CAMPESINO DEVELOPMENT INVESTMENT PROGRAM (PIDC)

(BO-0093)

EXECUTIVE SUMMARY

BORROWER AND GUARANTOR:	Republic of Bolivia	
EXECUTING AGENCY:	Fondo de Desarrollo Campesino [Campesino Development Fund] (FDC)	
AMOUNT AND SOURCE:	IDB:	US$12.5 million (FSO)
	Local counterpart funding:	US$22 million
	Total:	US$34.5 million
TERMS AND CONDITIONS:	Amortization period:	40 years
	Disbursement period:	4 years
	Interest rate:	1% during the grace period (10 years); 2% during subsequent years
	Inspection and supervision:	1% of the loan amount
	Credit fee:	0.50%

COUNTERPART: In order to support the local counterpart funds, the government would count on contributions from bilateral sources, which now stand at US$19.2 million, from Germany (US$7.4 million), Belgium (US$2.4 million), Japan (US$7.5 million) and other donors (US$1.9 million).

OBJECTIVES: The purpose of the program is to help alleviate rural poverty in Bolivia, promoting socioeconomic development of the campesino population with a view to making a sustainable improvement in their living conditions and income levels. The PIDC constitutes a response, based on regional and microregional strategies, to the factors limiting development. The program has been designed as a decentralized and long-term program (15 to 20 years), to be executed in several stages. This report covers the first four-year stage of the PIDC (subdivided into four annual stages). The objectives of the program are as follows:

(a) To increase the levels and quality of production and improve productivity and access to markets by both male and female small-scale farm producers.

(b) To strengthen the community's management and negotiating capacity by integrating campesino women and young people, recognizing their role in the development process and providing them with access to decision-making, services, resources and benefits of the projects to be implemented.

(c) To improve public and private institutional capacity to execute rural development projects for the beneficiary communities, so as to effectively increase the country's capacity to respond to the needs of small farmers.

DESCRIPTION:

The PIDC is intended to improve the campesinos' standard of living by including them among the targets of economic and social development aimed at increasing agricultural production and alleviating rural poverty. The program embraces regional needs in production infrastructure, extension work, marketing and technology. The PIDC is an integral program whose projects are designed to alleviate poverty by creating programs that permanently alter the capabilities of the poor. Long-term success depends on the sustainability of the programs, which can only be achieved with the active participation of the beneficiaries – men and women alike – in each of the projects. Accordingly, the cornerstone of the program is the strengthening of the grassroots organizations' capacity for action in local, regional and national centers.

The main characteristics of the program are as follows: (i) taking account of the diverse situations and the dynamic of poverty, and providing responses specific to each situation; (ii) concentration of PIDC resources within the country is based on area prioritization following seven specific criteria: degree of poverty, population density, agroecological potential, degree of development of the road infrastructure, environmental impact, energy potential, and the existence of institutions and projects; (iii) interagency coordination and free competition; (iv) concentration of efforts; (v) simple projects; (vi) beneficiary participation and inclusion of women; and (vii) environmental dimension.

The program comprises nonreimbursable financing of projects, the demand for which originates in the beneficiary campesino communities, with public and private bodies as executing agencies. The modality for execution is that of phased programming, in which execution is subdivided into clearly defined annual phases, at the end of which the program of operations

for the following phases are defined on the basis of the medium- and/or long-term program and the findings of the annual evaluation of the preceding stage. The program comprises small, simple, easily-executed projects grouped into three components: (i) Basic infrastructure: small support works for improving production levels, productivity and market access (small road works, use of water resources, infrastructure for product processing and marketing, collection centers, markets, cottage industries, small processing firms and service centers; (ii) Agrosupport: includes agricultural extension activities, revolving input funds, livestock; rebuilding of productive potential; and technical assistance to rural firms; and (iii) Institutional strengthening: through advisory services and training for the executing agency, the project executing entities, and the program's campesino beneficiary communities. The program will finance not rural credit activities but the strengthening of such activities conducted by the FDC, through financial intermediaries.

ENVIRONMENTAL CLASSIFICATION: The Environmental Management Committee, at its meeting of June 15, 1992, classified this as a Category III operation.

BENEFITS: During the four years of execution the project would directly benefit some 100,000 rural families and lay the foundations for pursuit of a long-term country strategy for attacking rural poverty; campesino women's participation in agricultural processes would receive greater recognition, and access by them to the program would be accorded priority; the management capacity of the executing agency, the project executing entities and the campesino communities would be improved and strengthened, creating solid support for the promotion of rural development in the country.

RISKS: The main risk lies in the FDC's institutional capacity to execute a complex, long-term, decentralized, demand-based program. Inadequate management by the executing agency and the project executing entities could considerably undermine the program's benefits. With a view to obviating this risk, the program includes systematic institutional strengthening of the organizations involved, strict annual planning of the projects to be financed, inclusion of organizational capacity in the annual review meetings, and specific eligibility criteria for executing entities, projects and beneficiaries.

The program provides for a high degree of decentralization and participation of the organized beneficiaries, who are the core of the rural development process financed by the PIDC. This is one of the main challenges of the program and also constitutes a risk, since placing local and regional political and trade-union leaders at the head of resource allocation and negotiation will be a complex business. In order to help the FDC conduct these negotiations for attaining the program's objectives, the intention is to use: (i) the modality of phased programming to be applied in execution of the program, ensuring that the types of project are clearly defined and technically justified, prior to initiation of each execution phase, with an evaluation at the end of each phase; (ii) criteria and standards clearly defined in the Operating Regulations; (iii) the Review Committee, which approves project selection; and (iv) training for program officers responsible for local negotiations.

There may be some uncertainty about future contributions from bilateral sources that jointly finance the program through the local counterpart. This would be avoided through effective and efficient implementation of each phase and support to the appropriate bilateral funding sources, which has been the case so far in the programming of each phase. It should be noted that the program comprises a set of mini-projects so that if there is a drop in the total amount of contributions, the entire program would not come to a halt; instead, but fewer projects would be executed.

THE BANK'S COUNTRY STRATEGY:

The aspects of the Bank's country strategy that relate to this project are those connected with alleviation of poverty through rural development. The Bank's country strategy accords priority to the social sectors and the agricultural sector, promoting the activities proposed in this program. Through global medium- and long-term solutions, the Campesino Development Investment Program caters to the country's social development plans and strategies and conforms to the general thrust of the Seventh General Increase in the Resources of the Bank in that it is directed at the low-income population and the development of women.

The PIDC is typical of a new generation of rural development projects to be fostered by the Bank. The main innovations concern: the beneficiaries (all the poor rural sectors); its organization (strengthening of a central unit, but with simultaneous decentralization

at the departmental decision-making level); participation of the civil society; introduction of the phased-programming modality over a longer time frame; the proposed mechanisms for planning, monitoring and evaluation; and the mechanisms that contribute to transparency and greater efficiency in public spending.

EXCEPTIONS TO BANK POLICY:

Execution of a program consisting of a host of small projects, such as the one proposed, calls for disbursements against a large number of service contracts, and fewer procurement operations to be conducted by the project's executing entities and beneficiaries. Since the volume of the projects envisaged suggests that a great deal of paperwork will be generated, and if each disbursement request is accompanied by a copy of all the supporting documents, the FDC will need to increase its administrative headquarters staff and duplicate in the regions the filing and administrative systems, the Bank's verification will be carried out by sampling at the executing agency's archives (see paragraph 3.39).

ALLOWABLE COSTS:

As mentioned in chapter III, program execution, (paragraph 3.41), the Government of Bolivia has requested the Bank to allow certain expenditure, in accordance with Bank policy. This expenditure chargeable to the potential IDB loan amounts to the equivalent of US$2.3 million: US$2 million from the proceeds of the Bank loan and US$300,000 from the local counterpart contribution, and cover the cost of works and the hiring of consulting firms.

I. FRAME OF REFERENCE

A. Background

1. Economic and social policy

1.1 The annual growth rate of the Bolivian gross domestic product (GDP) in 1992 was 3.4%, slightly lower than the 4.5% of 1991. Economic growth during 1992 was due to the momentum of manufacture, construction and financial services, while there was a drop in production levels of agriculture and mining. Inflation stood at 10.5% in 1992, as opposed to 14.5% in 1991. Some of the macroeconomic targets for the period 1993 to 1995 are: annual GDP growth rates of 3.5% to 4%, reduction of inflation by 1994, and perseverance with attempts to achieve a viable balance of payments.

1.2 Since 1985, under the New Economic Policy, the Government of Bolivia (GOB) has been striving to make the market economy system and private ownership of the factors of production, expediently regulated by the State, ensure competitiveness and equity. In this context, attempts are being made to reduce state participation in the productive sectors, using public investment resources for improving social and production infrastructure, increasing productivity of human resources, alleviating extreme poverty and protecting the environment. Among its priority objectives, the GOB places emphasis on increasing public investment in social programs designed to tackle the problem of poverty. Of fundamental importance are the education and health programs to which the GOB has given top priority, as well as infrastructure works to support the country's productive processes.

1.3 Bolivia's New Social Strategy for Alleviation of Poverty defines as its target groups: (i) traditional farmers, according priority to those whose social indicators fall below the national average in terms of infant mortality, female illiteracy, child malnutrition, access to basic sanitation services and productive infrastructure; (ii) the urban population connected with the informal sector engaged in activities on their own, and the microentrepreneurial units with incomes below the national average; and (iii) vulnerable groups such as the Indian population with social indicators below the national average, who are in some cases in the process of extinction, children, young people, women, the aged and families in particularly difficult straits.

1.4 The above guidelines were used to establish three national priorities within the strategy; universalization of basic education; health care; and increased productive capacity of traditional farming groups by implementing programs in support of production for men and women alike. The strategy seeks more intensive use of the work force; greater efficiency and provision of basic social services to the target groups through the reorganization of public

spending; and assistance to the more vulnerable groups. The above-mentioned social strategy for the alleviation of poverty constitutes the framework of reference for the Campesino Development Program that this project would support.

2. The Bank's country strategy

1.5 The Bank's country strategy aims to improve social conditions and increase production, focusing on the social, farming, energy and transport infrastructure sector. For agriculture, the strategy seeks to: (i) increase the productivity of resources in rural areas and improve resource management; (ii) promote better access to domestic and foreign markets; (iii) support institutional strengthening; and (iv) promote improved community organization. The Bank's strategy for the agricultural sector also involves programs of small infrastructure projects that directly support the objective of increasing the supply of commodities; technical cooperation for promoting community organization of small rural producers for the provision of communal services; and plans designed for the development of campesino women, microenterprises, and environmental protection.

1.6 The Bank's current pipeline of projects in Bolivia for 1993 accords special attention to the social sector. The present strategy for the rural sector is to alleviate poverty by supporting global medium- and long-term solutions such as the one proposed in this document.

3. IDB experience in the sector

1.7 The Bank has participated in the development of the sector with 12 loans for an amount equivalent to US$53.2 million, of which seven for the equivalent of US$35.9 million were earmarked for development of agriculture, and the remaining five for the equivalent of US$17.3 million were earmarked for livestock. These funds have contributed to cofinancing of the following operations: Livestock development in Santa Cruz/Chaco (BAB, loan 242/SF), Pig development in Chuquisaca, stages I and II (CORDECH, loans 428/SF and 612/SF), Control of rabies, foot-and-mouth disease and brucellosis (loan 464/SF), Agricultural research and extension work (loan 518/SF), Livestock development in Santa Cruz (loans 549/SF and 35/IC), Fruit and livestock development (loan 569/SF), and Agricultural development of the Bolivian Chaco (loan 579/SF). These operations were all approved prior to 1979 and have now been disbursed. Three loans for the country's agriculture sector were approved after 1980. Owing mainly to the institutional weakness of the agencies in the sector, the aforementioned operations took longer to execute than estimated in their respective loan contracts. However, with few exceptions, the stated objectives were met. In order to minimize the possibility of similar risk, the present operation includes institutional strengthening of the FDC, and the projects will also be executed by private agencies.

4. <u>International financial support</u>

1.8 Bolivia receives considerable international financial support through loans, grants and technical cooperation, amounting to approximately US$800 million. Of all external financing in 1992, 55% is estimated to have come from bilateral sources and 45% from multilateral sources. In the latter group, the main sources are the IDB, the World Bank and the Andean Development Corporation. The government's change in priorities in favor of the social sectors has been accompanied in recent years by a change in the composition of international investment resources, with an increase in allocations to those sectors (health, education and housing). There has also been an increase in resources earmarked for the rural sector, where the country's lowest-income population (campesinos) is concentrated.

1.9 The country's principal sources of bilateral aid – including loans, grants and technical cooperation – are the United States of America, Germany, Holland, Switzerland and Japan. Support for the programs promoted by these countries is aimed especially at modernizing and strengthening public sector entities, basic infrastructure, the social sectors, and alleviation of poverty. The investment program proposed in this document is considered to be extremely interesting for Germany, Belgium, Holland, Switzerland, Sweden and Japan (see paragraph 5.34).

B. <u>Rural issues</u>

1.10 The agricultural sector is fundamental to the Bolivian economy both for the high potential of its production and the size of the rural population, which represents 43% of the national population. This sector contributes 24% to the gross domestic product, employs 50% of the labor force and generates 30% of all exports as follows: soy beans 35%; coffee 35%; and other items 30%. This sector is also the main supplier of food for national consumption and 80% of raw materials for agribusiness. In the agricultural sector, the GOB is trying to increase investment in basic infrastructure works, increased production of food stamps and preserve the environment; generate employment and exports through sustained development and substitution of the inordinate cultivation of coca; improve men's and women's productivity levels; and incorporate minority ethnic groups into the national economy.

1.11 The Bolivian campesino's standard of living has not improved, owing, among other factors, to the lack of coherent policies and appropriate strategies. The agriculture sector as a whole has great potential for expansion and considerable capacity to respond to investment, since the campesino subsector accounts for 80% of the total gross value of agricultural production. For instance, virtually all potatoes, corn, quinoa, vegetables and fruit are supplied to the cities by campesino farmers.

1. Agroecological areas

1.12 Bolivia is divided into three major natural regions – the Altiplano, the valleys and the eastern lowlands. The Altiplano accounts for 22.4% of the national territory, the valleys for 15.3% and the lowlands for 62.3%. The Altiplano is inhabited by 52% of the rural population, the valleys by 26% and the tropical lowlands by 22%. Less than 3% of all the national territory is devoted to agriculture. Abut 30% is occupied by grazing land, and 51% by forests. The Environmental Summary for this program contains a detailed description of Bolivia's various agroecological areas.

1.13 A distinction must be drawn between two typical agricultural production structures in Bolivia; the traditional and the commercial. The former is located for the most part in the mountain regions, the valleys between the Andean ranges, the warm valleys and the tropical and subtropical settlements, where labor-intensive technology and low productivity prevail. Traditional agriculture produces potatoes, barley, quinoa, soft corn, vegetables, coffee, cassava and fruit trees. Sheep, *Camelidae*, and dairy cattle are also raised here and, to a lesser extent, bees.

1.14 Commercial agriculture is practiced mainly in the lowlands using mostly capital-intensive technology, as well as extensive crops (soya, bean, cotton, tropical wheat, sunflower, hard corn, and sorghum). The raising of beef cattle in the lowlands is characterized by the low productivity of the cattle and the existing natural pasture land. Dairy cattle is an important item in this area. Small livestock, particularly bees, are raised using high technology.

1.15 The coca economy has a significant impact on rural problems; it distorts the prices of labor and imports, as well as having social and environmental impacts. It contributes to migration, the effects of which, in terms of territorial occupation, are not easy to control. The area devoted to surplus cultivation of coca (50,000 hectares) has increased since 1985; however, the growth rate of new crops has fallen off in some areas in recent years. The launching of the Alternate Development Program [Programa de Desarrollo Alternativo] (PDA) to replace coca cultivation lays the basis for future campesino development actions.

2. Campesino economy

1.16 There are almost 700,000 farms in Bolivia. Of these, 70% are small non-surplus producers (all production is for self-consumption); 20% are small surplus producers; and the remaining 10% medium-sized and large producers. A small producer is one who works with his family in the fields and obtains most of his income from that occupation. Farms with a surface of five hectares or less are considered as falling within the campesino economy and represent almost 70% of the total, while occupying only 1.4% of the total surface, about

one-third of the country's farms cover less than 1 hectare, and approximately 43% just about cover 2 hectares. The basic needs of over 70% of the country's rural inhabitants are not met; this sector is considered to be poor, with 39% living in conditions of extreme poverty, with a high incidence of infant mortality, illiteracy and malnutrition.

1.17 Small farmers (surplus and non-surplus) constitute a subsector of the campesino economy and are located in the Altiplano and valleys, including the warm valleys of the subtropical region and the foothill settlements. The small non-surplus farmers do not possess sufficient productive resources to meet basic needs and supplement their income. Theirs is a single-crop or associated-crop structure, particularly in the Altiplano. Women's direct contribution is particularly significant in the areas of greatest rural poverty, since both agriculture and production for family subsistence as well as for trade and the market are largely supported by female labor.

1.18 The traditional farming areas post low productivity rates linked to phenomena of impoverishment, breakup the family unit, environmental deterioration and inappropriate use of the land, which makes it impossible for them to live solely on income from their farming activities. Sources of income outside the farm are few, so that migration is seen as a "solution". In seeking new alternatives, the families normally decide that the man should migrate temporarily of permanently. Temporary migration by men, means that women often take responsibility not only for maintaining the home, but also for the economic unit constituted by the family; but this does not exempt her from communal tasks or from hiring herself out for work. Women usually migrate to seek domestic work in the cities or to join the informal sector. At the same time, the mining crisis has sharpen the need to generate alternative sources of income in rural areas.

3. Institutions acting in rural areas

1.19 The country's new economic and social strategy calls for effective vertical and horizontal interagency coordination from the policy-making to the project-execution levels. There is a wide variety of public and private agencies involved in the rural areas.

a. Public-sector organizations

1.20 The National Economy and Planning Council [Consejo Nacional de Economía y Planificación] (CONEPLAN) and the National Social Policy Council [Consejo Nacional de Política Social] (CONAPSO) are the nation's highest governmental policy-making bodies. Both the Social Investment Fund [Fondo de Inversión Social] (FIS) and the Campesino Development Fund [Fondo de Desarrollo Campesino] (FDC) serve on both Councils. The institutional structure of Bolivia's agricultural sector is headed by the Ministry of Campesino and

Agricultural Affairs [Ministerio de Asuntos Campesinos y Agropecuarios] (MACA) which is gradually abandoning its role as program executing agency to become the sector's standard-setting body and, as such, is responsible for the formulation, direction, execution and monitoring of the country's agricultural policy.

1.21 The development funds are institutions, created in recent years, designed to raise external and domestic resources to be used for specific purposes – each different although complementary in some cases – to assist well-defined target populations. The FIS; the National Fund for Regional Development [Fondo Nacional de Desarrollo Regional] (FNDR); the National Alternative Development Fund [Fondo Nacional de Desarrollo Alternativo] (FONADAL); the National Environment Fund [Fondo Nacional Para el Medio Ambiente] (FONAMA); and the FDC. The common denominator of these funds is that none of them directly executes the projects it finances; execution is the responsibility of public and private bodies which they use and promote. Despite the number of existing funds, there has been no duplication of their activities so far. That the FDC does not duplicate the activities of the others is clear from a table showing the sectoral and physical distribution of institutional responsibilities of the development funds.

1.22 The FDC is a public law entity for promoting agricultural activity; it comes under the Office of the President of the Republic, and has legal capacity and administrative, technical and financial autonomy. The programs and projects it finances on a reimbursable and nonreimbursable basis are intended to directly benefit small farmers. The FDC seeks to integrate economic and social development, providing its target group with agrosupport infrastructure, capital, means of production, technical assistance services, and training.

1.23 The FDC acts in coordination with the aforementioned public and private institutions and specifically with the Ministry of Planning and Coordination (MPC). There is operational coordination between the FDC and the MPC. In 1991 through a short-term technical cooperation exercise (ATN/SF-3679-BO), the Bank helped the FDC to adapt its operating mechanisms (project programming, financing, execution and monitoring) to the National Public Investment System (SNIP) and to the Information System (SISIN). This coordination is being strengthened through implementation of operation 880/SF-BO, Consolidation of the National Public Investment System, approved by the Bank in 1992, the purpose of which is to expand, on a national level, management of SNIP procedures and methodologies – until recently functioning in a centralized manner in the MPC – to the CORDES, Funds and other executing entities. In consequence, the projects that comprise the program proposed in this document will be included in SNIP at all stages. SNIP's mechanism will help identify potential duplication of efforts by the various entities in the public sector.

1.24 The FDC was set up in 1989 when the Banco Agricola was closed, in order to provide financial resources to the poorer groups in Bolivia's rural areas. In 1991 the FDC ceased to make direct loans to campesinos and started operation as a second-tier financial institution, lending to intermediary credit institutions capable of analyzing and effectively monitoring the loan portfolio. In late 1992 the FDC's loan portfolio stood at approximately US$2 million, with considerable arrears on those loans. In addition to the loan portfolio, the FDC finances (on a nonreimbursable basis) execution of small rural infrastructure works. Since the FDC is the only national agency currently devoted exclusively to campesino development, it has received a great deal of support from bilateral sources (Holland, Switzerland, Sweden, Belgium, Germany and others) in the course of its development. Aside from monetary support from various sources, the FDC at present receives institutional strengthening from the German Technical Cooperation Agency (GTZ).

1.25 The Regional Development Corporations located in the nine departments of the country come under the MPC and are responsible for regional planning for the use of natural resources, and execute departmental and local programs and projects in support of agricultural production and rural development, as well as local road and basic infrastructure works. In some instances, they grant resources for the functioning of other agricultural organizations.

1.26 Among the decentralized public entities that would be involved in the proposed investment program are the Forestry Development Center; the Fisheries Development Center; the National Community Development Bureau; the Bolivian Indian Institute; the National Bureau for Control of Rabies, Foot-and-Mouth Disease and Brucellosis; the National Agrarian Reform Board; the Tarija Land Rehabilitation Executive Program; the Alternative Development Program, and the Department of Agricultural Reconversion. Also, there are two public bodies devoted to agricultural research on a national scale: the Bolivian Institute for Agricultural Technology [Instituto Boliviano de Tecnología Agropecuaria] (IBTA), which caters to the majority of the country's departments; and the Tropical Agriculture Research Center [Centro de Investigación Agrícola Tropical] (CIAT), which caters to the needs of the department of Santa Cruz.

b. <u>Private sector organizations</u>

1.27 The GOB is seeking greater participation on the part of the private sector through strengthening of the grassroots organizations by involving them in productive tasks and building up their management capacity. In the rural area there are various private organizations with which the FDC can coordinate its activities: producers' organizations formed into departmental agricultural chambers; farm cooperatives; agricultural unions; associations of producers; maternal centers; commercial institutions importing and selling

farm inputs; nongovernmental organizations and private social development institutions; and grassroots communities.

1.28 The private institutions working with the campesino sector can be divided into two groups: nongovernmental organizations (NGOs) including community grassroots organizations, cooperatives, private enterprises, foundations, professional associations, churches and welfare institutions; and private social development institutions grouped into networks with shared objectives. There are a number of networks for coordinating the nongovernmental institutions' activities. 1/ It is planned that the NGOs and IPDs alike should play a very important role in executing campesino development activities to be financed by the FDC.

C. Factors limiting rural development

1.29 There are a number of reasons for the low productivity of the agricultural sector, such as: adverse climatic conditions in the Altiplano, excessive fragmentation of land in the Altiplano and valleys; inadequate and deficient infrastructure, especially for irrigation and transport; lack of agrosupport, especially as managerial support and generation and dissemination of technology, and marketing systems which are generally subject to excessive intermediation; lack of financial savings and loan services; precarious organization of the producers for improving production; shortage of programs of instruction and technical training for skilled labor and insufficient attention to income- and job-generation outside the farm. In addition to these limitations, scant consideration is given to women's important participation in productive activities, which runs counter to campesino logic, in which all members permanently work together as agents of production.

1.30 Although all the above factors that limit rural development are important, it would be naïve to seek solutions to all of them at

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1/ Principal among these are: Unidad Nacional de Instituciones para el Trabajo de Acción Social [National Unit of Institutions for Social Action] (UNITAS) comprising 32 organizations, which administers revolving funds; the Secretariado Nacional de Pastoral Social [National Social Pastoral Secretariat] (SENAPS) consisting of 20 entities; the Asociación de Instituciones de Promoción y Educación [Association of Promotion and Education Institutions] (AIPE) with 20 entities and a lending program; the Asociación Nacional Ecuménica de Desarrollo [National Ecumenical Development Association] (ANED) with 18 bodies, devoted to agricultural financing; the Fundación para Alternativas de Desarrollo [Foundation for Development Alternatives] (FADES) with seven members, is involved in agricultural financing; the Women's Coordinating Body with 22 member entities; and the Asociación de Educación Radiofónica de Bolivia [the Bolivian Association of Education by Radio] (ERBOL) with 17 members.

the same time through a single program. In section D of this chapter, and in chapter II of this document a more detailed examination is made of previous rural development experiences and the new strategy proposed for this program. This section briefly describes three fundamental constraints on rural development in Bolivia which are of special relevance for the project proposed in this report: infrastructure, agrosupport services and credit.

1. Infrastructure

1.31 Bolivia's geographical and functional isolation is still one of the major constraints on the country's economic, political and social development. Differences of climate, topography, vegetation and soil are indicative of complicated geographical and ecological contrasts that influence the costs of rural infrastructure development.

1.32 Rural transport. Roads and transport conditions are deficient in the rural areas. Cargo and passenger costs often bear no relation to distances, but rather to the deficiencies of infrastructure and to the relative isolation. The road structure in particular is extremely fragile in some areas of the country. Lack of roads and, in many cases, lack of adequate maintenance on the few roads constructed contribute to the functional isolation of producers, especially small-scale producers. The greater the isolation the greater the dependence on transport middlemen, with the resultant adverse effect on the terms of trade.

1.33 Irrigation infrastructure. The small irrigation systems in operation are being administered and tended by the campesino communities themselves. Almost 85% of these small systems are located in the Oruro and Potosí departments, most of them with an area of under 40 hectares and totaling no more than 20% of the country's irrigated surface. A recent MACA study points up the "vast institutional and legal vacuum" in this subsector, especially the need for coordination among the institutions involved. Most irrigation farmers use primitive production methods. Modern techniques are not used for irrigation and soil management and conservation. The most pressing needs in irrigation farming concern education and training for adequate management of irrigated areas. Irrigation is one of the major priorities for campesino agriculture, usually practiced in areas where the climate makes harvesting a high-risk business. Mountain springs and groundwater offer possibilities for small-scale irrigation works in the country.

1.34 Markets. Under the law, the Municipalities are responsible for establishing and managing the markets. There are so many links in the marketing chain that both ends – producers and consumers – are adversely affected. One way of reducing it would be to increase campesino markets and storage centers. Another alternative is to provide support for campesino women, since it is they who usually conduct marketing activities.

2. Technology and marketing

1.35 The increase in farm production in Bolivia owes more to expansion of the agricultural frontier than to greater output. While CIAT and IBTA have made significant achievements in agricultural research, the results (particularly IBTA's) have not been widely circulated or adopted by small farmers. It is felt that the country does not have adequate capacity to generate technology, and is particularly weak in the transfer of knowledge that could be validated and adopted by small farmers. A number of public- and private-sector institutions have conducted agricultural extension activities; these include the development corporations, state and private universities, and nongovernmental organizations and private social development institutions.

1.36 Small farmers are confronted with considerable deficiencies in wholesale and retail marketing. The main marketing shortcomings include: lack of efficient transport systems, inadequate harvesting infrastructure, such as collection and storage centers, as well as inadequate information on price levels and supply on the markets.

3. Financial services

1.37 Together with insufficient infrastructure and technology, credit has been one of the major factors that prevent the small farmer, particularly women, from increasing production. Since most of the country's farmers do not qualify for credit, mainly because their farms are too small to be used as collateral, they have had no way of meeting the guarantee requirements or coping with the difficult and cumbersome procedure for gaining access to credit. The maximum of small farmers served by the Banco Agrícola of Bolivia was approximately 13,000 in 1984, less than 5% of all production units. At present, following the closure of the Banco Agrícola, the government's only financial instruments for small farmers are the FDC, private funds (such as FINDESA in Santa Cruz), livestock funds and other networks of nongovernmental and international bodies such as IFAD, through the development corporations.

1.38 The government has undertaken to carry out important reforms in the finance sector in order to open up new opportunities to private capital by increasing the level and efficiency of domestic and foreign investment. These objectives can be attained by improving the competitive environment of the banking system, expanding the range of borrowers and savers, doing away with interest-rate controls, improving the legal and supervisory framework of the banking and financial system, and removing the impediments to development of the capital markets. These objectives are all contained in the Program for Reform of the Financial Sector and Promotion of Private Investment (loan 628/OC-BO) approved by the Board of Executive Directors of the IDB in September 1991.

1.39 Other improvements contained in the aforementioned reform of the financial sector included the closure of the Banco Agricola, and amendment of the statutes of the FDC, making it its principal mission to finance, without obligation of repayment, the construction of small infrastructure works and provision of agrosupport and technical assistance to small farmers. In addition, the reform limits the use of proceeds of the FDC loan to: (i) acting as a second-tier financial institution channeling resources exclusively through eligible financial intermediaries; (ii) charging the participating intermediaries interest at market rates, based on the last development credit auction announced by the Central Bank; and (iii) granting financing for recovery by the FDC at its own risk, under the supervision and regulation of the Office of the Superintendent of Banks and Financial Institutions. In this context, a rural credit program needs to be successfully carried out on a gradual basis with a view to the self-sustained growth of the participating financial intermediaries through: interest rates that cover competitive costs and spreads, attractive financial products for promoting savings, backed up by a sound technical-assistance component.

1.40 The Bank's policy stipulates that support for rural lending means assigning importance to private commercial bodies, mainly by opening up possibilities for them to work with small communities. In accordance with this policy, the FDC channels its reimbursable loans through intermediary lending institutions, and encourages equipping cooperatives and other bodies to act as auxiliary financial institutions associated with their reimbursable operations.

D. The Campesino Development Investment Program (PIDC)

1.41 The situation described in this framework of reference points up the difficulties confronting the rural sector in its attempts to boost its development, and the main successes and failures of the country's early experiences to promote rural development. This information evidences the enormous importance of rural sector development in the process of Bolivia's economic and social development, and explains the high priority that the government assigns to development of the sector.

1.42 Since 1952, the country has been implementing a succession of policies geared to rural development and settlement of the problem of rural poverty. They include two broad lines of action: the first, designed to reduce inequalities of access to land, and the second, geared to implementing policies for improving the conditions of production and the welfare of rural farming families by providing services, primarily of health care. Instead of attacking the causes of poverty, these policies sought to alleviate poverty in itself. The results were unsatisfactory, mainly owing to duplication of efforts and the lack of a definite policy and a strategy of action for rural development. These early experiences were paternalistic and aid-oriented, with minimal beneficiary participation,

particularly that of women. At the same time, although the amounts allocated for each project were high, there was no guarantee of follow-up nor any technical assistance for their appropriate use. In recent years, the regional development corporations have put in place a series of projects to cater in some way to rural development, some of which have a microregional focus. However, the target population was not the country's poorer farmers, but those that already had some capacity for the systematic generation of surpluses.

1.43 The New Social Strategy mentioned above suggests a radical change in this direction and seeks to attack the causes of poverty, promoting efficient use of available resources through a clear definition of the priority target groups and proper interagency coordination. The main focus of the strategy is to integrate economic and social aspects with emphasis on developing human capital and avoiding aid-oriented approaches. With this in view, the rural sector is given priority, since the growth of the agricultural sector will contribute to both the reduction of rural poverty and the country's economic growth. Not only does increased agricultural production mean greater income and therefore a better quality of life for farmers, it will also benefit disadvantaged urban groups who will be able to improve their real income through access to cheaper commodities.

1.44 In view of the poverty being experienced by the campesino subsector and the aforementioned rural development experiments, there is need of an investment program that would help alleviate poverty and boost potential for the rural sector's economic and social development. Accordingly, the FDC has prepared the Campesino Development Investment Program (PIDC), financing for which was requested from the Bank through note DIFEM/413/92 of March 6, 1992, from the MPC, which drew attention to the high priority accorded it by the government. This program is part of the New Social Strategy and is defined as an instrument for applying the rural development strategy focusing on the poorer sectors. The PIDC of the FDC is complementing governmental efforts with that of other Funds existing in the country, such as the Social Investment Fund, the Regional Development Fund, and the Alternative Development Fund.

II. THE PROGRAM

2.1 PIDC is intended to respond to the constraints on rural development as analyzed in the framework of reference for this document. The program is based on regional and microregional rural development strategies that attack the causes of poverty. For this purpose, the PIDC has been devised as a decentralized, long-term strategy (15 to 20 years), and the specific objective of this project is to finance the first four years of the program.

A. Characteristics

2.2 **Target population.** The program activities are designed for the poor rural sectors, which represent over 70% of the total rural population estimated at more than 3 million. Almost 40% of that population live in conditions of extreme poverty (UNDP, 1988. Poverty in Bolivia) which accounts for more than a million people. This target population is heterogenous, owing to their economic, social, ethnic and cultural characteristics. There are also differences in their family composition, division of labor between the genders and the importance and nature of complementary activities outside the farm. Based on the socioeconomic evaluation of the program, at a conservative estimate, the PIDC would directly benefit some 100,000 families in the first four years. The number of beneficiaries in the first year of PIDC execution is estimated at 24,000.

2.3 In socioeconomic terms, there are five different categories of PIDC beneficiaries within the program's target population: (a) below subsistence: very poor farmers and rural wage earners whose income does not even allow them to cover the family's food needs; (b) subsistence: poor farmers with sufficient income to meet their food requirements, but who cannot improve their living conditions (education, health, housing, etc.); (c) stagnating: middle-income farmers whose minimum living conditions are assured, but without the capacity to grow and accumulate; (d) surplus farmers; and (e) Indian groups that use traditional practices in agriculture, pasturing and harvesting, and who largely maintain their ancestral community customs.

2.4 The program takes account of these groups' sociocultural heterogeneity, their varying situations of poverty and their dynamism, implementing projects with different solutions depending on the beneficiaries' needs, characteristics and potential; the idea is to provide productive responses both outside and inside the farm unit. In some instances, the plan is to improve conditions for preparation for work in the urban areas. The Program seeks to provide appropriate responses to the constraints on rural development defined in the framework of reference, by taking into account the actions of other institutions involved in the problems of rural

poverty in the country. The role of rural women will be given specific attention in view of the importance of their work in agricultural decision-making and production.

2.5 **Balanced distribution of resources in the country.** Geographical areas and beneficiary groups for priority attention in each of the country's departments have been selected, having regard to their degree of poverty, productive potential or agroecological level, population density and other characteristics. The PIDC is not geographically limited to specific regions, but may progressively embrace the entire national territory starting with those regions initially selected in each Department.

2.6 The FDC accorded priority to the various areas on the basis of a detailed study prepared by the Fund in 1992, using seven criteria: (i) degree of poverty; (ii) population density; (iii) agroecological potential; (iv) level of road infrastructure development; (v) environmental impact; (vi) energy potential; and (vii) presence of institutions and projects. Based on this analysis, 62 provinces were accorded priority throughout the national territory and the PIDC activities will be concentrated there (see map included in this document).

2.7 **Interagency coordination and free competition.** The FDC shares in the mechanisms for coordinating rural development policy in Bolivia. It works with the FIS, FDR, FDA and other public and private organizations. It seeks to achieve rational use of resources by complementing each other's provision of basic agrosupport services, and in building the necessary infrastructure, making optimum use of existing public and private institutions. To this end, the FDC will act in liaison with the development corporations operating in the Departments, which concentrate on information on public and private action and the rural sector, and with other institutions working in rural areas. The PIDC aims to expand institutional provision of services for executing rural development projects through mechanisms of free competition among eligible public and private executing entities.

2.8 **Concentration of efforts.** The PIDC applies the principle whereby integral analysis of rural problems is kept separate from multiple simultaneous actions; on the contrary, integral analysis must serve to concentrate efforts where they can produce the best results. Based on integral microregional studies, key areas of action are identified, i.e. projects with greatest multiplier effects taking account of the communities' execution and learning capacity. Some of these problems are usually resolved by other entities (modernization, health, education), and here the FDC serves as a channel of communication to the specialized organizations to help meet the communities' needs. The PIDC will concentrate its efforts on resolving problems that most directly affect the rural economy, such as infrastructure, agrosupport and institutional strengthening.

2.9 **Simple projects.** The PIDC establishes flexible, simple and broadly participatory mechanisms and procedures for identifying, selecting, formulating, evaluating and approving productive and viable agricultural development projects that would increase the campesinos' material and social assets. These are described in the appendices contained in Annex III-1 (Operating Regulations) to this proposal.

2.10 **The beneficiaries: central actors in the program.** Demand for projects originates in the beneficiary community itself through consultation mechanisms. The PIDC establishes mechanisms that make for broad participation on the part of the rural beneficiary communities in identification, selection, formulation, execution and evaluation of the projects to be carried out. Also, it seeks direct support for organizing those communities to promote solidarity and self-management in development. It includes the beneficiaries' participation in the operation and subsequent maintenance of works resulting from the projects. In consultation with the communities, the FDC will lend its technical skill for assessing demand. The microregional planning workshops will serve as a framework for this exchange between the community and the FDC. Training in simple planning techniques will help strengthen the communities' management and negotiation capacity.

2.11 **Integration of rural women.** The PIDC contributes to activities in support of greater and more equitable participation of rural women and youth in productive projects and processes. Given rural women's important role in family economics, the projects to be financed by the PIDC would take their situation and specific problems into account, both at the planning stage and in execution and evaluation. The PIDC's strategy is to improve the socioeconomic conditions of rural families by supporting productive activities traditionally carried out by women, with a view to not only increasing food production, but improving the standard of living through access to land, credit and technical assistance, and supporting their organized participation in projects that generate jobs and income.

2.12 Integration of women will be achieved through: (i) projects for the transfer of technology appropriate to their situation; (ii) training and technical-assistance projects in those productive activities in which they are traditionally involved, taking account of their time restrictions, sociocultural aspects and their workload; and (iii) basic infrastructure projects: microirrigation, roads and bridges, in an attempt to alleviate their extremely onerous tasks. The appropriate conditions and procedures established are summarized in Appendices 2-6. 2/

2/ The Appendices to the Operating Regulations (1-8) are kept in the PRA/AGS archives.

2.13 In this program integration of women is viewed as an integral aim, in that there will be no tasks exclusive to women, but rather mechanisms for each stage of the project cycle for facilitating and promoting the participation of women. In an effort to bring these mechanisms about, there are plans for institutional activities such as appointing a specialist to the technical coordination office and assigning related functions to the PIDC program officers. However, it is imperative that the program finance projects in activities where women's participation is prominent. For instance, the revolving funds for livestock and inputs, activities for breeding and developing *Camelidae* and derived products, markets, cottage industry, agrosupport and in particular training activities. These activities are part of the proposed program and are described in the following chapter.

2.14 **Integration of the environmental dimension.** Sustainable development of the factors of production available for rural economies in the country's various ecosystems will be achieved if they are better managed. Projects will be selected in accordance with the environmental procedures included in the Environmental Summary. At the same time, the PIDC will support projects for land-recovery and proper management and use of renewable natural resources. The FDC's actions in this area will be based on agreements signed with the National Environment Fund, the National Environment Secretariat and the Forestry Development Center. Also, simple solutions will be sought for technological problems of farm production detected in the various regions of the country, but in the context of defense of the ecosystem and soil recovery (see Appendix 4). 3/

B. Objectives

2.15 The purpose of the program is to bring about the reduction of rural poverty in Bolivia, by promoting the rural families' socioeconomic development in order to achieve a sustainable improvement in their living conditions and income levels. The main objective of the PIDC, with a time target of 15 to 20 years, is to reduce rural poverty; the following will be undertaken to this end:

a. Increasing levels and quality of production and improving small male and female farmers' productivity and access to markets.

b. Strengthening the community's negotiation and management capacity, including rural women and youth, and acknowledging their role in the development process and providing them with access to decision-making, services, resources and benefits of the programs to be implemented.

3/ The Appendices to the Operating Regulations (1-8) are kept in the PRA/AGS archives.

c. Improving the capacity of public and private agencies involved in executing rural development projects, linked to the beneficiary communities, so as to efficiently increase the country's capacity to respond to the small farmers' needs.

2.16 In order to determine the degree of achievement of these objectives and, consequently, the impact of the program, an evaluation will be made of the performance of socioeconomic variables, if possible broken down according to sex. The variables for evaluating project and program impact are described in the planning, monitoring and evaluation system (Annex III-1).

C. Description

2.17 The foregoing information will be used to identify and select a wide range of projects and services, which comprise three components, according to their objectives and basic characteristics: **infrastructure, agrosupport and institutional strengthening.** *All projects under the PIDC are nonreimbursable.* The program does not include resources for FDC lending activities, but for strengthening them, as described in section 3 of this chapter.

1. Infrastructure component

2.18 This component seeks to strengthen the infrastructure in support of the farming economy's productive processes so as to improve their levels of production and productivity and access to markets for their products. Basically, it consists of rehabilitation, improvement and construction projects for: rural roads, road and pedestrian bridges, communal irrigation centers, communal collection and marketing centers, craft industries, and other minor works such as lagoons and protective barriers. There are no plans, at least at this stage of the PIDC, for even partial recovery of investment costs, but there is an apparatus for collecting funds for financing adequate maintenance of the works. This source may or may not be supplemented with contributions from the responsible public entity (CORDES), depending on the nature of the work and whether it is public (roads) or private (irrigation). The communities will participate in the execution, operation and subsequent maintenance of the project works. These are described in more detail below.

2.19 **Road works.** For rural roads, with the exception of the low-lying areas, the works are already in existence, and do not form part of the scheduled network; they link one production area to another similar or better road, permitting traffic of products and people to at least one important provincial consumption center. Owing to deficient design and/or execution, or lack of proper maintenance, these roads have so deteriorated that they are no longer usable. The intention is to rehabilitate or improve them to guarantee access to them by motor vehicles year long as far as possible. The required technical standards are lower than those used by the SNC,

since they are only expected to take a few vehicles a day, with the possible exception of holidays. The recommendation is to concentrate on rehabilitating the "black spots" that make access precarious, without attempting to renovate the entire road. However, special attention will be given to requirements of drainage and stability of the side slopes in mountainous areas.

2.20 In the case of **masonry structures** (bridges) these are of wood, mixed stonework and wood, or reinforced concrete, depending on conditions (light and traffic); these are generally new works the purpose of which is also to extend the period during which these roads can be used for transport of farm products and people from remote communities.

2.21 **Water management (irrigation and drainage) for agricultural purposes.** The works in the Altiplano and the valleys usually already exist and, either through deficient design and/or execution, or lack of adequate maintenance, have deteriorated or lead to underutilized productive potential. The idea is to rehabilitate or improve them in order to make optimum use of water and soil resources. In terms of infrastructure, this usually means a permanent standpipe, reducing water loss by resurfacing conduits where such work is justified, and construction of compensation reservoirs and minor structures that would improve distribution to consumers. This would help increase the surface that can be rationally irrigated, that is, with appropriate quantities and cycles.

2.22 **Infrastructure for processing and marketing of farm products and for rural services.** This subcomponent responds to the need to take advantage of opportunities for added value on production in rural areas and diversifying job and income sources; it also includes construction of collection centers, markets, cottage industry premises, small processing firms and service centers. These activities will generally be combined with activities in support of (micro) business management financed under the agrosupport component.

2. Agrosupport component

2.23 This component will support the productive activities of farmers living in the more depressed areas of the country but who have adequate productive potential. The component includes the following project types: agricultural technical assistance, revolving input fund, revolving livestock fund and reconstruction of production potential consisting of microbasin and agroforestry management. This component is the very essence of the program since it deals directly with grassroots organizations, provides them with technical assistance and trains them to make better use of program resources.

2.24 The program will finance **agricultural technical-assistance** projects that will include activities relating to adaptation and transfer of

technology generated by the country's public and private research institutions. This process will benefit from active participation of the beneficiaries and executing entities. The technical assistance will be geared to promoting the use of improved seed strains, adequate soil- and water-resource management, pest and disease control, and appropriate use of agrochemicals. It also includes training for extension workers and equipping producers to use techniques that would make for improved production and productivity. To these activities will be added execution of a project on information about prices and markets in order to strengthen marketing processes and reduce intermediation.

2.25 The component includes financing of **revolving funds**. The resources provided by the FDC to establish the revolving funds will not be reimbursed to the FDC, but to the beneficiary communities themselves, who will share responsibility for managing the funds with support from the executing entities. Activities to be supported with these funds must be economically, socially, environmentally and technically feasible. This activity constitutes a preparation phase for access to lending programs. Care must be taken to avoid concentrating these activities, respecting the geographical distribution of the program as a whole. No more than 5% of the total amount earmarked for revolving funds at each stage may be devoted to the same community (see Operation of revolving funds, chapter III, section F).

2.26 The **revolving input fund** will provide seeds, fertilizers, pesticides and other inputs with support of the technical assistance and training provided by extension workers. The inputs should be returned at harvest time, in an amount equivalent to the restocking value (Annex III-1). The input funds should not be seen as a short-term activity for resolving problems caused by natural disasters; on the contrary, it should be viewed as a means of establishing a mechanism to support the productive activities of the farmers that are the program's targets.

2.27 The **revolving livestock fund** will deliver to each beneficiary one or more pregnant animals of improved breed, in order to increase production in depressed areas of the country that have the potential for production and sale of meat, milk and dairy products, sheep, *Camelidae* and others. The producer will have access to the revolving fund as part of an organized group, and receive, in addition to cattle, inputs for production of fodder and chemotherapeutic products for disease control. The producers will give back the first offspring plus an amount equivalent to the inputs received, at restocking value.

2.28 The projects for **recovery of production potential** include projects for communal management of microbasins and agroforestry. The main objectives of these projects are: (a) to contribute to the management of microbasins that provide water for irrigation, rural water

supply systems and other uses; (b) to recover soil and vegetation with community participation in critical deteriorating areas, by afforestation with multiple-purpose native and exotic species geared to fodder production, building up nitrogen in the soil, wind breakers, and fuel wood production; and (c) to improve production of small farmers whose farms are located within microbasins, by applying soil conservation practices and agroforestry. These projects include technical-assistance activities for training and organizing the beneficiary communities.

2.29 This component also includes **technical-assistance projects for rural microenterprise.** These could be devoted to services (rural taxis, tourism, highway maintenance), and processing of agricultural products. One example is cottage industry. Cottage industry in rural villages is a normally female tradition for using existing raw materials, and is geared not only to family consumption, but also to generating income that could be quite high. Cottage industries give maternal centers and community associations and groups access to proper facilities for improving conditions for organized labor, and recovering traditional techniques and practices.

3. Institutional strengthening component

2.30 This component develops the capacity and operational efficiency of the FDC, the executing entities and the PIDC beneficiaries. Its aim is to help public and private executing entities, as well as the PIDC beneficiary communities, improve their capacity to participate at the various operating levels of the aforementioned projects, and provide them with the necessary logistical support. Since the fund works with groups of small farmers, it is vital to help train and consolidate communities, "ayllus", councils, grassroots organizations, farmers' associations, maternal centers, cooperatives, settlements and other forms of association to strengthen their capacity for interaction with the FDC so that they can manage and direct their own development. Appendix 5(c) 4/ describes in detail the formulation of projects under this component.

2.31 **Strengthening of the beneficiary communities** boosts their capacity for organization and management at the project identification, formulation and execution and management stages. This means supporting organizational aspects based on traditional systems that would encourage self-management: training for leaders and communities as a whole in identification, execution and evaluation of development projects for integrating women and preserving natural-resource production capacity.

4/ The Appendices to the Operating Regulations (1-8) are kept in the PRA/AGS archives.

2.32 Strengthening of the executing entities involves boosting their capacity to work with communities so that they participate meaningfully in the different project phases. It will also develop those entities' management capacity through specialized courses, workshops, seminars, visits to other projects and so on. Special emphasis is given to strengthening the executing entities' capacity to identify and formulate projects with broad community participation and integration of women.

2.33 Strengthening of the FDC covers two areas: nonreimbursable operations, and reimbursable operations (credit). Strengthening of the FDC for nonreimbursable operations involves support for organization, and administrative and accounting procedures, for which the appropriate consulting firms have been hired with GTZ resources. Their terms of reference appear in Appendix 5(C). 5/ Investments made shall be allowable under previous expenditure charged to the financing (see paragraph 3.41). There are also plans to purchase vehicles for departmental program officials. Bearing in mind the multiplicity of projects and total decentralization of PIDC execution, another component of FDC strengthening is a plan to disseminate nationwide the program's objectives and methodologies and the apparatus for its execution. This will be done via the print media, radio and television, and workshops (see Appendix 5(A)). 5/

2.34 The PIDC does not include lending activities, but rather institutional strengthening of the FDC in its execution of those activities. The FDC has been fulfilling a dual role in financing nonreimbursable projects and providing credit that has to be repaid. In addition to the reforms in the FDC's lending activities (second-tier agency among others) through the Program for Reform of the Financial Sector referred to in chapter 1 of this document, several actions are called for to strengthen the FDC's lending capacity. In principle, the organization, financing and accounting of the lending activities must be separated from all other FDC activities. Lending activities will be conducted by its own staff and have clearly established rules and procedures. Appendix 5(B) contains a detailed description of the strengthening of the FDC lending operations.

2.35 Since rural credit needs are not met in the FDC program's beneficiary areas, consideration will be given to ways in which the FDC can promote and provide services to other intermediary financing agencies for the self-sustainable and continuous development of those services in rural areas, in order to find possible solutions that provide financial savings and loan services to small-scale Bolivian farmers. This assistance would be given to selected NGOs, financial cooperatives, community banks, financial institutions and commercial banks, duly qualified as IFIs. This project will pro-

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5/ The Appendices to the Operating Regulations (1-8) are kept in the PRA/AGS archives.

vide assistance to the Office of the Superintendent in determining FDC clients' financial situation and obtaining a better grasp of each client's particular problems. Like the commercial banks, the FDC and its borrowers will provide financial support to the Office of the Superintendent to cover supervision costs.

2.36 The FDC's activities for promoting and providing services to financial bodies will be supported with technical assistance (see Appendices 5(B) and 5(C)). 6/ This will consist of analysis of existing information on: credit needs, women's access to credit, alternatives to direct credit, savings, legal procedures, role of the public sector, informal institutions, other related services, and institutional strengthening needs. Also, as part of the proposed technical assistance a pilot project will be carried out to discover how best to improve access to financial services.

D. Sizing, cost and financing

2.37 The Bank, as coordinator of support to the FDC, will prepare and finance the PIDC so that strengthening of the FDC and the experience gleaned in the execution of this program should act as a catalyst and facilitate participation of new donors in its financing, as well as continued contributions by those already supporting the FDC. The PIDC will help to establish an operating service that would serve as a basis for financing the long-term strategy for attacking rural poverty.

2.38 In sizing the PIDC in terms of its geographical coverage, targets, schedules of work and costs, account has been taken of an existing inventory of possible projects under each of the program components as well as local contribution capacity through assistance from bilateral organizations (see paragraph 5.34). Also, execution capacity has been estimated on the basis of existing institutional assistance in the various regions of the country. Lastly, global targets and their overall costs were sized on the basis of the FDC's estimated management capacity for allocating the necessary financial resources.

2.39 The total cost of the PIDC would be equivalent to US$34.5 million. Table II-1 gives the total cost of the program and its components. The program would be financed by the Bank and the Government of Bolivia, through contributions from the National Treasury and donor countries (see proposed resolution). Table II-2 contains a summary of the costs according to the types of project in each component for the first stage of the PIDC. Annex II-1 lists the projects to be included in this stage, and contains an evaluation of them. The executing agency will submit the operating plan for the first year

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6/ The Appendices to the Operating Regulations (1-8) are kept in the PRA/AGS archives.

of program execution, in accordance with the terms agreed upon with the Bank (see proposed Resolution).

Table II-1
Estimated total sizing (4 years) of the PIDC by component and funding source
(US$000)

Component	Funding source			
	IDB	LOCAL	TOTAL	% TOTAL
Infrastructure	5,710	9,380	15,090	43.7
Agrosupport	2,568	3,709	6,277	18.2
Institutional strengthening	1,891	3,109	5,000	14.5
Vehicles	150	0	150	0.4
Administration	0	2,620	2,620	7.6
SUBTOTAL	10,319	18,818	29,137	84.4
UNALLOCATED	1,811	3,113	4,924	14.3
Contingencies	1,031	1,881	2,912	8.4
Cost escalation	780	1,232	2,012	5.9
FINANCIAL COSTS	370	690	439	1.3
Interest	245	0	245	0.7
Credit fee	0	69	69	0.2
Inspection and supervision	125	0	125	0.4
TOTAL	12,500	22,000	34,500	100.0
Percentage	36	64	100.0	

2.40 The program would be executed in four annual stages, following the phased-programming model explained in the following chapter. The PIDC was sized on the basis of an initial assessment of actual project demand. Unlike traditional rural development projects, the PIDC does not set rigid targets for projects, components or amounts. The size is determined at each execution stage on the basis of effective demand. This operating flexibility combines with the ability to incorporate, modify or eliminate project components or types during execution. The regions or areas to be served at each stage of the program are similarly flexible. Since each stage may require financing for projects not planned at the beginning of the phase, it may be possible to finance an additional 15% of the infrastructure component subtotal and 5% of the agroproduction component subtotal for projects that may be identified, evaluated and executed during each phase.

Table II-2 Sizing of the first phase of the PIDC (US$000)				
Components	IDB	LOCAL	TOTAL	% TOTAL
INFRASTRUCTURE	1,705	3,384	5,089	48.7
Road works			2,313	
Water-resource management			1,351	
Processing and marketing			761	
Other projects (15% of subtotal)			664	
AGROSUPPORT	528	1,590	2,118	20.3
Technical assistance			255	
Revolving input funds			725	
Revolving livestock funds			746	
Reconstruction of production potential			291	
Other projects (5% of subtotal)			101	
INSTITUTIONAL STRENGTHENING	486	964	1,450	13.9
Beneficiary communities			350	
Executing entities			468	
FDC			632	
Vehicles	150	0	150	1.4
ADMINISTRATION	0	655	655	6.2
SUBTOTAL	2,869	6,593	9,462	90.5
UNALLOCATED	287	659	946	9.0
Contingencies	287	659	946	
Cost escalation	0	0	0	
FINANCIAL COSTS	47	0	47	0.5
Interest	16	0	16	
Credit fee	0	0	0	
Inspection and supervision	31	0	31	
TOTAL	3,203	7,252	10,455	100
Percentage	31	69	100	

2.41 It should be pointed out that the PIDC projects are for a small amount and short-term execution. In view of the characteristics and previous experience of the FDC and the executing entities, and current demand of projects to be financed, the first phase focuses on the infrastructure component. Annex II-1 contains a list of the eligible FDC projects that will comprise the first phase. The agrosupport component is expected to assume greatest importance as the program expands.

E. Technical file of the project

2.42 The background information, statistics and technical analyses (prepared through PPF) used in preparation of this document and its annexes are held in the Agriculture Division of the Project Analysis Department. The file also contains the socioeconomic evaluation which spells out the methodology and data used in the cost/benefit analysis, as well as the Environmental Summary of the PIDC.

III. PROGRAM EXECUTION

A. The program cycle

3.1 The PIDC will be implemented based on the "phased-programming" procedure in which program execution is divided into clearly defined annual stages, at the conclusion of which the operating program for subsequent stages is established, taking into account the medium and/or long-term program and the annual evaluation report on the previous stage. This model is a variation on other project execution models employed by the Bank (i.e. time-slice and multiple works) tailored to rural development projects. Phased programming provides for flexible operations programming and allows for adjustments in program goals during the execution process according to achievements in previous stages. This feature is especially important in the development period, which requires a certain amount of lead time for the adaptation and strengthening of institutional and operating mechanisms for program execution, both in the FDC and in executing entities. This adaptation process is also important for program beneficiaries, whose involvement as important vehicles and facilitators of rural development also requires a preliminary learning process. A phased-programming approach allows greater emphasis to be placed on operating problems and on identifying changes for improving program execution throughout the various stages.

3.2 The phased-programming approach is used in cases where the complexity of corresponding problems hinders ex ante planning and final preparation of the program as a whole. These conditions require that the operation be designed with heightened emphasis on adjustment throughout the life of the program, facilitating its incremental design and improving its execution mechanism. This model represents a new rural development strategy developed by PRA/AGR in 1992 ("Combating rural poverty in Latin America: a new strategy for rural development").

3.3 Regular reviews of the operating program imply a willingness on the part of the government to allow the Bank to periodically evaluate: (i) the compatibility of PIDC objectives and strategies with macro-policy in the rural development area, including the quality of coordination among different agencies operating in rural areas and the sustainability of ongoing activities; and (ii) the compatibility of projects scheduled to be financed under the PIDC with departmental and local plans and programs, in that the goal of the PIDC is to attract larger volumes of investment in furtherance of rural development objectives, not to replace departmental and local investments.

3.4 In light of the features described above, use of the phased-programming model for execution of the PIDC implies: (i) the existence of a programming system, which must have clear project ranking and programming criteria; (ii) an institutional capacity to prepare and manage rural assessments at the regional and microregional levels; and (iii) a basic capability on the part of executing agencies to identify, appraise and execute the various projects to be implemented under each program component, and a willingness to strengthen this capability through a learning process. These ingredients are important, in that the flexibility built into the phased-programming model in terms of identification and appraisal must be counterbalanced by a planning and monitoring capacity once the program enters the execution stage.

3.5 PIDC financing is envisioned for an initial four-year period, with program execution divided into four annual stages. Evaluations conducted at the conclusion of each stage will allow for adjustments in program goals during the execution process according to the results achieved in each previous stage. The proposed structure for execution of the PIDC is discussed in chapter IV. Program execution will be governed by Operating Regulations (Annex III-1) whose main elements include PIDC general project eligibility criteria, specific eligibility criteria for executing agencies, program preparation guidelines by component, terms of financing, study costs and cofinancing (see proposed resolution).

3.6 A review committee (see following paragraph) will examine the need to make adjustments in the following aspects of the PIDC at the conclusion of each stage as part of the program monitoring process: (a) its operating regulations and eligibility criteria for projects and executing agencies (Appendix 2); (b) contracting procedures for works and services (Appendix 1); (c) disbursement procedures (Annex III-1) (d) operation of the planning, monitoring and evaluation system (Appendix 7) in conjunction with the environmental procedures system; and (e) the accounting and auditing system (see paragraph 3.32). 7/

3.7 Accordingly, the PIDC review committee will evaluate the following factors at the conclusion of each stage: (i) the geographic distribution of investments; (ii) project distribution by component; (iii) the achievement of stage-specific targets in terms of number of total projects, program components and subcomponents, investment levels by project, progress in the performance of institutional strengthening projects for executing agencies and target communities and in implementation of the FDC institution-strengthening plan; PIDC compatibility with national, regional, departmental and provincial development plans; (iv) participation of the beneficiaries, with emphasis on women; (v) the performance efficiency of

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7/ The Appendices to the Operating Regulations (1-8) are kept in the PRA/AGS archives.

executing agencies in the private sector; (vi) the strengthening of FDC operating capacity; and (vii) state of repairs of the works executed during the preceding phases. The committee will also examine possibilities for cost recovery in future program stages. The review committee will use this information, provided to a large extent by the planning, monitoring and annual evaluation system, as the basis for pertinent decision-making in regard to the annual operating plan for the following stage. The annual operating plan for the next program stage will be approved by the review committee in November of each year.

B. The project cycle

3.8 The project cycle for each program component consists of the following phases: promotion, identification, preparation, appraisal, approval, execution, monitoring, acceptance of works (in the case of infrastructure projects), operation and ex post evaluation. Annex III-1 discusses the project cycle in greater detail.

3.9 This cycle operates on the basis of aggregate information gleaned from studies of the small farm economy at the departmental, provincial and district levels. These studies, to be performed under the institutional strengthening component, will need to be completed within the following time frames: (i) departmental study reports: within 12 months from the effective date of the loan contract; (ii) provincial study reports: within 24 months from the same date; and (iii) district study reports: annually, at the rate of 25% a year, throughout the program execution period (see Recommendations). These reports, to be used in the programming process and for ex post evaluation purposes, will supply socioeconomic data on project areas and will be prepared using study methods previously agreed on with the Bank.

3.10 **Promotion.** The program officer is responsible for the promotion of PIDC activities. To accomplish this, the FDC will draw up a promotion plan to brief executing agencies and beneficiaries on conceptual program issues such as the target population, top-priority provinces and operating procedures. The promotion plan will focus on those regions of the country with the largest share of the target population and will foster free competition among prospective executing agencies as an incentive for involvement by the private sector in program execution.

3.11 **Identification.** The project identification process will preferably originate from one of the following: (i) proposals from corresponding beneficiaries; (ii) identification by executing agencies; or (iii) microregional planning workshops at the provincial level organized by the FDC or other institutions. In this phase, the program officer will ensure the compatibility of FDC annual project programming with proposed provincial and departmental development

plans and programs. Project eligibility criteria are discussed in Annex III-1. It is recommended that no projects for over US$250,000 be accepted for financing (see Annex III-1 and Recommendations).

3.12 **Preparation.** The primary responsibility for project preparation lies with the executing agency. The preparation process may take one of three possible courses:

a. The project is duly prepared according to program requirements and guidelines (Operating Regulations) and requires no further work prior to appraisal.

b. As a whole, the project is in line with general project eligibility criteria but requires follow-up studies, to which end the executing agency will apply for financial assistance from the FDC to contract out these studies to FDC-accredited professionals subject, in all such cases, to a prior determination and official report by the program officer to the effect that the project meets basic eligibility criteria according to its supporting documentation.

c. The program officer examines the project in light of general project eligibility criteria and deems it ineligible for financing unless substantive changes are made, in which case the executing agency may redesign the project with possible guidance from the program officer, but without the benefit of FDC financial assistance.

3.13 **Appraisal.** The responsibility for this phase also lies with the program officer, assisted in this case by specialists at FDC headquarters or, if unavailable, by experts (consultants, development corporation personnel) designated by the FDC. Thus, the program officer, seconded by corresponding specialists, appraises projects based on specific eligibility criteria established for each project category. Any project deemed unfeasible as a result of the appraisal process may be rejected. It will then be up to the executing agency to assess the advisability of redesigning the project for resubmission. The appraisal process will also take into account any discrepancies between unit project costs and standard costs by project category.

3.14 **Approval and selection.** The technical program coordinator submits the project to the finance committee consisting of the executive director, the general coordinator and the technical coordinator himself. The finance committee will select eligible projects for financing based on the best project package in terms of economic returns, social impact and multiplier effect. This committee represents the highest operational level. Upon approval, the project is incorporated in the proposed annual operating plan drawn up by the Planning and Monitoring Division and Technical Advisory Division. In preparing the annual operating plan, special care is

taken to ensure that it shows an appropriate, well-balanced sectoral and geographical project distribution. The finance committee will release items for financing upon approval of the annual operating plan by the annual review committee, subject to prior approval from the Board of Directors where applicable.

3.15 **Execution and monitoring.** The responsibility for project execution lies with the executing entity, which is also in charge of its management. Project execution is governed by the following rules (Appendix 1): 8/ (i) the FDC will enter into a contract with the executing entity, (ii) the executing agency will enter into a contract with the target community; (iii) the executing entity must follow instructions from the FDC for bidding purposes; (iv) where applicable, the executing entity will enter into a contract with the construction contractor or supplier of goods and services submitting the successful bid; and (v) the executing entity will ensure proper project supervision as per its contractual obligations under the contract referred to in subsection (i) above.

3.16 The responsibility for project monitoring is shared by the executing agency (see section 3.15 above), the target community and the FDC program officer. Planning, monitoring and evaluation system operations and the specific responsibilities of corresponding participants are described in the respective document (Annex III-1).

3.17 **Acceptance of works (in the case of infrastructure projects).** The responsibility for certifying due and proper fulfillment of conditions governing project performance for purposes of its acceptance and delivery to the target community for subsequent operation is shared by the executing entity, the target community itself and the program officer (if applicable, with the assistance of specialists at FDC headquarters). All three parties must issue an approval and formal certification of due and proper project performance.

3.18 **Project operation, maintenance and ex post evaluation.** The target community holds the primary responsibility for project operation. However, the executing agency will maintain a presence throughout this phase to ensure due and proper project operation, the provision of technical assistance services, maintenance and ex post project evaluation. Monitoring and evaluation activities are discussed in detail in Appendix 7. 8/

C. Inclusion of new components

3.19 Reviews of the operating regulations during the course of each stage may include proposals for new PIDC components and project

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8/ The Appendices to the Operating Regulations (1-8) are kept in the PRA/AGS archives.

categories, subject to the following conditions: (i) proposed components and project categories must be consistent with program objectives; (ii) the need for financing and the feasibility of the proposed new project category must be duly substantiated; (iii) each new project category must have eligibility criteria and appraisal procedures approved by the FDC and financing agencies; and (iv) the proposal must furnish evidence of a lack of other available sources of financing.

D. Procurement of goods and services

3.20 All contracts with individual consultants and consulting firms and procurement operations financed with program resources will adhere to current standard Bank procedures (Appendix 1) and the proposed resolution. 9/ Since the maximum amount of financing envisioned under the PIDC does not exceed US$250,000, procurement will be governed by applicable local legislation so long as it is consistent with Bank policy.

1. Bidding and contracting procedures

3.21 Public bidding, shopping or limited bidding procedures for a particular project or activity contemplated by the program will generally be conducted by the executing entity based on procedures established by the FDC in conjunction with the Bank. The following sections examine general procurement procedures in the typical case of project execution by corresponding executing agencies. However, in special circumstances where, for legal reasons, a particular project cannot be implemented because its sponsoring executing entity lacks the legal capacity to do so or where the project was conceived directly by a target community in an area with no eligible executing entities, the FDC will temporarily serve in the capacity of executing entity, with the authority to bid out, make awards or enter into contracts for corresponding works or services, in all cases through legally qualified, specialized agencies.

3.22 Bidding and contracting procedures will be simple and flexible, as described in the Operating Regulations and, more specifically, in Appendix 1. 9/ Executing entities must satisfy all necessary requirements to ensure the due and proper administration and disposition of FDC resources. The FDC will be directly involved in the awarding of contracts for physical works or services, which will require its express approval for pursuit of the next step in the process (namely the execution of a contract between the successful bidder and the executing entity).

9/ The Appendices to the Operating Regulations (1-8) are kept in the PRA/AGS archives.

2. <u>Contractual relations</u>

3.23 Regardless of the nature and legal capacity of each executing agency, coherent program operation will require the establishment of conditions of contract setting forth the rights and responsibilities of each party concerned. These contractual relations will encompass the following two main factors.

3.24 **The project and basic mutual responsibilities.** The project document – whether for a physical facility, activity or service – as approved by the Board of Directors of the FDC will be appended to and form an integral part of the contract. It will establish the total project cost and its breakdown into the FDC share, the executing entity share (if any) and the contribution from project beneficiaries in terms of capitalized labor and costs of local and other materials. The cost of labor will be computed at the going wage rate, with the cost of materials figured at their market price delivered to the work site. The basic mutual responsibilities of the FDC and the executing entity will be as follows: The FDC will supply financing, provide technical support and perform audits. The executing entity will perform studies, bid and contract out and supervise project execution and ensure the provision of technical assistance to project beneficiaries for subsequent operation and maintenance. The executing entity will also furnish the FDC with required information as indicated above.

3.25 **Institutional technical support for studies and supervision.** The executing entity may apply to the FDC for an initial outlay in an amount equal to a given percentage of the project cost (these percentages are specified in the Operating Regulations according to the project category and the progress of corresponding studies) for the preparation of economic, financial and technical documentation for bidding or shopping and starting up the project, including the coverage of deferred financial needs derived from the preparation of any preinvestment documentation submitted to the FDC and any project supervision costs.

E. <u>Operation and maintenance of infrastructure projects</u>

3.26 Physical facilities constructed under the program must be operated and maintained as of the date of signature of the final acceptance certificate. The executing entity will enter into an agreement with project beneficiaries and/or government agencies associated with the types of works involved to operate the project in accordance with specific technical standards and to maintain it for the duration of its service life. Project operation and maintenance mechanisms should be consistent with accepted practices used by other agencies executing projects of the same nature, as well as with the practices and customs of corresponding beneficiaries. Nevertheless, it is recommended that annual review processes require the submission of evidence of the proper maintenance of

program-financed facilities (see Recommendations). The FDC agrees to submit a maintenance report on these projects by the end of the first quarter of each calendar year for a period of five years from the effective date of the loan contract, with an indication of corresponding activities, targets and allocations for the year in question from the various operations concerned.

3.27 **Road infrastructure.** As far as road projects are concerned, the SNC is officially responsible for maintaining the country's road system, including its feeder roads. However, in light of its limited work capacity, it is assisted in this task by development corporations (CORDES) and city administrations. Executing entities will arrange for agreements between development corporations, the FDC and project beneficiaries for the performance of routine maintenance work required to preserve roads in serviceable condition (patching of potholes, cleaning of drains and outfalls, minor repairs of concrete and masonry structures, etc.) under which development corporations will furnish machinery and equipment for routine road maintenance operations either directly or through contractors and project beneficiaries will provide labor for maintenance activities as has traditionally been the case, with the executing entity responsible for drawing up annual maintenance plans for submission to the FDC. This agreement is a condition precedent to project execution and will remain in effect for a period of three years from the conclusion of this phase of the PIDC or for a minimum of five years from the date of project acceptance.

3.28 **Microirrigation systems.** Microirrigation systems are small-scale gravity irrigation systems owned and managed by the users, traditionally organized into irrigator associations, whose contributions to system operation are based on institutionalized usages and customs within the community and basically consist of labor for maintenance activities, particularly for the frequent repairs required by the primitive intake structures found on most older systems. In some cases, these contributions in kind are supplemented by mostly symbolic cash contributions and by the collection of fines for violations of rules and regulations agreed upon by the irrigators.

3.29 With the modernization and expansion of these systems under the PIDC, irrigator associations will be legalized, reinforced by the addition of new members and vested with greater authority and a strengthened capacity to collect cash charges in addition to contributions of labor. These graduated charges, whose characteristics will be discussed at the Review Committee level, will be used to ensure the proper maintenance of program-financed projects. The executing agency will draw up annual maintenance plans for submission to the FDC and will be responsible for training irrigators in the management of maintenance activities.

3.30 **Processing, marketing and service delivery infrastructure.** The Municipality Act of January 10, 1985 makes municipal governments responsible for the operation and maintenance of markets and collection centers within their jurisdiction. The FDC would turn markets and collection centers over to municipal authorities, who would agree to involve farmer associations in their management and maintenance. Cottage industries would be operated and maintained by interested community groups with the assistance of the executing entity, which would serve in an advisory capacity. An agreement to this effect would be entered into with the FDC prior to the commencement of work.

F. Operation of revolving funds

3.31 The revolving funds will be set up primarily by the target community itself, with technical assistance from development corporations, NGOs, cooperatives or other private organizations. This exercise will help strengthen grassroots organizations by training them over the course of three or four years time to manage these revolving funds on their own. The sustainability of these funds will be ensured by requiring target groups to furnish evidence of appropriate record-keeping systems before receiving any resources and, where necessary, PIDC financing will be used to set up these systems. Insofar as possible, revolving funds for farm inputs and livestock will be established in conjunction with projects contemplating investments in microirrigation infrastructure and/or feeder roads for purposes of providing integrated development assistance, which has a greater impact. Management procedures for these funds will be flexible and there will be no rigid pre-established packages, which will allow executing agencies and project beneficiaries to determine the minimum required inputs best suited to the specific soil/climate and socioeconomic conditions associated with each farmer association.

G. Accounting and auditing

3.32 FDC capacity to fulfill its functions will be boosted under the institutional strengthening component. This component includes the design of an integrated accounting system employing new project financial management procedures (including accounting records, forms, consolidation procedures and budgeting and budget control procedures, see terms of reference in Appendix 5(C). 10/

3.33 The FDC will establish and maintain a consolidated financial accounting information system for program accounts and required supporting documentation for the cofinancing of investment projects and supporting services with program resources. Likewise,

10/ The Appendices to the Operating Regulations (1-8) are kept in the PRA/AGS archives.

executing agencies will keep separate cofinancing accounts with the FDC.

3.34 FDC and program financial statements will be audited by independent public accountants and submitted to the Bank within 120 days of the close of each fiscal year. Corresponding cofinancing contracts will contain a provision to the effect that the executing entities accept and agree to use program-required accounting and auditing procedures (see Recommendations). In the event the financial auditing process reveals any irregularities in a participating executing entity, the FDC will suspend disbursements, requiring special audits to verify correction of such irregularities prior to resuming disbursements.

H. Suspension of disbursements

3.35 The FDC may suspend transfers of resources to executing entities on any of the following grounds: (i) failure by the executing entity to utilize its monitoring control system or failure to take corrective action despite warnings from the system, and unjustified protracted delay in the performance of any contractual obligation; (ii) failure to comply with applicable legal provisions; (iii) repeated unjustified lags in agreed-on contributions from the executing entity and/or from project beneficiaries; (iv) technical and/or operational negligence in project execution; (v) proof of noncompliance with agreed-on contracting and accounting/auditing procedures; and (vi) other causes substantively undermining envisioned project goals and objectives.

I. Transfer of resources

3.36 For purposes of the program, the FDC will open and maintain accounts at the Central Bank of Bolivia for deposits of proceeds of the financing and the local contribution, as soon as the latter is declared eligible for disbursement. The FDC, in turn, will transfer these resources to executing entities in the form of advances for up to the equivalent of 10% of the cost of program components, to be regularly substantiated on the basis of project needs. The aggregate amount of these advances may not exceed 10% of total program value.

J. Inspection and supervision

3.37 Bank inspection and supervision will be discharged by its country office and project team, which will play an active role in the monitoring and evaluation of each technical stage.

K. State of preparation of the program, execution and disbursement period

3.38 The first stage of the PIDC is ready for execution, as presented in Annex II-1. These projects all have a corresponding technical and

economic feasibility study. The PIDC execution period is four years, with a tentative disbursement schedule as outlined in Table III-1 below.

Table III-1 Tentative disbursement schedule (US$ 000)					
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	TOTAL
IDB	3,203	2,926	3,093	3,278	12,500
GOB	7,252	4,833	5,037	4,878	22,000
TOTAL	10,455	7,759	8,130	8,156	34,500

3.39 The execution of a program with multiple small projects, such as the program proposed herein, requires disbursements against large numbers of service contracts and small-value procurement operations by project executing entities and beneficiaries. The scheduled volume of projects is expected to generate an enormous amount of paperwork. Since a requirement to the effect that each disbursement request be accompanied by a copy of all supporting documentation would necessitate the FDC's expanding its clerical staff at headquarters and duplicating decentralized record-keeping and management systems at the regional office level, an exception to Bank policy is being requested, whereby the Bank verifies supporting documents for disbursement by spot-checking sample executing agency files.

3.40 The Bank will decide on an appropriate sample size for spot-checking purposes according to its capacity, and its Country Office will be required to keep records of all corresponding reviews for the satisfaction of information requirements imposed by different Bank operating units.

L. Retroactive financing and allowable costs

3.41 Allowable retroactive costs incurred by the executing agency prior to the approval of financing for project execution and the hiring of consulting firms may not exceed the equivalent of US$2.3 million, subject to adjustment (i.e. a maximum of US$2 million in Bank financing and US$300,000 from the local contribution). Only expenses chargeable to the local counterpart which meet PIDC requirements established in this report and its annexes, incurred after March 6, 1992, the date of the loan request, or prior to the date of the resolution authorizing the loan will be allowed; and as regards expenses chargeable to the proceeds of the Bank loan, only those incurred within the 12 months preceding the date of the Resolution, subject to the satisfaction of requirements comparable to Bank policy for procurement and hiring of consulting firms and the criteria established for the first stage of the PIDC (see Recommendations).

M. Ex post evaluation

3.42 To measure program impact and the extent of the achievement of program objectives for its first four years, it is recommended that normative documents establish an obligation on the part of the borrower to present an ex post evaluation report three years from the date of the final disbursement, employing the same methods as those used for the appraisal of program components, discussed in detail in Annex III-1. This evaluation falls within the integrated planning, monitoring and evaluation system and the program environmental procedure system, both of which are designed to speed up learning processes at the FDC, in executing entities and among participating communities (see Recommendations).

IV. THE BORROWER, THE EXECUTING AGENCY AND OTHER PARTICIPANTS

4.1 The borrower is the Republic of Bolivia, which will furnish the local contribution for program execution purposes. The executing agency is the FDC. The proposed institutional structure is appropriate for achieving the purposes of the program. This chapter summarizes the nature and approach of the program and examines the institutional requirements imposed by this type of approach.

A. PIDC institutional requirements

4.2 The PIDC proposes to address the acute problems of the poor rural population in different departments (consisting primarily of small and medium-scale farmers) to help further national policy objectives targeting poverty reduction. These problems are multifaceted and are associated with changing and oftentimes conflictive situations and involve a host of different players with different views and interests. They are complex problems which cannot always be explained in linear cause-and-effect terms. Their solution oftentimes involves extensive learning processes.

4.3 The PIDC endeavors to address these complex issues by offering a range of options for action in this area, which does not mean to say that these options need to be simultaneously implemented in each and every situation. It envisions the identification of actions which, from a sequential standpoint, could help unleash other social and economic community development processes, on a case-by-case basis, at the microregional level. It attempts to provide flexible, specific, concrete, custom-designed solutions taking into account and improving on the capacity of different local and regional participants for taking organized action. The program endeavors to speed up the learning process for its different participants through the strengthening of formal and informal monitoring and evaluation mechanisms.

4.4 There are four levels of institutional requirements associated with this approach. At the community and grassroots organization level, it requires organized communities with the capability to identify and rank their problems and projects and the ability to help manage the project cycle. This requires grassroots organizations capable of involvement, not only in the management and implementation of program-financed projects, but also of sustainable, independent involvement in all areas that make for their consolidation as organizations.

4.5 The second level is that of government and private intermediary institutions, which must be capable of forging balanced ties with communities and grassroots organizations. This means banishing all traces of paternalism and interference from their relations with

communities and their grassroots organizations. Their input for purposes of dialogue should be technical support and institutional experience (intermediary institutions should maintain their participatory role). Their staff must be capable of engaging in these types of community relations. The internal structure of intermediary institutions must be such as to facilitate dialogue with corresponding communities, which means establishing internal organizational structures that foster the development of this type of dialogue (internal decentralization, reduction of red tape, promotion of inventiveness, etc).

4.6 The third level of institutional requirements is that of the PIDC managing agency, which should have a highly decentralized internal organizational structure to enable it to address problems in a timely fashion, with due and proper information with which to make decisions and quickly learn from experience. This requires an experienced staff familiar with the acute problems of the rural poor, a staff which knows how to set up and work in networks in cooperation with different participants, a staff prepared for action, advocating the so-called "project method". The goal is to develop an institutional strengthening strategy in which government continues to play the role of master planner and creator of opportunities, while strengthening the other participants' capacity for action.

4.7 Good decentralization requires a good nucleus which, in turn, requires clear procedures, a certain amount of flexibility and, above all, a superior professional management capability at all levels (namely, at the central and departmental levels.) This means designing an institution in which the emphasis is on working in multicentered networks, where departmental representatives and the involvement of grassroots organizations is accorded major importance and the central level plays a policy-making, supportive, catalytic and monitoring role.

4.8 At the fourth and last level, namely that of the Government of Bolivia, this approach requires all major ministries and government agencies to support FDC efforts by creating a propitious institutional environment avoiding policies that conflict with those of the proposed program, with ongoing dialogue between government ministries and the FDC at all administrative and geographic levels.

B. Institutional demand: participating agencies

4.9 Program participants would include local governments, departmental development corporations, nongovernmental organizations, associations of farmers or project beneficiaries and cooperatives, serving in the capacity of executing entities. Other program participants would include intermediary financial institutions for lending

activities under the FDC institutional strengthening component (Appendix 5). 11/

4.10 The study of the proposed operation included a review of appraisal procedures used by the FDC to assess the performance capability of executing entities (which was found to be adequate) which, together with the selection criteria contained in the Operating Regulations, suggests that executing entities for first stage projects would be capable of successfully implementing such projects subject to their receipt of the institutional support contemplated by the PIDC, one of whose objectives is precisely to improve the operations of these entities.

C. Institutional supply: the FDC

4.11 The program coordinating and executing agency is the Campesino Development Fund or FDC, a government development institution with legal status and of indeterminate duration. The FDC is part of the civil service system and the number of civil servants is expected to continue growing. The FDC was first established in March of 1989 as a lending institution for small farmers attached to the Ministry of Campesino and Agricultural Affairs. Its charter was amended in March of the following year, placing it directly under the Office of the President with a higher institutional ranking, affording it a better possibility of attracting financial resources by giving it the status of an intermediary financial institution with flexible floor and ceiling lending limits and terms.

4.12 In a subsequent amendment of its charter in July of 1991 as a result of the nationwide structural adjustment which, among other things, redefined the role and participation of government in the financial sector, specifically excluding it from taking on lending responsibilities, the FDC was precluded from lending directly to end borrowers and from gaining access to Central Bank of Bolivia funds (see the section on financial services in chapter 1).

4.13 In conducting the PIDC, the FDC assumes a leading role in the implementation of rural development policy and has the potential of becoming a key factor in Bolivia's rural development process. In addition to funneling resources into this development process, the FDC will serve as the country's training ground for decentralization. FDC growth is expected to keep pace with the institution's historic growth pattern, mainly at regional and provincial level (program officers), as well as headquarters technical support. The aim is a significant increase in the FDC's management capacity, rather than in its staff (see paragraphs 2.33 *et seq.*).

11/ The Appendices to the Operating Regulations (1-8) are kept in the PRA/AGS archives.

1. FDC objectives and functions

4.14 The FDC's bylaws, approved in February of 1992, are based on its charter, as twice amended. The objectives of the FDC are to promote rural development in general and agricultural development in particular by financing efforts to improve the productive capacity and quality of life for organized small farmers in rural areas. In furtherance of its objectives, the FDC may channel resources into the financing of rural development programs and projects, particularly those designed to upgrade basic infrastructure and services in general and promote improvements in agricultural production and marketing, including necessary training and technical assistance for this purpose.

4.15 FDC resources may be allocated to either reimbursable or nonreimbursable financing programs. The only restriction is that reimbursable financing in the form of loans must be channeled through intermediary financial institutions accredited by the Office of the Superintendent of Banks, which are directly responsible for their repayment to the FDC.

2. Current structure

4.16 **Top management.** At the Fund's top management level is its Board of Directors, composed of an executive director with the rank of cabinet minister and three directors appointed by executive order of the Bolivian President. In light of its ties to small-farmer affairs, one of its current directors is from the Federación Departamental de Campesinos de La Paz [Federation of Small Farmers for the Department of La Paz] affiliated with the Confederación Sindical Unica de Campesinos de Bolivia [Bolivian General Confederation of Small Farmers]. Another of its directors is the Presidential Advisor for International Affairs. Its third director is an undersecretary in the Ministry of Planning. The Fund's top executive is its executive director, who serves as its legal representative.

4.17 **Organizational structure.** The FDC is headquartered in La Paz, with field offices in each department. Its organizational structure has changed in accordance with the amendments to its charter. Its current organizational structure, which is currently in the process of realignment and testing, is the product of an organizational study performed by an outside consulting firm (see Appendix 6 and Recommendations). 12/ The FDC organizational structure is recapped below:

12/ The Appendices to the Operating Regulations (1-8) are kept in the PRA/AGS archives.

4.18 **Office of the Executive Director.** The following advisory units are attached directly to the Office of the Executive Director: (i) the planning office; (ii) the internal auditing office, still at the planning stage; (iii) the legal office; and (iv) the public relations and information office. Moreover, the Executive Director is assisted by a General Advisor and a fund-raising officer with contacts in the MPC and in donor countries.

4.19 **Management committees.** The finance committee is responsible for evaluating the use of FDC financial resources, recommending nonreimbursable projects for financing and approving regulations for programs and projects submitted for consideration by the Board of Directors. A credit committee is scheduled to be established to review loan applications from qualified IFIs. The bid evaluation committee approves bidding conditions and makes recommendations for contract awards. All contract awards must be approved by the bid evaluation committee. The planning and management committee studies domestic policy, work proposals and requests for financing so as to make recommendations on operating-plan policies and strategies governing FDC activities to its Board of Directors. It also evaluates compliance with FDC goals and objectives. The staff committee is responsible for establishing and recommending personnel policy to the Executive Director and for examining all relevant staff-related issues.

4.20 The organization manual specifies the functions and responsibilities of each management committee. These committees, whose business is conducted in accordance with formal procedures on preestablished dates, facilitate the effective management of FDC operations. There is also a consultative donor committee with representatives from donor countries and international financial institutions. This committee will coordinate the efforts of different PIDC donors.

4.21 **General Coordinator's Office.** This office is responsible for managing FDC activities and for supervising and coordinating the functions of its line and support units. The position of General Coordinator, which is essentially equivalent to that of Manager, has recently been filled. The following units are attached directly to the General Coordinator's Office: an <u>Administration</u> unit, consisting of planning, monitoring and evaluation, legal, systems and statistics offices, of which the only unit staffed to date is the legal office run by a part-time attorney; a <u>Line</u> unit, consisting of the Office of the Deputy Director of Operations, with a Technical Division, Regional Divisions and Programming Division; and a <u>Staff</u> unit, consisting of the Office of the Deputy Director of Administration and Finance, with an Administration Division (as yet not operational) and a Finance Division in charge of FDC financial record-keeping and management.

4.22 The organization manual describes the functions and responsibilities of each of these units, as well as their internal and external relations. The firm of Price Waterhouse has been engaged on a contract basis to update this manual under the FDC institutional strengthening program. See Appendix 6 for the corresponding terms of reference. 13/

3. Proposed structure for program execution

4.23 The following changes would need to be made in the structure, organization and functions of the FDC for execution of the PIDC: (i) separation of its nonreimbursable-type infrastructure and service-related operational functions from its lending functions, creating an independent lending structure; (ii) merger of planning and programming functions into a single unit attached to the General Coordinator's Office; (iii) revamping of the structure of the Technical Division; and (iv) strengthening of the Administration and Finance area. The services of individual consultants and consulting firms will be procured as part of the FDC institution building plan to implement these changes based on the terms of reference presented in Appendix 5(C). Required changes in lending operations not covered under the PIDC are discussed in Annex III-1, Appendix 5(B). The proposed program execution structure is based on a decentralized project preparation and appraisal system, combined with a centralized approval system. A revised organization chart incorporating the changes discussed below can be found in Appendix 6. 13/

4.24 A review committee would be established as part of the Office of the Executive Director to supervise overall program progress through its sequential stages, with IDB and Bolivian government representatives, including at least one representative from the MPC, and another from the FDC. This committee, whose functions are discussed in paragraphs 3.7 above and expanded upon in Annex III-1, would meet at least once a year (see Recommendations). It would ensure due and proper program execution and compliance with agreements and policies, approve any changes and adjustments identified by annual evaluations, develop corrective measures and draw up the timetable for their implementation, evaluate FDC operating capacity and approve monitoring and evaluation procedures and PIDC annual operating plans.

4.25 A technical coordination committee would also be established primarily as a forum through which private sector participants could better express their opinions on the progress of the PIDC (a window through which to air their concerns and make proposals). It would consist of two representatives from the NGO National Coordinator's Office, two representatives from the National Confederation of

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13/ The Appendices to the Operating Regulations (1-8) are kept in the PRA/AGS archives.

Small Farmer Organizations, three representatives from professional associations (one from the association of agricultural engineers, one from the association of civil engineers and a third from the association of anthropologists and sociologists), the director of the FDC, the general coordinator and the credit and technical coordinators, who would not have voting rights. The functions of this committee (Appendix 6) 14/ are to evaluate the annual operating plan and project technical and financial requirements, examine annual PIDC progress reports presented by the FDC, provide advisory services in technical and strategic program areas and submit recommendations on and adjustments in FDC management procedures for smoother program execution to Management, for consideration by the review committee. The technical coordination committee will meet quarterly, with each of its members serving as its technical secretary on a *pro tempore* basis for six-month intervals.

4.26 The Planning, Monitoring and Evaluation Office, to be attached to the General Coordinator's Office, would primarily be in charge of planning and monitoring system implementation and administration, ensuring that participants understand the system and use it to take corrective action within and outside the FDC. This system should foster strategic thinking within the FDC on rural issues and actions by different government agencies and private organizations to help focus FDC operations. The functions attributed to this office are described in detail in Appendix 6. 14/

4.27 The proposed PIDC Technical Coordination Office would be built on the current Technical Division, which would be strengthened and fortified with 15 additional technical staff members at the departmental level, bringing the total size of its staff to 32. This unit would be responsible for technical program execution. Appendix 6 14/ contains terms of reference and profiles for incremental personnel, namely for a technical coordinator, technical assistant, technical advisors, program officers and administrative assistants.

4.28 Lending operations will be managed separately from other FDC operations. The lending program will have its own staff and will be supervised by a full-time banking professional with necessary qualifications and a minimum of three years experience as credit manager in an established commercial bank (see proposed resolution).

4.29 A credit committee will be established at the FDC to review loan applications submitted to its staff. It will be composed of the credit manager, the executive director, the general coordinator, department managers, program officers, guest members and other qualified professionals (one of whom will be from the Central

14/ The Appendices to the Operating Regulations (1-8) are kept in the PRA/AGS archives.

Bank). The Board of Directors may review applications approved by the credit committee but may not approve any applications previously rejected by the committee. The program provides for the hiring of outside consultants to help the FDC satisfy the conditionality recommended for this operation, for which the terms of reference are presented in Appendix 5(B) 15/ (see proposed resolution).

4.30 Appendix 6 15/ shows the existing and incremental staff required for execution of the PIDC. As far as the FDC structure is concerned, it is recommended that the executing agency be required to furnish proof of implementation of the proposed changes and organizational structure, including the establishment of review, technical coordination and credit committees and a planning, monitoring and evaluation office and the hiring of incremental technical and administrative personnel as per the aforementioned Appendix 15/ as a condition precedent to disbursement (see proposed resolution).

4. Financial management

4.31 The Administration and Finance Division, responsible for keeping financial records and administering FDC financial resources, would be strengthened under the FDC institutional strengthening component by engaging the services of a consulting firm to update and design new in-house procedures, with emphasis on procedures for the proposed operation. In fact, contracting formalities for the procurement of consultancy services for institutional strengthening purposes are virtually completed, which ensures that corresponding procedures and systems would be designed and implemented by the disbursement eligibility date for the proposed operation. The Finance subdivision would comprise three sections, namely Funds, Accounting and Budget.

4.32 Operational accounting records are maintained using computer software packages in accordance with the Accounting Handbook for Financial Institutions published by the Office of the Superintendent of Banks. FDC internal accounting procedures employ a coding system consistent with standard bank accounting codes and adhere to the Budget Performance Auditing Handbook for Noncommercial Decentralized Institutions published by the National Comptroller General's Office. The budgeting system is based on the Ministry of Finance's Economic and Financial Information System to which the FDC is subject. Disbursements, repayments and interest calculations are recorded in accordance with requirements laid down by the Office of the Superintendent of Banks for loan portfolio management.

15/ The Appendices to the Operating Regulations (1-8) are kept in the PRA/AGS archives.

4.33 Internal audits are conducted in accordance with established government auditing procedures. The FDC diligently monitors the implementation of recommendations from independent auditors with respect to internal audits and procedures. The expected growth in FDC operations would seem to dictate a need to establish and staff an internal auditing unit, especially for operational audits. FDC budget performance is subject to auditing by the General Accounting Office. Moreover, the FDC is subject to auditing by the Comptroller General's Office for compliance with regulations issued under the Operational Auditing and Financial Management System Act, and by the Office of the Superintendent of Banks for compliance with regulations governing financial institutions.

4.34 PIDC execution and financing systems, procedures for auditing the use of program resources and the inherent characteristics of the FDC all suggest a need to: (i) make changes in the operational accounting system; (ii) improve procedures; (iii) design an internal financial information system; and (iv) establish an internal auditing unit. These considerations, along with the development of a cost-accounting system, are contemplated in the institution-building plan that forms an integral part of the PIDC institutional strengthening component.

V. FEASIBILITY AND RISKS

A. Technical feasibility

5.1 The PIDC design is consistent and coherent with the GOB strategy to promote rural development and reduce poverty among small farmers in poor areas. In keeping with this strategy, the PIDC will help trigger growth in the agricultural sector and improve the standard of living of some 100,000 families in 62 provinces countrywide. It will also support current government decentralization policy. Program activities will emphasize a production-oriented approach and focus on eliminating shortages of infrastructure and services in rural communities, without overlooking the importance of effective natural resource management and environmental protection for sustained rural development while, at the same time, promoting broader and more meaningful participation by farm women in community development processes.

5.2 The program currently has a pipeline of simple projects consistent with the aforesaid objectives devised by target communities, awaiting outside financing for implementation. This project pipeline, presented in Annex II-1, constitutes the first-year investment plan. Institutional strengthening component resources will be used to gradually prepare the final studies for a large group of projects currently in the profile stage for financing in subsequent years, thereby ensuring the availability of sufficient numbers of projects for financing over the four-year program execution period.

5.3 Operating mechanisms for execution of the PIDC are adequate and include: (i) Operating Regulations, with eligibility criteria for projects and executing entities, economic appraisal methods for different investment project categories and procurement and cofinancing procedures; (ii) annual investment plans; (iii) a project approval and appraisal system for cofinancing; and (iv) a revised FDC functional organization structure providing it with the necessary qualities with which to discharge its responsibilities.

5.4 The following paragraphs summarize key considerations in regard to the technical feasibility of program-targeted investment areas.

1. Infrastructure

5.5 In general, simple rules have been established to guide project selection, limit their scale, complexity and cost and impose environmental safeguards (Appendix 3) 16/ with a view to minimizing

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16/ The Appendices to the Operating Regulations (1-8) are kept in the PRA/AGS archives.

risks at the individual project level. The program endeavors to broaden the spectrum of executing agencies in each targeted sub-sector, hoping to foster healthy competition among agencies and organizations operating in these areas to improve project design and performance quality. There are private development organizations with experience in the area of rural infrastructure, and the FDC intends to take maximum advantage of these organizations while, at the same time, seeking to stimulate interested government agencies and institutions. Table V-1 presents a breakdown of targets for the first annual stage of the PIDC under its infrastructure component.

Table V-1
Tentative PIDC first stage investment plan
Targets for the infrastructure component

Works	Unit	Total projects planned	No. of projects approved	No. of executing agencies		
				Total	Public	Private
I. **ROAD WORKS**						
Roads	km	450	20	11	6	5
Vehicle bridges		6	6	2	2	0
Foot bridges		2	2	2	1	1
Subtotal			28			
II. **WATER MANAGEMENT**						
Irrigation	ha	1,200	24	9	4	5
Subtotal			24			
III. **MARKETING AND PROCESSING**		21	21	8	5	3
Subtotal			21			
TOTAL			73	25	12	13

5.6 The overall scale of this component in terms of investment value has been kept down to suit the limited capabilities of many executing agencies, their institutional strengthening needs and the required learning process within the FDC itself to ensure effective monitoring. However, the number and distribution of projects scheduled for implementation are significant compared with current investment in rural infrastructure.

5.7 As far as road projects are concerned, although the responsibility for implementation of these projects lies with the executing entities which, in the case of roadwork, will generally be government agencies such as development corporations (CORDES) or the Servicio Nacional de Desarrollo de la Comunidad [National Community Development Bureau] (SNDC), project feasibility studies and design work will be contracted out wherever necessary under the mechanism provided as part of the institutional strengthening component for executing entities. Road maintenance work will also be contracted out to qualified agencies, to be identified on a case-by-case basis, since problems and participants may vary from one region to another. In all cases, a commitment will be sought

from target communities and current plans for decentralizing managerial responsibilities for the nation's road system will be duly taken into account. The FDC will assist in the implementation of maintenance agreements by the community, the executing agency and the local agency officially in charge of the project in question through the provision of specific organizational and management training.

5.8 First-phase road projects represent an average increase (excluding the Department of Santa Cruz) of close to 50% over current development corporation (CORDES) appropriations for feeder roads, while covering a mere 1.5% of the feeder road network. Current installed performance capacity, which is highly underutilized, will not be endangered in any way. Moreover, the PIDC provides for necessary technical assistance for both project design and supervision, to be obtained locally. The Bank, in turn, is considering a technical assistance operation in the transportation sector for development of an investment and maintenance plan for departmental roads.

5.9 Selection criteria for water management projects for farming and stock-raising activities (irrigation and drainage projects) are especially strict. The country has extensive experience which the PIDC intends to capitalize on, not only for the construction of infrastructure with community participation but, more importantly, for community-based management, operation and administration of these types of projects. However, as previously mentioned, there is also a great deal of confusion over policy and regulations in this area. It is essential for the FDC to actively help promote interagency cooperation in this subsector by engaging in productive dialogue with the numerous agencies involved, concerning technology, management procedures, project financing and system maintenance.

5.10 Proposed first-phase operations (approximately 1,200 developed hectares) represent an increase of roughly 40% of the total executed annually nationwide in terms of surface area, and an even larger increase in terms of the number of projects undertaken. Although current project execution and supervision capacity is underutilized, it could potentially be exhausted by the proposed increase. An accurate assessment of this capacity has been impossible, given the host of different executing entities and regional problems involved. Nevertheless, the feeling is that the flexibility built into the programming by stages model will allow for necessary adjustments in corresponding plans in line with first-stage results.

5.11 Moreover, it was considered essential for all such projects, including new construction as well as rehabilitation and upgrading projects, as is more commonly the case, to be accompanied by supporting activities such as agrosupport and marketing projects,

and by training for system operation and maintenance (Appendix 3). 17/ As things stand at present, it has not been consistently possible to identify an executing entity or entities capable of providing this service package for all irrigation projects contemplated by the first investment plan. Thus, the FDC will need to make a special effort to meet this requirement in an acceptable fashion. This subcomponent requires a long-term commitment consistent with the proposed time frame for the PIDC but, for this very reason, unquestionably represents its most risky area, requiring the strictest supervision, monitoring and coordination.

5.12 No major execution problems are expected in regard to other relatively standard types of construction projects such as agroprocessing and marketing infrastructure (markets, collection centers, cottage industries, sheds) provided the FDC undertakes to ensure adequate project supervision, using contractors if necessary.

2. Agrosupport

5.13 The feasibility of the agrosupport component would seem to be ensured by the existence of technical information identifying production problems, available technology developed as a result of agricultural research work and community demand for technology, to be used as the basis for the preparation of investment projects. There is a wide range of technology packages and recommendations available which could be potentially useful at the on-farm level to resolve problems presently plaguing small farmers. The basic problem, which the program would resolve, is that of efficient dissemination of this information and knowledge.

5.14 The program provides for an investment specifically in regard to the responsibilities of executing agencies to furnish technical assistance to project beneficiaries, to be coordinated with efforts by other agencies. This is reflected in cofinancing contracts between the FDC and the executing agencies, which must agree to personally render technical assistance services to project beneficiaries or, if unable to do so, to guarantee their provision by third parties.

5.15 The training subcomponent attached to the technical-assistance subcomponent is an important and necessary supporting activity for the realization of program benefits. Its feasibility is ensured, first, by the strengthening of FDC capacity to study, evaluate and coordinate training activities and, secondly, by the participation of government and private agencies with extensive experience in this area.

17/ The Appendices to the Operating Regulations (1-8) are kept in the PRA/AGS archives.

5.16 Revolving funds for farm inputs and livestock are easy-to-operate simple facilities for the transfer of inputs to target communities for capitalization of their farming and stock-raising activities under a recovery mechanism benefiting the community per se while, at the same time, promoting significant improvements in farming systems.

5.17 Reclamation projects are simple activities from the technical standpoint and, to a large extent, have already proven their worth in different parts of the country (as in the case of the positive FAO/Netherlands results in Sucre and Potosí). However, they require intensive technical-assistance services to effectively disseminate necessary technology for the development of agro-forestry practices, and microwatershed management. Nevertheless, the feeling is that their importance for effective natural resource management and reclamation for agricultural activities more than compensates for any eventual problems posed by these projects. Moreover, the emphasis on human-resource training in the environmental area will also facilitate the work scheduled under this program component.

3. Institutional strengthening

5.18 Successful execution of the PIDC requires adequate preparation on the part of all leading players, namely the target community, project executing entities and the FDC per se. Accordingly, the program includes an institutional strengthening plan designed to lay the foundation for participants to acquire required managerial capabilities for program purposes. This plan is organized according to the targeted recipient. Thus, there is one plan for the FDC, a second plan for the executing entities, and third for target communities, plus a fourth for the dissemination of information on program operating procedures among the target population.

5.19 Moreover, the relative complexity of the PIDC execution process is a product of one of its greatest virtues, namely its propensity to strengthen self-management capabilities in rural development processes which, taking into account its foremost objectives of raising income levels and improving living conditions for the rural, small-farming population, includes integrating women in these processes and conserving the country's renewable natural resources.

5.20 These considerations dictate the need for a major effort on the part of the FDC, not only to formulate and develop in-house methods and procedures furthering its own institutional objectives, but also to generate necessary understanding, management capabilities and participation on the part of target communities and executing entities to apply these processes. All these issues are addressed by the PIDC institutional strengthening plan.

B. Environmental feasibility

5.21 Given the moderate potential negative environmental impacts associated with the program's infrastructure and agrosupport components, all of which have recognized and easily implemented solutions, the Bank's Environmental Management Committee (EMC) classified this operation in environmental category III, thus requiring an environmental summary, which was submitted to the EMC on March 16, 1993. For purposes of the proposed operation, it is recommended that prior to the first disbursement the borrower, acting through the executing agency, furnish proof of: (i) formulation of an environmental procedures system; and (ii) execution of an agreement with the interested federal agency for the control of any eventual spontaneous settlement resulting from the rehabilitation and improvement of feeder roads (see Resolution).

5.22 Effective natural resource management will be ensured through the program's inclusion of environmental protection measures and criteria by: (i) strengthening FDC capacity to supervise and evaluate the application of environment-oriented project eligibility criteria through the appointment of an environmental specialist; (ii) training participating entities, including municipal governments, in applicable environmental protection and natural-resource conservation areas; and (iii) performing environmental projects for the reclamation of degraded soils.

5.23 The PIDC's success from an environmental standpoint hinges on due and proper implementation of environmental safeguards by project beneficiaries, participating agencies and municipal authorities. The program's decentralized decision-making system facilitates direct participation by corresponding beneficiaries. The three types of project envisioned by the program are all familiar to Bolivia's agricultural sector, having been satisfactorily conducted in the past, facilitating achievement of the sustainable development and economic growth objectives established by the program, which has a solid environmental component.

5.24 All PIDC components include environment-oriented project eligibility criteria formulated by the FDC with the assistance of an environmental consultant. Accordingly, the program Operating Regulations include detailed environmental study requirements ensuring properly designed physical infrastructure, agricultural production and natural-resource management projects, including measures to mitigate any foreseeable negative environmental impacts.

5.25 Moreover, the monitoring and evaluation mechanism designed for the program combines environmental considerations with FDC controls by its professional project staff and regular controls by the environmental unit to be established within the FDC, which will be in charge of the program's environmental procedures system. On the basis of this system, which includes: (i) environmental training for participating agencies and target communities; (ii) the

identification and preparation of environmental project components; (iii) environmental monitoring; and (iv) ex post evaluation, the program appears to satisfy environmental feasibility requirements, including the environmental procedures system to be integrated into the planning, monitoring and evaluation system at the conclusion of the first program stage.

5.26 In brief, the environmental summary for the proposed program (see PRA/AGR files) spells out its potential positive environmental, social and economic impacts associated with the improvement of road transportation conditions, irrigation and drainage projects and other small-scale agricultural infrastructure projects and with its environmental reclamation, general agrosupport and institutional strengthening activities.

5.27 The environmental summary also enumerates the potential direct and indirect negative environmental impacts associated with these same infrastructure and agrosupport projects, along with the environmental safeguards for mitigating these undesirable effects, as recommended by the environmental studies.

C. Institutional feasibility

5.28 Execution of the PIDC will be aided by a series of activities designed to improve FDC organizational structure, administrative procedures and financial and project planning, monitoring and evaluation systems (see the section on the technical feasibility of the institutional strengthening component earlier in this chapter). Performance of these activities, including the design and implementation of corresponding systems and procedures, should take approximately three months.

5.29 The FDC will engage the services of an expert to advise the Director of its Infrastructure and Agrosupport Services Department on rural development and programming matters. The process of selecting a project coordination officer is already under way, as are contracting procedures for engaging the services of an individual consultant specializing in organization and management and a consulting firm specializing in financial management. These activities will build effective management, financial and operational capabilities within the FDC for program execution. Moreover, an organization chart and staffing plan have been prepared for the Infrastructure and Agrosupport Services Department, along with a timetable for their implementation.

5.30 Workshops will be conducted in conjunction with the German Technical Cooperation Agency (GTZ) to fine-tune project analysis procedures and train program officers. The FDC will take specific steps to decentralize its operations, limiting the size of its headquarters staff.

5.31 The FDC has already hired an official to manage its reimbursable financing program operations and is planning to hire a loan officer, along with a consultant to advise it on organizational matters and lending procedures. The next step, once FDC lending policy and procedures are in place, which should take approximately two months, is to design a plan of work for the accreditation of auxiliary finance institutions (AFIs) by the Office of the Superintendent of Banks.

5.32 The FDC would have all required institutional ingredients to guarantee timely, successful execution of the PIDC, namely: (i) proposed institutional strengthening activities for the FDC, executing entities and program users and beneficiaries; (ii) simple but flexible procedures developed specifically for program purposes and incorporated in its Operating Regulations and in the Project Preparation Guidelines (infrastructure, agrosupport, institutional strengthening); (iii) the proposed planning, monitoring and evaluation system; (iv) the proposed decentralized program execution system; and (v) built-in flexibility of the program embodied in its annual review stages.

D. Financial feasibility

5.33 The financing package envisioned for this operation includes resources from donor countries such as Germany, Belgium, Japan, etc. (Netherlands, Switzerland, Sweden), from the Bolivian government and from the proposed IDB loan. This type of arrangement allows for participation by donor countries without requiring the formal commitments implicit in a traditional cofinancing arrangement, since these countries have expressed an interest in channeling funding through the MPC, as indicated by its Undersecretary for Government Investment and International Cooperation. Thus, most program resources would come from the Bolivian government. Table V-2 presents financial projections for the project execution period. Since the program consists of a set of miniprojects, if the international contribution falls, the total amount of the program will be reduced and it will be continued on a smaller scale.

5.34 Its sources of funding would consist of the proposed US$12.5 million loan and US$22 million in Bolivian government contributions. To finance this latter sum, the Dirección General de Inversiones, Financiamiento Externo y Monetización [Department of Investments, External Financing and Monetization] (DIFEM) attached to the MPC would negotiate grants from donor countries that have expressed interest in participating in the PIDC. Program financial projections based on conservative estimates show US$2.4 million in grants under an external debt-relief agreement with the Belgium government, US$7.4 million in German government grants via the KFW (the German Agricultural Credit Agency) and GTZ, a US$7.5 million Japanese grant to the agricultural sector administered by the FDC, and US$1.9 million from other donor countries, all of which have

already been identified and negotiated, along with US$2.8 million in local counterpart funds.

Table V-2
Tentative PIDC financial projections
(US$ million)

Sources	Years				Total
	1993	1994	1995	1996	
IDB	3.2	2.9	3.1	3.3	12.5
Grants					
Belgium	2.4	-	-	-	2.4
KFW	1.8	2.2	2.0	-	6.0
GTZ	1.4	-	-	-	1.4
Japan	-	2.5	2.5	2.5	7.5
Other	-	-	-	1.9	1.9
Subtotal	5.6	4.7	4.5	4.4	19.2
Bolivian Treasury Department	1.7	0.2	0.5	0.5	2.8
Total – Sources	10.4	7.8	8.1	8.5	34.5
Applications					
Infrastructure	5.0	3.3	3.3	3.4	15.0
Agrosupport	2.1	1.5	1.5	1.2	6.3
Strengthening	1.4	1.2	1.2	1.2	5.0
Vehicles	0.2	-	-	-	0.2
Administration	0.7	0.7	0.6	0.6	2.6
Unallocated and financial	1.0	1.0	1.4	1.8	4.9
Total – Applications	10.4	7.8	8.1	8.5	34.5

5.35 Applications of funds correspond to project costs, including financial costs. The fact that, at meetings held with representatives of the aforementioned donor countries, the latter indicated a willingness to increase their contributions for subsequent program phases subject to a successful first phase is especially noteworthy. Thus, the financial feasibility of future program phases hinges on first-phase achievements.

E. Socioeconomic feasibility

1. Program appraisal

5.36 Economic appraisal was confined to the first two PIDC components (infrastructure and agrosupport), omitting the institutional strengthening component because of the difficulty of measuring its quantitative impact. The main tools used for the design and appraisal of the different types of projects included under the aforesaid first two program components were so-called "production cost estimates for selected crops" supplying information on the main farming activities of the target farmer population. This information was processed using an agroclimatic classification

system breaking down program areas into three basic agroclimatic zones, namely the Altiplano, the valleys and the plains. Typical crops (20 in all) were selected for each of these zones, producing a total of 108 production cost estimates, which took account of variations in technological factors. These cost estimates were used to measure on-farm benefits with and without the project.

5.37 The value of labor was measured by its opportunity cost, defined as labor availability and employment opportunities during the course of the year. More specifically, studies of the small farm economy revealed a large, chronic, structural surplus of on-farm labor. However, during certain periods of the year, small farmers seek out and find off-farm employment. Thus, the formula used to measure the value of family labor for economic appraisal purposes assigned it a zero opportunity cost for purposes of the aforesaid production cost estimates. On the other hand, off-farm employment (including labor supplied by PIDC project beneficiaries) was assigned an opportunity cost based on urban or agribusiness wage rates, by agroclimatic zone.

5.38 Another consideration in regard to economic appraisals is the degree of detail with which each individual project should be studied. Obviously, the ideal solution would be for such studies to encompass all factors directly or indirectly impacting on investment returns. However, the number of products scheduled to be financed by the PIDC each year and the small value of corresponding investments would seem to suggest simplifying the cost-benefit analysis in terms of its level of detail. Thus, the PIDC economic appraisal envisioned three alternative appraisal methods: standardization, based on standard projects; "individualization" of standard project categories; and appraisals of specific projects. The agrosupport component used standard-project appraisals since all identified projects showed similar characteristics, regardless of the agroclimatic zone and number of beneficiaries involved. These projects represent standard modules with similar costs and benefits.

5.39 The infrastructure component was appraised using the "individualization" of project categories, combining the economies of scale associated with standardized investments (standard projects) with the greater accuracy (lower risk) of specific appraisals. This approach is based on the assumption that the standard projects identified under the infrastructure component do not represent the full range of different investments within a given project category, making it necessary to identify differentiation parameters while preserving a degree of homogeneity in regard to less relevant variables. Thus, given the diversity and the distinctive characteristics of each project identified under the infrastructure component, the economic appraisal sought to individualize these projects by identifying parameters specific to each individual project. Economic appraisals of collection centers and cottage

industries (under the agrosupport component) used a project-specific approach.

5.40 Thus, the FDC established 12 basic standard-project modules and project categories. Where required, each basic module has as many as three subcategories depending on the agroclimatic zone. The economic appraisal of each of these modules (constructed on computer work sheets) uses a special project "individualization" chart inserting the values of key parameters. The socioeconomic appraisal includes an in-depth discussion of the data, costs and benefits associated with each of the standard projects and project categories considered.

5.41 Table V-3 shows the weighted IRR for the first PIDC operating plan (using investment value as the weighting factor), by project category (infrastructure component) and by standard project (agrosupport component). The high IRR for the roads and bridges category (an average of 86%) is due in part to the magnitude of the "penalty" payable by farmers if they shipped their products without the benefit of this type of project. Moreover, projected benefits are based on the presence of supporting technical-assistance services. A review of the study methods used in the appraisal process and of the figures presented in the table confirms the satisfactory economic feasibility of projects identified for purposes of the investment program. The PIDC economic appraisal report, kept in the project files in PRA/AGR, contains an in-depth discussion of the data and the methods used to assess the economic feasibility of each project category and standard project.

Table V-3
Economic appraisal of the first stage of the PIDC

Project categories and activities	Investment value (US$ 000)	EIRR (%)	Distributional impact ratio (%)
Infrastructure	4,835	63.80	59
1. Roads and bridges	2,860	85.87	32
2. Irrigation and drainage	1,715	43.51	92
3. Collection centers/beneficiaries	190	22.00	73
4. Cottage industries	70	22.00	100
Agrosupport	2,025	39.92	93
6. Revolving funds	1,472	41.21	93
7. Microwatershed management	143	26.87	91
8. Agroforestry	155	39.70	90
9. Agricultural extension	255	n.a.	-
TOTAL	6,861	56.56	71

2. Sensitivity analysis

5.42 Most project sensitivity analyses envision two scenarios. The first scenario (Scenario 1) assumes a 10% reduction in yields and prices and a 10% hike in unit construction costs for physical infrastructure. Aside from variations in investment cost, the variables studied in the case of farmers' markets are the percentage of post-harvest losses and the producer price differential. The variables contemplated by analyses of revolving livestock funds are the calving rate and the ex farm price of steers. The second scenario (Scenario 2) assumes a 5% hike in prices and yields and a 5% reduction in investment cost. The results of the sensitivity analysis indicate that, even in the worst-case scenario of reductions in price, yield and investment cost variables, the program still shows a satisfactory economic return.

5.43 The sensitivity analysis was performed by project category (considering the baseline case) (defined as the project representative of the specific ones identified) in the infrastructure component, by standard project in the case of the agrosupport component and by specific project in the case of collection centers and cottage industries. The results of the sensitivity analysis are presented in Annex II-1.

3. Distributional impact

5.44 Computations of distributional impact ratios (DIRs) — 71% on average — were confined to the program's infrastructure and agrosupport components (see Table V-3), in the former case by project category considering only the baseline case and, in the latter case, by standard project. Individual project DIRs were calculated on the basis of the ratio of present value of benefits going to low income groups to that of total benefits procured by the private sector. DIRs for program components and for the 1993 PIDC as a whole were computed as a weighted average of individual project DIRs, with the total value of investments earmarked for each project category or standard project used as the weighting factor. The last column of Table V-3 above shows the DIR by program component. Individual project DIRs are presented in Annex II-1.

4. Participation of women

5.45 The main objective of the PIDC is to reduce rural poverty by seeking to strengthen the managerial capability and bargaining power of farming communities, recognizing the role of women in the development process by affording them access to the decisions, services, resources and benefits produced by activities generated as part of this process.

5.46 Seeking to effectively involve campesino women in project activities translates into an effective approach to combating poverty by

offering poverty-reducing options with a multiplier effect, consistent with the country's realities. This is why the issue of women in development is addressed at all project levels and cannot be conceived of as a different or isolated activity with its own separate objectives. However, it is imperative that the program finance projects focusing on activities in which women play a meaningful role, such as revolving input and livestock funds, the raising of *Camelidae* and the promotion of corresponding byproducts, markets, cottage industries, agrosupport activities and, most importantly, training.

5.47 Thus, the integration of women in the PIDC is addressed from an integrated perspective, which means that, rather than conducting activities designed exclusively for women, there are mechanisms built into each stage of the project cycle to facilitate and promote the participation of women (see PIDC Operating Regulations). The PIDC has special woman-oriented eligibility criteria for projects and executing agencies. Its institutional strengthening component includes courses and training activities in this area for communities, executing agencies and interested FDC officials. To ensure proper operation of these mechanisms, it seeks to strengthen institutional capacity within the FDC to study and formulate policy, operating strategies and projects promoting the effective participation of women, by assigning a specialist in women's issues to the planning, monitoring and evaluation office reporting directly to the PIDC's General Coordinator. Likewise, program officers are entrusted with the task of monitoring and evaluating the participation of women in program execution. These activities are discussed at length throughout the document and, more specifically, in the Operating Regulations and its various appendices.

PROJECTS FOR FIRST-YEAR OPERATING PLAN

COMPONENT	PROJECT	TOTAL US$
INFRASTRUCTURE		4,424,602
I. ROADS AND BRIDGES		2,313,027
1. Feeder roads/Altiplano	1. Chuquichambi-Hayamarca	120,273
	2. Charazani-Upinhuaya	58,052
2. Feeder roads/valleys	1. Vacas-Pocona	87,529
	2. Pisle	101,992
	3. Thapana-Actara	190,565
	4. Saipina-Siberia	150,825
	5. Khonchupata-Alcalá	47,514
	6. Jailia-Achuma	163,515
	7. Lime-Impora	95,701
	8. Villa Abecia-La Torre	164,112
	9. Presto-Yurac Yurac	61,900
3. Feeder roads/plains	1. Itili-Altura-Cumbre	147,663
	2. 26 de Octubre	30,690
	3. Puerto Román	41,323
	4. Wames-Antofagasta	56,708
	5. San Antonio	37,789
	6. Abacuya	20,886
	7. Sachojere-Somopae	53,129
	8. San Miguel-Porvenir	132,793
	9. Nueva Esperanza-Canaan	12,012
	10. Mongabo-Orobayaya	159,973
4. Road bridges/Altiplano	1. Mauri	41,623
	2. Yanarico	49,096
5. Road bridges/valleys	1. Pata Mayu	49,200
	2. Millichina	41,826
6. Road bridges/Yungas province	1. Agua Dulce	19,873
	2. Plata	14,340
	3. Tunari	24,687
7. Foot bridges/Yungas province	1. Posponendo	47,884
8. Foot bridges/Altiplano	1. Guadalupe	89,554
II. IRRIGATION AND DRAINAGE		1,350,979
9. Microirrigation/Altiplano	1. Bofedales Cosapa	52,815
	2. Jankho Huyo	28,486
	3. Lequepalca-Cohani	30,741
	4. Capaj Amaya	31,015
	5. Catavikollo	27,876
	6. Marquez Quillacas	29,152
10. Microirrigation/valleys	1. Erquis Sud	32,601
	2. La Victoria	37,555
	3. Obrero Campesino	71,237
	4. Tolomosa	67,362
	5. Alizos	125,203
	6. Khuchu Muela	74,378
	7. Sipe Sipe	32,722
	8. Mailanco	76,167
	9. Chiñata	67,540
	10. La Vega	53,237
	11. Chiñiri	55,826
11. Microirrigation/plains	1. Iguembe (Chaco)	46,698
	2. Ultimo Campo (Chaco)	17,090
	3. Itau (Chaco)	222,028
	4. Churquis (Chaco)	57,427
	5. Narvaez (Chaco)	80,350
	6. Tarairi (Chaco)	33,473

PROJECTS FOR FIRST-YEAR OPERATING PLAN (CONT.)

COMPONENT	PROJECT	TOTAL US$
III. COLLECTION CENTERS/BENEFICIARIES		167,783
12. Collection centers/beneficiaries	1. Etnia Yaminahua	25,549
	2. Villa Rojas	34,113
	3. Puerto Rico	46,437
	4. Colonia Muñecas	37,404
	5. Planta Cotapata	24,280
IV. COTTAGE INDUSTRIES		78,416
13. Cottage industries	1. Jalk'a	60,696
	2. Mujeres Chiquitanas	17,720
V. OTHER INFRASTRUCTURE WORKS		514,397
14. Protective structures/valleys		
15. Farmers' markets/plains	1. San Ramón	36,953
	2. San Joaquin	38,285
	3. Rurrenabaque	36,895
	4. San Pablo	34,212
	5. Santa Ana	38,295
	6. San Ignacio	31,651
	7. Magdalena	36,590
	8. Ascención de Guarayos	80,916
	9. Buena Vista	30,100
	10. Concepción	30,100
	11. Pailón	30,100
	12. San Juán de Yapacani	30,100
	13. San Miguel de Velasco	30,100
	14. Santa Rosa del Sara	30,100

PROJECTS FOR FIRST-YEAR OPERATING PLAN (CONT.)

STANDARD PROJECT	NUMBER OF PROJECTS	TOTAL US$
AGROSUPPORT		2,018,886
VI. REVOLVING FARM INPUT FUNDS		725,400
16. Rev. farm input funds/Altiplano	3	55,932
16a. Rev. seed funds/Oruro	1	148,124
16b. Rev. funds/North Potosí	1	70,000
17. Rev. farm input funds/valleys	16	227,216
18. Rev. farm input funds/plains	16	224,128
VII. REVOLVING LIVESTOCK FUNDS		746,824
19. Rev. livestock funds/Altiplano	2	89,302
20. Rev. livestock funds/valleys	6	264,360
21. Rev. livestock funds/plains	7	393,162
VIII. MICROWATERSHED MANAGEMENT		136,190
22. Microwatershed rehab./valleys	2	71,190
22a. Sacabambilla	1	65,000
IX. AGROFORESTRY		155,055
23. Agroforestry/Altiplano	3	66,765
24. Agroforestry/valleys	3	66,765
24a. Ramadas	1	21,525
X. TECHNICAL ASSISTANCE		255,417
25. Agricultural extension		255,417
INSTITUTIONAL STRENGTHENING		1,450,000
TOTAL PIDC		**7,893,488**

This table is the basis for the aggregate figures presented in Table II-2.

PROJECTS FOR FIRST-YEAR OPERATING PLAN
ECONOMIC EVALUATION

COMPONENT	PROJECT	INDIVIDUALIZATION PARAMETERS A	INDIVIDUALIZATION PARAMETERS B	TARGET FAMILIES	INVEST. VALUE US$	ECON. NPV US$	EIRR
INFRASTRUCTURE				17,642	5,407,493		
I. ROADS AND BRIDGES				11,596	2,860,120		
1. Feeder roads/Altiplano	1. Chuquichambi-Hayamarca	20.00	7,627.00	1,000	160,550	2,603,984	142.1%
	2. Charazani-Upinhuaya	25.00	2,448.00	722	69,228	2,183,891	248.1%
2. Feeder roads/valleys	1. Vacas-Pocona	26.00	4,067.00	1,025	113,762	4,821,916	153.8%
	2. Pisle	20.00	5,514.00	439	118,300	1,816,551	89.2%
	3. Thapana-Actara	34.00	6,103.00	490	215,522	2,305,522	83.8%
	4. Saipina-Siberia	49.00	3,533.00	1,000	181,137	5,887,048	178.1%
	5. Khonchupata-Alcalá	9.80	5,590.00	75	62,802	192,708	36.3%
	6. Jailia-Achuma	29.50	6,296.00	180	193,752	640,346	42.3%
	7. Lime-Impora	42.00	2,764.00	172	124,108	800,242	64.5%
	8. Villa Abecia-La Torre	46.90	3,998.00	170	195,526	746,078	48.7%
	9. Presto-Yurac Yurac	20.00	3,570.00	590	79,420	2,549,597	124.5%
3. Feeder roads/plains	1. Itili-Altura-Cumbre	26.00	6,500.00	300	176,998	1,271,869	61.1%
	2. 26 de Octubre	12.00	3,148.00	70	45,781	214,158	43.9%
	3. Puerto Román	8.60	5,882.00	83	58,590	240,324	41.1%
	4. Wames-Antofagasta	22.20	3,079.00	202	76,359	855,240	73.9%
	5. San Antonio	11.00	4,151.00	50	53,666	116,121	30.5%
	6. Abacuya	3.00	7,808.00	53	31,429	136,216	39.8%
	7. Sachojere-Somopae	12.80	4,655.00	531	67,589	2,195,179	110.4%
	8. San Miguel-Porvenir	15.00	9,666.00	589	152,995	2,414,434	84.0%
	9. Nueva Esperanza-Canaan	4.50	2,787.00	381	20,547	1,427,484	118.5%
	10. Mongabo-Orobayaya	13.50	11,808.00	248	167,413	851,734	48.0%
4. Road bridges/Altiplano	1. Mauri	21.00	4.00	466	56,213	855,739	111.0%
	2. Yanarico	8.00	4.00	177	63,365	209,062	39.8%
5. Road bridges/valleys	1. Pata Mayu	15.50	3.00	400	61,550	1,410,876	89.1%
	2. Millichina	25.00	3.00	645	55,279	2,423,661	117.9%
6. Road bridges/Yungas	1. Agua dulce	30.00	12.00	929	30,483	1,133,715	125.3%
	2. Plata	10.00	3.00	77	25,311	24,760	20.0%
	3. Tunari	30.00	3.00	232	35,071	183,495	41.8%
7. Foot bridges/Yungas	1. Posponendo	117.00	54,025.00	117	62,030	10,294	13.7%
8. Foot bridges/valleys	1. Guadalupe	183.00	97,324.00	183	105,344	503,787	43.2%
II. IRRIGATION AND DRAINAGE				1,026	1,715,526		
9. Microirrigation/Altiplano	1. Bofedales Cosapa	200.00	324.00	143	68,895	504,368	61.8%
	2. Jankho Huyo	25.00	1,218.00	18	34,545	15,168	16.9%
	3. Lequepalca-Cohani	30.00	1,140.00	21	38,295	26,047	19.3%
	4. Capaj Amaya	28.00	1,287.00	20	40,131	17,963	17.0%
	5. Catavikollo	30.00	1,057.00	21	35,805	28,834	20.5%
	6. Marquez Quillacas	30.00	1,161.00	21	38,925	25,342	19.0%
10. Microirrigation/valleys	1. Erquis Sud	50.00	792.00	33	43,695	428,657	65.4%
	2. La Victoria	70.00	659.00	47	50,225	621,644	74.0%
	3. Obrero Campesino	80.00	1,086.00	53	90,975	673,568	57.2%
	4. Tolomosa	100.00	878.00	67	91,895	873,225	65.2%
	5. Alizos	60.00	2,619.00	40	161,235	389,277	32.3%
	6. Khuchu Muela	80.00	1,297.00	53	107,855	653,497	51.6%
	7. Sipe Sipe	64.00	630.00	43	44,415	568,327	75.1%
	8. Mailanco	54.00	1,587.00	36	89,793	413,997	44.6%
	9. Chiñata	60.00	1,209.00	40	76,635	489,867	52.8%
	10. La Vega	30.00	2,142.00	20	68,355	198,585	35.0%
	11. Chiñiri	60.00	99.00	40	10,035	569,054	136.4%

PROJECTS FOR FIRST-YEAR OPERATING PLAN
ECONOMIC EVALUATION (CONT.)

COMPONENT	PROJECT	INDIVIDULATIZATION PARAMETERS		TARGET FAMILIES	INVEST. VALUE US$	ECON. NPV US$	EIRR
		A	B				
11. Microirrigation/plains	1. Iguembe (Chaco)	60.00	997.00	40	63,915	287,840	41.1%
	2. Ultimo Campo (Chaco)	65.00	394.00	43	29,705	363,353	65.1%
	3. Itau (Chaco)	150.00	2,008.00	100	305,295	567,868	27.6%
	4. Churquis (Chaco)	70.00	990.00	47	73,395	340,786	41.8%
	5. Narvaez (Chaco)	61.00	1,655.00	41	105,050	242,537	30.1%
	6. Tarairi (Chaco)	59.00	718.00	39	46,457	303,332	48.9%
III. COLLECTION CENTERS/BENEF.				386	190,352		
12. Collection centers/benef.	1. Etnia Yaminahua			25	54,631	39,693	20.4%
	2. Villa Rojas			151	35,653	41,331	28.8%
	3. Puerto Rico			100	48,477	24,694	19.6%
	4. Colonia Muñecas			70	51,591	45,873	22.0%
	5. Planta Cotapata			40			
IV. COTTAGE INDUSTRIES				1,232	69,910		
13. Cottage industries	1. Jalk'a			232	69,910	108,134	22.2%
	2. Mujeres Chiquitanas			1,000			
V. OTHER INFRASTRUCTURE WORKS				3,402	571,585		
14. Protective structures/valleys							
15. Farmers' markets/plains	1. San Ramón	36,953.00		243	41,048	149,530	32.2%
	2. San Joaquin	38,295.00		243	42,390	147,897	31.7%
	3. Rurrenabaque	36,995.00		243	42,390	147,897	31.7%
	4. San Pablo	34,202.00		243	38,297	152,878	33.3%
	5. Santa Ana	38,295.00		243	38,297	152,878	33.3%
	6. San Ignacio	31,651.00		243	38,297	152,878	33.3%
	7. Magdalena	36,590.00		243	40,685	149,972	32.3%
	8. Ascención de Guarayos	80,916.00		243	85,011	96,030	20.9%
	9. Buena Vista	30,100.00		243	34,195	157,870	35.1%
	10. Concepción	30,100.00		243	34,195	157,870	35.1%
	11. Pailón	30,100.00		243	34,195	157,870	35.1%
	12. San Juán de Yapacani	30,100.00		243	34,195	157,870	35.1%
	13. San Miguel de Velasco	30,100.00		243	34,195	157,870	35.1%
	14. Santa Rosa del Sara	30,100.00		243	34,195	157,870	35.1%

PROJECTS FOR FIRST-YEAR OPERATING PLAN
ECONOMIC EVALUATION (CONT.)

STANDARD PROJECTS	NUMBER OF PROJECTS	TARGET FAMILIES	INVESTMENT VALUE US$	ECONOMIC VALUE US$	EIRR
AGROSUPPORT		5,940	2,025,886		
VI. REVOLVING FUNDS/FARM INPUTS		3,780	725,400		
16. Rev. funds/inputs/Altiplano	3	420	55,932	772,418	110.0%
16a. Rev. funds/seeds/Oruro	1		148,124		
16b. Rev. funds/North Potosí	1		70,000		
17. Rev. funds/inputs/valleys	16	1,680	227,216	2,438,774	59.0%
18. Rev. funds/inputs/plains	16	1,680	224,128	2,214,518	97.0%
VII. REVOLVING FUNDS/LIVESTOCK		1,800	746,824		
19. Rev. funds/livest./Altiplano	2	240	89,302	377,657	27.0%
20. Rev. funds/livest./valleys	6	720	264,360	1,307,273	27.0%
21. Rev. funds/livest./plains	7	840	393,162	1,656,673	25.0%
VIII. MICROWATERSHED MANAGEMENT		120	143,190		
22. Microwatershed rehab./valleys	2	120	78,190	722,232	49.2%
22a. Sacabambilla	1		65,000		
IX. AGROFORESTRY		240	155,055		
23. Agroforestry	3	120	66,765	313,059	40.1%
24. Agroforestry	3	120	66,765	479,100	52.1%
25a. Ramadas	1		21,525		
X. TECHNICAL ASSISTANCE		0	255,417		
26. Agricultural extension			255,417		
INSTITUTIONAL STRENGTHENING					
TOTAL – PIDC		23,582	7,433,379		

NOTES:

INDIVIDUALIZATION PARAMETERS

Feeder roads:	A. Road length in km.
	B. Road cost per km. (in US$)
Road bridges:	A. Upgraded road in km.
	B. Upgrading time in months
Foot bridges:	A. Number of beneficiaries
	B. Bridge cost (in US$)
Microirrigation:	A. Irrigated area in ha.
	B. Construction cost per ha. (in US$)
Collection centers/ beneficiaries:	Specific appraisals
Cottage industries:	Specific appraisals
Protective structures:	A. Number of hectares reclaimed/protected
	B. Construction cost (in US$)
Farmers' markets:	A. Market cost (in US$)

INVESTMENT VALUE
Includes the cost of infrastructure (contributions from the FDC and project beneficiaries) and the extension component in the case of infrastructure projects.

AGROSUPPORT – NUMBER OF PROJECTS
Standard project appraisals are based on the following unit values:

Standard project	Investment value (US$)
Rev. funds/livest./Altiplano	44,651
Rev. funds/livest./valleys	44,060
Rev. funds/livest./plains	56,166
Rev. funds/inputs/Altiplano	13,983
Rev. funds/inputs/valleys	14,201
Rev. funds/inputs/plains	14,008
Microwatershed rehab./valleys	35,595
Agroforestry/Altiplano	22,255
Agroforestry/valleys	22,255

AGROSUPPORT – ECONOMIC NPV
This figure corresponds to all standard projects scheduled for implementation.

PROJECTS FOR FIRST-YEAR OPERATING PLAN
SENSITIVITY ANALYSIS

	BASELINE SCENARIO		SCENARIO 1		SCENARIO 2	
	NPV	IRR	NPV	IRR	NPV	IRR
INFRASTRUCTURE						
I. ROAD PROJECTS						
1. Feeder roads/Altiplano	3,503,926	157.0%	2,484,290	119.0%	4,072,879	181.0%
2. Feeder roads/valleys	6,315,415	115.0%	3,758,299	80.0%	7,713,641	134.0%
3. Feeder roads/plains	3,483,314	81.0%	2,206,768	58.0%	4,180,896	95.0%
4. Road bridges/Altiplano	520,355	64.0%	261,874	40.0%	695,913	80.0%
5. Road bridges/valleys	1,345,900	81.0%	703,927	52.0%	1,696,823	97.0%
6. Road bridges/Yungas province	98,676	24.0%	10,128	13.0%	147,028	29.0%
7. Foot bridges/Yungas province	65,962	19.7%	(26,798)	8.7%	116,420	25.3%
8. Foot bridges/valleys	573,541	52.0%	243,082	31.0%	753,778	64.0%
II. IRRIGATION AND DRAINAGE						
9. Microirrigation/Altiplano	68,669	24.9%	8,923	13.6%	100,459	31.5%
10. Microirrigation/valleys	518,106	48.7%	282,878	31.3%	644,151	59.3%
11. Microirrigation/plains	277,842	28.8%	76,507	16.6%	385,168	35.9%
III. COLLECTION CENTERS/BENEF.						
12. Collection centers/benef.						
Cassava/Yaminahua	39,693	20.4%	(7,779)	10.3%	65,119	26.0%
Coffee/Muñecas	45,873	22.0%	7,153	13.5%	66,520	26.9%
Rice/Villa Rojas	41,331	28.8%	19,878	19.0%	52,629	35.4%
Rice/Puerto Rico	24,694	19.6%	1,925	12.5%	36,619	29.3%
Bananas/Cotapata						
IV. COTTAGE INDUSTRIES						
13. Cottage industries						
Textiles Jalq'a	108,134	22.2%	(168)	12.0%	167,041	27.8%
Chiquitania (Santa Cruz)						
V. OTHER INFRASTRUCTURE WORKS						
14. Protective structures/valleys	7,115	24.0%	17,267	15.0%	74,358	27.0%
15. Farmers' markets/plains	157,992	35.2%	142,019	31.6%	165,978	37.2%
AGROSUPPORT						
VI. REVOLVING FUNDS FOR FARM INPUTS						
16. Rev. funds/inputs/Altiplano	193,105	110.0%	71,061	43.0%	261,909	161.0%
17. Rev. funds/inputs/valleys	152,423	59.0%	2,842	13.0%	236,971	89.0%
18. Rev. funds/inputs/plains	138,407	97.0%	27,698	26.0%	201,017	158.0%
VII. REVOLVING FUNDS FOR LIVESTOCK						
19. Rev. funds/livest./Altiplano	188,828	27.0%	126,516	22.0%	217,391	29.0%
20. Rev. funds/livest./valleys	217,879	27.0%	131,259	21.0%	255,451	30.0%
21. Rev. funds/livest./plains	276,112	25.0%	114,310	18.0%	358,786	29.0%
VIII. MICROWATERSHED MANAGEMENT						
22. Microwatershed rehab./valleys	361,116	49.0%	109,590	21.5%	478,158	76.0%
IX. AGROFORESTRY						
23. Agroforestry/Altiplano	104,353	40.0%	60,439	13.4%	156,427	67.0%
24. Agroforestry/valleys	159,700	52.0%	21,788	15.9%	240,700	104.0%

PROJECTS FOR FIRST-YEAR OPERATING PLAN
DISTRIBUTIONAL IMPACT RATIOS (DIR)

	NUMBER OF PROJECTS	INVESTMENT VALUE	DIR
INFRASTRUCTURE	83	5,407,493	59.3%
I. ROADS AND BRIDGES	34	2,860,120	32.3%
1. Feeder roads/Altiplano	2	229,778	35.9%
2. Feeder roads/valleys	9	1,284,329	27.8%
3. Feeder roads/plains	12	851,367	27.3%
4. Road bridges/Altiplano	2	119,578	29.9%
5. Road bridges/valleys	4	116,829	30.0%
6. Road bridges/Yungas province	3	90,865	28.6%
7. Foot bridges/Yungas province	1	62,030	95.5%
8. Foot bridges/valleys	1	105,344	90.6%
II. IRRIGATION AND DRAINAGE	27	1,715,526	91.9%
9. Microirrigation/Altiplano	9	256,596	95.2%
10. Microirrigation/valleys	12	835,113	90.5%
11. Microirrigation/plains	6	623,817	92.4%
III. COLLECTION CENTERS/BENEF.	5	190,352	72.6%
12. Collection centers/benef.	5	190,352	72.6%
Cassava/Yaminahua		54,631	67.8%
Coffee/Muñecas		35,653	73.3%
Rice/Villa Rojas		48,477	82.5%
Rice/Puerto Rico		51,591	67.9%
Bananas/Cotapata		N.A.	N.A.
IV. COTTAGE INDUSTRIES	2	69,910	100.0%
13. Cottage industries	2	69,910	100.0%
Textiles Jalq'a		69,910	100.0%
Chiquitania (Santa Cruz)		N.A.	N.A.
V. OTHER INFRASTRUCTURE WORKS	15	571,585	87.8%
14. Protective structures/valleys	1	0	0.0%
15. Farmers' markets/plains	14	571,585	87.8%
AGROSUPPORT	62	2,025,886	92.7%
VI. REVOLVING FARM INPUT FUNDS	37	725,400	92.3%
16. Rev. funds/farm inputs/Altiplano	5	274,056	91.9%
17. Rev. funds/farm inputs/valleys	16	227,216	92.4%
18. Rev. funds/farm inputs/plains	16	224,128	92.6%
VII. REVOLVING LIVESTOCK FUNDS	15	746,824	93.9%
19. Rev. funds/livestock/Altiplano	2	89,302	94.7%
20. Rev. funds/livestock/valleys	6	264,360	94.1%
21. Rev. funds/livestock/plains	7	393,162	93.5%
VIII. MICROWATERSHED MANAGEMENT	3	143,190	91.7%
22. Microwatershed rehab./valleys	3	143,190	91.7%
IX. AGROFORESTRY	7	155,055	90.3%
23. Agroforestry/Altiplano	3	66,765	90.4%
24. Agroforestry/valleys	4	88,290	90.3%
X. TECHNICAL ASSISTANCE		255,417	N.A.
TOTAL PIDC	**145**	**7,433,379**	**70.9%**

PIDC OPERATING REGULATIONS

CONTENTS

PIDC OPERATING REGULATIONS

1. Introduction

The Fondo de Desarrollo Campesino [Campesino Development Fund] (FDC) is an independent government agency attached to the Bolivian President's Office, established under Executive Order 22154 of March 15, 1989 and restructured under Executive Orders 22461 and 22863 of March 16, 1990 and July 15, 1991 respectively. Its purpose is to conduct programs for the country's poorest farmers in rural areas. FDC resources are channeled to beneficiaries through two types of operations: (i) nonreimbursable financing; and (ii) reimbursable financing. These regulations govern nonreimbursable financing operations under the Programa de Inversiones para el Desarrollo Campesino [Campesino Development Investment Program] (PIDC), hereinafter referred to as the program.

The FDC channels its resources to beneficiaries through specific projects submitted by executing agencies meeting economic return, technical feasibility, social impact, environmental impact and women's participation requirements and other selection criteria as set forth in these operating regulations. Executing entities may be government institutions or private organizations operating in the rural development area with proven experience and know-how to sponsor projects, provide technical assistance to project beneficiaries and assist them in corresponding project preparation and design work. The legal authority for the performance and financing of any investment project is derived from the contractual relations entered into by the FDC, executing entities and project beneficiaries as per the sample conditions of contract presented in Appendix 1. 1/

The main objective of these regulations is to establish general policies, terms and conditions governing transfers of FDC funds for the nonreimbursable financing of eligible projects according to established program conditions. They also establish basic rules governing relations between different program participants. In furtherance of these objectives, the operating regulations contain basic rules for FDC operations and eligibility criteria for project financing and executing entities.

2. The PIDC

a. Objectives

The overall objective (with a 15-20 year time horizon) is to reduce rural poverty by promoting rural development in general, and agricultural development in particular.

1/ The Appendices to the Operating Regulations (1-8) are kept in the PRA/AGR archives.

The intermediate objectives of the PIDC are to:

(a) strengthen community management capabilities and bargaining power, promoting participation by farm women and youth, acknowledging their role in the development process and affording them access to the decisions, services, resources and benefits produced by projects scheduled for implementation;

(b) strengthen public and private institutional capacity for the execution of community-based rural development projects to efficiently heighten possibilities of addressing small-farmer needs nationwide;

(c) raise production levels and quality and improve productivity and market access for small farmers and stock raisers, including men and women, to achieve sustainable improvements in income levels and living conditions for farm families.

The extent of achievement of these objectives and, thus, the program impact will be evaluated through a study of trends in selected socioeconomic variables, if possible broken down by gender. The variables used for impact evaluations at the individual project and program levels are described in the PIDC planning, monitoring and evaluation system.

b. Annual execution – annual operating plans

Annual operating plans are procedural tools for the organization of project execution and monitoring activities, supplying the following basic data on projects approved for execution over the course of the current year:

- Project number and classification code
- Executing entity agreement number and agency name
- Project cost
- Execution period
- Commencement and completion dates
- Executing entity and target community contributions

A proposed annual operating plan is drawn up based on the tentative budget assigned to the FDC by the National Treasury Department and agreements with financing agencies, with at least 85% of its total value corresponding to duly approved projects ready for execution and no more than 15% comprised of projects requested by beneficiaries in an advanced stage of preparedness. No project may be executed without having satisfied applicable eligibility criteria.

This proposal is submitted to the review committee for approval during the course of October of each year.

Implementation of the annual operating plan is evaluated and adjusted quarterly by the FDC planning and management committee.

c. Program description

The program is designed in the form of an investment program for the mass, prompt, efficient solution of simple problems obstructing or retarding development processes within Bolivia's farm economy. Accordingly, rather than funding complex, costly projects, it seeks to finance large numbers of small-scale projects for which the country has the necessary experience and technology.

The main problem in regard to program execution lies with the execution structure and the roles of its various participants and is addressed by the following three-way breakdown of mutually complementary responsibilities:

(a) Target communities, whose participation at all levels of the process begins with project preparation and culminates in its operation, may cofinance projects by supplying necessary labor and inputs

(b) The FDC is the sponsoring and financing agency for the program established by these Operating Regulations

(c) The executing entities which are directly responsible for project execution and also contribute cofinancing, may be government agencies (development corporations (CORDES), the Servicio Nacional de Desarrollo de la Comunidad [National Community Development Bureau] (SNDC), etc.) or private organizations (NGOs, private development institutions, cooperatives or farmer associations).

This breakdown of shared yet clearly defined responsibilities allows for the program to duly address problems in need of solution.

Proposed projects, grouped according to the investment areas listed in Table 1 below, must satisfy general and specific eligibility criteria as set forth in section 4 of these Operating Regulations.

Table 1 PIDC Components
BASIC INFRASTRUCTURE Road projects (roads, bridges and structural work) Water management projects for farming activities (irrigation and drainage), water harvesting, protective structures Agroprocessing and marketing projects (collection centers and markets, cottage industries), microprocessing plants Miscellaneous projects
AGROSUPPORT SERVICES Agricultural extension Revolving funds for farm inputs Revolving funds for livestock Reclamation projects Miscellaneous projects (agroindustries, small service companies, marketing assistance)
INSTITUTIONAL STRENGTHENING For executing agencies For target communities

The FDC institutional strengthening subcomponent is described in chapter IV of the Loan Proposal.

d. Program timing and resources

Program resources include Inter-American Development Bank, National Treasury and cofinancing country resources, plus resources from executing agency and target community contributions.

Its breakdown over the four-year execution period 1993-1996 by area of activity and priority province will depend on the demand for resources for eligible projects, seeking a good balance of corresponding investments both from a functional and geographic standpoint. The program will be executed in annual stages, at the conclusion of which a corresponding review process will identify any necessary adjustments in its activities and components.

3. Basic PIDC rules

The program will be executed based on the performance of appropriate projects by qualified executing entities. This requires establishing guidelines and regulations for: (a) project preparation; (b) project appraisal; and (c) qualification by executing agencies. Appendices 1 through 6 contain the relevant documentation. 2/

2/ The Appendices to the Operating Regulations (1-8) are kept in the PRA/AGR archives.

a. Financing terms: Investment value

Only projects with costs ranging from US$10,000 up to a ceiling of US$250,000 are eligible for FDC financing. 3/ In the specific case of basic infrastructure and reclamation projects, these floor and ceiling figures refer to the bill of quantities established in corresponding bidding documents. Accordingly, they do not include the value of community contributions and preinvestment costs.

The figure determining the eligibility of agrosupport projects for financing is the sum of executing agency operating costs for the provision of technical assistance and the operation of revolving funds and does not include the cost of studies and supervision.

b. Costs of preinvestment studies and supervision work for infrastructure projects

Preinvestment study and supervision costs covered by the FDC are indicated in Tables 2 and 3 below as allowable percentages of the cost of each project.

Table 2
Allocation of investment cost items as a percentage of total project cost

Code	Activity	Type of study (in %)		
		Profile	Feasibility	Final
01	Roads and/or bridges	2-3	4-6	6-8
02	Foot bridges	2-3	4-6	6-8
03	Irrigation and drainage	2-3	5-7	8-10
04	Markets and collection centers	2-3	3-5	5-7
05	Cottage industries	2-3	3-5	5-7
06	Protective structures	2-3	4-6	6-8
07	Rural construction	2-3	4-6	6-8
08	Soil management and conservation	2-3	4-6	6-8

NOTES
1. These are differential values subject to completion of the previous study phase.
2. Higher values denote more complex studies.

3/ The threshold amount is generally inapplicable to institutional strengthening projects, which usually have lower investment costs.

Table 3 Allocation of supervision cost items as a percentage of total project cost		
Code	Activity	Percentage (%)
01	Roads and/or bridges	8 - 10
02	Foot bridges	8 - 10
03	Irrigation and drainage	10 - 12
04	Markets and collection centers	6 - 8
05	Cottage industries	6 - 8
06	Protective structures	6 - 8
07	Rural infrastructure	5 - 7
08	Soil management and conservation	5 - 7
NOTE: High values denote project distances of over 50 kilometers from the supervision site and/or relatively complex projects.		

c. Cofinancing

Possible project cofinancing by executing entities and other institutions is considered desirable as far as the FDC is concerned.

d. Work method

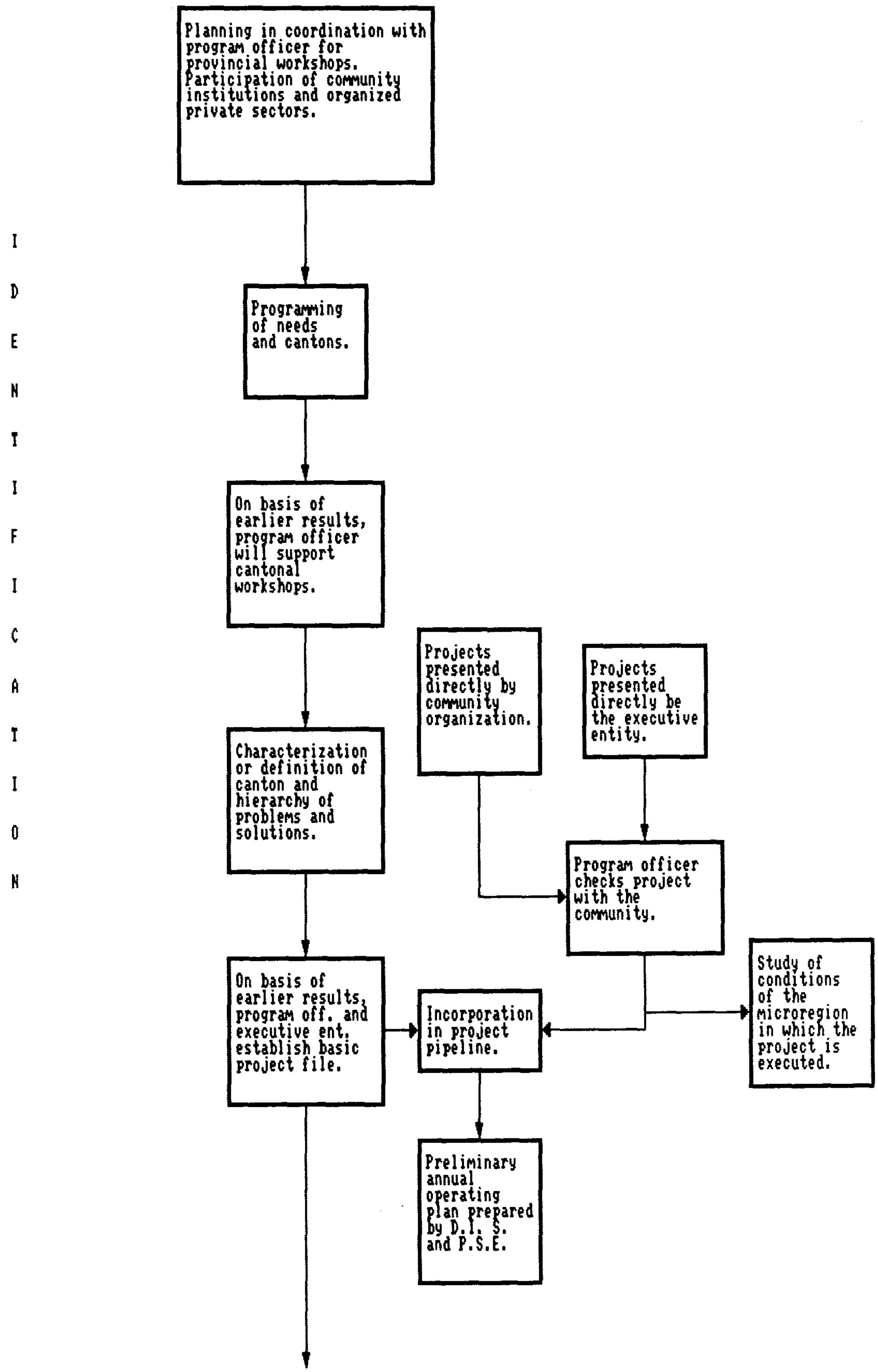
To achieve its objectives, the FDC has established a decentralized organizational structure headed by the Technical Program Coordinator, consisting of a technical advisory division at FDC headquarters and program officers in each department. The technical advisory division is staffed with necessary specialists for the appraisal and supervision of projects in the areas of irrigation and drainage, road and other infrastructure, agrosupport, institutional strengthening, economic appraisal, women, environment, bidding and contracting. The FDC regional office network is comprised of program officers, with at least one expert per department. Program officers are actively involved in all phases of the project cycle, as described below.

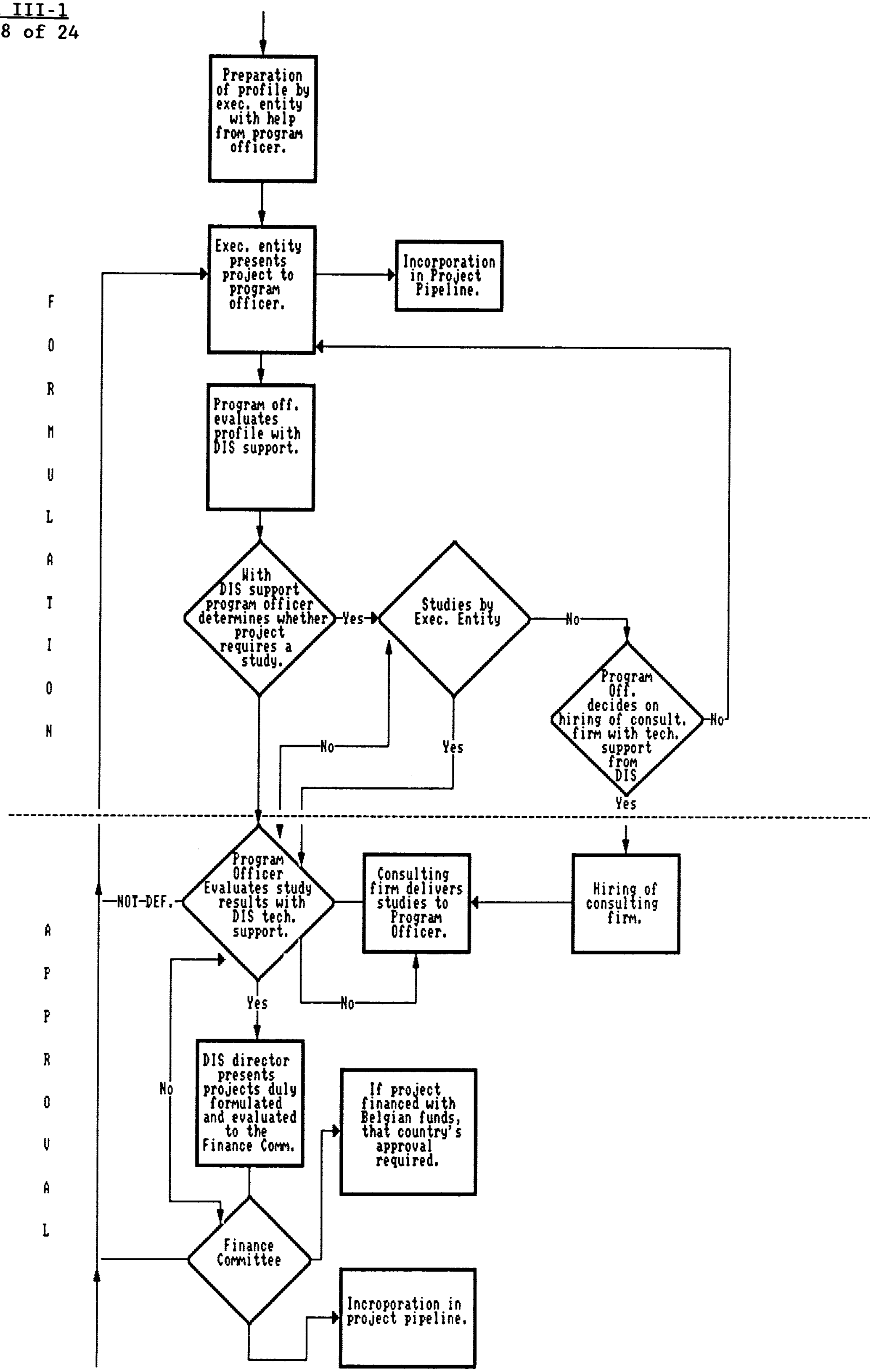
e. The project cycle

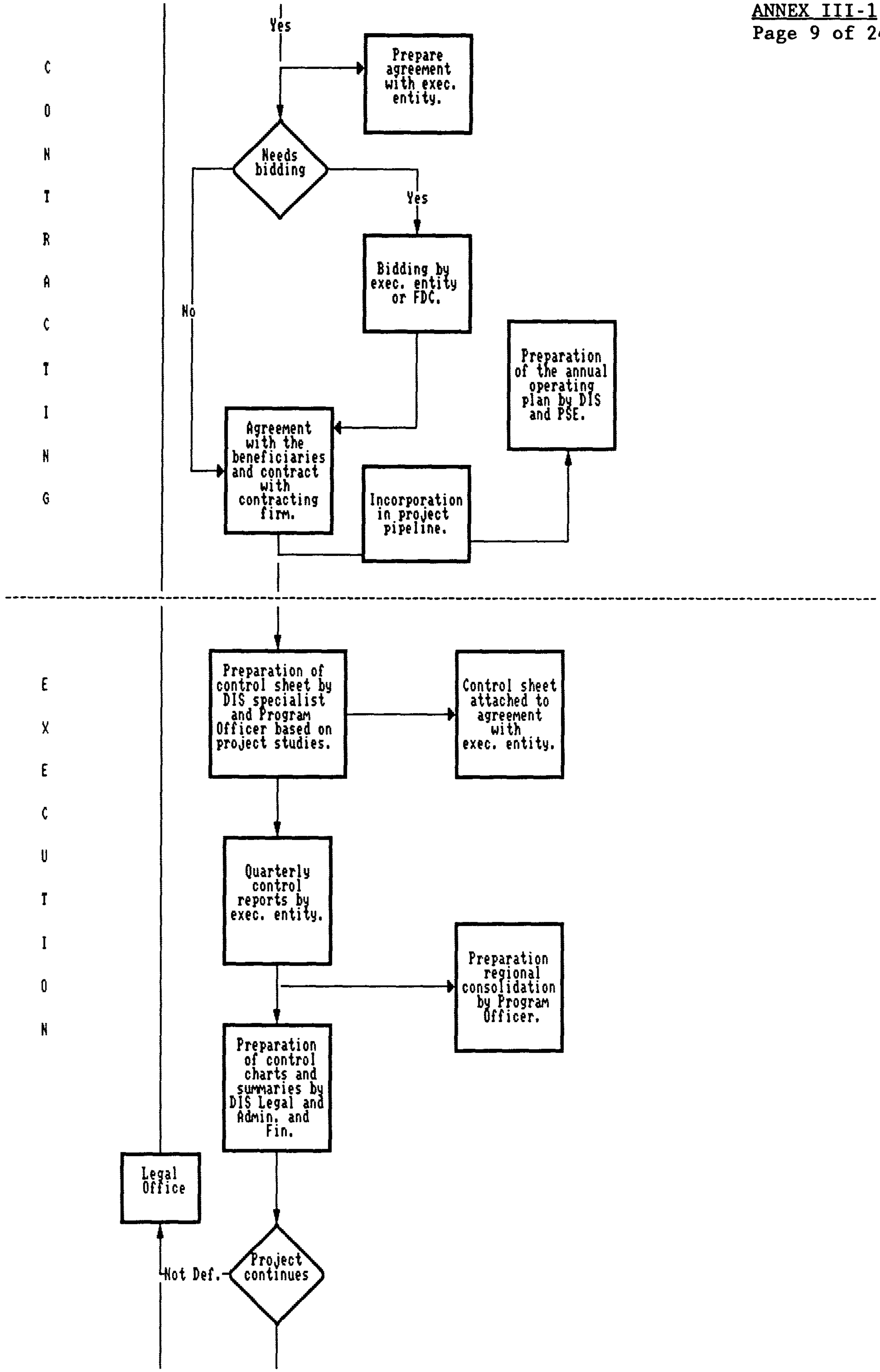
The main phases of the project cycle are promotion, identification, preparation, appraisal, approval, execution, ongoing evaluation or monitoring, acceptance, operation and ex post evaluation (see project flowchart).

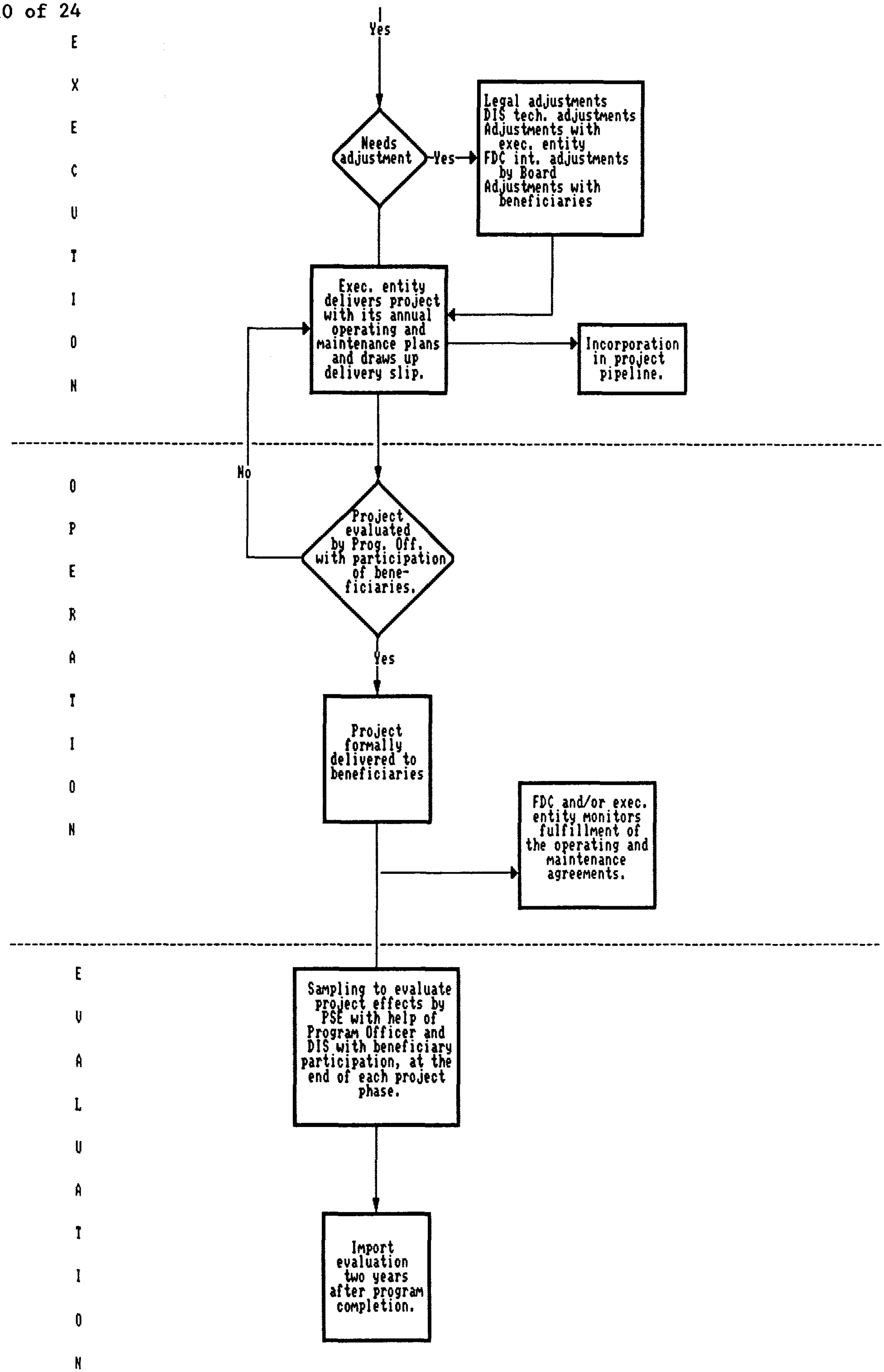
Promotion. The program officer is responsible for promoting program activities. To accomplish this, the FDC will draw up a promotion plan to brief executing entities and beneficiaries on conceptual program issues such as the target population, top priority provinces and operating procedures. The promotion plan will focus on those regions of the country with the largest share of the target population and the highest incidence of poverty. It will also encourage free competition among prospective executing agencies as an incentive for private sector involvement in program execution.

PROJECT FLOWCHART




Preparation of profile by exec. entity with help from program officer.
Exec. entity presents project to program officer.
Incorporation in Project Pipeline.
F O R M U L A T I O N
Program off. evaluates profile with DIS support.
With DIS support program officer determines whether project requires a study.
Yes
Studies by Exec. Entity
No
Program Off. decides on hiring of consult. firm with tech. support from DIS
No
No
Yes
Yes
A P P R O V A L
NOT-DEF.
Program Officer Evaluates study results with DIS tech. support.
Consulting firm delivers studies to Program Officer.
Hiring of consulting firm.
Yes
No
No
DIS director presents projects duly formulated and evaluated to the Finance Comm.
If project financed with Belgian funds, that country's approval required.
Finance Committee
Incroporation in project pipeline.


CONTRACTING
Yes
Prepare agreement with exec. entity.
Needs bidding
Yes
No
Bidding by exec. entity or FDC.
Preparation of the annual operating plan by DIS and PSE.
Agreement with the beneficiaries and contract with contracting firm.
Incorporation in project pipeline.
EXECUTION
Preparation of control sheet by DIS specialist and Program Officer based on project studies.
Control sheet attached to agreement with exec. entity.
Quarterly control reports by exec. entity.
Preparation regional consolidation by Program Officer.
Preparation of control charts and summaries by DIS Legal and Admin. and Fin.
Legal Office
Not Def.
Project continues


EXECUTION
Yes
Needs adjustment
Yes
Legal adjustments
DIS tech. adjustments
Adjustments with exec. entity
FDC int. adjustments by Board
Adjustments with beneficiaries
Exec. entity delivers project with its annual operating and maintenance plans and draws up delivery slip.
Incorporation in project pipeline.
OPERATION
No
Project evaluated by Prog. Off. with participation of bene-ficiaries.
Yes
Project formally delivered to beneficiaries
FDC and/or exec. entity monitors fulfillment of the operating and maintenance agreements.
EVALUATION
Sampling to evaluate project effects by PSE with help of Program Officer and DIS with beneficiary participation, at the end of each project phase.
Import evaluation two years after program completion.

Identification. The project identification process will preferably have one of the following three origins: proposals from corresponding beneficiaries; identification by executing agencies; or microregional planning workshops at the provincial level organized by the FDC or other institutions. In this phase, the program officer will ensure the compatibility of FDC annual project programming with proposed provincial and departmental development plans and programs.

Formulation. The primary responsibility for project formulation lies with the executing entity. The preparation process may take one of three possible courses:

(a) The project is duly prepared according to program requirements and guidelines and requires no further work prior to appraisal.

(b) As a whole, the project is in line with general project eligibility criteria but requires follow-up studies, to which end the executing entity will apply for financial assistance from the FDC to contract out these studies to FDC-accredited professionals subject, in all such cases, to a prior determination and official report by the program officer to the effect that the project meets basic eligibility criteria according to its supporting documentation.

(c) The program officer examines the project in light of general project eligibility criteria and deems it ineligible for financing without substantive changes, in which case the executing entity may redesign the project with possible guidance from the program officer, but without the benefit of FDC financial assistance.

Appraisal. The responsibility for this phase also lies with the program officer, assisted in this case by specialists at FDC headquarters or, if unavailable, by experts designated by the aforesaid FDC office. Thus, the program officer, seconded by corresponding specialists, appraises projects based on specific eligibility criteria established for each project category. Any project deemed unfeasible as a result of the appraisal process may be rejected. It will then be up to the executing entity to assess the advisability of redesigning the project for resubmission. The appraisal process also takes into account any discrepancies between unit project costs and standard costs for each project category.

Approval and selection. The technical program coordinator submits the project to the finance committee consisting of the executive director, the general coordinator and the technical coordinator himself.

The finance committee will select eligible projects for financing based on the best project package in terms of economic returns, social impact and multiplier effect.

This committee represents the highest operational level. Once the project has been approved, it is incorporated in the proposed annual operating plan drawn up by the Planning and Monitoring Division and Technical Advisory Division. In preparing the annual operating plan, special care is taken to ensure that it shows a well-balanced sectoral and geographic project distribution. The finance committee will release items for financing upon approval of the annual operating plan by the annual review committee, subject to prior approval from the Board of Directors where applicable.

Execution and monitoring. Responsibility for project execution lies with the executing entity, which is also in charge of its management. The project execution process is governed by the following rules:

(a) The FDC will enter into a contract with the executing entity as per the sample conditions of contract presented in Appendix 1.

(b) The executing entity will follow instructions from the FDC for bidding purposes in accordance with the bidding regulations presented in Appendix 1.

(c) The executing entity will enter into a contract with the target community as per the sample conditions of contract presented in Appendix 1.

(d) The executing entity will enter into a contract with the construction contractor or supplier of goods and services presenting the successful bid.

(e) The executing entity will ensure proper project supervision as per its contractual obligations under the contract referred to in section 1 above.

Responsibility for project monitoring is shared by the executing entity (see previous section), the target community and the program officer. Planning, monitoring and evaluation system operations and the specific responsibilities of corresponding participants are described in the respective document.

Acceptance of works. Responsibility for certifying as to the due and proper fulfillment of conditions governing project performance for purposes of its acceptance and delivery to the target community for subsequent operation is shared by the executing entity, the target community per se and the program officer, with the assistance of specialists at FDC headquarters. All three parties must issue an approval and formal certification of due and proper project performance.

Project operation, maintenance and ex post evaluation. The target community holds the primary responsibility for project operation. However, the executing entity will maintain a presence throughout this phase to

ensure due and proper project operation, the provision of technical assistance services by its own staff or by another executing entity, maintenance and project monitoring and ex post evaluation. Monitoring and evaluation activities are discussed in detail in section 5 of these regulations.

4. PIDC general project eligibility criteria

Projects must meet the following general eligibility criteria in order to qualify for financing with nonreimbursable FDC resources.

Target (or beneficiary) group. The target group is defined as campesino families in organized communities or farmer associations, living in the countryside, with limited access to resources and services, basically engaged in farming, stock raising or agroforestry activities for which they presently rely on family labor and traditional technology. In light of this rather broad definition and the socioeconomic and cultural diversity of the target group, projects must also meet the following financing criteria.

Economic. Project beneficiaries must be in the form of family-sized production units relying primarily on family labor.

Sectoral. Project beneficiaries must produce or process crops or animal or agroforestry products.

Organization. Projects must target stable, formal farmer associations including female members.

Social. Project beneficiaries must have limited access to resources and services. Their low incomes must barely cover their most basic needs.

Technological. Current use of traditional technology.

Integration of farm women. All projects must provide for participation by farm women at each and every stage. No projects whose performance is liable to result in the exclusion of women will qualify for financing. The program is built on the basic premise of the systematic integration of farm women in each of its components and makes no conceptual distinctions between women's and other projects. This means that all projects must include farm women among their beneficiaries through efforts to improve their standard of living, taking into account their true needs and interests, as well as their potentials and their limitations. Satisfaction of this criterion will be assessed based on the project preparation guidelines for PIDC components appended to these regulations.

Priority provinces. The attached map and schedule show the top-ranked provinces targeted for FDC investments, which include 62 of the country's 109 provinces. These rankings are based on an in-depth study of the following parameters: incidence of poverty, rural population density,

agricultural potential, road infrastructure, energy potential and promotion and participation by other institutions. Table 4 shows the share of the target rural population in each department according to province ranking.

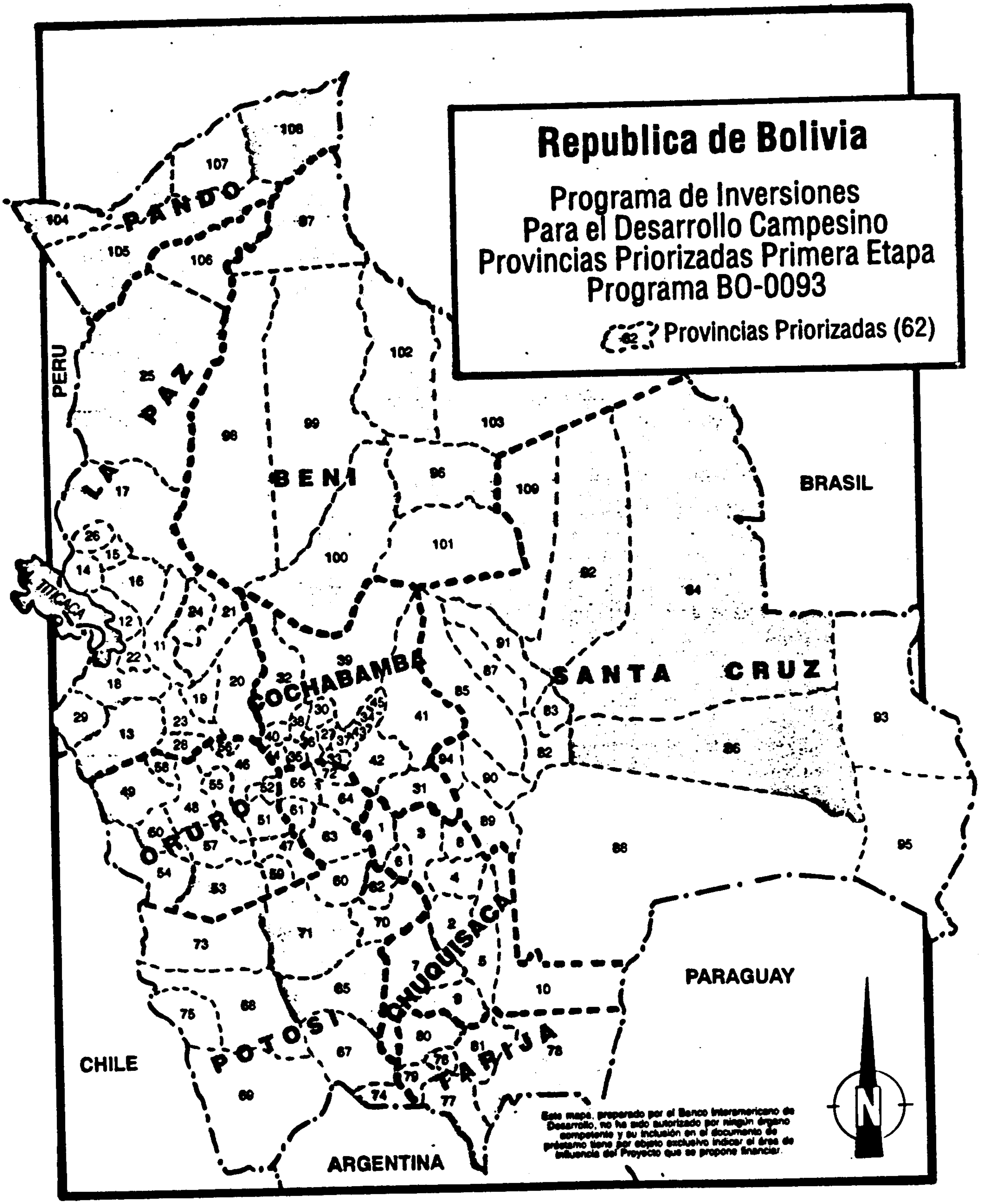
Table 4
Estimated share of the target rural population in each department

Department	% of target population
Cochabamba	24.0
La Paz	20.5
Potosí	18.4
Chuquisaca	11.6
Santa Cruz	8.3
Tarija	7.0
Oruro	5.1
Beni	3.9
Pando	1.2
Total	100.0

FDC PROVINCE RANKINGS

Department	Province	Priority 1	Priority 2
Chuquisaca	1 Oropeza		X
	2 Azurduy	X	
	3 Zudañez	X	
	4 Tomina	X	
	5 Siles	X	
	6 Yamparaez	X	
	7 Nor Cinti		X
	8 Boeto		X
	9 Sud Cinti	X	
	10 Calvo		X
La Paz	11 Murillo		X
	12 Omasuyos		X
	13 Pacajes	X	
	14 Camacho	X	
	15 Muñecas	X	
	16 Larecaja	X	
	17 Franz Tamayo	X	
	18 Ingavi		X
	19 Loayza		X
	20 Inquisivi		X
	21 Sud Yungas	X	
	22 Los Andes		X
	23 Aroma		X
	24 Nor Yungas	X	
	25 Iturralde	X	
	26 Saavedra	X	
	27 Manco Kapac		X
	28 Villaroel		X
	29 Pando		X
Cochabamba	30 Cercado		X
	31 Campero	X	
	32 Ayopaya	X	
	33 Arce	X	
	34 Arani	X	
	35 Arque	X	
	36 Capinota	X	
	37 Jordan		X
	38 Quillacollo		X
	39 Chapare	X	
	40 Tapacarí	X	
	41 Carrasco		X
	42 Mizque	X	
	43 Punata	X	
	44 Bolívar	X	
	45 Tiraque	X	
Oruro	46 Cercado	X	
	47 Avaroa/Challapata	X	
	48 Nor Carangas		X
	49 Sajoma	X	
	50 Litoral	X	
	51 Poopo		X
	52 Dalence		X
	53 Cabrera	X	
	54 Atahuallpa		X
	55 Sauucari		X
	56 Barron	X	
	57 Sud Carangas	X	
	58 Totora	X	
	59 Pagador	X	
Potosí	60 Frias		X
	61 Bustillo		X
	62 Saavedra	X	
	63 Chayanta	X	
	64 Charcas	X	
	65 Nor Chichas	X	
	66 Ibañez		X
	67 Sud Chichas		X
	68 Nor Lipez		X
	69 Sud Lipez		X
	70 Linares	X	
	71 Quijarro	X	
	72 Bilbao		X
	73 Campos		X
	74 Omiste	X	
	75 Baldivieso		X
Tarija	76 Cercado	X	
	77 Arce	X	
	78 Gran Chaco	X	
	79 Avilez	X	
	80 Mendez		X
	81 Oconor	X	
Santa Cruz	82 Ibañez		X
	83 Warnes		X
	84 Velasco	X	
	85 Ichilo		X
	86 Chiquitos	X	
	87 Sarah		X
	88 Cordillera		X
	89 Valle Grande		X
	90 Florida		X
	91 Santisteban		X
	92 Chavez	X	
	93 Sandoval		X
	94 Caballerro	X	
	95 Bush		X
	* 109 Guarayos	X	
Beni	96 Cercado	X	
	97 Vaca Diez	X	
	98 Ballivian	X	
	99 Yacuma		X
	100 Moxos	X	
	101 Marba		X
	102 Mamore	X	
	103 Ibañez	X	
Pando	104 Suarez	X	
	105 Manuripi	X	
	106 Madre de Dios		X
	107 Abuna		X
	108 Roman	X	

* Subdivision of Ñuflo de Chávez Province


Republica de Bolivia
Programa de Inversiones
Para el Desarrollo Campesino
Provincias Priorizadas Primera Etapa
Programa BO-0093
Provincias Priorizadas (62)
PANDO
LA PAZ
BENI
COCHABAMBA
SANTA CRUZ
ORURO
POTOSI
CHUQUISACA
TARIJA
TITICACA
PERU
BRASIL
PARAGUAY
CHILE
ARGENTINA
N
Este mapa, preparado por el Banco Interamericano de Desarrollo, no ha sido autorizado por ningún órgano competente y su inclusión en el documento de préstamo tiene por objeto exclusivo indicar el área de influencia del Proyecto que se propone financiar.

Self-management. Projects must meet deeply-felt needs as perceived by corresponding beneficiaries rather than be imposed from without. The project request must originate from within the community per se and, as such, must be consistent with corresponding sociocultural conditions. Infrastructure and reclamation projects must include active community participation in the form of labor and other inputs.

Technical feasibility. Basic infrastructure and agrosupport projects must be technically feasible under local conditions, both in the execution stage and in the operation and maintenance stage.

Economic feasibility. Production projects must be lucrative and self-sustaining. The specific guidelines set forth in Appendixes 3 through 6 forming an integral part of these regulations show the indicators to be used in the appraisal of different types of projects.

Sustainability and multiplier effect. Sustainability refers to the project's development of a capability among corresponding users to uphold the objectives which it was designed to achieve and its promotion of sufficient flexibility and organizational inventiveness to adapt to and address future problems once institutional support is withdrawn. Multiplier effect refers to the project's positive spinoff effects in the sense of permitting or facilitating the performance of other community-based projects.

Environmental conditions. An assessment must be made of the project's environmental impact during the course of its preparation, execution and future management. Projects posing threats of environmental degradation will not qualify for financing. These assessments will be performed based on the guidelines presented in Appendix 8 to these regulations.

Executing entity. All projects must have a sponsoring executing entity. The executing entities must maintain a presence among and be accepted by local farmers, and its senior staff members must have at least three years experience in the area in question. Eligibility will be determined based on the guidelines presented in Appendix 2 forming an integral part of these Operating Regulations. In the case of larger government agencies (i.e. national or departmental agencies such as development corporations (CORDES) or the National Community Development Bureau (SNDC)), determinations of eligibility will be based specifically on the operating unit or units scheduled to participate in a particular project.

5. PIDC specific project eligibility criteria, by component and project category

Appendixes 3 through 6 contain project appraisal guidelines establishing corresponding appraisal criteria (specific eligibility criteria), as recapped in the following paragraphs.

a. Infrastructure

This component involves different types of infrastructure designed to improve farm yields and promote product diversification and marketing. The proposed target for this component is the earmarking of a maximum of 60% of program financing for infrastructure projects by the end of the fourth year of the execution period.

The types of infrastructure contemplated under this component include feeder roads, vehicle and foot bridges, irrigation and drainage systems, collection and marketing centers and cottage industries. Other rural works projects (such as dikes, protective structures, etc.) clearly contributing to PIDC objectives and satisfying corresponding eligibility criteria may also qualify for financing.

Road projects will endeavor to rehabilitate existing roads and road infrastructure in the Altiplano and valley regions and may include new road construction in the plains (subject to due consideration of environmental factors.)

Required design standards are not as strict as SNC standards, being as these projects all involve local roads with low traffic volumes. Nevertheless, special care must be taken in the design of drainage structures and in ensuring the stability of roadbanks in highland areas.

Project eligibility for financing is subject to a maximum road width of four meters in the high plateau and valley regions and six meters in the plains region. Likewise, no projects for new road construction over distances exceeding 50 kilometers will be accepted for financing. Project documentation must include evidence of a commitment from target communities to perform corresponding routine maintenance work, for which the FDC may supply inputs (such as tools, training, etc.).

The maximum acceptable width for vehicle bridges is four meters. Likewise, the maximum width for foot bridges is two meters.

Microirrigation projects will generally endeavor to rehabilitate or expand existing systems in the high plateau and valley regions and may include the construction of new facilities in the plains region.

The maximum acceptable project area is 100 hectares under sustained irrigation in the case of new works and 200 hectares for the upgrading or rehabilitation of existing systems.

The maximum acceptable surface area for collection and marketing centers is 400 square meters of open and enclosed space. Projects designed for use by a large number of communities may, if applicable, substantiate the need for a larger surface area.

Supporting project information must include a description of arrangements and commitments by the executing agency and project beneficiaries to operate and maintain the project for a period of at least five years.

b. Agrosupport services

Specific project eligibility criteria for the agrosupport component can be summed up as follows:

(a) Returns from the operation of revolving funds, measured by the economic internal rate of return (EIRR) and computed according to the procedures used for the substantiation of each established project subcategory, must be over 12%.

(b) These projects will be carried out in areas considered as having good agricultural potential, where the main occupation is agriculture, whose development does not depend on deforestation or the settlement of areas classified as environmentally fragile.

(c) These projects must form an integral part of efforts to help farmers achieve sustained improvements in production levels and must be situated in areas where climatic hazards such as ice storms, drought and flooding do not pose so great a risk as to challenge their feasibility.

(d) These projects should preferably target areas occupied by campesino families with a certain degree of social and occupational organization and a spirit of solidarity and mutual aid for the development of new organizations with horizontal and vertical linkages.

(e) Proposed project areas should not be plagued by land tenure problems and should preferably have stable communications or plans to improve existing communication facilities with program resources or another source of financing.

(f) Existence of government or private executing agencies with the capability to support the execution of proposed projects.

This component will bolster small farming activities in the country's poorest areas with adequate agricultural potential. It envisions four types of projects, namely agricultural extension projects, revolving farm-input funds, revolving livestock fund and reclamation projects.

The program will also finance agricultural technical assistance projects, including efforts to adapt and disseminate new technology developed by domestic government and private research institutes with the active participation of project beneficiaries and executing entities. Technical assistance activities will focus on promoting the use of improved seed varieties, effective soil and water management, pest and disease control

and the proper use of farm chemicals. They will also include in-service training for extension workers and farmer training in the use of new techniques designed to improve output and yields. These efforts will be followed up by the implementation of a price and market information project designed to strengthen marketing processes to reduce current intermediation.

FDC resources allocated to the establishment of *revolving funds* will be nonreimbursable as far as the FDC or executing entity is concerned but will be reimbursable to fund operators, namely to target communities, which will be jointly and severally responsible for their operation, with the support and assistance of corresponding executing agencies for the first four years. This activity should be viewed as preparatory to access to other proposed rural credit programs. A concerted effort should be made to avoid a concentration of these types of activities, in line with overall geographic program distribution guidelines. All activities benefiting from the support of these funds should be economically, socially, environmentally and technically feasible. No more than 5% of the total value of resources earmarked for revolving funds in each program stage may be allocated to the same community.

The revolving farm input fund will supply seeds, fertilizer and pesticides, supported by technical assistance and training services from extension workers. Inputs supplied by these funds must be repaid at harvest time in an amount equal to their replacement value. These funds should not be conceived of as cyclical measures to resolve problems created by natural disasters but, rather, as a means of backstopping for the farming and stock raising activities of small farmers targeted by the program.

The revolving livestock fund will supply one or more pregnant heifers of a superior breed to each project beneficiary as a means of improving productivity and increasing milk and meat production in poor areas of the country with good potential for the production and marketing of meat, milk and dairy products. Stock farmers are afforded access to these funds as members of organized groups and will receive inputs for the production of fodder and therapeutic chemicals for disease control in addition to livestock per se. They will replace the heifer with their first female calf and any inputs received in an amount equal to their replacement value. In future program stages, these operations may be expanded to include llamas, which are of important economic value to Altiplano communities.

Reclamation projects

Microwatershed management. These types of projects will help mitigate the erosive effects of water and/or wind on the productive capacity of the soil and may also include measures designed to reclaim degraded soils. Project performance will focus on the establishment of tree nurseries, orchards and agroforestry plantations and the use of

appropriate scientific farming and mechanized techniques to achieve their purported objectives.

Community-based agroforestry projects. These projects, characterized by an especially high level of participation by women, include reforestation activities seeking to make trees an integral part of farming and stock raising activities, improving productivity and promoting better soil and water conservation. Under these projects, target communities will develop their own tree nurseries and reforest denuded areas based on their personal knowledge and cultural traditions, with technical guidance from extension workers. The value and nature of cost items eligible for financing under reclamation projects will be determined on the basis of the parameters used in Annex V-1 for the economic appraisal of corresponding standard projects.

c. Institutional strengthening

For executing entities. These types of projects seek to improve the capability of executing entities to effectively participate in the various phases of the project cycle by bolstering their management capabilities, which will hopefully translate into higher-quality projects in line with program objectives and institutional policy and in a heightened ability to duly monitor and supervise projects under their jurisdiction. They focus specifically on strengthening the capacity of executing entities to identify, prepare, execute and evaluate projects with high levels of community participation, appropriate provisions for the integration of women and due and proper natural resource conservation and environmental protection measures.

Financing for the strengthening of executing entities covers training activities (specialized courses, visits, etc.), the hiring of specialized personnel and assistance for the procurement of necessary equipment to conduct activities agreed-on.

For target communities. These types of projects endeavor to bolster the managerial and organizational capacity of target communities to better respond to development programs and includes the training of project beneficiaries to operate and service present and future infrastructure projects and specific training in the use of scientific farming, marketing and agroindustrial techniques through workshops, demonstration activities, in-service training, courses and seminars.

This type of financing covers training in organization, monitoring and evaluation and financial management, including the valuation of community resources; assistance in legal organizational formalities and dealings with outside institutions; intercommunity visits to share experiences; office equipment; training in scientific farming methods, in the use of infrastructure, in soil conservation, in the operation of cottage industries, in the servicing of equipment, in product sorting and conservation and in the development of tree nurseries. Technical training activities

should be carefully designed, with due consideration of the involvement and respective roles of men and women.

6. Maintenance of works

The works executed under the program must be performed and maintained from the date of signature of the final acceptance. The executing entity will prepare an agreement with the beneficiaries and/or the government agencies concerned with the nature of the work, obliging them to conduct the project according to specific technical standards and to maintain it for the course of its useful life. The mechanisms for operation and maintenance should be compatible with accepted practice of other agencies executing projects of this type, including the beneficiaries' own practices and customs. This notwithstanding, it is recommended that evidence be provided at the annual reviews that the works financed are being adequately maintained. The FDC undertakes to submit a report on the activities, targets and resource allocations for the various operations for maintenance of the works for five years from the effective date of the loan contract, and within the first quarter of each calendar year.

7. Auditing, supervision and monitoring

The program also provides for a review of the extent of achievement of project development objectives through a sampling procedure, along with an institutional evaluation of the FDC, executing entities and target communities. The basic input for this evaluation process will be project performance reviews. Impact evaluations will be performed at the end of the second year following project completion.

The responsibility for project auditing lies with the FDC, as the financing agency, and the target community, as the project owner. Its objective is to ensure that the executing entity fulfills its functions and responsibilities. FDC audits will be conducted by the program officer, with assistance from its technical office staff.

Project supervision and monitoring will be performed in accordance with rules and procedures established by the planning, monitoring and evaluation system (Annex III-1). This system is a decision-making tool for the FDC and the executing agency in regard to project execution and an essential means of acquiring timely program feedback. The planning, monitoring and evaluation system is based on: (a) the project cycle, with its respective physical targets, short-term objectives and development objectives; and (b) the program cycle, with its respective short-term and development objectives, producing two interrelated levels of evaluation, namely project evaluation and program evaluation.

Project monitoring and evaluation: All activities conducted by the FDC will be conceived of as projects and, as such, must pass through all phases of the project cycle, with the results of each phase recorded on project "life histories" comprising the FDC project data bank. In monitoring project performance, a control chart is developed for each

project, listing its main characteristics as described in section 2.2 of these regulations.

These control charts, which should normally be processed at three-month intervals by the executing agency with community assistance, are used to detect major lags in project performance vis-à-vis program planning (shortfalls in the achievement of physical targets, time lags, cost underruns, lags in in-kind or cash contributions). Annual monitoring and evaluation reports will supply aggregate data by component, department and for the program as a whole.

The extent of achievement of a project's physical targets and short-term objectives is established and recorded on the control chart upon its completion. In this fashion, all projects executed over the course of the year will have been monitored and evaluated from the standpoint of their short-term objectives (project effects). The extent of achievement of project development objectives is established and recorded on this same chart two years after completion, providing an impact evaluation for all completed projects.

8. Audit

The FDC will establish and maintain a consolidated accounting information system for the program's accounts, as well as documentation required for the cofinancing of investment and support-service projects with program resources. Similarly, the executing entities will maintain separate accounts of cofinancing with the FDC.

The FDC's financial statements and those of the program will be audited by independent public accountants and submitted to the Bank within 120 days of the end of each fiscal year. The appropriate cofinancing contracts will specify that the executing entities agree to accept and use the accounting and audit procedures required by the program. Should the audit identify irregularities in any participating executing entity, the FDC shall suspend disbursements, and call for special audits to ensure that such irregularities have been rectified before resuming disbursements.

9. Suspension of disbursements

The FDC may suspend the transfer of resources to executing entities in any of the following situations: (i) the entity does not apply its follow-up monitoring system. The entity does not take corrective measures despite warnings from the monitoring system. Serious and unjustified delay in fulfilling any of the contractual obligations; (ii) failure to observe the appropriate legal provisions; (iii) repeated and unjustified delays in contributions committed by the executing entity and/or the beneficiaries; (iv) technical and/or operational neglect in project execution; (v) proof of failure to comply with the agreed on rules for contracting and auditing of accounts; and (vi) other causes that impact significantly on the objectives and targets set for the project.

10. Transfer of resources

For purposes of this program, the FDC will open and maintain accounts at the Bolivian Central Bank, into which the proceeds from the financing and the local counterpart will be deposited, once the latter has been declared eligible for disbursement. In its turn, the FDC will transfer the resources to the executing entities, using the method of advances of up to the equivalent of 10 percent of the cost of the components, which must be periodically justified according to project needs. Taken together, these advances may not exceed 10 percent of the total cost of the program.

PROPOSED RESOLUTION 1/

BOLIVIA. LOAN /SF- TO THE REPUBLIC OF BOLIVIA

Farmers Development Investment Program

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Bolivia, as Borrower, for the purpose of granting it a financing to cooperate in the execution of the Farmers Development Investment Program, hereinafter referred to as the "Program". This financing shall be subject substantially to the following conditions:

1. Amount and currencies: Up to US$12,500,000, or its equivalent in other currencies, except that of Bolivia, which are part of the Bank's Fund for Special Operations, to pay for goods and services acquired through international competition in the member countries of the Bank and for such other purposes as may be specified in the loan contract. Payments of amortization and interest shall be made in the respective currencies disbursed.

2. Source of funds: The Fund for Special Operations.

3. Guarantee: The general responsibility of the Borrower.

4. Credit fee: 0.50% per annum on the undisbursed portion of the financing, commencing to accrue 12 months after the date of this resolution . The fee shall be paid in dollars of the United States of America on the same dates as the interest.

5. Amortization: The Borrower shall amortize the loan in a period of 40 years from the date of the loan contract, by means of 60 semiannual, consecutive and, insofar as possible, equal installments. The first installment shall be paid 10½ years after the date of the loan contract.

1/ The provisions contained in this Appendix I and in Appendices II and III will be final only when the Board of Executive Directors has approved the loan proposal.

6. Interest: 1% percent per annum during the first 10 years from the date of the loan contract and 2% per annum thereafter. Interest shall be payable semiannually on principal amounts outstanding, and the first payment shall be made 6 months after the date of the loan contract. At the request of the Borrower, the resources may be used to pay interest on the loan during the disbursement period thereof.

7. Disbursement: The term for disbursement of the financing shall expire 4 years after the effective date of the loan contract.

8. Special conditions:

   (a) The execution of the Program and the use of the resources of the loan shall be performed in their entirety by the Borrower through the "Fondo de Desarrollo Campesino", hereinafter referred to as the "FDC" or the "Executing Agency", in coordination with local governments, development corporations, credit intermediate institutions, nongovernmental organizations, farmer or beneficiary associations or other community entities that have signed the participation agreement with the FDC and that will act as coexecuting agencies.

   (b) The resources of the loan shall be used to participate in the execution of a program, the total cost of which is estimated at the equivalent of US$34,500,000. Consequently, the loan contract shall contain the appropriate provisions to ensure that such additional resources as may be necessary, in addition to the loan, for the complete execution of the Program shall be duly provided, in accordance with a schedule of investments satisfactory to the Bank, in an amount estimated at the equivalent of US$22,000,000, which may include resources fron grants provided by, among others, the governments of Germany, Japan and Belgium.

   (c) Prior to the first disbursement of the financing, the Borrower, through the Executing Agency, shall present to the satisfaction of the Bank evidence that:

      (i) it has put into effect the Operating Regulations of the program and their annexes, drawn up in accordance with the model previously agreed upon with the Bank.

      (ii) the FDC has adopted the organizational structure appropriate for execution of the program and has brought in the additional personnel previously agreed upon with the Bank.

(iii) it has hired the FDC Credit Manager and has set up the Credit Committee referred to in paragraph 7.01 of Appendix III.

(iv) it has prepared the plan of operations for the first year of Program execution, in accordance with the terms previously agreed upon with the Bank.

(v) it has developed and implemented the Environmental Procedures System -SPA-.

(vi) it has signed an agreement with the corresponding national agency for the control of spontaneous settlement that may occur with the rehabilitation and improvement of the rural roads of the Program.

(d) Upon acceptance by the Bank, up to the equivalent of US$2,000,000 of the resources of the financing may be utilized to cover expenses incurred in the Program within the twelve month prior to the effective date of this resolution, provided that requirements substantially similar to those of this resolution and the loan contract have been fulfilled.

(e) In the acquisition of machinery, equipment, and other goods for the Program, and in the awarding of construction contracts, the system of public bidding shall be followed in each case in which the value of such acquisitions exceeds the equivalent of US$250,000 or the value of such contracts for the execution of works exceeds the equivalent of US$1,000,000. The bidding shall be subject to the procedures to be appended as an annex to the loan contract.

(g) The Bank shall establish such inspection procedures as it deems necessary to assure the satisfactory execution of the Program, and the Borrower shall extend all cooperation which is required for the most effective accomplishment of this purpose. From the amount of the financing, the sum of US$125,000 shall be allocated for credit to the income accounts of the Bank to meet expenses of general inspection and supervision.

RECOMMENDATIONS

A. It is recommended that the following conditions, to be met to the Bank's satisfaction, be included in the loan contracts in addition to the conditions set forth in the proposed resolutions:

1. Unless explicitly authorized by the Bank, Program resources shall not be used to finance projects whose amounts exceed the equivalent of US$250,000.

2. Within nine months after the effective date of the loan contract, the Borrower, through the Executing Agency, shall demonstrate to the Bank that it has designated the persons who will represent it on the Review Committee referred to in Chapter VI of Appendix III.

3. During execution of the Program, the Review Committee referred to in Chapter VI of Appendix III shall hold annual evaluation meetings in order to analyze the execution of the Program. During these meetings, the points referred to in paragraph 6.02 of Appendix III shall be reviewed. For the purposes of these meetings, the Borrower shall undertake to present to the Bank, at least fifteen days before each meeting, all pertinent information with regard to the points to be addressed, in accordance with that set forth in said paragraph 6.02.

4. If as a result of the meetings of the Review Committee referred to in the preceding paragraph, the Bank is not satisfied with the progress or with the execution of the Program, the Borrower, through the Executing Agency, shall submit, within a period of 60 days after the date on which the Bank presents its objection, the corrective measures it intends to take and the timetable for their implementation. If such measures are not satisfactory, the Bank shall take the measures it considers appropriate in accordance with the provisions of the loan contract.

5. The Bank may recognize as part of the resources of the local counterpart resources under the Program, expenses up to the equivalent of US$300,000 for the execution of works and hiring of consultants incurred prior to the effective date of the Resolution that approves the loan, but after March 6, 1992, provided that requirements substantially similar to those specified in the resolution and the loan contract have been fulfilled.

6 The Borrower, through the Executing Agency, shall present to the Bank for its consideration:

(a) within 12 months from the effective date of the loan contract, baseline data for preparation of the ex-post evaluation referred to in paragraph 9.01 of Appendix III; and

(b) three years after the last disbursement of the financing, an ex-post evaluation report on the results of the Program, using the methodology and following the guidelines set forth in paragraph 9.01 of Appendix III.

7. The Borrower, through the Executing Agency, shall: (a) assure that the works included in the Program are properly maintained in accordance with generally accepted technical standards; and (b) submit to the Bank within the first quarter of each calendar year, for 5 years after the effective date of the loan contracts, an annual maintenance report for that year, in accordance with Section VIII of Appendix III. If the inspections conducted by the Bank, or reports it receives from the Review Committee, reveal that actual maintenance is below the agreed-upon levels, the Borrower shall take appropriate action to have the deficiencies fully corrected.

8. The Borrower, through the Executing Agency, shall submit to the Bank for consideration:

(a) (i) within 12 months from the effective date of the loan contract, the Departmental Analysis Documents; (ii) within 24 month from the effective date of the loan contract, the Province Analysis Documents; and (iii) annually during the execution of the Program, the 25% of all the Cantonal Books. These documents, which shall be used in the programming process and for the ex-post evaluation, shall contain the socioeconomic data of the areas where the projects will be executed and shall be prepared according to the methodology previously agreed upon with the Bank; and

(b) thirty months after the last disbursement of the financing, the documents referred to in paragraph (a) above, corresponding to the Departments and Cantons selected using the methodology agreed upon with the Bank, shall be updated for the purpose of elaborating the ex-post evaluation report referred to in paragraph 6 (b) above.

9. The financial statements of the FDC and of the Program during the execution of the Program shall be presented annually to the Bank duly audited by an independent public accounting firm acceptable to the Bank.

B. The loan contracts shall contain an annex substantially similar to Appendix III ("The Program") of this document.

THE PROGRAM

Annex A to the Loan Contract

I. Purpose

1.01 The purpose of the Program is to cooperate in alleviating rural poverty in Bolivia and promote socioeconomic development of the farmers with the purpose of achieving sustainable improvement in their living condition and income levels. Such purpose shall be achieved by: (a) strengthening the managements and negotiation capabilities of the community, integrating women and young farmers to the development process, facilitating their access to the decision making, services, resources and benefits of the projects that shall be executed; (b) improving the public and private institutional capabilities for the execution of rural development projects; and (c) increasing the production levels and quality, and improving productivity and markets access of small farm operators.

II. Description

2.01 In order to accomplish this purpose, the executing entities (EE) that enter into a Program participation agreement, will receive nonreimbursable resources for the execution of small projects. These projects are grouped in three components: 1) infrastructure; 2) production support and 3) institutional strengthening.

1) Infrastructure component

Financing shall be provided for projects to rehabilitate, improve and construction works such as rural roads, traffic and pedestrian bridges, communal irrigation centers, communal collection and marketing systems, craft workshops and other small-scale infrastructure works. The beneficiary communities shall participate in the execution and operation of the projects and in the subsequent maintenance of the works.

2) Production support component

Five main types of projects shall be financed: i) agricultural extension, which includes activities related to the adaptation and transfer of technology generated in the country's research institutions; ii) a revolving fund for inputs, which shall provide seeds, fertilizer, pesticides and other inputs to the beneficiaries, who, at harvest time, shall repay the EE an amount equivalent to replacement value; iii) a revolving livestock fund, which shall provide to each beneficiary one or more pregnant livestock of improved breed, who in return shall

give the EE the first female offspring of each animal received, plus an amount equal to the replacement value of the inputs received; iv) reconstruction of the production potential, which includes microbasin and agroforestry management community projects; and v) technical assistance projects for rural microenterprises.

The revolving funds referred to in subparagraphs (ii) and (iii) of the preceding paragraph are to be reimbursed by the beneficiaries. In any case, no more than five percent (5%) of the total amount allocated to the revolving funds at each stage can be provided to the same community.

(3) Institutional strengthening component

This component is designed to develop the operational capacity and efficiency of the FDC, the EEs and the beneficiaries of the Program.

(i) Strengthening of the FDC's nonreimbursable and reimbursable (credit) operations. The Program does not include credit activities — only strengthening of the FDC's ability to perform these activities.

(ii) Strengthening, by means of specialized courses, workshops and seminars, of the EEs' capacity to work with the beneficiary communities.

(iii) Strengthening of the beneficiary communities in respect to their organizational and managerial capacity during the identification, formulation, execution and project administration phases.

2.02 Local governments, development corporations, credit intermediate institutions, nongovernmental organizations, farmer or beneficiary associations and cooperatives meeting the criteria set forth in the Operating Regulations of the Program referred to in paragraph 8(c)(i) of Appendix I may participate in the Program as executing entities.

2.03 In order to be elegible for financing with the Program resources, any project must fulfill the eligibility criteria set forth in the Operating Regulations of the Program and their annexes referred to in paragraph 8(c)(i) of Appendix I.

III. Program cost and financing plan

3.01 The estimated cost of the Program is the equivalent of US$34,500,000, in accordance with the following investment categories and sources of financing:

Total estimated amounts for the Program (1993-1996) (US$ thousands)				
Categories	Source of funds			
	BID	LOCAL	TOTAL	% TOTAL
Infrastructure	5.710	9.380	15.090	43,7
Production support	2.568	3.709	6.277	18,2
Institutional strengthening	1.891	3.109	5.000	14,5
Vehicles	150	0	150	0,4
Management	0	2.620	2.620	7,6
SUB-TOTAL	10.319	18.818	29.137	84,4
NOT SPECIFICALLY ASSIGNED	1.811	3.113	4.924	14,3
Contingencies	1.031	1.881	2.912	8,4
Cost Escalation	780	1232	2.012	5,9
FINANCIAL COSTS	370	69	439	1,3
Interest	245	0	245	0,7
Credit fee	0	69	69	0,2
F.I.V.	125	0	125	0,4
TOTAL	12.500	22.000	34.500	100,0
Percentage	36,2	63,8	100,0	

IV. Procurement

4.01 (a) When goods to be procured or services to be contracted for the Program, including those related to any form of transportation or insurance, are to be financed in whole or in part with foreign exchange from the financing, the procedures and specific requirements for the bidding or other forms of contracting, shall permit the unrestricted participation of goods and services from member countries of the Bank. Consequently, no conditions that would prevent or restrict the offer of goods or the participation of contractors from such countries shall be established in such procedures or specific requirements.

(b) When sources of credit other than the resources of the financing or the local counterpart are to be used, the Borrower may agree with the creditor upon the procurement procedure to be followed. However, upon the Bank's request, the Borrower shall demonstrate the reasonableness of both the price agreed upon or paid for the purchase of the goods and services and the financial terms and conditions of the credits. The Borrower shall also demonstrate that the quality of the goods is in conformity with the technical requirements of the Program.

V. Consulting services

5.01 In the selection and contracting of consulting services financed in whole or in part with resources from the Financing: (a) the procedures agreed upon with the Bank shall apply, and (b) no conditions or stipulations may be established that would restrict or prevent the participation of consultants from the Bank's member countries.

5.02 With respect to consulting services financed with resources of the local counterpart, the Bank reserves the right to review and approve, prior to the Borrower hiring of the corresponding service, the names and background of the firms or individual consultants selected, their terms of reference, and the agreed fees. This provision does not apply when resources from the grants mentioned in paragraph 8 (b) of Appendix I are used for such contracts.

VI. Annual evaluation meetings

6.01 In order to hold the annual evaluation meetings referred to in Recommendation 3 of Appendix II, a Review Committee shall be set up composed of representatives of the Borrower and the Bank. The Borrower shall be represented at least by a staff member of the FDC and a staff member of the "Ministerio de Planeamiento y Coordinación".

6.02 In the annual meetings held by the Review Committee, the execution reports for the previous year shall be evaluated and the plan of operations for the following year shall be approved. The Committee shall also analyze:

i) the geographical distribution of the investments;
ii) a breakdown of the projects by component;
iii) attainment of the goals established for the stage under evaluation, with regard to the total number of projects by component, investment levels by component, progress in the institutional strengthening projects for the EE and the beneficiaries; progress in the institutional strengthening plan for the FDC; compatibility between the Program and national, regional, departmental and municipal development plans;
iv) the participating process of the Program Beneficiaries, including the participation of women;
v) the efficiency of execution by the EEs;
vi) development of the FDC' organizational capacity;
vii) the state of maintenance of the works conducted in the previous stages; and
viii) the possibility of cost recoveries in the future stages of the Program.

6.03 Based on the information obtained during the review, the Review Committee shall approve, by consensus between the representatives of the Borrower and the Bank, the plan of operations for the following year. The changes considered necessary in order to accomplish the objectives of the Program shall be proposed in this plan of operations.

VII. Credit Committee

7.01 The FDC shall manage its credit operations separately from the rest of its operations. The credit program shall have its own personnel and shall be supervised by a full-time Credit Manager hired by the FDC. A credit committee shall be set up composed by the Credit Manager and three other qualified professionals, one of whom shall be a representative of the Bolivian Central Bank. This committee shall review the credit applications submitted for its consideration by the FDC personnel.

7.02 The Credit Committee shall verify that the FDC in its credit activity: (i) has acted through eligible credit intermediaries; (ii) charge to the participating intermediaries, interest rate at market levels; and (iii) its being supervised by the "Superintendencia de Bancos y Entidades Financieras"

VIII. Maintenance

8.01 The purpose of maintenance is to preserve the works included in the infrastructure component in a condition consistent with the service they are to provide.

8.02 The annual maintenance report referred to in Recommendation A. 7 of Appendix II, shall include: (i) details concerning the entity responsible for maintenance, the personnel assigned and the number, type, and condition of the equipment to be used in maintenance; (ii) information concerning the resources that have been invested in maintenance during the previous year and the amount to be invested the following year; and (iii) a report on the conditions of maintenance, based on the sufficiency evaluation system established by the Borrower.

IX. Ex post evaluation

9.01 The ex post evaluation report referred to in Recommendation A. 6(b) of Appendix II shall use the data indicated in the specific areas of the Program. The methodology to be followed in conducting the ex post evaluation of the projects shall be similar to that followed in the ex ante evaluation of the Program and shall cover the following areas: (i) cost-benefit; (ii) distributive impact; and (iii) other sociocultural effects.