameño, and Mapuche peoples.	At least 70% of beneficiary indigenous communities have improved their quality of life as a result of participating in the program.	Satisfaction surveys Midterm and final evaluation reports	The government provides continuity and strengthens the New Deal Policy with Chile's indigenous peoples.
Purpose To promote development with identity in indigenous communities in five regions, building up their capacity ² and creating more opportunities ³ in their public context.	By the end of the program: 60% of indigenous communities improve their organizational and self-management capacity. 60% of indigenous communities strengthen their cultural heritage. 50% of indigenous households and 50% of households headed by women increase their assets and, as a result, their capacity to generate independent income. ⁴ 50% of indigenous communities have higher user satisfaction levels, with respect to the tools and practices provided by the public services associated with the program.	Program monitoring system Program execution reports Midterm and final evaluation reports Study profiling indigenous communities and households ⁵ Satisfaction surveys	The public institutions associated with the program maintain their commitment and leadership in their respective areas of work throughout phase II.

¹ The base values for calculating the expected outcomes and outputs will be obtained when the program baseline is determined. Thus, all references to increases or reductions in a given amount are with respect to the baseline measurement, unless the individual indicator specifies a different source. The period for fulfilling targets for each indicator is the end of execution of phase II, i.e. the year 2011.

² Strengthening community capacity refers specifically to three areas: community organizational and self-management capacity; the capacity to protect and enhance the cultural heritage; and the capacity of indigenous households to generate independent income.

³ More opportunities refers to conditions in the community, specifically with respect to public institutions and tools, with the adaptation and/or establishment of programs and regulations and with the linkage and integration of IDPs with public sector planning tools.

⁴ Independent income is defined as per CASEN as the series of payments received by a household as the result of its possession of factors of production. This includes wages and salaries, earnings by self-employed workers, self-supply of goods produced by the family, income, interest, pensions, and retirement funds.

⁵ This study forms part of the baseline and should be included in the midterm and final program evaluations.

Narrative summary of objectives	Objectively verifiable indicators ¹	Means of verification	Assumptions
<p>SUBPROGRAM I</p> <p>Integral development of indigenous communities</p> <p>To strengthen indigenous communities in their human, social, cultural, natural, physical, and financial capital.</p>	<p>By the end of the program:</p> <p>Increase of 10% in the level of community participation in internal decision-making, based on the participation index prepared.⁶</p> <p>Reduction of 20% in the number of communities in conflict with other communities.</p> <p>Increase of 20% in the number of people in Mapuche communities who feel they belong to a given territorial identity.</p> <p>At least 30% of indigenous representatives on the local planning groups are women.</p>	<p>Program monitoring system</p> <p>Program execution reports</p> <p>Midterm and final evaluation reports</p> <p>Study profiling indigenous communities and households</p>	<p>Indigenous representatives participate actively in the bodies that deliberate and validate the program's key processes on the local, provincial, and regional levels.</p>
<p>COMPONENT 1</p> <p>Strengthening of indigenous communities and organizations</p> <p>Indigenous communities, their leaders and organizations have greater capacity to effectively represent their interests.</p>	<p>60% of indigenous communities have higher indexes for: (i) self-management and interlocution capacity; and (ii) the quality of participation.</p>	<p>Program monitoring system</p> <p>Program execution reports</p> <p>Midterm and final evaluation reports</p>	<p>Community leaders are willing to work cooperatively in the local planning groups.</p>

⁶ Index composed of indicators for: perception regarding the extent of participation in decision-making, consideration of opinions of most members of the community, clarity on who has decision-making authority in the community, knowledge by decision-makers of what is happening in the community, clarity in the objectives behind each decision by the community.

Narrative summary of objectives	Objectively verifiable indicators ¹	Means of verification	Assumptions
<p>SUBCOMPONENT 1.1</p> <p>Participatory planning</p> <p>To carry out participatory planning processes in indigenous communities, ensuring that all participants have the information they need and the capacity for effective decision-making and process management.</p>	<p>90% of the planning units have Integral Development Plans (IDPs) formulated and validated by the community.</p> <p>90% of the planning units have prepared and executed their training plans.</p>	<p>Program monitoring system</p> <p>Program execution reports</p> <p>Midterm and final evaluation reports</p> <p>IDP reports</p> <p>Study profiling indigenous communities and families</p>	<p>Potential providers of technical assistance are available for the participatory planning of IDPs, and have the necessary capacity to perform this work.</p> <p>Technical assistance providers are interested in assimilating the program's intervention model.</p>
<p>SUBCOMPONENT 1.2</p> <p>Organizational strengthening</p> <p>To strengthen the capacity of indigenous communities and organizations to carry out development with identity processes.</p>	<p>700 indigenous community leaders have participated in program training processes.</p> <p>50 indigenous organizations have received support under the program for their internal activities and their processes of linkage and negotiation with communal and regional bodies.</p> <p>80% of self-managed projects for upgrading infrastructure and for organizational development are fully completed and delivered.</p>	<p>Program monitoring system</p> <p>Program execution reports</p> <p>Midterm and final evaluation reports</p> <p>Study profiling indigenous communities and households</p> <p>Records from training events</p>	

Narrative summary of objectives	Objectively verifiable indicators ¹	Means of verification	Assumptions
COMPONENT 2 Cultural identity To protect and strengthen the cultural and natural heritage of indigenous communities and regions.	50% of indigenous communities report higher levels of participation in traditional ceremonies. ⁷ 20% of indigenous communities report an increase in the exercise of traditional cultural practices. 80% of the projects to promote cultural and natural heritage that the local planning group allocated funds for the IDPs are fully executed and delivered.	Program monitoring system Program execution reports Midterm and final evaluation reports Study profiling indigenous communities and households Minutes of the local planning groups and IDP reports	The protection and expansion of their cultural heritage is an important focus of the communities and their leaders.
COMPONENT 3 Economic development of families and communities To boost the capacity of indigenous households to generate independent income by increasing the assets of individuals, households, and communities in order to participate in economic processes.	At least 50% of indigenous households that participate directly in the program increase their assets. At least 50% of households headed by women increase their assets. Increase of 10% in the number of individuals (households) able to participate in markets for goods and products through the direct or indirect action of the program.	Program monitoring system Program execution reports Midterm and final evaluation reports Study profiling indigenous communities and households	Indigenous families and communities are willing to undertake economic activities in networks. Private parties are available and interested in partnering with indigenous organizations.
3.1 Local production-oriented projects	At least 85% of the productive resources targeted to women are fully executed. Increase of 20% in the number of indigenous households in the beneficiary communities that have access to promotional services and support	Program monitoring system Program execution reports	

⁷ Index composed of indicators for: number of ceremonies or festivities celebrated in the community, level of participation in the ceremonies, level of exclusion from the ceremonies.

Narrative summary of objectives	Objectively verifiable indicators ¹	Means of verification	Assumptions
	from public and private agencies to increase their assets and further their economic development.	Midterm and final evaluation reports Study profiling indigenous communities and households	
3.2 Partnership-based projects and networks	At least 20 partnership-based regional projects are implemented and in operation by the end of the program. At least four networks are implemented and operating.	Program monitoring system Program execution reports Midterm and final evaluation reports	Capacity exists to select individuals with the ability to create partnerships and undertake projects that could be profitable and sustainable.
SUBPROGRAM II Culturally appropriate public services To modify practices for the provision of services and linkage with indigenous demand by public agencies (municipalities, regional governments, and public services) so that the public supply is more appropriate and suited to the sociocultural realities of indigenous communities.	By the end of the program: Increase of 20% in the satisfaction of indigenous communities and organizations as regards public services offered in the program areas, as they related to the services provided by MINEDUC, MINSAL, and MINAGRI. One proposal for a plan to improve public management in the indigenous world is developed and presented.	Satisfaction surveys Midterm and final evaluation reports State financial management information system (SIGFE), with program's module.	National and regional public authorities have the political will to participate in cross-sector coordination bodies to further the program's objectives.

Narrative summary of objectives	Objectively verifiable indicators ¹	Means of verification	Assumptions
<p>COMPONENT 4</p> <p>Adaptation of tools and practices</p> <p>To adapt public service intervention tools and practices.</p>	<p>3 intercultural health care models are implemented and operating in the health centers.</p> <p>120 schools in phase II communities apply the IBEP curriculum in grades 1 and 2.</p> <p>150 schools in phase I communities apply the IBEP curriculum in grades 3 to 6.</p> <p>270 schools in phase I and phase II communities have implemented curriculum plans and programs to teach the local indigenous language.</p>	<p>Program monitoring system</p> <p>Program execution reports</p> <p>Reports by subexecuting agencies and other public agencies</p> <p>Midterm and final evaluation reports</p> <p>Study profiling indigenous communities and households</p>	<p>Senior levels of public agencies are willing to adapt and/or strengthen their practices and tools for working with the indigenous population.</p>
<p>SUBCOMPONENT 4.1</p> <p>Tools</p> <p>To adapt and consolidate public service intervention tools in areas that greatly impact the quality of life of indigenous communities.</p>	<p>3 regulatory and administrative proposals are drafted and presented to the ministries involved for the recognition of native medicine in Chile.</p> <p>4 proposals for adapting tools in other relevant public sectors, in accordance with the requirements of the IDPs, are presented to public services.</p> <p>3,500 health workers from MINSAL and the municipalities are trained in intercultural issues.</p> <p>3 proposals to adapt the tools used by Ministry of Agriculture services are prepared and presented.</p>	<p>MINEDUC's monitoring and information system</p> <p>Ministry reports</p> <p>Document on proposals presented to the ministries</p> <p>Proposals presented to public services</p> <p>MINSAL reports, program monitoring system</p> <p>Proposals presented to MINAGRI</p>	<p>The ministries involved provide continuity and step up their work to apply and develop pertinent tools for the indigenous population.</p> <p>School supporters and teachers are willing to accept the children from families in phase II communities into IBEP.</p>

Narrative summary of objectives	Objectively verifiable indicators ¹	Means of verification	Assumptions
<p>SUBCOMPONENT 4.2</p> <p>Practices</p> <p>To adapt the practices of the public services and the municipalities.</p>	<p>At least 30 good practices for the inclusion of indigenous cultural concerns in public institutions have been systemized and selected for awards.</p> <p>500 public service and municipal employees and managers are trained in intercultural work with indigenous peoples.</p>	<p>Program monitoring system</p> <p>Records of competitions to select good practices</p> <p>Certificates awarded</p> <p>Reports on each training event</p>	<p>The call to present good practices has the expected response.</p> <p>There is interest and demand on the part of public services and municipalities to participate in training for their employees in program issues.</p>
<p>COMPONENT 5</p> <p>Support for the institutionalization and sustainability of the intervention model</p> <p>To provide support for initiatives for the institutionalization and sustainability of the program intervention model on the subnational level (municipalities, regional governments, and public services on the local level).</p>	<p>At least 20 municipalities have formulated core elements of their IDPs of their commune to be incorporated into the Communal Development Plans (PLADECOS).</p> <p>At least 50% of IDPs have preinvestment studies and are in the respective bidding process.</p> <p>At least 50% of IDPs are presented by local planning groups to territorial management units of provincial governments.</p>	<p>Local planning group minutes</p> <p>PLADECOS</p> <p>Program monitoring system</p> <p>SIGFE</p> <p>IDP reports</p> <p>Preinvestment reports</p> <p>Cooperation agreements for projects executed</p>	<p>The IDPs are prepared expeditiously for inclusion in updated PLADECOS.</p> <p>The communal authorities are interested in including IDPs in the PLADECOS.</p> <p>Resources improve the priority of IDPs in communes.</p>

INTEGRAL DEVELOPMENT PROGRAM FOR INDIGENOUS COMMUNITIES

(CH-0164)

EXECUTIVE SUMMARY

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

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

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

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

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

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

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

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

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

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

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

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

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

The Bank's country and sector strategy:

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

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

Environmental and social review:

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

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

Benefits:

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

Risks:

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

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

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

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

**Special
contractual
conditions:**

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

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

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

**Exceptions to
Bank policy:**

N/A

Procurement:

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

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

RISK TABLE
PROGRAMA ORÍGENES – PHASE II

	Risk identified	Risk category	Risk level	Mitigation measures phase II
1	Multiple subexecuting agencies (MINSAL, MINEDUC, INDAP, CONAF) do not permit horizontal linkage to ensure integral measures.	Fiduciary and institutional risks Development effectiveness risks Environmental, social, and quality safeguards	Low Moderate Moderate	<p>Interagency coordination will be formally established on the subnational rather than the national level.</p> <p>Local planning groups will be established as a mechanism to promote and facilitate dialogue between public services, communities, and the program. The groups will make participatory planning possible, contributing to greater transparency and acceptance of the program by the different players involved.</p> <p>Formal interagency coordination meetings on the technical level will be held, in which all services involved in executing this program will participate. Initially, meetings will be held monthly until the management program is consolidated, and quarterly thereafter, depending on needs and progress.</p>
2	Lack of capacity in the communities for participation and self-management.	Fiduciary and institutional risks Development effectiveness risks	Low Moderate	<p>The budget sets aside financial resources for high-quality technical assistance and permanent support for the communities (during the design stage and also during project execution).</p> <p>An integral results-based management plan will be developed. The plan links the activities classified in the critical path to the objectives, inherent risks, and outcome indicators, which are used to measure progress and impact during execution.</p>
3	The program has a deficient planning and management system (given its complexity and decentralized nature).	Fiduciary and institutional risk Development effectiveness risks	Moderate Moderate	A detailed PEP and an AWP will be prepared before execution begins. These tasks will form an integral part of the program management plan, which will be formulated at the workshop to launch the program (see also mitigation measures in point 2).

	Risk identified	Risk category	Risk level	Mitigation measures phase II
4	There are delays in establishing the monitoring and evaluation systems, and their quality is deficient.	Development effectiveness risks	Moderate	<p>Establishment of specific roles and responsibilities and technical profiles to ensure oversight of management, monitoring, and evaluation in the national coordination office and the regional executing units (REUs).</p> <p>Stipulation of a contractual condition regarding the baseline and midterm and final evaluations in order to have access to over 50% of the resources. Provision of sufficient resources to design information, monitoring, and evaluation systems suited to the scale and complexity of the program.</p> <p>As part of the critical path, the AWP's will be required to include the planning and management of monitoring and evaluation activities.</p> <p>New and improved information systems will be designed, linked to the other systems for project monitoring in MIDEPLAN and CONADI (see also mitigation measures in point 2).</p>
5	CONADI mechanisms (administrative, decision-making) interfere with the execution of the program (CONADI's regional directors will be responsible for signing program decisions and agreements, and administrative records).	<p>Fiduciary and institutional risks</p> <p>Development effectiveness risks</p> <p>Environmental, social, and quality safeguards</p>	<p>Low</p> <p>Moderate</p> <p>Moderate</p>	<p>The director of CONADI has undertaken to: (i) establish a clear division of roles and functions between CONADI employees and program officials in the field; and (ii) carry out a strategy for dissemination and ownership of the program by CONADI officials.</p> <p>The program includes: (i) the definition of a strategy for integrating its institutional structure with CONADI, so as to ensure that roles and responsibilities will be complementary; (ii) provision of funds to boost technical capacity in CONADI for reviewing program procurement documents and service contracts; (iii) inclusion of CONADI's regional directors and some of its key technical officials in the program's decision-making bodies (they will participate in the local planning groups, the committees to select goods and services, and in the process of community targeting, as a minimum); and (iv) a commitment to annually include indicators regarding efficiency in processing the program's resolutions and payments as part of CONADI's management improvement program's goals and submit such indicators to the Ministry of Finance.</p> <p>These processes will be facilitated by the results-based integral management implemented by the program (see 2).</p>

	Risk identified	Risk category	Risk level	Mitigation measures phase II
6	CONADI does not incorporate the program's intervention methodology by the end of the program.	Fiduciary and institutional risks Development effectiveness risks	Low Moderate	To assure that the knowledge and lessons learned from the program become part of institutional routines and processes after execution has ended; the program includes, as part of component 5b, consulting services to study and propose a model for institutional and methodological integration. This task will form part of the critical path to be established in the context of the program's integral management plan.
7	The decentralized execution mechanism does not allow for streamlined disbursements and accounting. There is insufficient institutional capacity in the REUs to execute the program adequately.	Fiduciary and institutional risks Development effectiveness risks	Low Moderate	Hiring procurement managers in each REU. Application of simplified procedures for operations supervision regarding eligibility of program procurements and disbursements. Clear definition of roles and functions and the professional profiles needed in the regional bureaus. The integral management plan includes a procurement plan and its costing, which will make it possible to control the course of the operation at all times, including its physical and financial progress.
8	Lack of capacity in CONADI to monitor, control, and recoup the investments to be made by different autonomous spending units that will execute investments. Geographic dispersal and large number of autonomous spending units with different fiduciary capacity makes it impossible to have streamlined cost accounting.	Fiduciary and institutional risks	Low	Clear establishment of the technical profile needed in the REUs for the management, monitoring, and evaluation processes. Financing for support staff in CONADI's regional bureaus. The Country Office holds training events for control of management by results, and procurement and disbursement procedures as part of the process towards more flexibility and simplification approved by the Bank for Chile. Establishment of an information system to monitor activities in REUs and the national program coordination office that permits rapid reporting on the performance indicators to be agreed on in the program's management system by the REUs to the central level and from there to the Bank. Establishment of clear rules but with flexibility to enter into and execute agreements with other public sector agencies.

	Risk identified	Risk category	Risk level	Mitigation measures phase II
9	Scant consideration of environmental impacts.	Environmental, social, and quality safeguards	Moderate	The methodology for preparing the integral development plans (IDPs) includes a diagnostic analysis of environmental impacts and risks. Each project will include measures to mitigate environmental impacts.
10	Mistrust between staff from public and private organizations and the indigenous peoples.	Environmental, social, and quality safeguards	Moderate	Information and education campaign on the program, its contents and expected benefits, for public and private sector officials. Training in negotiation, conflict resolution, and public services for indigenous leaders. Room in the program to finance innovations for partnerships under equitable conditions. Proposal for a planning methodology that allows for real participation by indigenous communities in setting their priorities (not choosing from a predetermined list).
11	Culture of discrimination against indigenous peoples.	Environmental, social, and quality safeguards	Moderate	Information and education campaign for public officials. Training and education for public officials in intercultural issues.
12	Political and ideological stances by the indigenous movement oppose the program.	Environmental, social, and quality safeguards		Broad process of participative consultation during project design obtains consent and agreement on the program's general lines. Participative methodology for planning the IDPs leads to consensus building and agreements on the subnational level.
13	Political interference occurs in the process of defining investment priorities on the communal or regional levels.	Development effectiveness risks Environmental, social, and quality safeguards	Moderate Moderate	Use of participatory planning processes, transparent policies, and eligibility procedures that are clear and known to everyone.
14	Weak commitment to the program by the sector-specific ministries on the central level.	Development effectiveness risks Environmental, social, and quality safeguards	Moderate Moderate	The program has framework agreements with subexecuting agencies that contain a commitment for public agencies to increase the resources they contribute.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION

Chile. Loan /OC-CH to the Republic of Chile
Program for the Integral Development of
Indigenous Peoples, Phase II

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 Chile, as Borrower, for the purpose of granting it a financing aimed at cooperating in the execution of a program for the integral development of indigenous peoples, phase II. Such financing will be in the amount of up to US\$45,200,000, from the resources of the Single Currency Facility of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.