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AGENCY FOR INTERNATIONAL DEVELOPMENT
PROJECT PAPER FACESHEET

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 A ADD
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 BOLIVIA

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8. ESTIMATED FY OF PROJECT COMPLETION
 FY

9. ESTIMATED DATE OF OBLIGATION
 A. INITIAL FY
 C. FINAL FY B. QUARTER
 (Enter 1, 2, 3, or 4)

10. ESTIMATED COSTS (\$000 OR EQUIVALENT \$) -

A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. L/C	D. TOTAL	E. FX	F. L/C	G. TOTAL
AID APPROPRIATED TOTAL						
(GRANT)	(500)	(-)	(500)	(900)	(-)	(900)
(LDAN)	(7,600)	(2,400)	(10,000)	(7,600)	(2,400)	(10,000)
OTHER U.S.	1.					
	2.					
HOST COUNTRY	-	800	800	-	3,700	3,700
OTHER DONOR(S)						
TOTALS	8,100	3,200	11,300	8,500	6,100	14,600

11. PROPOSED BUDGET APPROPRIATED FUNDS (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. 1ST FY <u>79</u>		H. 2ND FY <u>80</u>		K. 3RD FY	
		C. GRANT	D. LOAN	F. GRANT	G. LOAN	I. GRANT	J. LOAN	L. GRANT	M. LOAN
(1) FN	200	B-200	200	500	10,000	400			
(2)									
(3)									
(4)									
TOTALS				500	10,000	400			

A. APPROPRIATION	N. 4TH FY		O. 5TH FY		LIFE OF PROJECT		12. IN-DEPTH EVALUATION SCHEDULED
	D. GRANT	P. LOAN	R. GRANT	S. LOAN	T. GRANT	U. LOAN	
(1) FN					900	10,000	<input type="text" value="12810"/>
(2)							
(3)							
(4)							
TOTALS					900	10,000	

13. DATA CHANGE INDICATOR. WERE CHANGES MADE IN THE PID FACESHEET DATA, BLOCKS 12, 13, 14, OR 15 OR IN RPP FACESHEET DATA, BLOCK 12? IF YES, ATTACH CHANGED PID FACESHEET

1. NO
 2. YES

ORIGINATING OFFICE CLEARANCE

SIGNATURE
 Frank B. Kimball

TITLE
 Mission Director
 USAID/Bolivia

DATE SIGNED

15. DATE DOCUMENT RECEIVED IN AID/9, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION

DDC FUND
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* Available in IAC/DR

PART I. SUMMARY AND RECOMMENDATIONS

A. Face Sheet

B. Recommendations

Based on the findings during the intensive review of the Departmental Development Corporations Project, it is the opinion of the Project Committee that the following be submitted for AID approval:

- Loan	\$ 10,000,000
(Loan Terms: 40 years, 10 year grace 2% interest during grace period, 3% thereafter)	
- Grant	<u>900,000</u>
Total New AID Obligation	<u><u>\$ 10,900,000</u></u>

C. Description of the Project

The borrower will be the Government of Bolivia (GOB) through the Ministry of Planning and Coordination (MPC). The nine Departmental Development Corporations (DDCs) will serve as the Project's principal executing agencies.

The proposed Project has been designed in response to the strategy set out in the Mission's DAP and CDSS to work more closely with the DDCs as alternative sources for channeling development resources to the rural poor in Bolivia. In providing financial resources to the DDCs for the implementation of carefully selected subprojects, the Project complements the technical assistance being provided to the corporations under the Rural Development Planning project. Together, the two projects will assist in improving the planning and project design and implementation capabilities of the DDCs.

The goal of the project is to improve the standard of living of the rural poor. The purpose of the project is to enhance the outreach capability of the Departmental Development Corporations to identify and implement subprojects which will be of direct benefit to the target group.

As the borrower under the loan, the GOB will assume the debt responsibility but will then pass the funds on to the development corporations on a grant basis. The debt responsibility, therefore, will remain at the central government level. Through this mechanism the DDCs will not be required to impose a financial criteria that proposed subprojects be income generating and, therefore, will not

be constrained with respect to the type of subprojects which can be financed under the loan. However, to assure consistency with the objectives of the Project as well as the impact of subprojects upon the target group, other eligibility criteria will be imposed (see Part II.4.b.).

All nine of the development corporations in Bolivia will participate in the Project. In light of the limited funds available for the Project, consideration was given to restricting the number of corporations participating in order to maximize the impact of those resources. This idea has been rejected because the primary objective of the Project is institution building (i.e., improved planning and implementation of subprojects designed to impact upon the target group) within the framework of the strategy and eligibility criteria which have been established. Both the Mission and the GOB believe that all the DDCs must be involved if this objective is to be achieved.

Project funds will be limited for use in costs directly associated with subproject implementation; funds will not be used to finance activities such as feasibility studies. Emphasis for subproject investment will be on those activities which generate income or employment opportunities for the target group, particularly in the agriculture sector. Specific activities will include: improved crop production and development, livestock development, water resources/water control, land improvement, reforestation, storage facilities, small scale agro-industries and marketing facilities. Subprojects outside the agriculture sector such as potable water systems and small scale rural electrification will also be eligible.

Grant funds will finance a total of seven work years of long-term technical assistance to the development corporations in La Paz and Oruro. Assistance provided will focus on improved regional planning, project identification and implementation, and improving the internal administration of the corporations. In addition, grant funds will finance two short-term advisors. One will study the current financial resource base of the DDCs and recommend to the GOB means by which the base can be increased. The second advisor will assist the MPC in the preparation of guidelines on environmental considerations to be examined during subproject development. Finally, grant funds will be utilized to finance assistance for special subproject evaluations.

Subprojects will be approved for financing during the first three years of the Project. A maximum two year disbursement period has been established for eligible subprojects. Thus, to permit complete funding of subprojects approved in year three, a five year disbursement period is expected.

D. Summary Findings

The Project Committee has determined that the proposed activities are technically and financially feasible for completion within the

proposed five year disbursement period. The Project is designed to support the development efforts of the DDCs and is at the heart of the Mission's strategy to provide assistance more directly to the rural poor. Several subprojects prepared by the DDCs were examined during intensive review. They indicate that sufficient technical expertise exists at the corporation level to carry out the type of financial and economic analysis necessary to determine subproject feasibility. Technical assistance provided under both the proposed Project and the Rural Development Planning project will help the DDCs to refine methodology and adopt uniform procedures for carrying out economic analysis. Because the corporations will be using their own funds for counterpart, there appear to be no financial constraints for project implementation. The social analysis does not identify any obstacles to project implementation and indicates that the Project will provide more opportunities for the target group population to participate in activities which will meet their specific needs.

On the basis of the analysis contained herein, the Project Committee has concluded that the project is technically, economically and financially sound and recommend that a loan be authorized to the GOB in an amount not to exceed \$ 10 million and a grant be authorized in an amount not to exceed \$ 900,000.

E. Project Committee

Robert Adams	- Chief, Office of Engineering, USAID/B
Gerardo Arabe	- Office of Health and Nutrition, USAID/B
Janet Ballantyne	- Economist, USAID/Perú
Terrence Brown	- Office of Development Resources, LAC Bureau, AID/W
Howard Handler	- Chief, Planning and Evaluation Division, USAID/E
William Kaschak	- Office of Development Resources, LAC Bureau, AID/W
Kevin Kelly	- Project Coordinator, Development Resources Division, USAID/E
Charles Reed	- Chief, Human Resources Development Division, USAID/B
Melvin Van Doren	- Controller, USAID/E
Stephen Wingert	- Deputy Chief, Rural Development Division, USAID/B

Reviewed by:

Peter Bittner	- Acting Chief, Development Resources Division, USAID/B
Daniel Chaij	- Chief, Rural Development Division, USAID/B

Approved by:

Frank B. Kimball	- Director, USAID/B
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PART II. PROJECT BACKGROUND AND DETAILED DESCRIPTION

A. Background

1. Target Group Description

Development problems in Bolivia are generally considered to be more severe than in other South American countries. A major factor contributing to the existing low level of development is the geographic diversity of the country (high plateau, rugged mountain valleys, and tropical lowlands) which has had the important effect of restricting travel and communications. Basic infrastructure is lacking and has served to isolate the various regions of the country from one another.

Of a total population of 4.65 million, approximately 60 per cent (2.8 million) live in rural areas. The majority of this population is dependent on agricultural endeavors for its livelihood. It is estimated that 90 - 95 per cent of the rural populace are small farmers in terms of farm size - one to two hectares - who derive most of their income from potatoes, barley, wheat, rice, vegetables, and coca. Mixed livestock production accounts for the remainder of their income. A majority of the small farmers live in the Altiplano and Andean Valleys where the land is characterized by low fertility and is subject to harsh climatic conditions. Their land holdings are small due to fragmentation and often are not contiguous but are disbursed over large areas. Language is a major constraint in the sector since 60 per cent of the native Indian population speaks only Quechua or Aymara, thereby inhibiting participation in the economy as well as the ability to adopt and diffuse agricultural practices.

Per capita GNP was about \$ 360 in 1975 although the average for the rural inhabitant (and the small farmer in particular) was only one-third of that amount. Contributing to this disparity between the national and rural GNP figures are low technology levels, inefficient and antiquated production methods, marketing inefficiencies, rudimentary storage and processing facilities, and inadequate transportation and communication infrastructure.

Health conditions are also severe. Life expectancy is 50 years. Sewerage systems reach only 11 per cent of the rural population and only 12 per cent have access to potable water. Infant mortality rates, considered by some to be the best proxy measure of a society's overall health status, range from 147 per thousand nationally to an estimated 235 per thousand in rural areas. These rates are the highest in South America. Communicable, respiratory, and gastro-intestinal diseases are widespread and are a direct result of the lack of sanitary facilities and limited availability of potable water. Malnutrition is also widespread where the average rural family

consumes only 77 per cent of its minimum daily requirements of calories and 49 per cent of its minimum daily requirements of protein.

In the education sector, there is an illiteracy rate of approximately 60 per cent among the population over 15 years of age, and 65 per cent do not speak Spanish as a first language. Whereas approximately 81 per cent of the urban school age population is enrolled in school, in the rural areas the figure is only 36 per cent. Deficient facilities and poor quality of both the teachers and curriculum account for the low attendance level in the rural areas.

2. Mission Strategy

The Mission's March 1978 Development Assistance Program (DAP) established technical and financial assistance to the various DDCs as a major new thrust in its program strategy. The more recent Country Development Strategy Statement (CDSS) places further emphasis on working with the DDCs.

In addressing the major problem of low incomes and deficient and inadequate basic public services, the Mission has developed a two component strategy. The first component consists of efforts to broaden productive employment and involves the implementation of model rural infrastructure projects, improved access to credit, fertilizer, tools, appropriate technology and other productive inputs. The second attempts to alleviate human misery and improve the quality of life through the direct provision of basic services such as health, sanitation, education, potable water, and shelter. Critical to both these approaches is the formulation of a Mission program that emphasizes direct involvement of the target group in Bolivia's development by expanding its integration into the economy through local level institutions.

Since the primary function of the corporations is to promote the economic and social development of their respective geographic regions, they provide an institutional framework through which this strategy can be implemented. The proposed Project, in conjunction with the Rural Development Planning project, represent the initial efforts by the Mission to work with this new thrust in program strategy. Emphasis in both projects is on developing the DDCs as institutions capable of the planning, project design and project implementation necessary to bring about increased target group participation in the development process.

The broad scope of responsibilities of the DDCs provide an excellent means for implementing this new strategy. The corporations have been involved in a wide range of rural development activities which are responsive to the concerns of this strategy, including access

and penetration road construction, school and hospital construction, land rehabilitation, animal husbandry, natural resource management (primarily conservation), crop diversification and agro-industry development. As a result, the base exists within the structure of the DDCs for further expansion in the design and implementation of small rural development projects.

The strategy recognizes the role of the development corporations as an integral part of the Bolivian planning process and is based on a belief that, by working directly at the departmental level, projects will be designed and financed which will not only benefit the rural poor but will also provide them an opportunity to participate directly in the identification and implementation of projects which meet their specific needs.

As indicated in both the Mission DAP and CDSS, another important factor underlying this strategy of working more closely with the DDCs is that it is a means of dealing with the institutional and absorptive capacity constraints at the central government level by broadening the project implementation base. In addition, the strategy is expected to help improve the Mission's information and data base since the DDCs have a better in-depth grasp and sensitivity to development problems in their areas and, through the closer contact, will have the opportunity to share their insights with the Mission.

3. Relationship to Other AID Activities

The proposed Project has been designed as one of the first efforts by the Mission to address the strategy outlined above of working more directly with the development corporations. A key distinction between this effort and other Mission activities is that this Project will have the DDCs as the primary implementing institutions, and not a central Government ministry. The Project also will be focusing specifically on the planning system of the corporations.

The other Mission project working directly with the DDCs is the FY 1978 Rural Development Planning project. This grant project will provide technical assistance in planning and project design and implementation to five development corporations. The provision of long-term technical assistance will directly complement the implementation focus of this Project, the two working together to develop the capacity of the DDCs to plan and implement projects specifically designed to help achieve objectives established in medium-term development strategies. The proposed Project will also provide technical assistance similar to that provided by the Rural Development Planning project to the corporations in La Paz and Oruro (which were not originally included in the grant project) as further analysis of these two DDCs indicated that assistance in planning is needed.

Certain activities of the proposed Project will be similar to those financed by the Village Development project. The Village Development project, however, will focus on smaller projects in the more isolated rural areas of Bolivia. The National Community Development Service (NCDS) will be responsible for project implementation and will work closely with each community in promoting and implementing subprojects. In addition, communities will be required to contribute a minimum 40 per cent (in cash or in kind) to the cost of each subproject. Thus, while there are similarities between the activities of the two projects, they are not duplicative because of the different focus, the community action orientation of the Village Development Project, the larger size of subprojects to be financed under the proposed Project and because they will be closely tied to the planning process of the DDCs.

The Rural Sanitation project will finance the construction of potable water and sanitary facilities but will limit its geographic focus to the rural areas in the Departments of Cochabamba and Chuquisaca. The project is being implemented by the Departamento de Saneamiento Ambiental (DSA) of the Ministry of Health and, as with Village Development, will have no direct link to improving the planning system of the DDCs. However, because of the specific geographic focus of the Rural Sanitation project, any similar activities under this Project proposed for Cochabamba or Chuquisaca will be closely examined to assure there is no duplication of effort.

Both the Agriculture Sector II and Rural Roads II projects will involve the DDCs in their implementation, and are the only other Mission projects with direct participation of the DDCs. In the Agriculture Sector II project, the corporation in Tarija (CODETAR) and the Ministry of Agriculture and Campeesino Affairs (MACA) are working together to increase the availability to the small farmer of needed inputs, particularly land, water, improved seed and the production and investment credit needed for the purchase of these inputs. Rural Roads II will concentrate its activities in the southern departments of Chuquisaca, Potosí and Tarija. The corporations in each of the departments has signed an agreement with the National Road Service (SNC) detailing the implementation responsibilities of each organization.

Under the Agribusiness and Artisanry project, sub-loans will be made to private sector enterprises. It is not expected that, under the proposed Project, the DDCs will establish any type of banking mechanism required to lend to the private sector. The DDCs are public sector entities which, in some cases, either have or are planning to undertake and manage agro-industrial activities. Subprojects of this type financed by this Project would be public enterprises and would not conflict with activities of the Agribusiness and Artisanry project.

A final activity to which the proposed Project is closely related is the Title III program. Of the expected generations from the sale of wheat, \$ 15 million has been programmed to finance development activities of the DDCs. This additional source of funds will be used for activities similar to those of the proposed Project. It is expected that the same eligibility criteria will be applied to Title III resources thus enabling the subprojects financed to be directed toward the same objective of the proposed Project -- to enhance the capability of the DDCs to identify and implement subprojects which will be of direct benefit to the target group. Although similar, the activities funded under the two projects will not be duplicative. Under the Title III Program, availability of funds will be on a year-to-year basis with no degree of certainty as to how much will be available each year. Planning specific activities for use of Title III funds, therefore, will be subject to availability of funds. In addition, the two projects together would provide a total of approximately \$ 25 million to the corporations over a five-year period; or approximately \$ 600,000 per year per corporation. It is expected that an increase of this amount can be readily absorbed by the corporations.

4. Other Donor Activity

Involvement of other donors directly with the development corporations has been limited to date. Under a bilateral agreement, the German Government has provided technical assistance in planning to the corporation in Santa Cruz and has recently initiated a similar program in Cochabamba. UNICEF is sponsoring a small scale integrated rural development program in Tarija and Chuquisaca which emphasizes the education and health sectors. Participation of the World Bank and InterAmerican Development Bank has been limited primarily to the corporation in Santa Cruz where they have lent resources for the construction of large infrastructure projects.

One outcome expected from the Project is a demonstration to other donors that, in the development corporations, a viable alternative exists to the central Government for lending funds for development activities. The hoped for result is the more direct participation of other donors with the DDCs in undertaking development activities in Bolivia.

5. Bolivian Planning System

Bolivia's experience with national planning spans more than two decades beginning in the mid 1950's with the national government recognizing that the development of the economy and raising the standard of living of the population would require a systematic, comprehensive and technically sound approach to planning. Political instability during the 1960's slowed the development of the planning system. However, the idea was never rejected and additional experience was gained in project preparation and investment programming. In addition, the number of professionals trained in planning methods was increased.

Beginning in 1971, the Banzer government brought a period of political stability to Bolivia during which time a renewed impetus was given to planning at all levels. The current system for planning was introduced during this period with the critical event being the establishment of the National Planning Council (CONEPLAN) and the Ministry of Planning and Coordination (MPC) in 1974. CONEPLAN and the MPC are the entities with overall responsibility for development planning and sectoral and regional plan coordination. Efforts were also initiated to strengthen the planning capabilities of the sectoral ministries and, at the departmental level, recognition was given to the importance of the role of the development corporations (DDCs). This role of the DDCs includes not only planning but also the design and implementation of specific projects. For this purpose, each DDC has an autonomous investment budget derived primarily from mineral and petroleum royalties, local taxes and transfers from the national treasury. This emphasis on planning and implementation of development activities culminated with the issuance of the 1978 Law of the Departmental Development Corporations which strengthens the MPC as the entity responsible for the direction of the development planning by the DDCs and for coordinating departmental and sectoral planning within the context of the national development plan and policies. The Law also confirms the central role of the corporations in planning and implementing projects within their respective departments.

a. Planning at the National Level

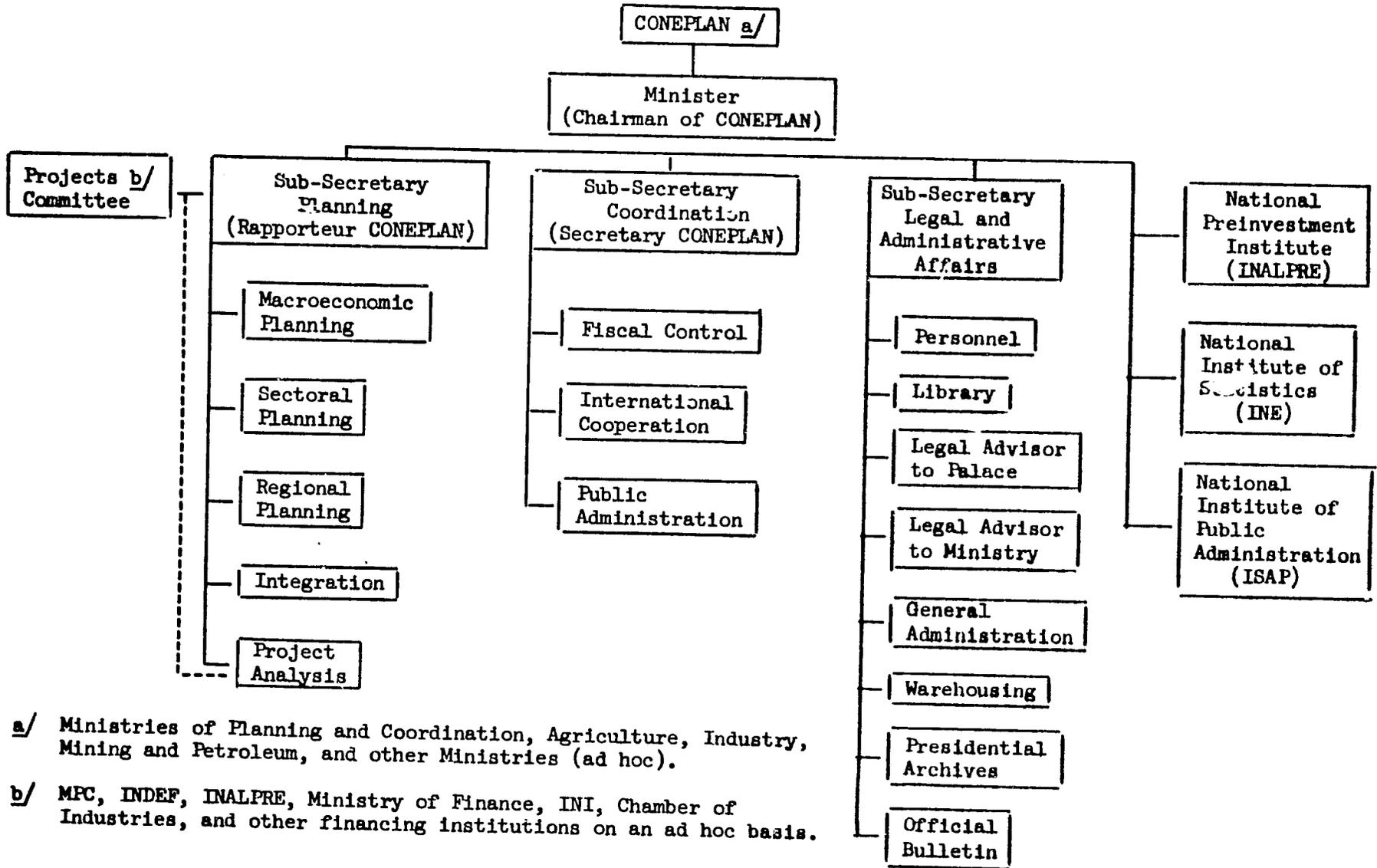
CONEPLAN (an inter-ministerial committee chaired by the Minister of Planning) through its technical body, the MPC, is responsible for setting national development policy and priorities including approving and monitoring the five-year and annual operational plans. The MPC, under the direction of the Sub-Secretary for Planning, is responsible for carrying out the functions of macroeconomic planning, sectoral planning, regional planning and project analysis (see Figure 1 for the MPC's organizational chart).

In preparing both the five-year development plans and the annual operating plans, the MPC relies on plans submitted by the sectoral ministries and the development corporations. These plans are formulated following basic guidance provided by the MPC and include summary descriptions of the on-going efforts of the ministries and corporations and, more importantly, what activities (i.e., projects) they propose to undertake during the planning period. The MPC reviews the submissions to coordinate and integrate what has been proposed prior to sending its recommendations to CONEPLAN. For the most part, CONEPLAN approves all the recommendations of the MPC.

While problems exist with the system at this level (weakness in the integration and coordination of plans and inconsistent methodology for project analysis) the following features provide a solid foundation for its improvement: planning decisions are centralized

Figure 1

Organization Chart - Ministry of Planning and Coordination



a/ Ministries of Planning and Coordination, Agriculture, Industry, Mining and Petroleum, and other Ministries (ad hoc).

b/ MPC, INDEF, INALPRE, Ministry of Finance, INI, Chamber of Industries, and other financing institutions on an ad hoc basis.

through the MPC and CONEPLAN so that program coordination can be facilitated; the process recognizes the importance of inputs from the development corporations; and the project oriented nature of the process emphasizes the implementation of activities, thus not limiting itself to a document of aspirations. Equally important is the degree of commitment to the system which has been exhibited by the GOB.

b. Planning at the Departmental Level

A DDC has been established in each of the nine departments of Bolivia. Although initially established to serve as public works committees and promote the development of urban areas in the department, the focus of the DDCs' work has now broadened to the point where the economic and social development of the entire department is their primary responsibility. An important step in the expansion of the DDCs' role was the issuance of the Law of the Departmental Development Corporations in February 1978. In addition to strengthening the role of the MPC as the entity responsible for overall planning, the Law also clearly establishes the functions and lines of responsibilities of the DDCs and confirms the central role of each corporation for planning and implementing development activities within its own department.

Each DDC has prepared a macro-level diagnóstico. Essentially, the diagnósticos are a descriptive overview of the department which include data on geography, population, income levels, agricultural and industrial production, and natural and mineral resources. In theory, the diagnóstico becomes the basis for the annual operating plan prepared by each DDC. The plans primarily consist of the activities (i.e., projects) proposed for the upcoming year and are submitted to the MPC for approval and inclusion in the national operating plan. The operating plans prepared by the DDCs acknowledge the diagnósticos in that they summarize the development situation and potential for development of the department. In many cases, however, the projects proposed in the annual operating plans are not entirely consistent with, or do not follow a strategy suggested in, the data generated by the diagnósticos. Rather the projects represent perceived needs (and, at times, political pressures) - of both the national and departmental levels. For example, in Cochabamba, the development corporation has proposed the construction of a large industrial park (perceived as a national need) and a terminal for buses for the city of Cochabamba (a departmental need), neither of which correspond to an identified development constraint which should be addressed.

A major reason for the inconsistency between what is suggested by the diagnósticos and what is proposed by the DDCs is the fact that the diagnósticos are descriptive studies which do not go to the next step of recommending a development strategy and a specific medium to long-range plan designed to address the constraints identified by the strategy. As a result, projects are proposed which respond to perceived needs and not a specific strategy or plan.

This critical link between diagnosis and coherent strategy has been identified as one area to receive assistance from the Mission's Rural Development Planning Project. This grant technical assistance project will work directly with five of the DDCs (Pando, Beni, Chuquisaca, Potosí, and Tarija) to improve planning capabilities, particularly in the preparation of medium- to long-term development strategies. The project will also assist in the identification of projects consistent with the development strategy, including assistance with detailed project analysis and implementation. The corporation in Santa Cruz has not been included in this project because it has recently received assistance in these areas from the West Germans. Cochabamba is currently receiving assistance from the West German team and has also been excluded from the project. The corporations in La Paz and Oruro were initially excluded from the project based on an understanding that they also had received technical assistance in planning and project implementation. Further discussions with CORDEPAZ and CORDEOR, however, have revealed the need for technical assistance, and grant funds have been included in the proposed Project for this purpose. Whether participating directly in the Rural Development Planning project or not, each corporation will participate in workshops and seminars and will receive training materials prepared by the project, which will include uniform criteria for project identification and evaluation, and preparation of annual plans.

As the principal planning document prepared by the DDCs, the annual operating plans are submitted to the MPC for its review. For the 1979 operating plans, the MPC held a meeting of all the corporations in the city of Potosí in May, 1978. At the meeting the basic guidelines for this year's plan were discussed in detail in order to facilitate the work required for their preparation. Prior to submission to the MPC in November each year, the proposed operating plan is approved by the Directorate of the DDC. Each project listed in the plan for which investment funds are requested has a completed feasibility study demonstrating its viability.

Within the MPC, submissions are reviewed in a joint meeting between the regional planning office, the project analysis office and representatives of appropriate sectoral ministries. Each project is examined for technical viability (including economic and financial), relationship to the national plan and priorities, and relationship to activities of the sectoral ministries. Following this joint review, the regional planning office establishes a priority listing of projects taking into consideration the financial resources available according to the Ministry of Finance. The listings are then reviewed with the respective DDCs during which time they may argue for certain changes. The final step in the process is recommending to CONEPLAN, through the Sub-Secretary, an integrated national plan. Following approval by CONEPLAN, the complete national plan is promulgated by Presidential Decree.

6. Relationship of DDCs to Sectoral Ministries

Currently no formal mechanism exists to coordinate the various activities of the development corporations and the sectoral ministries (primarily agriculture, health and education) and other GOB organizations (for example, the National Community Development Service, NCDS; the Servicio Nacional de Caminos, SNC; and the Empresa Nacional de Electricidad, ENDE). There are, however, a number of ways in which the DDCs and these GOB institutions keep abreast of each other's activities, thereby reducing the possibility of duplication of effort.

In the first place, where a sectoral ministry or the MPC has an office in a department, the ministry representative in that office is also on the board of directors of the DDC. The directors are responsible for approving corporation policy as well as approving the budget and the projects proposed. The ministry representatives, therefore, are kept current on all DDC activities and are able to inform their respective ministries of these activities. On the other hand, they also have the opportunity to advise the corporations on ministry activities. This mechanism provides the most direct link between the DDCs and other GOB institutions.

During the annual review of operational plans submitted by the DDCs and ministries, the Ministry of Planning has the opportunity to coordinate proposed activities. The review process includes meetings with representatives from the sectoral ministries at which time duplication of effort or the need to coordinate complimentary activities (either with technical or financial support) are identified and appropriate measures taken to assure that coordination takes place.

Another mechanism which is utilized equally by the DDCs, ministries and other GOB institutions is a series of informal contacts maintained at the technical level. A number of DDC employees at one time worked in the central government or have former classmates who are currently working there, and they will from time to time seek help or advice on specific activities. Usually these requests relate to a specific technical problem for which the capacity to solve does not exist. While informal, this mechanism does serve as an effective channel of information.

A fourth mechanism is through contracts signed by the DDCs and other institutions for the provision of services. For example, a corporation does not sponsor the construction of a school or health post without a signed agreement with the appropriate ministry to staff the facility. The DDCs have agreements with SNC which call for joint participation in construction of roads. Small scale rural electrification projects implemented by the corporations are coordinated with ENDE since maintenance of the expanded grid becomes the responsibility of ENDE.

Despite the use of these mechanisms, it is generally recognized that coordination between the DDCs and other government entities is sporadic and in need of improvement. In February 1979, a week-long general meeting of all the DDCs, sectoral ministries and the MPC was held in Cobija. In recognition of the need to improve coordination, a specific item on the agenda dealt with the problem and how it can best be resolved. The outcome of this meeting was a decision to develop a formal system, to be established through a Supreme Decree, under which the MPC would have coordinating responsibility at the national level and the development corporations at the departmental level.

B. Detailed Project Description

1. Goal and Purpose

The goal of the Project is to improve the standard of living of the rural poor in Bolivia. The Project is designed to achieve this goal by utilizing the existing planning system of the Departmental Development Corporations and requiring that the subprojects be carefully targeted through the use of selected eligibility criteria.

The purpose of the project is to enhance the outreach capability of the DDCs to identify and implement subprojects which will be of direct benefit to the target group. Particular emphasis will be given to subprojects which are income producing or employment generating in the agriculture sector.

2. Project Strategy

A critical missing link in the existing planning system of the DDCs is a clearly defined development strategy or plan based upon which specific subprojects, consistent with the objectives established by the strategy or plan, can be designed. As has been previously mentioned, each of the development corporations have prepared a diagnóstico or macro-level descriptive overview of the department. In general, the diagnósticos discuss factors such as geography, population income levels, agricultural production, industrial production, mineral and natural resources, education levels and health conditions. The DDCs have not, however, taken the information available from the diagnósticos and formulated medium- to long-range strategies in order to provide a framework for planning and implementing activities on a year-to-year basis. As a result, the primary planning document of the DDCs - the annual operating plan - does not address identified constraints to development in a consistent fashion, and proposed activities tend to correspond more to perceived needs than to coordinated, well planned objectives.

For the DDCs to become the institutions upon which the Mission can focus its efforts to expand the absorptive capacity within the

GOB for development activities this gap must be filled. The FY 1978 Rural Development Planning Project was designed as a first effort in addressing the need for medium- to long-term strategies. Its approach is to improve the planning process by providing long-term technical assistance directly to the corporations. Assistance under the project will focus on the planning and project offices of the corporations in an effort to coordinate project preparation with planning objectives.

The proposed loan also has institution building as a primary objective. It will complement the activities of the Rural Development Planning Project by financing subprojects, using the experience gained as a tool for improving the development of future plans and projects.

The hypothesis of this Project is that an improved institutional capability to develop medium- to long-range plans and subprojects designed to achieve the objectives of the plans requires more than technical assistance in the planning sector. An optimal approach to the problem is to exploit the synergistic relationship between planning and project implementation by channelling resources simultaneously into both areas. This will permit the continual feed-back of experiences gained throughout the cycle of planning, selecting and implementing subprojects, reinforcing what has been learned, and lead to an improved system not only of development planning but also of subproject selection and implementation.

Through the use of eligibility criteria, subprojects will be focused on the rural poor target group and will require that the relationship of each subproject to the development strategy of the corporation be clearly demonstrated. This control on subproject financing is intended to produce the continual interchange and feed-back between planning and implementation desired to improve the technical capability of the corporations in both areas. This represents a significant change from the current situation in which subprojects are proposed on an ad hoc basis without any relationship to a development strategy.

In designing the Project, the alternatives of limiting activities to (1) supporting development efforts in specific geographic areas in order to maximize impact and (2) limiting activities to a sector but not limiting the geographic areas were examined. After assessing the viability of the former approach, the Mission believes that the planning currently done by the DDCs generally is not at a level which permits a clear identification of specific geographic locations in which to concentrate resources (the so called growth pole theory for integrated regional development). Therefore, this approach cannot be utilized as the primary mechanism for focusing the use of project resources. It is expected, however, that as the planning done by the corporations improves the use of growth pole theory will become a more viable alternative in determining how to maximize the impact of resource investments. Conceivably a second

phase of this loan (considered likely in FY 1981) could be developed around such a strategy.

The second alternative of concentrating resources in a specific sector, therefore, has been selected as the appropriate strategy for the Project to utilize. Specifically, this sectoral approach will emphasize increasing agricultural production. It will attempt to create or take advantage of linkages that exist between the point of production and the market through complementary investments. Examples of potential linkages include: an investment in small scale irrigation leading to increased production and possibly requiring an additional investment for storage facilities so that the affected small farmers would have some control over the marketing of their produce; the availability of feed from a local mill leading to increased small livestock production leading, in turn, to increased demand for feed and increased production of inputs (e.g., corn) for the mill; and increased production of fruits creating the opportunity to develop a fruit drying agro-industry. The Project will also encourage the corporations to support the expansion of small farmer involvement with products such as fruits, tea, and cocoa, which are currently imported in order to satisfy local market demand. Another important area for small farmer involvement is small livestock production including chickens, pigs, and rabbits.

In emphasizing the agriculture sector, Project activity in other sectors will be strictly limited. Specifically, Project funds will not be used to finance educational facilities or health posts although certain social services such as potable water systems and small scale electrification will be eligible to receive financing.

3. Funding Level and Target Area

The Mission recognizes that an FY 1979 OYB level for the project has been set at \$ 7.0 million. However, following discussions with the development corporations, analysis of the demand for project funds and the ability of the corporations to absorb the resources provided, a funding level of \$ 10.0 million is considered to be optimal.

Two factors weighed heavily in designing the Project to include the participation of all nine DDCs. First, funds from Title III will be available to finance development activities of the DDCs, serving to supplement funds available from this loan. Secondly, and more important, while the interest is to maximize the impact of the resources available, the Mission and GOB consider it critical that all nine corporations participate if the Project purpose of improving the capability of the DDCs to develop medium to long-range development strategies and to identify, design and implement subprojects consist with the strategy and which will be of direct benefit to the target group is to be achieved. It is recognized that the DDCs do not have equal ability to utilize the loan funds, which will result in a

concentration of resources in probably five of the corporations. Nonetheless, the institution building objective of the Project can only be achieved if each corporation begins to implement subprojects within the framework of the strategy and eligibility criteria which have been established.

4. Project Design

The total estimated cost of the project is \$ 14.6 million of which AID will finance \$ 10.9 million and the GOB will contribute a minimum of \$ 3.7 million. AID's contribution will consist of a loan component of \$ 10.0 million to finance DDC subprojects which conform to the requirements of the project and \$ 900,000 in grant funds for technical assistance and a minor amount of commodities in support of that assistance. The GOB counterpart input into the project will provide a minimum of 25 per cent of the cost of eligible subprojects, including the cost of subproject feasibility studies, and additional salary and support costs for the DDCs.

a. Technical Assistance

Based on an analysis of the four DDCs not participating in the Rural Development Planning Project (La Paz, Oruro, Cochabamba, and Santa Cruz), specific additional technical assistance needs were identified in the La Paz and Oruro DDCs. Assistance is not necessary for the remaining two where assistance has either just been received (Santa Cruz) or is currently being provided (Cochabamba) through a bilateral program with the West Germans.

Four long-term advisors will be contracted; two regional planners for two work-years each; a public administration/systems analyst for two work-years; and an expert in public enterprise management for one work-year. (See Annex II, Exhibit B, for proposed scopes of work.)

The regional planners will assist the departmental corporations in developing technically sound methodologies for regional planning and project identification, evaluation, and preparation. Using the improved methodologies, the planners will assist in the preparation of annual operating plans which are consistent and in conformity with the appropriate MPC guidelines. One advisor will work directly with the La Paz corporation, the other with Oruro.

The public administration specialist will assist the corporations in establishing internal systems which report on sub-project planning and implementation progress. One of the functions of this advisor will be to identify specific implementation problems and recommend procedures to alleviate the problems. Particular attention also will be paid to improving the accounting systems of the DDCs. It is expected that one advisor will work with both corporations.

The advisor in public enterprise management will work with the Oruro corporation, providing assistance to the newly created department responsible for the management of the enterprises operated by the corporation. An important function of the advisor will be to establish mechanisms and procedures for improved operation of the enterprises.

In addition to the long-term assistance to the La Paz and Oruro DDCs, a short-term specialist in financial/tax systems will be contracted to prepare a study of possible alternative financial resources for all DDCs. The study will evaluate various mechanisms to augment and diversify DDC revenues to permit expanded investments by the DDCs. In view of the expected return to civilian rule in August 1979, it is hoped that the study will assist the new government in pursuing further decentralization of GOB activities. A second short-term specialist will assist the MPC in the preparation of guidelines for environmental considerations to be examined during subproject development. Finally, short-term assistance will be utilized for special subproject evaluations over the life of the Project; it is expected that between five and eight such evaluations will be undertaken.

Vehicles will be procured for the use of the long-term advisors to provide the mobility needed to visit subproject sites. The corporations do not have a sufficient number of vehicles to provide the necessary transportation. A modest amount of office equipment for the corporations will also be provided.

Grant Budget
(In \$000)

<u>Activity</u>	<u>Total</u>
Long-term technical assistance	700
Short-term technical assistance	108
Vehicles	30
Commodities	6
Contingencies	56
TOTAL	<u>900</u>

b. Subprojects

As discussed above, the project strategy is to enhance the outreach capability of the DDCs to identify and implement subprojects which will be of direct benefit to the target group, with particular emphasis on subprojects which are income producing or employment generating in the agricultural sector. To implement this strategy, categories of eligible subprojects have been identified, and a detailed framework for establishing the eligibility of particular

subprojects developed. These will (a) focus the DDCs on relatively small projects; (b) outline the requirements necessary to establish subproject feasibility by type of project; (c) permit comparison/evaluation of subprojects among DDCs; and (d) emphasize the importance of target group impact.

1) Eligible Subprojects

The emphasis here is to undertake investments which will generate additional income or employment opportunities for the rural target group, particularly in the agricultural sector. With that objective in mind and based upon a review of current DDC investment activities, a list of eligible categories of subprojects has been developed. It is possible that a subproject could be financed which does not fall into one of the below-listed categories. However, such a subproject would have to conform to all applicable subproject criteria and would have to be justified on the basis of its impact on target group income or increased employment. As indicated below, certain types of social infrastructure will be eligible for financing under the loan, but it is expected that no more than 30 per cent of the loan will be utilized for social infrastructure. Excluded from financing will be subprojects such as schools and medical posts for which alternative sources of financing are available.

In certain instances, subprojects may generate income for the corporations as well as for target group beneficiaries. As public sector institutions, however, the DDCs are non-profit. Thus, enterprises established by the corporations are operated and managed by the corporations on a non-profit basis, and many times are experimental projects aimed at bringing in private sector investment. If the enterprise produces commodities for sale and does not simply provide a service (e.g., improved seeds versus a storage facility), credit is not extended by the corporation but comes from normal external credit channels. To reinforce this non-profit nature of the DDCs and to assure that funds provided by financial returns in excess of costs are used for purposes consistent with the objectives of this Project, in those cases where subprojects generate such a financial return, it will be required that the excess be used by the corporations as additional investment capital for subprojects which meet the eligibility criteria established by the Project. The effect will be to expand the investment capital available to the DDCs.

The following briefly summarizes eligible types of subprojects:

a) Agricultural Development Projects: The introduction of non-traditional crops such as tea, orchard crops (apples, pears), peanuts, grapes, and vegetables as well as small livestock such as chickens, pigs, sheep and rabbits are expected to be included under the Project. These projects typically will include technical assistance to farmers and establishment of marketing facilities.

b) Storage facilities: Facilities for storing crops such as potatoes will be eligible for financing if the crops to be stored are normally produced by small farmers. Typically, storage will be constructed in areas of production. Larger facilities in market towns will be considered if it can be demonstrated that the small producer will be benefitted.

c) Agroindustry: A limited amount of loan funds may be utilized to install or expand agroindustrial facilities which will utilize small farmer crops or livestock, or provide inputs for the production of crops or livestock. To avoid excess concentration of project resources in this category of subproject, AID's contribution to agroindustrial subprojects will in no case exceed \$ 300,000.

d) Water resources/water control: Included within this category of subproject are activities such as small-scale irrigation, drainage, and river defense systems and other activities which will provide adequate sources of water for small farmers or prevent flooding of agricultural land. At a minimum, these subprojects should result in a 20 per cent increase in net farmer income either as a result of more intensive use of land or by avoiding losses due to flooding and ponding of fields.

e) Land improvement: Funds for this category of subproject would finance the procurement of equipment designed to facilitate preparation of land for planting and harvesting. Both machine (small tractors) and hand equipment (shovels, hoes, wheelbarrows, etc.) will be financed but will only be eligible for the creation of community equipment pools. Communities will be required to maintain the equipment and provide operators and fuel costs as necessary.

f) Marketing facilities: Town wholesale and retail markets, sorting and grading equipment, and other investments which will contribute to the commercialization of small farm agricultural products will be eligible for financing under the loan.

g) Reforestation: Although the impact of reforestation programs on the target group is less direct, this type of activity does provide employment opportunities and indirect benefits in the form of soil conservation and watershed improvement. Most reforestation activities will be on public or communal land.

h) Rural electrification: Several of the DDCs, including Pando, consider the expansion of electric power to be of high development priority in small towns and rural areas. Limited electrification systems will be financed under the loan if their installation will result in improved employment or income opportunities, such as permitting electric pumps for irrigation. In no case will AID's contribution to this activity exceed \$ 500,000 per subproject.

i) Potable water and latrines: Village potable water systems will be financed in communities not included under the Rural Sanitation loan. Technical and economic criteria for their installation will be similar to those established under the project.

2) Eligibility Criteria for Subproject Approval

a) General Criteria

To be eligible for financing under the project, all subprojects must conform to the following:

i) Subproject cost: As a norm, the maximum AID contribution for any one subproject will not exceed \$ 300,000 except for electrification. Consideration will be given to greater amounts for specific subprojects at the request of the DDC involved and the Ministry of Planning. This criterion will be reviewed at the end of the first year of the project and modified as necessary.

ii) Subproject rationale: The relationship of the subproject to the DDC development plan must be demonstrated, thereby establishing a clear linkage between the subproject and the overall development objectives of the DDC. The complementarity of the proposed subprojects to other DDC activities (current or planned) will be an important factor supporting the rationale for a particular subproject.

iii) Subproject duration: As a norm, subprojects must be scheduled for completion within two years following their approval by the Ministry of Planning.

b) Subproject Specific Feasibility Criteria

In addition to the above, feasibility studies will be prepared for each subproject. The following concerns must be addressed in the feasibility studies prepared for each subproject prior to its approval for financing under the loan.

i) Target Group Analysis

As stated above, each subproject must benefit directly the target group. Assessment of direct benefits will vary by type of subproject. At a minimum, the following must be demonstrated by category of subproject:

(a) Agricultural development projects: At least 80 per cent of the beneficiaries in terms of number of beneficiaries and expected total income benefit will be small farmers.

(b) Storage facilities: Charges for the use of storage facilities must be affordable by small farmers; facilities must be physically accessible to small farmers; small farmers shall be given preferential access to the facilities.

(c) Agroindustry: Agroindustries will be eligible if a majority of their purchases of agricultural products are from small farmers, or the majority of their output is purchased by small farmers.

(d) Water resources/water control (e.g., small-scale irrigation, drainage, river defense systems): A majority of the beneficiaries of the infrastructure must be in the target group; a majority of the land benefited must be owned or under the effective control of the target group; charges for the use of the system and its maintenance must be affordable.

(e) Land improvement: A majority of the land benefited must be owned or under the effective control of small farmers.

(f) Marketing facilities: Facilities must be physically accessible to the target group; user costs must be affordable.

(g) Reforestation: The land included in the subproject must be either owned, under the effective control of small farmers or must be public land.

(h) Rural electrification: A majority of the residents of the town or rural area to be served by the grid must be within the target group; size of the community being served will be no more than 400 families; the system must be self-financing.

(i) Potable water systems: A majority of the population served must be in the target group; location of public taps (if used) must permit reasonable access of the target group; system design must take into account the need to make potable water accessible to virtually all the community at the least cost.

Where appropriate, prior to approval a maintenance plan will be required for subprojects. Also, as part of subproject development, the need for user charges will be examined as a means of financing future maintenance costs. Where a specific service is being provided (e.g., storage facilities), user charges will be imposed as applicable. The amount of such fees and the frequency and method of collection will be determined as part of the subproject feasibility study. In all cases, the level of fees charged must be commensurate with the ability of the target group population to pay the fees.

ii) Economic/Financial Analysis

(a) Economically productive project: For all projects with quantifiable economic benefits, a benefit/cost analysis will be prepared and indicate that the economic return is reasonable (e.g., an IRR of at least 14 per cent). For water resources projects with anticipated AID funding in excess of \$ 100,000, the economic analysis will be in conformity with the requirements of Section 611 (b) of FAA. For projects which involve user charges, financial investments by the target group, or involve a firm, a financial analysis will be prepared establishing that the subproject is viable financially from the point of view of the household or the firm.

(b) Social infrastructure: For those sub-projects in which benefits cannot be quantified easily (potable water), the economic analysis should be prepared in the form of a cost-effective or alternative analysis which demonstrates that the subproject is the least-cost approach to providing the anticipated benefits.

iii) Social/Cultural Feasibility

The social feasibility of the subproject must be assessed to assure that relevant subproject - specific social and cultural factors are considered in design and implementation. The framework for this analysis is discussed in detail in Annex II, Exhibit G.

In addition, for all subprojects, the participation of the beneficiaries in the subproject must be specified. The mechanism used to permit the participation of beneficiaries in subproject design and implementation (e.g., contribution of labor to the construction and maintenance of small-scale irrigation systems) or necessary groupings of beneficiaries (e.g., cooperatives, associations) should be described. Sufficient information also should be presented to conclude that the required level of beneficiary participation and the proposed mode of that participation is feasible.

iv) Technical Requirements

Feasibility plans and specifications adequate to prepare reasonable cost estimate will be presented. Maintenance requirements and a maintenance plan will be developed and the mechanism to provide adequate maintenance presented. A time-phased implementation and construction plan also will be required.

v) Environmental Assessment

Environmental assessments will be included in those projects which may have significant impact on the environment

such as water resources. Subproject concept documents will discuss environmental aspects and recommend for or against future analysis to be included in feasibility studies. It is expected that short-term technical assistance will be provided to develop environmental procedures for the corporations. A manual on these procedures will be prepared.

Based on a review of a sample of feasibility studies which have been prepared by various DDCs, modification of the current format for feasibility studies to address the above criteria should not present a major problem. As a condition precedent to disbursement for any subproject, the Ministry of Planning will develop appropriate guidelines for subproject feasibility studies. It is anticipated that the guidelines will serve as the basis for a short training course to be given to appropriate officials of the DDCs following their approval by AID.

c) Use of Funds

i) AID Loan Funds

Up to \$ 10.0 million in loan funds will be utilized to participate in the financing of eligible subprojects. Funds may be used to finance the procurement of equipment and materials (including construction materials), construction services contracted by the corporations (excluding force account work), and technical assistance when that assistance is essential to the implementation of subprojects. For example, AID funds could be used to contract agronomists to work as extension agents for agricultural subprojects or contract consultants to help establish, operate, and train personnel in agroindustries.

ii) GOB Counterpart

The corporations will contribute a minimum of 25 per cent of the total cost of eligible subprojects. This contribution can be in-kind (e.g., force account construction, DDC staff time, use of DDC construction equipment), cost of subproject feasibility studies, or as financial counterpart. The minimum value of GOB subproject counterpart will be \$ 3.7 million.

In addition, the DDCs typically undertake minor investment in communities to establish community confidence and trust in the DDCs (e.g., repairs to a school, village street improvements). Although these activities facilitate the identification and implementation of subprojects which will be financed under the project, it is not possible at this time to quantify the value of this category of activity. Therefore, it is not included as a quantifiable GOB contribution to the Project.

The following provides an illustrative breakout of the various components of the project (determined in part from subproject demand analysis):

Subproject Budget
(In \$000)

<u>Subproject</u>	<u>Total</u>	<u>FX</u>	<u>LC</u>
Agricultural Development Projects	3,250		3,250
Storage Facilities	1,140		1,140
Agroindustry	740	400	340
Water Resources / Water Control	1,370	500	870
Land Improvement	660	500	160
Marketing Facilities	100		100
Reforestation	900		900
Rural Electrification	900	500	400
Potable Water Systems	<u>940</u>	<u>500</u>	<u>440</u>
 TOTAL	 <u>10,000</u>	 <u>2,400</u>	 <u>7,600</u>

d) Allocation of AID Loan Funds by Department

As discussed above, all of the nine DDCs will participate in the project. To permit each DDC to finance at least several subprojects and avoid a disproportionate concentration of loan resources in a few DDCs, an initial distribution of loan funds will be made. Based on this distribution, each DDC will be allocated a quota of loan funds which it cannot exceed during the initial phases of the project. During the ensuing years of subproject approval, particular DDCs may exceed their assigned quota if other DDCs are unable to utilize the funds allotted to them.

The allocation of AID loan funds established in Table 1 below was based on the current distribution of the total DDC investment budget in 1978 adjusted for the anticipated ability of each DDC to identify and submit eligible subprojects. A further adjustment was necessary to avoid an excess allocation of AID funds to CORDECRUZ (Santa Cruz). Since over 50 per cent of the total DDC investment budget is attributed to CORDECRUZ, it was agreed that CORDECRUZ should receive a fixed allocation of \$ 1.5 million.

Table 1
Allocation of the AID Loan by DDC
(In \$ 000)

Corporation	1978 Investment Budget	Percentage of Total Budget	Adjusted Percentages	Allocation of AID Funds
CORDECH (Chuquisaca)	\$ 4,812	14%	16%	\$ 1,360
CORDEPAZ (La Paz)	5,082	15%	16%	1,360
CORDECO (Cochabamba)	4,284	12%	16%	1,360
CORDEOR (Oruro)	3,674	11%	12%	1,020
CODETAR (Tarija)	4,388	13%	16%	1,360
CODEBENI (Beni)	2,756	8%	7%	595
CORDENO (Pando)	2,855	8%	6%	510
CORDEPO (Potosí)	6,443	19%	11%	935
Sub-Total	34,294	100%	100%	8,500
CORDECRUZ (Santa Cruz)	39,091	-	-	1,500
TOTAL	73,385	-	-	10,000

5. End of Project Status

Both loan and grant funds will be provided by the Project. The grant funds will primarily finance technical assistance for which quantification of accomplishments is difficult. In qualitative terms, however, the following outputs are expected from the grant portion of the Project:

a. As the recipients of long-term technical assistance, the corporations in La Paz (CORDEPAZ) and Oruro (CORDEOR) will upgrade the ability of their planning offices to analyze diagnostics and prepare medium-term strategies/plans, including identification of subprojects consistent with their objectives.

b. The internal operating and administrative procedures of CORDEPAZ and CORDEOR will be improved with standard manuals developed for guidance.

c. A final report summarizing the mechanism of financial support for all the DDCs will be prepared and recommendations made to the MPC for developing additional or alternate sources which could generate increased financial support for the DDCs.

Loan funds will support the strategy of broadening the institutional base and absorptive capacity for implementing rural oriented projects as well as the institution building purpose by financing subprojects consistent with specific eligibility criteria which will direct design toward projects which impact on the rural poor target group. Specific outputs include:

a. The composition of the DDCs' project portfolio will reflect increased target group orientation.

b. Subprojects will be selected and developed based upon a demonstrated relationship to a medium-term strategy. Emphasis will be given to employment generating, income producing subprojects.

c. Thirty-five to fifty subprojects will be implemented in accordance with eligibility criteria.

d. Seventy per cent of the subprojects will be in the agriculture sector and emphasize income and/or employment generation. Thirty per cent will be in the social sector including reforestation as well as potable water and small scale electrification.

e. Experience gained from subproject implementation will be used in future subproject identification and development.

f. The DDCs will exhibit sufficient institutional soundness so as to attract new sources of financial support.

PART III. PROJECT ANALYSIS

A. Technical Analysis

1. Technical Approach

Ultimately, the Project seeks to improve the standard of living of the rural poor population in Bolivia by increasing incomes and employment opportunities. Alternatives have been carefully examined for directing scarce financial resources, through the public sector, into projects which will benefit this target group and also encourage their participation in the design and implementation of activities directed at their self-identified needs. The semi-decentralized approach to development planning which exists in Bolivia is considered to be an appropriate means for reaching this target group because the system emphasizes inputs from the regional/departmental level where, at least geographically, planning takes place close to the target group and where knowledge of the needs of the rural population is greater.

As has been explained previously, the importance of the role of the development corporations within the national planning system has been increasing steadily of the past several years. The scope and number of activities they plan and implement have been increasing, as have been their budgets. The 1978 Law of the Development Corporations confirmed the importance of the DDCs' role in the development of the country, with particular emphasis on the responsibility for development at the departmental level.

To take advantage of this existing system and the increasing importance of the DDCs, a primary objective of the Project is the feedback of experiences gained from subproject implementation into the planning system of the development corporations so that the plans and designs for future subprojects can be improved through the application of this prior experience. In particular, it is expected that the plans and designs for these future subprojects will be increasingly sensitive to the needs and priorities of the poor throughout Bolivia, and will also rely more on direct target group involvement.

2. Technical Capability of the DDCs

The DDCs will provide the technical and professional staff necessary to undertake Project activities. Over the past decade, the corporations have been increasing their involvement in activities similar to those proposed by this Project, and they have developed a competent staff of professional and field personnel to carry out their required functions. The proposed Project will not place a burden upon the corporations' staffs to the point where they would be unable to carry out these functions in an effective manner.

Maximizing the feedback of experiences into the DDCs' planning system will come about by maximizing the number of subprojects implemented within the framework and criteria established by the Project. Therefore, smaller subprojects will be emphasized in which the AID input generally is no more than \$ 300,000. It is expected that these smaller subprojects will require only routine planning and design with respect to engineering and construction. In fact, while eligible subprojects such as storage facilities, small irrigation systems, agroindustry facilities, electrification and potable water systems will require engineering designs, others such as fruit and vegetable improvement will not.

Each corporation has professional engineers and technicians on its staff who have the experience and capability to provide the necessary services. These staffs, in most instances, will be responsible for the design of subprojects. Sound, acceptable engineering practices will be utilized. There will be instances when the corporations will utilize the services of outside consultants or technicians from sectoral ministries in undertaking feasibility studies - in which case the necessary engineering and design services will be provided as part of the contract. Also, it is important to keep in mind that technical assistance both from this Project and the Rural Development Planning project will be available to most of the DDCs in this area of subproject design.

AID will not monitor the designs prepared for each subproject although, as mentioned previously, in the first year subprojects with a total value in excess of \$ 100,000 will be reviewed by the Mission. On a random basis, the Mission will also check plans and specifications to assure that minimum professional standards are followed.

Where construction is involved, it will be the responsibility of the development corporation implementing the subproject to provide the necessary services, including supervision and site inspection. Construction methodology will vary depending upon the type of facility or infrastructure to be built. Following current practices, construction will utilize either direct employees of the corporations (skilled and unskilled) or contracted assistance. Where appropriate, community involvement (including labor and supply of local materials) will be utilized to the maximum extent possible.

While standardized designs have not been developed for the general categories of eligible subprojects, the DDCs will be responsible to see that each design and cost is appropriate for the needs of the community. Several of the DDCs have prepared general descriptions and designs of subprojects proposed to receive Project financing. These have been reviewed by the Mission and indicate that the DDCs have the necessary technical and professional proficiency to develop subprojects consistent with the objectives of the proposed loan.

3. Subproject Maintenance

Final design for each subproject to receive financing will include a plan detailing the procedures to be used in maintaining the infrastructure provided. As discussed previously, this maintenance responsibility will belong to the participating community and will normally be provided for through a system of user charges. However, for subprojects such as irrigation systems, the small farmers benefiting from the system will be responsible to organize groups for the specific purpose of providing the labor necessary to keep the system in good repair.

4. Subproject Approval

The methodology to be used in approving subprojects is discussed below in the Implementation Plan, Section IV.B.1.b.

5. Demand for Project Funds

In the course of intensive review, the development corporations have either been visited or reached by telephone to discuss the Project and, in particular, those subprojects which the corporations would like to propose for financing under the loan. Based on these discussions, a tentative listing of subprojects has been prepared showing a demand of approximately \$ 17.3 million. This tentative listing consists primarily of projects which will be ready for implementation within the next two years. It is expected that certain of these subprojects will fall out before reaching the implementation stage. This will occur either because feasibility studies will show the subprojects to be unfeasible, or because of changes in the plans and priorities of the corporations. To take this eventually into consideration, the DDCs were asked to project ahead two to three years and include in their proposals subprojects which now are only in the earliest planning stages. However, due to their greater emphasis on short-term planning, only a few of the corporations provided proposals beyond the year 1981. The demand shown, therefore, is only an initial level which is considered to be very low.

Two factors are expected to influence the content and final level of the demand for loan funds. First, as the DDCs move forward in their planning for future years, their requirements will become more firm and they will be in a position to modify their requests. And, secondly, as the technical assistance being provided to the planning and project offices of the DDCs takes effect, it is expected that several additional subprojects will be identified which will be logical candidates for financing under the loan. The net result within the next one or two years, therefore, is expected to be a significant increase over the demand level exhibited in the current listing.

(Annex II, Exhibit C, contains a breakdown of currently proposed subprojects.) The total expected demand level will be more than adequate to absorb resources available from this Project as well as Title III funds designated for the DDCs.

6. Cost Estimates

The cost of subprojects will vary depending on whether they are implemented using force account methods or outside contractors. The former method will result in lower costs because of no overhead or profit charges. Nonetheless, it is expected that some subprojects will be implemented by contractors. In both cases, however, the DDC will assure that the total cost is reasonable and appropriate in terms of benefits expected to accrue.

Where specific construction activities are involved, total cost will be estimated based on the engineering analysis and resulting designs. In the case of subprojects such as increased crop or livestock production which do not have construction elements, estimated cost will be based on the knowledge of each corporation's agricultural technicians who have had sufficient experience to develop accurate costs.

a. Improved Livestock Production

These subprojects will consist primarily of improving the quality of livestock such as sheep, pigs, chicken, and cattle by introducing new breeds and/or methodologies for raising the livestock. Construction activities will be minimal. Costs will be a function of the number of livestock purchased and the technical assistance provided.

b. Improved Crop Production

As with the livestock production subprojects, these subprojects will consist primarily of introducing improved varieties, new varieties or expanding the current area in which various fruits and vegetables are grown. Construction activities will be minimal. Total cost will be a function of the volume and number of varieties of fruits and vegetables purchased (including seeds), testing costs and technical assistance.

c. Small Irrigation Systems

Eligible irrigation subprojects will include a reinforced concrete intake structure and an unlined conveying ditch which will be designed in accordance with the specific subproject. If necessary, reinforced concrete aqueducts will be built to negotiate small ravines, and steel pipe siphones will be protected on the outside with concrete to retard corrosion.

Although final cost will vary from subproject to subproject, the following are provided as estimates of eligible systems (for approximately 300 - 500 hectare areas).

- Tractor	\$ 17,000
- Ditch Digger	10,000
- Wells (to tap subterranean water)	37,000
- Pumps	40,000
- Construction Materials	35,000
TOTAL	<u>\$ 139,000</u>

The tractor and ditch digger would be purchased by the corporation and used for several subprojects.

d. Land Improvement

This subproject will finance the purchase of equipment (machine and manual) to be used in preparing land for planting and also to assist with harvesting. Major costs will be for farm tractors which, with appropriate attachments, can cultivate fields and harvest. Estimated cost of this type of tractor (including attachments) is \$ 30,000. Purchases under this subproject will be limited to those cases where community equipment pools are being established.

e. Small-Scale Agroindustry

Eligible subprojects will include small plants which will process the production of small farmers. In Cochabamba, a plant for drying vegetables has been proposed and has the following costs:

- Land	\$ 9,500
- Construction	107,672
- Equipment	508,450
- Working Capital	57,378
TOTAL	<u>\$ 683,000</u>

In most cases of large agroindustrial projects of this nature, the AID input will be limited to \$ 300,000. For smaller projects such as a plant for processing tarhui (also proposed by Cochabamba) which has a total cost of \$ 170,000, the AID input will be a maximum of 75 per cent of the total.

Another eligible subproject in this category would be storage facilities (i.e., silos) for corn, potatoes, etc. Final costs will depend on the size of the silos. The maximum AID input to this type of facility, however, will be approximately \$ 300,000.

f. Marketing Facilities

These facilities will be simple buildings with walls about six feet high and screens enclosing the balance of the structure.

Typically the markets will have between 20 and 30 stalls for vendors and will include sanitary facilities and a small administrative facility. Cost of this type of facility will be between \$ 7,000 and \$ 11,000.

g. Reforestation

The principal cost of this subproject is the purchase of seedlings and the care required until the seedlings are large enough to be transplanted. The proposed subprojects would each purchase a large number of seedlings which, although inexpensive on an individual basis, add up to a considerable expense. Estimated costs range from \$ 100,000 to \$ 500,000.

h. Rural Electrification

Eligible systems will be limited to small communities with populations up to 2,000. The systems will provide generating power and distribution lines to the communities at the following estimated costs (for a 15 Kw generator serving a community of approximately 800):

- Construction (Power Station)	\$ 3,750
- Generator	9,000
- Distribution System (Including Transportation)	9,500
- Labor	2,500
TOTAL	<u>\$ 24,750</u>

i. Potable Water Systems

Costs of potable water systems will vary slightly depending on the size and special design characteristics called for by a specific subproject. In general, however, the following estimates are considered fair for the type of systems expected to be installed:

- Construction Materials	\$ 18,000
- Pumps	26,000
- Labor	10,000
TOTAL	<u>\$ 54,000</u>

In some cases, wells will be dug to provide water for a community. The principal cost will be labor with some expense to cap the well and provide a pump. Estimated cost for a well is \$ 7,500.

7. Technical Feasibility

In their role as the entities responsible for the economic and social development of their departments, the DDCs have demonstrated that they have the capability to implement subprojects of the type to

be financed by the loan. On March 8, 1979, the Project was presented at a meeting of the DDC planning directors sponsored by the MPC in La Paz. A high level of interest was expressed in the proposed design of the Project and the level of demand for Project funds was confirmed.

Project design has taken into consideration and built upon the existing planning and implementation system employed by the DDCs. In utilizing the existing system, the data used in developing the PP (including estimated costs of subprojects) are based upon the experiences of the corporations in the implementation of similar activities.

In addition, eligibility criteria have been established which are designed to assure impact on the AID target group. The criteria also require that studies be undertaken which demonstrate that subprojects are economically viable and have acceptable benefit/cost ratios as required by Section 611 of the FAA.

Where subprojects will impact upon water resources, designs will be required to demonstrate that the subproject will not detract from other potential uses of that water. Should a water related subproject exceed \$ 100,000 in total cost, the additional analysis required by Section 611 (b) will be undertaken.

In view of the above, it is considered that the Project is technically feasible, and that the requirements of Section 611 have been satisfied.

8. Environmental Considerations

An Initial Environmental Examination (IEE) was submitted with the PID for this Project, and a negative determination was approved by the AA/LAC (see Annex II, Exhibit H). To assure that environmental concerns are not overlooked, however, one of the subproject eligibility criteria requires that impact on the environment be examined closely. Where the need for further analysis is indicated it will be undertaken prior to the approval of funding.

B. Economic Analysis

1. Macro-Economic Considerations

During the middle years of the 1970s, the Bolivian economy grew at an average of 6 to 7 per cent per year in real terms. In 1977, however, the growth rate began to slow considerably and, by 1978, the real rate of growth was only 4 per cent. The slowdown began when the volume of exports failed to reach projected levels while imports, spurred by the projected high levels of exports, climbed higher and higher. Between 1977 and 1978 alone the current account deficit increased from \$ 168 million to \$ 370.2 million primarily because of the disequilibrium between exports and imports.

Increased public sector spending has been a major factor in the demand for imports. In large part, public sector imports have been financed by increasing the internal and external debt (the external debt alone experienced a 200 per cent increase between 1974 and 1978). At the end of 1978, servicing the public debt amounted to almost 30 per cent of export earnings.

Because of this rapidly deteriorating financial situation, there has been increasing pressure to reduce public sector spending. In preparing its 1979 budget, the government has made every effort to hold down expenses in almost all sectors. Since most of the development corporations have revenue sources independent of the central government, they have not been under this same pressure. The recent decline in the production of hydrocarbons and minerals (and subsequently of exports of these materials) has resulted in slightly lower budgets for some of the DDCs because they receive most of their financial support from royalties on the production of petroleum and minerals.

The poor balance of payments situation currently facing the government has dictated a GOB development strategy of rapid growth of the export sectors - hydrocarbons, minerals and agricultural commodities. Adherence to this strategy necessarily means a low priority and level of investment in the social sectors and in the poorer, rural areas. The GOB has indicated that it will attempt to overcome this constraint by seeking financing from bilateral and multilateral donors for social sector activities.

2. Subproject Analysis

In Annex II, Exhibit D, two representative subprojects proposed by the development corporations in Cochabamba and Chuquisaca have been summarized. In each case, the respective corporation has prepared a detailed study examining technical, social, financial and economic considerations related to the proposed project. After reviewing the studies, the Mission considers them to be adequate in proving the feasibility of the proposed projects as well as a clear demonstration of the corporations' ability to undertake project analyses in a professional and satisfactory manner.

While technically adequate, review of the studies also indicates room for improvement. For example, the study for a vegetable collection center in the Cochabamba valley used an opportunity cost of capital of 15 per cent, whereas the study for the sheep production project in Chuquisaca a 12 per cent cost was used. The cost of capital should be uniform and coincide with guidance set by the Ministry of Planning. In the sheep production study, the economic analysis stops short of conclusively demonstrating feasibility and cites lack of sufficient data as the reason for the incomplete analysis.

However, as discussed in the Annex, it is possible to make certain reasonable assumptions which then permits completion of the analysis. In this particular case, if only a small percentage of potential small farmer beneficiaries are assumed to participate in the project, a positive economic impact can be demonstrated and the project justified.

In neither project was shadow pricing used. While technically difficult to formulate in the absence of clear information on relative factor prices and family labor utilization, nonetheless an attempt to quantify shadow prices could give a clearer view of the economic impact on society.

In order to both improve the quality of prefeasibility and feasibility studies, as well as provide for their uniformity in terms of data requirements and procedural analysis, a set of project development guidelines should be prepared and made available to all DDCs. Technical assistance, to be provided under the proposed Project and the Rural Development Planning Project will assist the MPC in developing such guidelines.

Different categories of subprojects to be financed will necessarily involve different types of analysis to determine their economic feasibility. In the case of revenue-generating activities (such as the two model subprojects in Annex II.D), it will be necessary to quantify both costs (investment, working capital, etc.) as well as benefits (increased income, savings, etc.) to arrive at a conventional benefit/cost ratio which will determine the subproject's overall contribution to societal welfare. Where applicable, shadow pricing - especially in the case of farm family labor and the costing of commodities which are subsidized by the government - should be utilized. This type of analysis lends itself to the following categories of investment:

- improved livestock production
- improved crop production
- small irrigation systems
- land improvement
- small scale agro-industry
- marketing facilities
- rural electrification

In the case of subprojects where total costs are unlikely to be recovered, e.g., potable water systems, an alternative economic analysis which assigns an imputed value to non-tangible benefits (improved health, lowered infant mortality, increased productivity, etc.) should be employed. In this type of analysis, total costs should be weighed against the total imputed value of societal benefits. Other cases where this type of analysis may be appropriate include:

- river defense (where activity is primarily preventive)
- reforestation (where time horizon to calculate benefits is too long to effectively equate with costs at a reasonable discount rate)
- rural sanitation (latrines, sewerage)

The corporations have demonstrated satisfactorily their ability to undertake the more sophisticated analysis required for revenue generating projects. Based on this ability, it is expected that the capability also exists within the corporations to undertake the more qualitative analysis for projects such as potable water systems and reforestation.

C. Social Analysis

1. Social Organization and Socio-Economic Profile - An Overview

The vast majority of rural inhabitants (both indians and mestizos) as well as recent migrants to urban (rural town) areas are living in conditions of poverty which show little improvement over pre-revolutionary days. There are three distinct beneficiary groups in this project: (1) indigenous small scale farmers; (2) mestizo small scale farmers; and (3) rural town poor. A complete socio-economic profile of these groups appears in Annex II, Exhibit F of this PP.

2. Sociocultural Feasibility

The key element in the socio-cultural feasibility of the project is the linkage between the DDCs and the target populations. The intensive review revealed varying but generally adequate levels of technical expertise and enthusiasm on the part of DDC personnel. Also, on the basis of those who have been involved to date, there is interest and a positive disposition on the part of the beneficiaries toward DDC sponsored activities. However, there are social and cultural factors which could come into play and inhibit the positive impact of the project on the target group. Strategies which take these factors into account will be employed to assure that project benefits do accrue to the target population to the maximum extent feasible.

a. Cultural Distance

It is important to note that there is considerable cultural and social class difference between the DDC staff personnel and potential project beneficiary groups. The DDC staffs, both administrators and technicians, are made up of individuals whose cultural heritage and perceptions are essentially hispanic, middle

class, and urban. They are upwardly mobile, place a high positive value on economic gain, have a relatively cosmopolitan view of the world and are well integrated into the national mainstream. Among the beneficiary groups, the cultural heritage and perceptions are both indigenous and hispanic, lower class, and essentially rural. Economic gain is important, but the social demands on surplus funds inherent in the small scale, personalized face-to-face village society in which they live inhibit the accumulation of wealth. Compared to DDC personnel, the world view of the beneficiaries is parochial, in most cases limited to their immediate environment, and they are at a considerable distance from the mainstream of national social system. Given the history of rigid divisions between social classes and ethnic groups such socio-cultural distance between members of the delivery system (DDC staffs) and the beneficiaries could present serious problems to successful implementation. Below are strategies included in the design of this project to deal with this potential constraint.

b. Campesino Representation in DDCs

The "Law of Departmental Corporations" requires that representation from existing campesino federations be included in the DDC directorates. In effect, this legislates the participation of the rural poor in their own development process. Although a positive step, this innovation by itself is not sufficient to bridge the cultural distance between the DDCs and their clients. In all probability the representation will have some impact at the policy level, especially concerning the emphasis of development strategy, but it is likely to have little effect on the design and implementation of projects - the level at which sensitivity toward the target group is most critical.

c. Behaviorial Scientist of DDC Staffs

The use of national behaviorial scientists, with formal training to the bachelor level at a minimum, will help provide the needed understanding of target groups at the project design and implementation level. Each DDC will have one full time behaviorial scientist* on its staff who in a broad sense will serve as a broker between the DDCs and the client communities. A major responsibility will be to conduct the social soundness analysis to be included in the feasibility study supporting DDC subprojects to be financed under the AID loan. This analysis will be in general accordance with the guidelines provided in Annex II, Exhibit G. These analyses will determine the feasibility of projects by: (1) analyzing projected

* The five DDCs included in the Rural Development Planning Grant Project are in the process of adding behaviorial scientists to their staffs.

beneficiaries in social and cultural terms; (2) assuring that projects are directed at people who are in fact poor; (3) identifying needs and priorities of the beneficiaries; (4) tailoring the design to cultural system of the beneficiaries; and (5) identifying social or cultural constraints which could inhibit successful implementation of the projects. During project implementation, the behavioral scientist will collaborate with other DDC staff members to make mid-course adjustments in design as deemed necessary, and will participate in subproject evaluations.

Finally, in an informal daily work setting the behavioral scientist will have the opportunity to sensitize his colleagues concerning the internal social system and culturally defined behavior patterns of the beneficiaries. This, in turn, should give the technicians an increased appreciation of their clients and enhance a smoother working relationship between DDC technicians and the beneficiaries.

d. Use of Local Intermediaries

Intermediaries in this context refer to rural school teachers, health workers, clergyman and the like who either reside permanently or spend considerable amounts of time among target group populations. In a sense, they are also "cultural brokers" in so far as they know the peasant communities and have some understanding of the larger society. Depending on particular circumstances, they have obtained a fair amount of the target group's confidence, and often enjoy positions of status in the community - in some cases serving as local leaders. The DDCs will attempt to capitalize on the rapport that such intermediaries have with potential clients to gain entrance to small farmer and urban poor communities.

3. Community Participation

Obtaining community participation is related, obviously, to bridging the cultural distance between the delivery system and the beneficiaries. Participation will occur most readily when projects deal with a high priority need of the clients. On the basis of intensive review findings, projects with the highest probability of gaining community participation are those geared to increase income. Among all the target group types, economic gain, whether to support relatives, sponsor a prestige-gaining fiesta, or purchase a consumer item is important.

In each type of target group there are organizational mechanisms which can be used to mobilize community support. As noted in the profile (Annex II, Exhibit F), an important element of indigenous community is the jilakata or sindicato leadership systems. The office

holders of these systems can serve as a responsible party on behalf of the community concerning contractual arrangements with the DDCs for assistance. In addition, they can function as a vehicle for organizing community participation (for example, community labor to build or maintain subproject facilities) and as the source of community opinion concerning interests and needs.

In mestizo settlements, the system of appointing ad hoc committees to oversee community development projects appears viable in most areas. The DDCs in Tarija and Chuquisaca have used this mechanism successfully on a variety of projects and the SNDC has employed it for a variety of small scale infrastructure activities. These committees, the members of which are selected from among local residents, are empowered to act as a responsible legal entity on behalf of the community in dealings with assistance organizations. Frequently included on these committees are the intermediaries (clergymen, school teachers, rural health workers) described above.

It is important to note that in colonization areas, local leadership structures are considerably weaker than those of more established communities. These settlements are new and are heterogeneous in so far as they are made up of people from many geographic areas of the country. Common bonds, as might be the case if all migrants were from one geographic region, tend to be lacking, and the establishment of a sense of community and leadership mechanisms are in incipient stages. As a result, extension or "outreach" efforts on the part of the DDC will have to be more intensive than will be the expected norm in established settlements.

Gaining the participation of the rural town poor poses a paradox. Located in cities they are, at least physically, closer to the national mainstream. In addition, they are more aware of opportunities for assistance, although such awareness is not absolute and must be considered only as a relative improvement over that of their rural counterparts. Counterbalancing this heightened awareness and physical proximity is a relative absence of community organizational mechanisms. Similar to colonization areas, the heterogeneity among the residents of rural town slums and the fact that slum areas, as a significant social category, are relatively recent phenomena inhibits the development of leadership or community interest organizations. The best possibilities for gaining cooperation of the beneficiaries are vested interest groups such as neighborhoods and church and school organizations.

4. Relationship Between DDCs and Beneficiaries

To maximize the participation of the intended beneficiaries in subproject design and implementation, it will be important to develop a relationship of mutual trust and understanding between the beneficiaries and the DDCs.

In attempting to develop this type of a relationship, the project will encourage frequent and sustained contact between DDC technicians and the beneficiary populations. Each DDC will be encouraged to formulate a work plan which directs field agents to spend the maximum amount (three days per week during the critical periods of subproject design and initial stages of implementation would appear optimal) as is feasible in the field working with client communities. In addition, the work plan will attempt to limit the number of beneficiary groups (communities, coops, associations, etc.) to a level which will permit frequent contact. Although the level judged to be reasonable will vary, depending upon the type of target group and organization mechanism involved, the emphasis will be one of more intensive contact with fewer groups as opposed to limited contact with a larger number of beneficiaries.

The behavioral scientist on each DDC will consult with the field technicians on the best approach to dealing with a particular group depending upon particular circumstances such as ethnicity, social organization, and locational (rural/urban) setting. This intensive contact approach will serve not only to facilitate a sense of trust between the DDCs and the beneficiaries, but will also assist the poor to participate in their own development. Working closely with technicians, the beneficiaries will have the opportunity to make suggestions as to which types of projects are most important to them, contribute ideas to design, and collaborate in solving implementation problems as they arise.

5. Time Horizon

Directly related to the matter of trust and confidence is the time horizon of the beneficiaries. The poor, especially the rural poor, are essentially "now" oriented. In comparison with more cosmopolitan, higher socio-economic class groups, the time horizon of the rural poor is limited - often not surpassing the length of a crop cycle. In addition, the campesinos have had relatively little contact with the urban sector and are unfamiliar with the workings of bureaucracies - especially the time lapse between initial contact and implementation of a project. Such time lapses could raise levels of skepticism and damage such confidence as has been established.

To deal with this potential problem, the DDCs will be encouraged to initiate interim mini-projects, while the process of design and approval for larger subprojects to be financed under the proposed loan is taking place. The mini-projects would be related to the expressed needs of the beneficiaries. Depending upon local interests and circumstances these projects could span a wide range of activities (e.g., construction of corrals, repairing a public building) which do not necessarily coincide with the types of subprojects eligible for funding under the loan. These projects would be low cost, probably under \$ 5,000, and would not be financed by the AID loan - rather they would be carried out with DDC funds.

The advantage of this strategy is two-fold. First, it provides the beneficiaries with concrete evidence of the DDC's intent and ability to provide assistance - an important factor to reinforce credibility and confidence. Second, since most of these mini-projects will depend upon community labor for implementation, it will facilitate the direct participation of the beneficiaries in their own development process.

6. Risk Management

Pertaining especially to agricultural production subprojects, small farmer behavior when faced with risk could be a serious constraint to the successful implementation of these subprojects. Living extremely close to the margin of subsistence, the small farmer is reluctant to leave-off production practices of which he knows the risk involved for something that to him is an unknown. If nothing else traditional farming practices have enabled the small farmer to survive under difficult circumstances. Before altering the traditional system, that is before adopting a new practice or crop, he must know the risk involved and be reasonably certain that the probabilities for success are in his favor. Measuring the risk results in slow adoption of new technology.

Often such behavior is misinterpreted by developers. They view reluctance to employ new techniques as irrational behavior founded on ignorance, stubbornness, or limited mental capability. This attitude is a reflection of the earlier discussion concerning cultural distance between the beneficiaries and the delivery agents. Belonging to a different social class (in many cases a different ethnic group), there is a tendency for the developers to judge the farmers' behavior by their (the developers) own standards. They fail to recognize that the farmer is in fact making rational decisions, but that he is doing so within a social and economic context markedly different from that of the developer.

This potential constraint will be dealt with in two ways. First, the behavioral scientist on each DDC will have the opportunity,

in an informal daily working context, to sensitize his colleagues to the social and economic influences which come to bear on small farmer behavior. Second, with the aid of the social, economic, and environmental feasibility guidelines provided under this proposed loan, the DDCs will be directed to design projects which fit as closely as possible into the cultural system of the beneficiaries. For example, efforts to introduce a cash crop among essentially subsistence farmers will not attempt to induce farmers to substitute all of their subsistence production for the cash product. The subsistence crops represent the farmers cushion for survival and attempts to get him to discontinue cultivating these items are likely to fail. Rather, the approach will be to pose the innovation as an addition to the current production system. By seeking more efficient use of space (intercropping, partial use of subsistence plots, use of extremely marginal land) the cash crop can be introduced without sacrificing all of the land used for subsistence production. Such an approach is consistent with small farmer risk management behavior. The risk to the farmer is small - unused land or limited use of subsistence crop land and perhaps a small investment for inputs - and, because of the limitation of the risk the gain will in all probability be small. Most importantly there is no severe risk to the farmer's subsistence production.

7. Impact on Women

Among the Bolivian poor, women participate in economic activity and matters related to social services (environmental sanitation, health) at least on an even footing with men. In the hinterland, they are responsible not only for a share of the agricultural and cottage industry endeavors required to sustain the household, but also manage a full complement of domestic chores. In indigenous villages, it is not uncommon for women to work alongside of men in the construction aspects of self-help projects. In rural towns, they manage not only a household but also commonly take jobs (domestics, street vendors) to supplement family income. In both countryside and rural town sectors women are intimately involved in household decision-making processes concerning a priority ranking of needs and allocation of family resources.

Because of their extensive participation in all phases of family activity, women will receive those benefits which accrue to the household as a unit. For instance, they will enjoy the increases in income and reduction in physical farm labor brought about by the penetration of modern technology. Further, they, as an integral member of the family, will benefit from improvements generated by social service projects.

8. Conclusions

The project as designed is socially sound. It will impact principally on small farmers as well as lower class rural town

dwellers in all nine Departments of Bolivia. Judged against a variety of relevant indicators (per capita income, illiteracy and level of education, and health status) the beneficiaries consistently rank among the most disadvantaged people in the country. Further, channeling resources, both economic and technical, through the DDCs as the project proposes to do, is responding to a GOB initiative to broaden avenues of assistance to the poor, especially the rural poor of the country.

The project is geared to enhance the economic situation of the small farmer through production increases and employment generation activities. In addition, it will generate other benefits, such as potable water and electricity which will improve the general quality of life of both rural and town poor.

Finally, the project has considered potential socio-cultural constraints (cultural distance between beneficiaries and implementing agency, community participation, target group relationship to DDCs, target group perception of time horizons, and small farmer risk management behavior) to successful implementation. Strategies have been devised and included in the project design to address these potential inhibiting factors and minimize any adverse effect they may have on successfully carrying out the project.

D. Institutional Analysis

This section provides a general description of the development corporations, their activities, organizational structure and financial resources. Annex II, Exhibit A, contains a detailed description of each DDC.

A Departmental Development Corporation has been established in each of the nine departments of Bolivia. Most of these corporations were formed within the past ten to twelve years although the predecessor to the corporation in Santa Cruz was established about thirty years ago. The original purpose of the corporations was to serve as public works committees and promote the development of urban areas in the department. Ties to the central government were through the Ministry of Housing and Urban Affairs.

Over the past several years, however, the once restricted focus of the DDCs' work has broadened to the point where the economic and social development of the entire department is now within their charter. An important role in the expansion of the DDCs' role in promoting departmental development was the creation, in 1974, of a new planning system centered around the MPC and CONEPLAN. The DDCs were incorporated into this system and now provide the MPC with program analyses, plans and projects for use in the preparation of the Annual Operating Plan.

Table 2 presents a summary of the types of activities the DDCs devoted their investment budgets to in 1978. The Santa Cruz corporation has been shown separately because its budget represented more than 50 per cent of the total budget and including it would greatly skew the results toward those sectors in which CORDECRUZ has invested its resources (particularly in industry). The Table shows that only a small percentage of the total budget was spent on urban infrastructure while, with the exception of Santa Cruz, agriculture production and agro-industry received the highest percentage of the budget.

Organizationally, each of the DDCs has a Board of Directors which is responsible for final policy decisions and each year's operating plan prior to submission to the MPC. The DDC president is a member of the Board and is responsible for the operations of the corporation. While differing slightly, each DDC has a professional staff responsible for the preparation of plans and for project design and implementation. The professional staffs consist of individuals with vocational training (e.g., accountants) as well as those with university degrees (e.g., economists, engineers). Of the latter group, several have received graduate-level training. Most of the professional staffs are natives of the department in which they work. There is little desire to move to the capital city of La Paz, with the result being well qualified technical staffs in all of the corporations.

Table 3 summarizes the sources of financing for each of the DDCs. For most of the corporations, royalties from petroleum provide most of the financing (shown as national transfers in the table). In Pando, almost all resources come from a 1 per cent tax on imports to the department. For the Beni and Cochabamba, the majority of their funds come directly from transfers from the national treasury as they have little or no natural resources from which to receive royalties. The departmental resources come primarily from a percentage of the sales tax on commodities and, beginning in 1978, with a special tax on beer. Other national sources come primarily from INALPRE, the pre-investment agency. The corporations have the authority to contract for external debt although the central government has the authority of final approval. As can be seen, Santa Cruz has made extensive use of this authority. In some cases the international donors provide financing directly to the DDCs. The DDCs also will often request additional funding in the form of direct transfers from the national treasury. At the national level these funds usually are budgeted but often fall victim to cuts in the total GOB budget.

Funds coming from petroleum and mineral royalties are, in theory to be deposited directly in the accounts of the DDCs at the Central Bank. At present, however, the Ministry of Finance still controls

SUMMARY OF DDC INVESTMENT BUDGETS BY SECTOR, 1978
(\$b000)

<u>Activity</u> <u>DDC</u>	<u>Ag.Pro-</u> <u>duction</u>	<u>Agro-In-</u> <u>dustry</u>	<u>In-</u> <u>dustry</u>	<u>Edu-</u> <u>cation</u>	<u>Water</u> <u>Systems</u>	<u>Health</u> <u>2/</u>	<u>Roads</u>	<u>Urban</u> <u>Infrast.</u>	<u>Electri-</u> <u>fication</u>	<u>Studies</u>	<u>Other</u> <u>1/</u>	<u>Total</u>
CORDENO (Pando)	3,000 (5.90%)	-	8,456 (16.64%)	2,000 (3.93%)	1,700 (3.34%)	1,500 (2.95%)	15,600 (30.69%)	5,700 (11.21%)	1,500 (2.95%)	3,730 (7.34%)	7,646 (15.04%)	50,832 (100%)
CODEBENI (Beni)	2,760 (4.67%)	5,000 (8.46%)	1,000 (1.69%)	-	12,500 (21.14%)	-	9,000 (15.22%)	4,000 (6.76%)	13,300 (22.49%)	5,480 (9.27%)	6,088 (10.3%)	59,128 (100%)
CORDEPAZ (La Paz)	23,800 (23.44%)	2,000 (1.97%)	43,000 (42.395%)	-	-	-	2,535 (2.5 %)	-	-	6,000 (5.91%)	23,200 (22.85%)	100,535 (100%)
CORDECO (Cochabamba)	3,168 (3.7 %)	-	20,000 (23.34%)	-	18,023 (21.03%)	-	18,700 (21.83%)	-	-	1,800 (2.1%)	23,95 (27.0 %)	85,681 (100%)
CORDEOR (Oruro)	300 (.41%)	100 (.14%)	7,250 (9.87%)	1,050 (1.43%)	4,500 (6.12%)	14,000 (19.05%)	3,000 (4.08%)	32,958 (44.852%)	3,000 (4.08%)	5,322 (7.24%)	2,000 (2.72%)	73,480 (100%)
- CORDEPO (Potosí)	12,090 (9.38%)	1,390 (1.08%)	1,851 (1.44%)	-	44,973 (34.87%)	2,670 (2.07%)	24,876 (19.3%)	4,499 (3.49%)	3,092 (2.4 %)	13,795 (10.71%)	19,622 (15.23%)	128,858 (100%)
CORDECH (Chuquisaca)	45,132 (46.89%)	9,934 (10.32%)	-	-	8,096 (8.41%)	1,329 (1.38%)	1,300 (1.35%)	1,250 (1.3%)	2,600 (12.7%)	2,705 (2.81%)	23,897 (24.83%)	96,243 (100%)
CODETAR (Tarija)	37,400 (42.62%)	5,900 (6.72%)	3,215 (3.66%)	-	5,100 (5.81%)	-	8,000 (9.12%)	1,500 (1.71%)	-	13,240 (15.09%)	13,400 (15.27%)	87,755 (100%)
SUBTOTAL	127,650 (18.70%)	24,324 (3,56%)	84,772 (12.42%)	3,050 (.45%)	94,892 (13.90%)	19,499 (2.86%)	83,011 (12.16%)	49,907 (7.31%)	23,492 (3.44%)	52,072 (7.63%)	119,843 (17.56%)	682,512 (100%)
CORDECRUZ (Santa Cruz)	8,302 (1.06%)	8,519 (1.09%)	510,432 (65.29%)	18,912 (2.42%)	68,920 (8.82%)	15,979 (2.02%)	23,849 (3.05%)	22,280 (2.85%)	37,600 (4.81%)	38,730 (4.95%)	28,482 (3.64%)	781,818 (100%)
TOTAL	135,952 (9.28%)	32,843 (2.24%)	595,204 (40.65%)	21,962 (1.5 %)	163,812 (11.19%)	35,296 (2.41%)	106,855 (7.3 %)	72,187 (4.93%)	61,092 (4.17%)	90,802 (6.2 %)	148,325 (10.13%)	1,464,330 (100%)

1/ Includes rural oriented projects such as reforestation and activities identified in the budget as Integrated Rural Development.

2/ Includes sewer projects.

TABLE 3
1978 DDC BUDGETS, BY SOURCE ^{1/}
(\$b 000)

	Total Budget	Operating Budget	Investment Budget	B U D G E T S O U R C E						
				National Treasury	Depart- mental Resources	National Credit	National Transfer <u>2/</u>	Other National	Foreign Credit	Foreign Donor
CORDECH	124,524	28,281 (22.7%)	96,243 (77.3%)	-	15,420 (12.4%)	-	36,597 (29.4%)	39,334 (31.6%)	14,078 (11.3%)	9,094 (15.3%)
CORDEPAZ	159,672	59,137 (36.8%)	100,535 (63.2%)	-	43,500 (27.1%)	16,000 (10.0%)	44,315 (27.6%)	35,857 (22.8%)	9,000 (5.6%)	12,000 (7.5%)
CORDECO	106,940	21,260 (19.9%)	85,681 (80.1%)	62,300 (58.3%)	13,330 (12.5%)	5,000 (4.7%)	11,632 (10.9%)	9,087 (8.5%)	-	5,590 (5.2%)
CORDEOR	159,881	86,402 (54.0%)	73,480 (46.0%)	-	38,890 (24.3%)	-	83,652 (52.3%)	37,339 (23.4%)	-	-
CORDECruz	1,088,104	306,286 (28.1%)	781,818 (71.9%)	-	30,079 (2.8%)	-	577,686 (53.1%)	11,368 (1.0%)	468,970 (43.1%)	-
CODETAR	103,991	16,236 (15.6%)	87,755 (84.4%)	-	12,325 (11.9%)	35,490 (34.1%)	16,302 (15.7%)	1,873 (1.8%)	30,000 (28.8%)	8,000 (7.7%)
CODEBENI	80,232	21,104 (26.3%)	59,128 (73.7%)	70,670 (92.7%)	520 (0.7%)	3,600 (4.7%)	961 (1.3%)	480 (0.6%)	-	-
CORDENO	69,021	18,189 (26.4%)	50,832 (73.6%)	-	69,022 (91.7%)	3,082 (4.1%)	-	3,179 (4.2%)	-	-
CORDEPO	232,502	103,645 (44.6%)	128,858 (55.4%)	-	1,200 (0.5%)	-	156,501 (67.3%)	73,074 (31.4%)	-	1,728 (0.7%)
TOTAL	2,124,867	660,540 (31.1%)	1,464,390 (68.9%)	132,970 (6.2%)	224,286 (10.5%)	63,172 (3.0%)	927,646 (43.6%)	211,591 (9.9%)	522,048 (24.5%)	46,412 (2.2%)

^{1/} From 1978 GOB Budget. Some figures may not add correctly due to errors in rounding.
^{2/} Generally from petroleum or mineral royalties.

all the funds and makes disbursements to the accounts. While the disbursements are scheduled to be quarterly, they tend to be three to six months in arrears.

The Ministry of Finance maintains overall control over the DDC's resources by requiring that vouchers be presented to liquidate all outstanding funds. The DDCs do, however, have the authority to carry unspent funds over to the next fiscal year.

The importance of the development corporations as an integral part of the national planning system was confirmed with the issuance, in February 1978, of the Law of the Departmental Development Corporations. This Law strengthens the MPC as the responsible entity for guiding the development planning of the departments and for coordinating departmental and sectoral planning within the national development plan and priorities. The Law clearly establishes the functions and lines of responsibilities of the DDCs and also confirms the central role of each corporation for planning within its own department. Annex IV contains a translation of the Law.

PART IV. FINANCIAL AND PROJECT IMPLEMENTATION PLANS

A. Financial Analysis and Plan

The estimated cost of activities to be financed by the project is \$ 14.6 million. The AID loan will provide \$ 10 million and grant funds will provide \$.9 million. The GOB, through the MPC, will be the Borrower and will pass the loan funds on to the DDCs on a grant basis. The loan will be repaid from general government revenues.

Loan funds will be disbursed over the five year life of the Project. Grant funds, which primarily will finance long-term technical assistance, will be disbursed during the first two years of the Project.

The GOB contribution of \$ 3.7 million will come entirely from the participating DDCs. Counterpart funds will finance subproject feasibility studies, a percentage of total subproject cost, and, for the grant portion, counterpart staff to work with the advisors. In some cases, communities will provide in-kind support (labor, land, local materials, etc.) to subprojects. The total value of this support will depend on the final mix of subprojects implemented and is difficult to estimate.

1. Impact on DDC Budgets

Of the nine development corporations, only Beni and Cochabamba are dependent on transfers from the central government for their financial support. The other corporations, primarily through royalties on petroleum and mining production, have sources of financing independent of the central government. As a result, the current financial troubles at the national level (and the corresponding reductions in public sector spending in an effort to deal with the difficulties) are not expected to have a serious impact on the DDCs. Their budget levels will remain at sufficiently high levels such that their required contribution to subproject will not place unmanageable financial requirements on them. In the cases of Beni and Cochabamba, a covenant to the Project Agreement will require that transfers from the central government remain at least constant in real terms.

Assuming the allocation of funds previously shown in Table 1 and that the funds will be disbursed equally over the five-year Project life, the following table shows that the counterpart requirements of the DDCs will represent only .2 per cent to 2.1 per cent of their current investment budgets.

Table 4
Impact on DDC Budgets
(\$ 000)

Corporation	1978 Investment Budget	Annual Allocation of Loan Funds	Counterpart Requirement (25%)	Percentage of Investment Budget
CORDECH	4,812	272	90	1.9%
CORDEPAZ	5,082	272	90	1.8%
CORDECO	4,284	272	90	2.1%
CORDEOR	3,674	204	68	1.8%
CODETAR	4,388	272	90	2.0%
CODEBENI	2,756	119	40	1.4%
CORDENO	2,855	102	34	1.2%
CORDEPO	6,443	187	62	0.9%
CORDECRUZ	39,091	300	100	0.2%

Recurring costs, primarily in the form of future maintenance costs, will be borne by the benefitting communities through user charges. It is not expected that there will be an impact on the budget requirements of the DDCs. The subproject feasibility studies will examine this question of recurring costs from the perspective of both the communities and the DDCs to assess its impact and whether it is too high.

2. Summary Financial Plan

The following table presents the total cost of the Project and the proposed sources of financing:

	<u>Source</u> (\$000)		GOB	Total
	<u>A.I.D.</u> Loan	Grant		
Subprojects	10,000		3,450	13,450
Technical Assistance		808	250	1,058
a. Long-Term		(700)		
b. Short-Term		(108)		
Vehicles		30		30
Commodities		6		6
Contingencies		56		56
TOTAL	10,000	900	3,700	14,600

The breakdown between U.S. dollar and local currency costs is presented in the following table:

	<u>Source</u> (\$ Millions)						
	<u>AID Loan</u>		<u>AID Grant</u>		<u>GOB</u>	<u>Total</u>	
	FX	LC	FX	LC	LC	FX	LC
Subprojects	2.4	7.6			3.45	2.4	11.05
Technical Assistance			.808		.25	0.808	.25
Vehicles			.030			0.030	
Commodities			.006			0.006	
Contingencies			.056			0.056	
TOTAL	2.4	7.6	.9	-	3.7	3.3	11.3

Foreign currency costs under the project are expected to purchase materials for subprojects not available locally. These purchases will include plastic pipe and pumps for water systems, generators for small scale electrification, farm machinery for the land improvement subprojects, and equipment for agroindustries.

3. Disbursement Schedule

It is expected that the \$ 10 million in loan funds will be disbursed in equal increments over a five-year period. The grant funds providing long- and short-term technical assistance to the corporations in La Paz and Oruro will be disbursed during the first two years of the Project. Commodities procured with grant funds will support the technical assistance effort and will also be disbursed during the first two years of the Project.

4. Disbursement Procedures

a. Dollar Disbursement

For dollar-financed procurement of commodities, normal letter of commitment/letter of credit procedures will be utilized. For the foreign exchange component of technical assistance contracts, direct dollar checks will be issued by the Mission's Office of the Controller based upon submission of a request for payment including appropriate documentation by the GOB.

b. Local Currency Disbursements

The majority of expenditures under the project will be in local currency. In view of the number of subprojects, diversity of expenditures, and AID's role in procurement monitoring, a

disbursement system based upon a revolving fund will be utilized. Advances made under the revolving fund will follow the principles of good financial management. This system will minimize direct AID involvement in the day-to-day financial management of the project thereby facilitating project implementation.

The following system will be utilized:

- 1) The annual operating plan of each DDC will contain a quarterly disbursement schedule for each subproject (new and ongoing) to be financed under the AID loan.
- 2) Following approval of the operating plan by the GOB and specific MPC and AID approval of new subprojects as necessary, the MPC will submit to AID a request for disbursement by DDC equal to the total estimated amount required for the first quarter of the year.
- 3) AID will disburse a one quarter advance directly into the Central Bank account of each DDC. An accounting system will be established so that the funds can be deposited against the specific subprojects which have been approved, thus assuring that funds are used only for the approved subprojects.
- 4) At the end of the first quarter, the DDCs will submit through the MPC a request for an advance for second quarter expenditures. The request will contain a summary financial statement covering the status of subprojects as well as the use of funds during the quarter. The statement will revise the disbursement schedule as necessary based on progress with respect to implementation.
- 5) The MPC will forward the requests for disbursement and include a certification that all AID funds have been used in conformity with the requirements of the AID loan.
- 6) AID will disburse funds for the second quarter to the various DDC accounts based on the MPC request.
- 7) Steps 4) through 6) will be repeated in the third and fourth quarters, at which time all funds approved for the year will have been disbursed.
- 8) At the end of the fourth quarter, the DDCs will submit internally audited financial statements accounting for the total annual advance. The MPC will forward these statements to AID together with its certification that all expended funds were used in conformity with project requirements. Unused funds will be carried over into the following year for the subproject and will be included in the

projected disbursement schedule for the following year. Funds not fully utilized for completed subprojects would be eligible for transfer to other approved subprojects.

9) Twice each year, at the end of the second and fourth quarters more detailed reports will be submitted which discuss physical progress on the subprojects being implemented. This detailed report will be submitted concurrently with the summary financial statements.

To assure that AID loan funds are utilized in conformity with the requirements of the project, a project monitoring unit will be created within MPC. This unit will be charged with the review of disbursement requests and the periodic audit of DDC procedures to verify that they are in compliance with established procurement procedures and that funds are used in conformity with the approved subproject. In addition, the Mission also will carry out periodic audits of DDCs and site visits to subprojects.

B. Implementation Plan

1. Subproject Review and Approval Process

The system to review and approve subprojects under the AID loan will parallel that currently used to approve the development corporation's annual operating plans and investment budgets. The following section briefly outlines the current process. Adjustments in that system to accommodate the requirements of the proposed project are discussed subsequently.

a. DDC Budget Cycle

Under the current system, each DDC prepares an annual budget request (referred to as an operational plan) and submits the plan to the MPC. The plan outlines the development strategy of the DDC, summarizes on-going and proposed investment projects and feasibility studies for future projects, and includes the administrative budget. The plans for all DDCs are submitted to the MPC in October for the following fiscal year (the GOB fiscal year is January - December).

In addition to the budget document all new investment projects prepared in the budget must be supported by a detailed feasibility study. Feasibility studies are reviewed for technical acceptability by the Department of Projects of MPC.

It is the responsibility of the Department of Projects to review and approve each feasibility study submitted by the DDCs. If the study is not acceptable, it is returned to the particular DDC

for revision. Although the submission of feasibility studies to the MPC occurs throughout the fiscal year, by the time the Operational Plan is reviewed, only those investment projects with approved feasibility studies will be eligible for approval by the MPC.

The first step in the review of the Operational Plans is a technical review involving the Departments of Regional Planning and Projects of the MPC, and representatives of appropriate sectoral ministries. The Plan is reviewed for consistency with the National Development Plan, relationship of the proposed investments to those of the various DDCs and sector ministries to avoid duplication, and the technical quality of investment proposals. As a result of this review, proposed investment projects may be struck from the plan if they conflict with GOB policy or overlap other activities in other Departments.

Following the technical review, a second reduction in the Operational Plan is made by the Department of Regional Planning to adjust the plan of each DDC to the budget "mark" issued by the Ministry of Finance. The mark from the Ministry of Finance establishes the maximum amount expected to be available from all sources (including the National Treasury) to finance the budgets of the DDCs. Those DDCs which are most dependent on the National Treasury as a source of funds (i.e., Beni and Cochabamba) are more vulnerable to this type of budget reduction than those with substantial resources from automatic transfer mechanisms such as mineral royalties and sales taxes.

The Department of Regional Planning then reviews the final plan with each DDC at which time the corporation has the opportunity to request changes. Following this final review, all the plans are integrated into the National Operational Plan which is then forwarded to CONEPLAN for its approval. The approved Plan is officially put into effect by a Presidential Decree.

It should be noted that investment projects are financed on an incremental basis. Only those funds necessary to continue a project during a particular fiscal year are approved in the Annual Operational Plan.

b. Subproject Approval Under the Loan

Several adjustments in the current DDC investment project review and approval process are necessary to respond to the requirements of the AID loan. These changes should facilitate rather than encumber the approval process.

First, prior to the initiation of a feasibility study for a subproject which a development corporation intends to finance under the AID loan, a preliminary subproject concept document (PSCD) will be submitted to AID and the MPC. The PSCD will describe the proposed subproject, define target group impact, provide global cost estimates, relate the project to the development strategy of the DDC, and outline an implementation schedule. The document will be brief but will permit a reasonable judgement as to the extent to which the subproject fulfills the general eligibility criteria. Approval of the document will permit the DDC to initiate the feasibility study with increased certainty that the subproject can be financed under the loan. This will avoid their investing in feasibility studies for subprojects which are not consistent with the basic eligibility criteria for AID-financed subprojects. It should be noted that the PSCD will not be required for AID-financed subprojects which will be included in the 1980 Operational Plan. Rather, each feasibility itself will be reviewed and approved as appropriate since the subprojects to be approved in 1980 will be among those already at the feasibility study stage within the DDCs.

Following approval of the PSCD, the second step will be the preparation of a feasibility study for the proposed subproject. The feasibility study will be undertaken either by the staff of the DDC or under contract. Feasibility study guidelines responding to the requirement of subproject eligibility criteria will be prepared by the MPC and seminars held with the development corporations so that all essential information is contained in the feasibility studies. This is critical particularly for the target group analysis and social/cultural soundness analysis which are not now contained in feasibility studies prepared or contracted by DDCs.

The third step in the process is the review of the feasibility study itself. For the first year of the project, AID will participate in the MPC review of feasibility studies when the total amount of anticipated AID funding exceeds \$ 100,000. Where AID funds are involved, AID concurrence in the feasibility study will be a prerequisite for the inclusion of a subproject in the Operational Plan for the following year.

The fourth step is the inclusion of the subproject proposed for AID financing in the Operational Plan. AID will review each Operational Plan with MPC at the time of the technical review for consistency with approved feasibility studies, and for the adequacy of financing proposed in the Operational Plan for on-going AID-financed subprojects (AID and counterpart funds). After the Operational Plans have been reviewed and approved by the MPC formal AID approval of new subprojects contained in the Operational Plans will be requested. AID will issue an implementation letter approving all new subprojects for a stipulated level of financing over a stated time-frame. AID will not have to approve annual funding for on-

going approved subprojects if the incremental funding is within the approved total amount of the subproject and within its approved implementation period.

In view of the current GOB practice of approving DDC investment projects only as part of the Operational Plan, AID-financed subprojects also will follow this pattern. Therefore, the first AID-financed subprojects will be approved in early CY 1980. It is anticipated that all subproject resources will be committed to eligible subprojects in the third year of the project in the Operational Plan for CY 1982. Two additional years will be required to complete subproject implementation.

2. Administrative Arrangements

a. Role of the Ministry of Planning and Coordination

The Ministry of Planning and Coordination will be the primary representative of the Borrower under the Project. As such, MPC will coordinate project activities and assume primary responsibility in assuring that the terms of the loan agreement are fulfilled. Among the functions it will carry out are the following:

- 1) Review and approve the PSCD and subproject feasibility studies.
- 2) Review and approve the annual Operational Plans of the DDCs.
- 3) In certain instances, act as the procurement agent for the DDCs as appropriate. (See Section B.3 below, Project procurement.)
- 4) Provide guidance to DDCs in the preparation of feasibility studies, PSCDs and project procurement.
- 5) Prepare disbursement requests for subprojects for submission to AID.
- 6) Monitor DDC compliance with the requirements of the AID loan agreement.

In addition, MPC will undertake an annual evaluation of the project. This is discussed more fully under Section C.1 below.

b. Role of the Departmental Development Corporations

The implementing agencies will be the nine DDCs participating in the project. Project resources will be channelled to the DDCs to finance specific subprojects with the overall objective of improving their planning capability. Specifically, the DDCs will:

- 1) Prepare PSCDs outlining subprojects which they believe are appropriate for financing under the Project.
- 2) Prepare (either in-house or using contracted consultants) a detailed feasibility study for each subproject following approval of the PSCD.
- 3) Prepare an annual Operational Plan, including projects to be funded under the AID loan.
- 4) Implement or contract for implementation of approved subprojects in conformity with the requirements of the AID loan.
- 5) Carry out annual evaluations as specified in Section C.2 below.

Within each DDC, a senior official will be designated as the AID project coordinator, probably the chief of the planning division.

c. Role of the National Sector Ministries

The role of the various sector ministries will depend on the types of subprojects implemented by the corporations. Given the Project's agriculture focus, the participation of the Ministry of Campesino Affairs and Agriculture (MACA) probably will be the most active. However, other Ministries and such organizations as NCDS may participate.

In view of the tight GOB budget situation, it is not anticipated that significant financial resources will be available from sector ministries for DDC subprojects. Technical services from Ministry staffs, however, may be critical in the preparation of feasibility studies or in subproject implementation. In cases in which assistance of this type is required, a formal agreement between the involved DDC and sector Ministry will be required prior to the approval of the subproject by AID.

d. Role of AID

The Mission's project manager together with the Project committee will have primary responsibility for monitoring the implementation of the project. Specifically their activities will include:

- 1) Assist the MPC and the Development Corporations in establishing project disbursement and procurement procedures.
- 2) Review and approve all subproject concept documents.

- 3) Review and approve all subproject feasibility studies during the first year of the project (CY 1980 subprojects) involving AID financing in excess of \$ 100,000 and in subsequent years as mutually acceptable to AID and GOB.
- 4) Maintain appropriate contracts with MPC and DDC officials.
- 5) Participate in annual project evaluations.
- 6) Carry out on-site visits to the DDCs and their sub-projects to measure project papers.

3. Project Contracting and Procurement

The relationship of AID to the development corporations is analogous to that found in Intermediate Credit Institution (ICI) projects. Therefore, procurement procedures will be developed in conformity with the requirements of AID Handbook 1, Supplement B, governing ICI procurement but will follow to the maximum extent practicable AID Handbook 11.

During the intensive review, the procurement procedures of the DDCs were reviewed and found adequate in terms of assuring competition and reasonable prices. Therefore, to facilitate project implementation, the project procurement system will parallel the procedures currently utilized by DDCs modified as necessary to conform to AID requirements. (Annex III contains procurement guidelines for the Cochabamba corporation.)

As a condition precedent to disbursement for subprojects, the MPC will develop procurement guidelines for use under the project which will blend into the DDC system the requirements of the AID loan. A seminar on project procurement will be given to all DDCs explaining these guidelines. The following outlines briefly the anticipated procurement process.

a. Services

1) Grant-financed services. It is anticipated the technical services financed by this Project will be provided by the same firm or institution awarded the technical services contract under the Rural Development Planning project. The rationale is that the services to be provided by the two projects are identical and that the services provided under this Project should, in fact, have been included in the earlier grant project. The requirement for the additional services, however, was not identified until after the Rural Development Planning Project had been approved.

2) Loan-financed services. Technical advisory services also will be eligible for financing under the loan as part of particular subprojects when those services are essential for the implementation of a subproject. A contract format acceptable to AID will be developed and DDCs will be required to utilize that contract for all services contracting. Use of AID funds for services will be approved in relation to particular subprojects. Neither the specific individual contract nor the contractor will be approved by AID.

b. Equipment and Materials

It is anticipated that most of the procurement of commodities will be of indigenous origin or will be off-shelf procurement of minor value imported items. For procurement of these categories of equipment, AID will not approve individual procurement contracts.

In some instances, off-shore procurement of commodities may be necessary. Equipment of this type will be identified at the time of subproject approval and the requirements of the various DDCs combined in one tender document. The IFB will be issued by the MPC who will act as the procurement agent for the DDCs. Equipment purchased under the IFB will be provided to the appropriate DDC as an "in-kind" disbursement under approved subprojects. Since the MPC will be the contracting agent, Handbook 11 procedures will be utilized.

c. Construction Services

Construction of subproject facilities will be undertaken by the DDCs directly (force account), through labor contributed by participating communities, under contract, or some combination of these three systems. Under force account construction or construction by community labor, AID will finance only the cost of materials. Construction services contracts, however, will be eligible for financing. As in the case of equipment, a standard contract format will be developed for all construction services. However, AID will not specifically approve individual contracts or contractors.

To assure that AID funds are utilized in conformity with the requirements of the loan agreement and AID regulations, periodic audits and site visits will be made of DDC activities. If misuse of AID funds is identified or if procurement practices are not in conformity with the project procurement system, the DDC will be required to refund the amount in question.

4. Project Implementation Schedule

The schedule for implementation of the Project has been developed to coincide with the DDC budget cycle. It is anticipated that all project funds will be committed to subprojects three years

following the signing of the Project Agreement with an additional two years for the completion of all activities approved for financing under the Project. The following initial project implementation schedule will serve as the basis for the detailed implementation plan to be submitted by MPC as a condition precedent to initial disbursement.

<u>Event</u>	<u>Estimated Date</u>
Project Authorization	April 1979
Project Agreement signed	June 1979
Preliminary identification of subprojects for CY 1980 financing	August 1979
Satisfaction of initial CPs	September 1979
Technical assistance contracting initiated	September 1979
Submission of CY 1980 Operational Plans	October 1979
Review of Operational Plans and subproject feasibility studies	November 1979 - January 1980
Approval of Operational Plans including sub- projects eligible for AID financing	February 1980
Submission of preliminary subproject documents for CY 1981 financing	February 1980
Approval of preliminary subproject documents and initiation of feasibility studies	March 1980
Submission of CY 1981 Operational Plans and subproject feasibility studies	October 1980
Annual joint evaluation	November 1980
Review and approval of subproject feasibility studies and Operational Plans	November 1980 - January 1981
<p>(The cycle for subproject identification and approval will be the same for CY 1981 and CY 1982 projects.)</p>	
Final date for subproject approval	February 1982
PACD	June 15, 1984

C. Evaluation Arrangements

Evaluation will take place at two levels; evaluation of the overall project and evaluation of individual AID-financed subprojects.

1. Project Evaluation

The Project will be jointly evaluated annually by MPC, DDCs and AID. The MPC will have responsibility for coordinating and chairing the evaluation. Each of the DDCs will submit evaluation of project activities within their departments to the MPC approximately in October of each year. These evaluations will be annexed to their

Annual Operational Plan and provide data on the financial and physical aspects of the subprojects being implemented, highlighting problem areas which require remedial action by the DDC or MPC. The MPC will prepare a summary of the individual DDC evaluations and provide its own evaluation of the implementation of the project, including an assessment of the progress toward achievement of the project's purpose. The DDC's operational plans in part will be reviewed on the basis of their ability to implement previously approved subprojects. If a particular DDC is not implementing its subprojects in a timely manner, assistance can be provided and remedial action taken to keep the project on schedule. If serious delays are identified, approval of new subprojects may be held in abeyance until satisfactory progress has been made in accelerating subproject implementation.

2. Subproject Evaluation

To enhance the linkages between the planning process and subproject identification and implementation within the development corporation an evaluation will be included as part of the project design established in subproject feasibility studies.

Baseline data will be included in the feasibility study adequate to evaluate the physical progress of subproject implementation and assess the impact on the target group (particularly employment and income benefits).

3. Final Evaluation

A final evaluation of the project will be prepared and submitted by the MPC within six months following the PACD. The evaluation will summarize all subprojects undertaken during the project and assess the extent to which the project purpose was achieved. The DDCs will contribute to the evaluation as necessary.

No additional assistance specifically contracted for evaluation will be necessary.

D. Conditions, Covenants and Negotiating Status

1. Conditions Precedent to Disbursement for Technical Assistance and Related Commodities

Except as AID may otherwise agree in writing, prior to any disbursement under the Project Agreement to finance technical assistance, the Cooperating Country shall furnish to AID in form and substance satisfactory to AID:

a. An operational plan for the technical assistance which details the roles and responsibilities for personnel in the departmental development corporations of La Paz and Oruro who will serve as counterparts to the technicians provided.

b. A detailed scope of work for each technician provided.

2. Conditions Precedent to Disbursement for Other than Technical Assistance

Except as AID may otherwise agree in writing prior to any disbursement or the issuance of any commitment document under the Project Agreement other than to finance technical assistance, the Cooperating Country shall furnish to AID in form and substance satisfactory to AID:

a. A detailed implementation plan which shall include procedures for designing, selecting, monitoring and evaluating subprojects. The plan shall also demonstrate that procurement arrangements for subprojects will satisfy AID procurement regulations.

b. A manual which establishes requirements for the preliminary subproject concept document and the feasibility studies to be carried out for each subproject consistent with eligibility criteria.

c. Evidence that a project implementation unit has been established within the MPC which will be responsible for coordinating all project activities.

3. Conditions Precedent to Disbursement for Individual Construction Subprojects

Except as A.I.D. may otherwise agree in writing, prior to any disbursement, or the issuance of any commitment documents under the Project Agreement, to finance individual construction subprojects, the Cooperating Country shall furnish to A.I.D., in form and substance satisfactory to A.I.D.:

a. Evidence of clear title to the land upon which construction is to take place.

b. A maintenance plan for the facilities which will be constructed.

4. Special Covenants

Except as AID may otherwise agree in writing, the Cooperating Country shall covenant that:

For the Development Corporations of Beni and Cochabamba which receive the majority of their annual operating budgets from direct transfers from the Central Government the real level of these transfers will remain at least constant over the life of the Project.

5. Negotiating Status

The MPC and DDCs have been closely involved in the development of this Project and have consistently demonstrated their willingness to participate in a project that will require adherence to specified eligibility criteria. No outstanding issues remain to be negotiated. It is expected that a Project Agreement will be signed in June 1979.

T E L E G R A M

STATE 32275
7 Feb 79

UNCLASSIFIED
CLASSIFICATION

ANNEX I
Exhibit A

P 070037Z FEB 79
FM SECSTATE WASHDC
TO AMEMBASSY LA PAZ PRIORITY 0054
BT
UNCLAS

File PRM

STATE 032275

Action DPE

AIDAC

Reply due 2/9

Info DIR

E.O. 12065: N/A

DR

CON

TAGS:

Action tkn _____

ADM

C

RF

SUBJECT: DEPARTMENTAL DEVELOPMENT CORPORATIONS PID

SF

1. SUBJECT PID WAS REVIEWED AND APPROVED BY THE DAEC ON JANUARY 15. THE FOLLOWING GUIDANCE IS PROVIDED FOR PP PREPARATION.

2. FUNDING LEVEL - OYB LEVEL OF \$7 MILLION SHOULD BE CONSIDERED MAXIMUM AVAILABLE FOR THIS PROJECT IN FY 1979 AS LIKELIHOOD OF ADDITIONAL FUNDS BECOMING AVAILABLE IS REMOTE. THE MISSION MIGHT CONSIDER FUNDING PROJECT IN TWO TRANCHES, WITH THE SECOND TRANCHE POSSIBLY IN FY 81. AS DISCUSSED IN PARA 4 (B) BELOW, THE LOWER FUNDING LEVEL MAY NECESSITATE A REDUCTION IN THE NUMBER OF DDC'S PARTICIPATING IN THE PROJECT.

3. PROJECT STRATEGY - CONCERN WAS EXPRESSED THAT THE PROJECT WOULD PROVIDE ONLY A ONE-TIME TRANSFER OF RESOURCES TO THE DDC'S. THE PP SHOULD DISCUSS THE ROLE OF THE PROJECT IN FACILITATING THE LONGER TERM DEVELOPMENT OF THE DDC'S AND IN ATTRACTING ADDITIONAL FUTURE SOURCES OF INVESTMENT FUNDS AS CLEAR A PICTURE AS POSSIBLE SHOULD BE PROVIDED OF THE DDC'S NOW AND WHAT CHANGES ARE ANTICIPATED AS A RESULT OF THE PROJECT. IN SHORT, WHAT ARE WE TRYING TO ACCOMPLISH WITH THIS LOAN?

4. PROJECT DESIGN

A. FOCUSING PROJECT RESOURCES: THE INTENSIVE REVIEW SHOULD CONSIDER THE FEASIBILITY OF TARGETING PROJECT RESOURCES ON MORE SPECIFIC DEVELOPMENT OBJECTIVES TO BE ACHIEVED THROUGH LOAN-FINANCED SUBPROJECTS AS AN ALTERNATIVE TO THE SCATTERED APPROACH (SPATIAL AND SECTORIAL) TO SUBPROJECT SELECTION PROPOSED IN THE PID. POSSIBLE DEVELOPMENT OBJECTIVES MIGHT INCLUDE FOCUSING ON A SERIES OF SUB-PROJECTS PROMOTING GROWTH POLES WITHIN DDC'S OR ON INTEGRATED REGIONAL

UNCLASSIFIED

DEVELOPMENT ACTIVITIES WITHIN PARTICULAR DDC'S. AS DISCUSSED ABOVE IN PARA 2 THE AVAILABILITY OF FUNDS FOR THE PROJECT MAY ALSO BE AN IMPORTANT FACTOR IN DEVELOPING A MORE NARROW FOCUS FOR PROJECT OBJECTIVES AND RELATED STRATEGY. DURING THE INTENSIVE REVIEW, THE FEASIBILITY OF ALTERNATIVE APPROACHES SHOULD BE EXAMINED AND FINAL PP DESIGN BASED ON THE MOST APPROPRIATE METHOD FOR ACHIEVING THE SPECIFIC OBJECTIVE ESTABLISHED.

B. NUMBER OF PARTICIPATING DDC'S - THE PID PROPOSES THAT ALL DDC'S PARTICIPATE IN THE PROJECT. IN LIGHT OF FUNDING LIMITATIONS AND POSSIBLE NARROWING OF THE PROJECT FOCUS DISCUSSED IN PARA 4 (A), PARTICIPATION OF ALL DDC'S SHOULD BE REEXAMINED. THE PP SHOULD ASSESS EACH DDC TO DETERMINE WHICH SHOULD PARTICIPATE IN ORDER TO MAXIMIZE THE IMPACT OF AVAILABLE RESOURCES. A METHODOLOGY AND RATIONALE FOR ALLOCATING PROJECT RESOURCES AMONG THE CORPORATIONS ALSO SHOULD BE PRESENTED IN THE PP.

C. DEMAND ANALYSIS - PROJECT SHOULD INCLUDE AN ANALYSIS WHICH DEMONSTRATES THAT SUFFICIENT DEMAND EXISTS AMONG THE PARTICIPATING CORPORATIONS FOR THE FUNDS AVAILABLE AND FOR THE TYPES OF SUBPROJECTS ANTICIPATED. THE ANALYSIS SHOULD PROVIDE A LIST OF THE SUBPROJECTS EXPECTED TO BE FINANCED, INCLUDING AS MUCH DETAIL AS POSSIBLE REGARDING THE EXPECTED COST OF EACH. TO ALLOW FOR FALL-OUT OF SOME SUBPROJECTS, DEMAND IN EXCESS OF AVAILABLE FUNDS SHOULD BE DEMONSTRATED.

D. SECTION 611(A) - CONCERN WAS EXPRESSED DURING THE DAEC REVIEW AS TO HOW THE PROJECT WOULD SATISFY 611(A) REQUIREMENTS. TO MAXIMUM EXTENT POSSIBLE PP SHOULD INCLUDE COST ESTIMATES FOR EACH SUBPROJECT IDENTIFIED FOR FINANCING IN THE DEMAND ANALYSIS. WHERE COST ESTIMATES FOR SUBPROJECTS CANNOT BE IDENTIFIED, THE PP SHOULD OUTLINE THE MINIMUM REQUIREMENTS WHICH SUBPROJECTS MUST FULFILL PRIOR TO THEIR APPROVAL (PLANS, SPECIFICATIONS, COST ESTIMATES, ETC.), AND PROVIDE A MECHANISM FOR SUBPROJECT REVIEW PRIOR TO FINAL APPROVAL. THE INSTITUTIONAL CAPACITY OF THE DDC'S TO IMPLEMENT SUBPROJECTS AND UTILIZE FUNDS EFFECTIVELY SHOULD ALSO BE EXAMINED.

E. TARGET GROUP PARTICIPATION: THE PP SHOULD ANALYZE THE ROLE OF THE TARGET GROUP IN THE PROJECT, PARTICULARLY THEIR PARTICIPATION IN SUBPROJECT SELECTION AND IMPLEMENTATION.

5. ABSORPTIVE CAPACITY: THE INSTITUTIONAL ABILITY OF THE CORPORATIONS TO ABSORB HIGHER LEVELS OF INVESTMENT RESOURCES WAS QUESTIONED. THE PP SHOULD EVALUATE THE ABILITY OF THE DDC'S TO EFFECTIVELY UTILIZE ALL RESOURCES (INCLUDING THOSE MADE AVAILABLE UNDER OTHER AID-FINANCED PROJECTS) WITHIN THE PROJECT IMPLEMENTATION PERIOD.

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6. ROLE OF OTHER GOB INSTITUTIONS: THE RELATIONSHIP OF THE RELEVANT SECTOR MINISTRIES AND THE DDC'S SHOULD BE EXAMINED, INCLUDING THE MECHANISMS USED TO COORDINATE THEIR ACTIVITIES. THE AVAILABILITY OF TECHNICAL AND OTHER SUPPORT FROM SECTOR MINISTRIES FOR DDC SUBPROJECTS SHOULD BE ASSESSED PARTICULARLY IN LIGHT OF ANTICIPATED GOB BUDGETARY CONSTRAINTS.
7. PROJECT IMPLEMENTATION - AS PROPOSED IN THE PID, AID PARTICIPATION IN PROJECT IMPLEMENTATION WOULD BE LIMITED TO A PRELIMINARY REVIEW OF SUBPROJECTS IDENTIFIED IN THE DDC'S ANNUAL BUDGETS. THE PP SHOULD EXAMINE WHETHER FURTHER AID PARTICIPATION IN SUBPROJECT APPROVAL IS NECESSARY. AID'S ROLE IN MONITORING SUBPROJECT PROCUREMENT AND IMPLEMENTATION ALSO SHOULD BE DETAILED.
8. GOB CONTRIBUTION - THE IMPACT OF THE GOB'S FISCAL CRISIS WAS DISCUSSED, PARTICULARLY ON THOSE DDC'S WHICH DEPEND ON GOB TRANSFER PAYMENTS RATHER THAN MINERAL ROYALTIES. THE PROJECT DESIGN SHOULD ASSURE THAT SUFFICIENT COUNTERPART IS AVAILABLE FOR THOSE DDC'S AND THAT AID FUNDS WILL NOT BE USED TO SUBSTITUTE FOR GOB TRANSFERS. CONSIDERATION SHOULD BE GIVEN TO INCLUSION OF A COVENANT REQUIRING THAT, AT A MINIMUM, THE REAL LEVEL OF GOB TRANSFERS TO DDC'S REMAIN CONSTANT.
9. TECHNICAL ASSISTANCE - ALTHOUGH T.A. IS ALREADY BEING PROVIDED TO FIVE DDC'S UNDER THE RURAL DEVELOPMENT PLANNING PROJECT AND NO ADDITIONAL T.A. WAS PROPOSED IN THE PID, THE MISSION SHOULD CONSIDER ADDITIONAL T.A. REQUIREMENTS AND THE NEED TO PROVIDE ASSISTANCE TO OTHER DDC'S NOT DIRECTLY PARTICIPATING IN THE DEVELOPMENT PLANNING PROJECT.
10. PP SUBMISSION - PP SHOULD BE SUBMITTED IN TIME TO PERMIT 3RD QUARTER OBLIGATION. MISSION SHOULD PLAN ON 4 WEEKS FROM TIME OF RECEIPT OF PP IN AID/W TO AUTHORIZATION ASSUMING NO MAJOR REVISIONS ARE NECESSARY IN PP.
11. IEE WITH NEGATIVE DETERMINATION WILL BE FORWARDED TO AA/LAC FOR APPROVAL.

BT
#2275

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BEST AVAILABLE COPY

ANNEX 1
Exhibit B

Presidencia de la República
MINISTERIO DE PLANEAMIENTO
Y COORDINACION
BOLIVIA

AÑO DEL CENTENARIO DEL LITORAL CAUTIVO

DIRREG N° 95

La Paz, 21 de marzo de 1979

Señor
Frank Kimball
Director de USAID/B
Presente

Señor Director :

Tengo a bien dirigirme a usted a fin de solicitar la cooperación de USAID en la implementación de un programa destinado a mejorar el nivel de vida del habitante rural, a través de la ejecución de proyectos en ese sector, a cargo de todas las Corporaciones Regionales de Desarrollo.

Como es de su conocimiento, las entidades mencionadas tienen a su cargo la promoción, el desarrollo y el saneamiento de las respectivas regiones, mediante el planeamiento regional, realización de estudios, la elaboración de programas y proyectos, la ejecución de los mismos. Para las actividades anteriores cuentan con la organización, personal técnico y los recursos financieros necesarios.

Los proyectos a ejecutarse con el apoyo financiero de USAID estarán localizados en el área rural y serán destinados a favorecer a sectores mayoritarios y de escasos recursos, los que por otra parte no pueden tener fácil acceso a otras fuentes de financiamiento.

Además, el proyecto estará dirigido a mejorar la organización y capacidad de ejecución, a través de asistencia técnica, de las Corporaciones de Oruro y La Paz.

La presente solicitud es por un monto de Bs. 10.000.000.- y una donación de \$us. 10.000. El préstamo será amortizado en 40 años con un período de gracia de 10 años y un interés anual de 2% durante el período de gracia y de ahí en adelante.

La contraparte del Gobierno de Bolivia a través de las Corporaciones alcanzaría a la suma de \$us. 3.700.000.-

Sin otro particular, me es grato saludarlo atentamente.

Tcnl. Gary Prado Salmón
MINISTRO DE PLANEAMIENTO Y COORDINACION
DE LA PRESIDENCIA DE LA REPUBLICA

ANNEX I
Exhibit C

CERTIFICATION PURSUANT TO SECTION 611(e)
OF THE FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED

I, Frank B. Kimball, the principal officer of the Agency for International Development in Bolivia, having taken into account among other factors the maintenance and utilization of projects in Bolivia previously financed or assisted by the United States, do hereby certify that in my judgement Bolivia has both the financial capability and human resources capability to effectively maintain and utilize the capital assistance project: DEPARTMENTAL DEVELOPMENT CORPORATIONS FUND.



Frank B. Kimball
Director, USAID/Bolivia

STATUTORY CHECKLIST

5C(1) - COUNTRY CHECKLIST

Listed below are, first, statutory criteria applicable generally to FAA funds, and then criteria applicable to individual fund sources: Development Assistance and Economic Support Fund.

A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

1. FAA Sec.116. Can it be demonstrated that contemplated assistance will directly benefit the needy? If not, has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? Yes, Eligibility criteria have been developed to assure that beneficiaries are the needy.
2. FAA Sec.481. Has it been determined that the government of recipient country has failed to take adequate steps to prevent narcotics drugs and other controlled substances (as defined by the Comprehensive Drug Abuse Prevention and Control Act of 1970) produced or processed, in whole or in part, in such country, or transported through such country, from being sold illegally within the jurisdiction of such country to U.S. Government personnel or their dependents, or from entering the U.S. unlawfully? No.
3. FAA Sec.620(b). If assistance is to a government, has the Secretary of State determined that it is not controlled by the international Communist movement? Yes

4. FAA Sec.620(c). If assistance is to a government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) debt is not denied or contested by such government? No
5. FAA Sec.620(e)(1). If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities? No
6. FAA Sec.620(a), 620(f); FY 79 App. Act Sec.108, 114 and 606 is recipient country a Communist country? Will assistance be provided to the Socialist Republic of Vietnam, Cambodia, Laos, Cuba, Uganda, Mozambique, or Angola? No
7. FAA Sec.620(i). Is recipient country in any way involved in (a) subversion of, or military aggression against, the United States or any country receiving U.S. assistance, or (b) the planning of such subversion or aggression? No
8. FAA Sec.620(j). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction, by mob action, of U.S. property? No

9. FAA Sec.620(1). If the country has failed to institute the investment guaranty program for the specific risks of expropriation, inconvertibility or confiscation, has the AID Administrator within the past year considered denying assistance to such government for this reason?
- Negotiations are on-going between the U.S. and the Andean Pact to permit establishment of this program.
10. FAA Sec.620(o); Fishermen's Protective Act of 1967, as amended, Sec. 5. If country has seized, or imposed any penalty or sanction against, any U.S. fishing activities in international waters,
- Bolivia has taken no such actions.
- a. has any deduction required by the Fishermen's Protective Act been made?
- b. has complete denial of assistance been considered by AID Administrator?
11. FAA Sec.620; FY 79 App.Act Sec. 603. (a) Is the government of the recipient country in default for more than six months on interest or principal of any AID loan to the country? (b) Is country in default exceeding one year on interest or principal on U.S. loan under program for which App. Act appropriates funds?
- No
12. FAA Sec.620(s). If contemplated assistance is development loan or from Economic Support Fund, has the Administrator taken into account the percentage of the country's budget which is for military expenditures, the amount of foreign exchange spent on military equipment and the amount spent for the purchase of
- Yes, as reported in annual report on implementation of Sec.620(s). In 1978 approximately 13.2% of GOB budget was for military expenditures.

sophisticated weapons systems?
(An affirmative answer may refer to the record of the annual "Taking into Consideration" memo: "Yes, as reported in annual report on implementation of Sec.620(s)". This report is prepared at time of approval by the Administrator of the Operational Year Budget and can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur).

13. FAA Sec.620(t). Has the country severed diplomatic relations with the United States? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption? No.
14. FAA Sec.620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the AID Administrator in determining the current AID Operational Year Budget? Bolivia is not in arrears.
15. FAA Sec.620A, FY 79 App. Act, Sec.607. Has the country granted sanctuary from prosecution to any individual or group which has committed an act of international terrorism? No
16. FAA Sec. 666. Does the country object, on basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. there to carry out economic development under FAA? No

17. FAA Sec.669, 670. Has the country, No
after August 3, 1977, delivered or
received nuclear enrichment or re-
processing equipment, materials,
or technology, without specified
arrangements or safeguards? Has
it detonated a nuclear device
after August 3, 1977, although
not a "nuclear-weapon State"
under the nonproliferation treaty?

B. FUNDING CRITERIA FOR COUNTRY ELIGI-
BILITY

1. Development Assistance Country
Criteria

- a. FAA Sec.102(b)(4). Have Yes
criteria been established and
taken into account to assess com-
mitment progress of country in
effectively involving the poor
in development, on such indexes
as: (1) increase in agricultural
productivity through small-farm
labor intensive agriculture,
(2) reduced infant mortality,
(3) control of population growth,
(4) equality of income distribu-
tion, (5) reduction of unemploy-
ment, and (6) increased literacy.

- b. FAA Sec.104(d)(1). If appro- Yes
priate, is this development (in-
cluding Sahel) activity designed
to build motivation for smaller
families through modification of
economic and social conditions
supportive of the desire for
large families in programs such
as education in and out of school,
nutrition, disease control,
maternal and child health services,
agricultural production, rural de-
velopment, and assistance to
urban poor?

2. Economic Support Fund Country
Criteria

- a. FAA Sec.502B. Has the country engaged in a consistent pattern of gross violations of internationally recognized human rights? N/A
- b. FAA Sec.533(b). Will assistance under the Southern Africa program be provided to Mozambique, Angola, Tanzania, or Zambia? If so, has President determined (and reported to the Congress) that such assistance will further U.S. foreign policy interests? N/A
- c. FAA Sec.609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made? N/A
- d. FY 79 App.Act Sec.113. Will assistance be provided for the purpose of aiding directly the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights? N/A
- e. FAA Sec.620E. Will security supporting assistance be furnished to Argentina after September 30, 1978? N/A

5C(2) - PROJECT CHECKLIST

Listed below are statutory criteria applicable generally to projects with FAA funds and project criteria applicable to individual fund sources: Development Assistance (with a subcategory for criteria applicable only to loans); and Economic Support Fund.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE?
HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

A. GENERAL CRITERIA FOR PROJECT

1. FY 79 App. Act Unnumbered; FAA Sec.653(b); Sec.634A.

a. Describe how Committees on Appropriations of Senate and House have been or will be notified concerning the project. An Advice of Program Change will be prepared and sent to the Congress.

b. Is assistance within (Operational Year Budget) country or international organization allocation reported to Congress (or not more than \$1 million over that figure)? Yes

2. FAA Sec.611(a)(1). Prior to obligation in excess of \$100,000, will there be

a. engineering, financial, and other plans necessary to carry out the assistance and Yes

b. a reasonably firm estimate of the cost to the U.S. of the assistance? Yes

3. FAA Sec.611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?

Ratification of project agreement will follow shortly after signature, as in all cases of past agreements.

4. FAA Sec.611(b); FY 79 App.Act Sec.101. If for water or water-related land resource construction, has project met the standards and criteria as per the Principles and Standards for Planning Water and Related Land Resources dated October 25, 1973? Prior to approving any water-related subproject feasibility studies will be required demonstrating that standards and criteria have been met.
5. FAA Sec.611(e). If project is capital assistance (e.g. construction), and all U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project? Yes
6. FAA Sec.209. Is project susceptible of execution as part of regional or multilateral project? If so why is project not so executed? Information and conclusion whether assistance will encourage regional development programs. No
7. FAA Sec.601(a). Information and conclusions whether project will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions. Some subprojects will serve as demonstrations and will eventually foster increased private sector initiative and competition. Construction of rural economic infrastructure (irrigation, storage, small-scale agro industry) will increase productivity of agriculture and improve technical efficiency of commerce.
8. FAA Sec.601(b). Information and conclusion on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in Project will have limited effect in this area except for sales of goods and provision of services by private U.S. suppliers and contractors.

foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

9. FAA Sec.612(b); Sec.636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized to meet the cost of contractual and other services.

Bolivia will contribute 25% of project costs.
10. FAA Sec.612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

The U.S. does not own excess foreign currency in Bolivia.
11. FAA Sec.601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

Yes
12. FY 79 App. Act Sec.608. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?

Assistance will not support development of commodities for export for which a surplus exists on the world market.

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project
Criteria

a. FAA Sec. 102(b); 111; 113, 281a. Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries?

b. FAA Sec. 103, 103A, 104, 105, 106, 107. Is assistance being made available: (include only applicable paragraph which corresponds to source of funds used. If more than one fund source is used for project, include relevant paragraph for each fund source).

(1) (103) for agriculture, rural development or nutrition; if so, extent to which activity is specifically designed to increase productivity and income of rural poor; (103A) if for agricultural research, is full account taken of needs of small farmers;

Subproject criteria require demonstration that activity will generate employment opportunities and/or increased income of the poor population, primarily in the rural areas. Subprojects must also be appropriate for this population. If possible, a subproject may foster the development of cooperatives. Development of semi-autonomous regional institutions capable of planning and executing development activities is an important objective of the Project. Participation of women will be encouraged and eligible subprojects should improve status of women in the economy. Regional cooperation by developing countries will not be required for Project implementation.

Yes, primary focus of project is increased employment and income by supporting investment in the agriculture sector.

(2) (104) for population planning under sec.104(b) or health under sec.104(c); if so, extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems and other modes of community research.

(3) (105) for education, public administration, or human resources development; if so, extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, or strengthens management capability of institutions enabling the poor to participate in development;

(4) (106) for technical assistance, energy, research, reconstruction, and selected development problems; if so, extent activity is:

(i) technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations;

(ii) to help alleviate energy problems;

(iii) research into, and evaluation of, economic development processes and techniques;

(iv) reconstruction after natural or manmade disaster;

(v) for special development problem, and to enable proper utilization of earlier U.S. infrastructure, etc., assistance;

(vi) for programs of urban development, especially small labor-intensive enterprises, marketing systems, and financial or other institutions to help urban poor participate in economic and social development.

c. (107) Is appropriate effort placed on use of appropriate technology?

d. FAA Sec.110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or has the latter cost-sharing requirement been waived for a "relatively least-developed" country)? Yes

e. FAA Sec.110(b). Will grant capital assistance be disbursed for project over more than 3 years? If so, has justification satisfactory to Congress been made, and efforts for other financing, or is the recipient country "relatively least developed"? No

f. FAA Sec.281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports Executing agencies will be decentralized public institutions. These institutions have better awareness of the needs and desires of the people in their respective geographic areas than does the central government. The project will support the

civil education and training in skills required for effective participation in governmental and political processes essential to self-government.

strengthening of these decentralized institutions.

g. FAA Sec.122(b). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

Yes

2. Development Assistance Project Criteria (Loans Only)

a. FAA Sec.122(b). Information and conclusion on capacity of the country to repay the loan, including reasonableness of repayment prospects.

AID's most concessional terms apply to this loan. The Government has the capacity to repay and the prospects for repayment are good.

b. FAA Sec.620(d). If assistance is for any productive enterprise which will compete in the U.S. with U.S. enterprise, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan?

Project will not assist any productive enterprise which will compete in the U.S. with U.S. enterprise.

3. Project Criteria Solely for Economic Support Fund

N/A

a. FAA Sec.531(a). Will this assistance support promote economic or political stability? To the extent possible, does it reflect the policy directions of section 102?

b. FAA Sec.533. Will assistance under this chapter be used for military, or paramilitary activities?

5C(3) - STANDARD ITEM CHECKLIST

Listed below are statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by imposing limits on certain uses of funds.

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

A. Procurement

1. FAA Sec.602. Are there arrangements to permit U.S. small business to participate equitably in the furnishing of goods and services financed? Competitive bidding will be utilized.
2. FAA Sec.604(a). Will all commodity procurement financed be from the U.S. except as otherwise determined by the President or under delegation from him? Yes
3. FAA Sec.604(d). If the cooperating country discriminates against U.S. marine insurance companies, will agreement require that marine insurance be placed in the U.S. on commodities financed? Bolivia does not so discriminate.
4. FAA Sec.604(e). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? N/A
5. FAA Sec.608(a). Will U.S. Government excess personal property be utilized wherever practicable in lieu of the procurement of new items? Yes

6. FAA Sec.603. (a) Compliance with requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S.-flag commercial vessels to the extent that such vessels are available at fair and reasonable rates. Yes. This section will apply.
7. FAA Sec.621. If technical assistance is financed, will such assistance be furnished to the fullest extent practicable as goods and professional and other services from private enterprise on a contract basis? If the facilities of other Federal agencies will be utilized, are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs? Technical assistance will be provided from the private sector on a contract basis.
8. International Air Transport. Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will provision be made that U.S.-flag carriers will be utilized to the extent such service is available? Yes
9. FY 79 App.Act Sec.105. Does the contract for procurement contain a provision authorizing the termination of such contract for the convenience of the United States? Yes. All AID direct contracts funded under the Project will have such a provision.

B. Construction

1. FAA Sec.601(d). If a capital (e.g., construction) project, are engineering and professional services of U.S. firms and their affiliates to be used to the maximum extent consistent with the national interest? Project will finance only small scale construction. Engineering services will be provided by local firms and the development corporations.
2. FAA Sec.611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable? Yes
3. FAA Sec.620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million? Yes

C. Other Restrictions

1. FAA Sec.122(e). If development loan, is interest rate at least 2% per annum during grace period and at least 3% per annum thereafter? Yes
2. FAA Sec.301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? N/A
3. FAA Sec.620(h). Do arrangements preclude promoting or assisting the foreign aid projects or activities of Communist-bloc countries, contrary to the best interests of the U.S.? Yes
4. FAA Sec.636(i). Is financing not permitted to be used, without waiver, for purchase, long-term lease, or exchange of motor vehicle manufactured outside the U.S., or guaranty of such transaction? Yes

5. Will arrangements preclude use of financing?
- a. FAA Sec.104(f). To pay for performance of abortions or to motivate or coerce persons to practice abortions, to pay for performance of involuntary sterilization, or to coerce or provide financial incentive to any person to undergo sterilization? Yes
 - b. FAA Sec.620(g). To compensate owners for expropriated nationalized property? Yes
 - c. FAA Sec.660. To finance police training or other law enforcement assistance, except for narcotics programs? Yes
 - d. FAA Sec.662. For CIA activities? Yes
 - e. FY 79 App. Act Sec.104. To pay pensions, etc., for military personnel? Yes
 - f. FY 79 App. Act Sec.106. To pay U.S. assessments? Yes
 - g. FY 79 App. Act Sec.107. To carry out provisions of FAA Sections 209(d) and 251(h)? (Transfer of FAA funds to multi-lateral organizations for lending). Yes
 - h. FY 79 App. Act. Sec.112. To finance the export of nuclear equipment, fuel, or technology or to train foreign nations in nuclear fields? Yes
 - i. FY 79 App. Act Sec.601. To be used for publicity on propaganda purposes within U.S. not authorized by Congress? Yes

D R A F T

PROJECT AUTHORIZATION AND REQUEST FOR ALLOTMENT OF FUNDS

Name of Country: Bolivia
Name of Project: Departmental Development Corporations
Project Number : 511-0511

Pursuant to Part I, Chapter I, Section 103 of the Foreign Assistance Act of 1961, as amended, I hereby authorize a Loan and a Grant to the Republic of Bolivia ("Cooperating Country") of not to exceed Ten Million Five Hundred Thousand United States Dollars (\$10,500,000) ("Authorized Amount") to help in financing certain foreign exchange and local currency costs of goods and services required for the project described in the following sentence. The project will provide financial resources and technical assistance to the Departmental Development Corporations to improve their capabilities to plan, design and implement subprojects designed to improve the standard of living of the rural poor in the following categories: agricultural development, storage facilities, agroindustry, water control and resources, land improvement, marketing facilities, reforestation and rural electrification (the "Project"). Of the Authorized Amount, Ten Million United States Dollars (\$10,000,000) will be loaned to the Cooperating Country to assist in financing certain foreign exchange and local currency costs of goods and services required for the Project.

I approve the total level of A.I.D. appropriated funding planned for this Project of not to exceed Ten Million Nine Hundred Thousand United States Dollars (\$10,900,000), of which \$10,000,000 will be Loan funded and \$900,000 Grant funded, including the funding authorized above, during the period FY 1979 through FY 1980. I approve further increments during that period of Grant funding up to \$400,000, subject to the availability of funds in accordance with A.I.D. allotment procedures. I approve the obligation of the entire amount of the Loan and the obligation of not to exceed \$500,000 of the Grant for FY 1979 upon the signing of the Project Agreement.

I hereby authorize the initiation of negotiation and execution of the Project Agreement by the officer to whom such authority has been delegated in accordance with A.I.D. regulations and Delegations of Authority, subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate:

A. Interest Rate and Terms of Repayment

The Cooperating Country shall repay the Loan to A.I.D. in United States Dollars within forty (40) years from the date of first disbursement of the Loan, including a grace period of not to exceed ten (10) years. The Cooperating Country shall pay to A.I.D. in United States Dollars interest from the date of first disbursement of the Loan at the rate

of (a) two percent (2%) per annum during the first ten (10) years, and (b) three percent (3%) per annum thereafter on the outstanding disbursed balance of the Loan and on any due and unpaid interest accrued thereon.

B. Source and Origin of Goods and Services (Loan)

Except for ocean shipping, goods and services financed by A.I.D. under the Loan shall have their source and origin in the Cooperating Country or in countries included in Code 941 of the A.I.D. Geographic Code Book, except as A.I.D. may otherwise agree in writing. Ocean shipping financed under the Loan shall be procured only in the United States or in the Cooperating Country.

C. Source and Origin of Goods and Services (Grant)

Goods and services financed by A.I.D. under the Grant shall have their source and origin in the United States or the Cooperating Country, except as A.I.D. may otherwise agree in writing.

D. Conditions Precedent to Disbursement for Other Than Technical Assistance

Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement, other than to finance technical assistance, the Cooperating Country shall furnish to A.I.D., in form and substance satisfactory to A.I.D.:

- (1) A detailed implementation plan which shall include procedures for designing, selecting, monitoring and evaluating subprojects and shall demonstrate that procurement arrangements for subprojects satisfy AID procurement regulations;
- (2) A manual which establishes requirements for the preliminary subproject concept document and the feasibility studies to be carried out for each subproject consistent with eligibility criteria; and
- (3) Evidence that a project implementation unit has been established within the Ministry of Planning and Coordination responsible for coordinating all Project activities.

E. Conditions Precedent to Disbursement for Technical Assistance

Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement, to finance technical assistance, the Cooperating Country shall furnish to A.I.D., in form and substance satisfactory to A.I.D.:

- (1) An operational plan for the technical assistance which details the roles and responsibilities for personnel in the departmental development corporations of La Paz and Oruro who will serve as counterparts to the technicians; and
- (2) A detailed scope of work for each technician.

F. Conditions Precedent to Disbursement for Individual Construction Subprojects

Except as A.I.D. may otherwise agree in writing, prior to any disbursement, or the issuance of any commitment documents under the Project Agreement, to finance individual construction subprojects, the Cooperating Country shall furnish to A.I.D., in form and substance satisfactory to A.I.D.:

- (1) Evidence of clear title to the land upon which construction is to take place; and
- (2) A maintenance plan for the facilities which will be constructed.

G. Special Covenants

Except as A.I.D. may otherwise agree in writing, the Cooperating Country shall covenant that the current level of budget support provided by the Government of Bolivia to the departmental development corporations of Beni and Cochabamba will remain constant or increase in real terms over the life of the Project.

Administrator

Date

**PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK**

Exhibit F
Life of Project: _____
From FY 79 to FY 83
Total U.S. Funding \$10,900,000
Date Prepared: March 12, 79

(INSTRUCTION: THIS IS AN OPTIONAL FORM WHICH CAN BE USED AS AN AID TO ORGANIZING DATA FOR THE PDR REPORT. IT NEED NOT BE DETACHED OR SUBMITTED.)

Project Title & Number: DDC Fund (511-0511)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Program or Sector Goal: The broader objective to which this project contributes:</p> <p>Improve the standard of living and quality of life of the rural poor in Bolivia.</p>	<p>Measures of Goal Achievement:</p> <p>Measurably improved standards of living either in terms of employment availability or level of income of the target group as a result of subproject impact.</p>	<p>Means of Verification:</p> <p>Joint annual evaluations will select a sample of completed subprojects and compare the impact achieved by the subproject with what was expected at the time the subproject was developed and implementation initiated.</p>	<p>Important Assumptions:</p> <p>Assumptions for achieving goal targets:</p>

PROJECT DESIGN SUMMARY
 LOGICAL FRAMEWORK

Life of Project: Exhibit F
 From FY 79 to FY 83
 Total U.S. Funding \$10,000,000
 Date Prepared: March 12, 1979

Project Title & Number: DDC Fund (511-0511)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Project Purpose:</p> <p>To enhance the outreach capability of the DDCs to plan, identify and implement subprojects which will be of direct benefit to the target group.</p>	<p>Conditions that will indicate purpose has been achieved: End of project status.</p> <ol style="list-style-type: none"> 1. Improved project planning, preparation and evaluation on the basis of improved analysis of <u>diagnostics</u> and preparation of medium to long-term development strategies. 2. Subprojects designed implemented which are consistent with medium to long-term development strategies prepared by the DDCs. 3. More sophisticated analytical techniques used by DDC staffs in designing sub-projects. 4. All 9 DDCs have utilized Project funds in support of their development activities. 	<p>MFC and DDC records and annual evaluation.</p>	<p>Assumptions for achieving purposes:</p> <ol style="list-style-type: none"> 1. DDCs willing to plan and implement subprojects which are more target group oriented. 2. Rural communities will become more actively involved in development and implementation of subprojects. 3. Improved planning capability of the DDCs will lead to identification of rural oriented, target group impact subprojects.

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

ANNEX 1
Exhibit F
Life of Project: _____
From FY _____ to FY 83
Total U.S. Funding \$10,000,000
Date Prepared: March 12, 1979

Project Title & Number: DDC Fund (511-0511)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Outputs:</p> <p>Grant Activities:</p> <ol style="list-style-type: none"> Improved internal operating and administrative procedures in participating DDCs. Middle and senior level technicians in participating DDCs trained on-the-job. Expanded financial resource base for the DDCs. 	<p>Magnitude of Outputs:</p> <ol style="list-style-type: none"> A manual will be developed for La Paz and Oruro corporations establishing operating guidelines. At least 10 middle and senior level technicians in CORDEPAZ and CORDEOR receive on-the-job training by the end of 1982. Report submitted to the MPC recommending potential means of expanding financial resource base of the DDCs. 	<ol style="list-style-type: none"> Examination of internal procedures in use by the DDCs. Annual evaluation of contractor's performance. Examination of report. 	<p>Assumptions for achieving outputs:</p> <ol style="list-style-type: none"> Sufficiently qualified advisors are available. Counterpart inputs are provided in a timely manner. GOB is willing to act on recommendations made in contractor's report.
<p>Loan Activities:</p> <ol style="list-style-type: none"> Subprojects undertaken by DDCs have increased target group orientation. Relationship to medium-term development strategy criteria for subproject eligibility. Subprojects financed. Emphasis on agriculture sector and income and employment generation. Increased financial resource base for the DDCs. 	<ol style="list-style-type: none"> Operational Plans in 1981 and 1982 emphasize small scale rural oriented projects. Majority of subprojects included in Operational Plans in 1981 and 1982 are demonstrably linked to development strategy. 35-50 subprojects implemented in accordance with eligibility criteria. 70 percent of subprojects will be in the agriculture sector. Other will be social sector but will exclude education infrastructure and health posts. By 1982, the DDCs will attract financial resources from external sources such as the IBRD, IDB and commercial banks. 	<ol style="list-style-type: none"> Examination of DDCs portfolios. Examination of Operational Plans. MPC and DDC records. MPC and DDC records. DDC records. 	<ol style="list-style-type: none"> DDCs are willing to place increased emphasis on subprojects which impact on the target group. Guidelines from MPC will reinforce application of development strategy to selection of subprojects. Agriculture sector remains the most important sector for the DDCs' development strategies. Improved institutional soundness will attract new sources of financial revenues.

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

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Exhibit F
Life of Project: _____
From FY 79 to FY 83
Total U.S. Funding \$10,900,000
Date Prepared: March 12, 1979

Project Title & Number: DDC Fund (511-0511)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Inputs:	Implementation Target (Type and Quantity)		Assumptions for providing inputs:
AID:			
1. Grant Funds			
a. Long and short-term technical assistance.	a. 7.5 work years of technical assistance 808,000	AID and DDC records.	1. USG and counterpart funding will be available.
b. Vehicles and commodities	b. Vehicles and Commodities 36,000		
	c. Contingencies <u>56,000</u> 900,000		
2. Loan Funds	Resources for financing subprojects 10,000,000		
GOB			
DDC Contribution			
a. Subproject support.	a. Minimum 25% 3,450,000		2. Counterpart personnel will be available.
	Contribution to cost of subprojects		
b. Technical Assistance	b. Counterpart personnel in the participating DDCs. 250,000		

DESCRIPTION OF THE DEPARTMENTAL DEVELOPMENT CORPORATIONS

1. Corporación de Desarrollo del Noroeste (CORDENO)

The Corporation for the Development of the Northwest was founded in 1967 to serve the development needs of the Department of the Pando. This Department is the smallest in population (34,400) and the most isolated of the nine Bolivian Departments.

CORDENO has a total staff of 46, less than half of that of the next smallest DDC. Of these employees, nine are in administration, nine are technicians, and 28 are auxiliary support personnel. The corporation possesses capital assets worth approximately \$ 331,000.

Past projects by CORDENO include fifteen in education; nine in public health; fourteen in the urban sector; nine in energy and electrification; seven in agriculture; three in potable water systems; three industrial projects; and the establishment of a telephone system. Total cost of these projects (excluding industrial projects) was \$b 18,213,000 or an average cost per project of US\$ 15,700. A 10-year departmental development plan was prepared in 1968 and a 5-year plan in 1976.

CORDENO's 1978 budget totaled \$b 75,283,000 of which 24.2 per cent was budgeted for operating expenses and 75.8 per cent for investment. A 1 per cent tax on imports provides 91.7 per cent of the corporation's revenues. The remainder comes from national credit and other sources.

Major developmental priorities are roads, energy, and provision of public services.

CORDENO is organized under a board of directors, a president, and a technical administrator with offices of planning, legal advisor, personnel, public relations, secretary general, department administration, and technical and consulting councils. Under these are three divisions: a Technical Division responsible for project planning, project execution, and maintenance; a Public Services Division for electrification, potable water, and pavement of roads; and a Division of Special Projects for other activities.

2. Corporación de Desarrollo del Beni (CODEBENI)

The Corporation for the Development of the Beni was established in 1965. It serves the large cattle producing Department of the Beni with its 168,000 population. The Department previously was not linked with the rest of the country by road. However, in 1977

a trail linking the departmental capital Trinidad with La Paz was opened. Within the next few years all-weather roads connecting Trinidad to La Paz and Santa Cruz should be completed.

The CODEBENI staff consists of 111 employees of which 54 are in temporary employment status. The staff are divided into 22 in administration; 28 technicians; and 61 auxiliary support personnel. The corporation has approximately \$ 228,000 invested in capital assets.

CODEBENI has implemented ten projects from 1974 to 1977. These include: paving of the streets in Trinidad; town electrification (2); rice experimental work; a rice mill and storage facilities; colonization; forest inventory; town water system; brick tile factory; and an agricultural center. Regional studies were done in 1973 and 1975 and a five-year plan prepared in 1976. Other studies completed include: plan for a Trinidad water system; study on cattle ranching; feasibility of a modern, refrigerated slaughter house; feasibility study on use of cattle by-products; feasibility of a saw mill complex; and plans for the Perotó agricultural experiment station.

The 1978 budget for CODEBENI was \$b 76,231,000 of which 27.7 per cent was for operations and 72.3 per cent was for investment. Of the committee's total budget, 92.7 per cent comes from the national treasury. Departmental sources, national credit, national transfers, and other national sources provide the remainder of the budget.

CODEBENI's major development priorities are the provision of basic infrastructure - potable water, electricity, and street paving - and the development of agriculture and livestock production in the Department. Flood control is another major need for the Department.

CODEBENI is organized under a board of directors and president along with a legal advisor, public relations section, and secretary general. At the operational level, the corporation is divided into an administrative bureau and a technical bureau. Although there is no planning division, the Department of Studies and Projects considers all activities in relation to the diagnostic study and the five-year development plan for the Department.

Development plans and activities are coordinated with national Ministries of Planning and Finance. Relations with other DPCs are institutional in nature. No joint projects are planned with other DDCs.

CODEBENI has established relations with ALCORDES (Latinamerican Association of Development Corporations); CINDER (Interamerican Center for Regional Development); the Interamerican Planning Society; USAID, IDB, IBRD; and the Andean Group. Projects have been carried out with the Chinese bilateral aid mission, FAO, and IDB.

The accounting and procurement systems follow those established by the national government. These need to be strengthened. Warehouse and storage facilities are needed. Maintenance is done at departmental facilities.

3. Corporación de Desarrollo del Departamento de La Paz (CORDEPAZ)

The Corporation for the Development of the La Paz Department was established in 1971. La Paz Department with a 1,484,200 population is the largest Bolivian department population-wise. It contains the capital, La Paz, with its 654,713 people. The Department lies in the Altiplano and Valley regions.

CORDEPAZ employs a total staff of 131, of whom 20 are in administration, 44 are technical personnel, and 87 are auxiliary support personnel. The corporation has about \$ 2,500,000 in capital assets.

From 1973 to 1976, CORDEPAZ participated in 25 projects involving a total investment of \$b 64,308,184. This was composed of about 20 per cent for roads, 47 per cent for agricultural development projects, 10 per cent for industrial projects, and the rest in other activities, including a population census, ERTS-GEOBOL, joint ventures, and coal prospection.

The 1978 budget for CORDEPAZ was \$b 160,672,000, of which 36.8 per cent was for operating expenses and 63.2 per cent was for investment. Sources of funding are quite diversified with 27.1 per cent derived from their own sources (mainly a 0.5 per cent tax on sales of minerals and on beer); 27.6 per cent from national transfers; 10.0 per cent from national credit; 22.3 per cent from other national sources; 5.6 per cent as foreign credit; and 7.5 per cent from foreign grants.

CORDEPAZ is governed by a president and director general under a board of directors. There is an executive coordinating council and a secretary general and legal, economic, and technical advisors. Under this management, the corporation is divided into three units for: Administration, Planning, and Implementation.

The Planning Unit has a developed project planning process. Ministry of Finance accounting systems are used and National Controller's approved systems of purchase and supply. Systems of maintenance and warehousing were established in 1976.

The Corporation published a regional diagnostic study and development plan for the La Paz Department in 1975. They have also done an identification study on agricultural and agro-industrial opportunities for northern La Paz Department and feasibility studies on a sugar refinery and on roads.

The corporation maintains close relations with the central government due to its organization as a decentralized government entity. Contacts with other DDCs are maintained only through seminars and sporadic exchanges. The corporation has cooperated with and received project financing from the IBRD, UNICEF, CARE, the Corporación Andina de Fomento, and the bilateral aid programs of Israel, Britain, Germany, and Switzerland.

4. Corporación de Desarrollo de Cochabamba (CORDECO)

The Corporation for the Development of Cochabamba serves the heavily populated valley area of the department of Cochabamba with its 730,400 inhabitants.

The corporation has a staff of 127, 24 of whom are temporary employees. The staff consists of 12 in administration, 45 technicians, and 70 in auxiliary capacities. The corporation is headed by a president and technical council under a board of directors. In addition to a secretary general, public relations man, and legal council the functions of the corporation are divided into three divisions: administration, planning, and project implementation. CORDECO has about US\$ 1,200,000 in capital assets.

The 1978 budget for CORDECO was \$b 106,940,000. Of this total 19.9 per cent was for operating costs and 80.1 per cent was for investment. The national treasury provides 58.3 per cent of the CORDECO budget. An additional 12.5 per cent comes from CORDECO's own sources, mainly from a departmental tax on mining revenues. National transfers provide another 10.9 per cent; national credits 4.7 per cent; other national sources 8.5 per cent; and foreign donors 5.2 per cent.

Coordination of development activities is done through CONEPLAN. The corporation is receiving a US\$ 300,000 loan from UNICEF and a US\$ 250,000 loan from INALPRE (National Preinvestment Institute). They have received grants from the PL-480 "Food for Development" and have had advisors from the OAS, UN, and the Corporación Andina de Fomento.

CORDECO is preparing a regional study and regional development plan. They have prefeasibility studies completed for an irrigation project at Misicuni; an industrial park near Cochabamba; a Cochabamba bus terminal; reforestation; and tea production.

Priority development projects are: an industrial park in Cochabamba; integrated rural development of the Viloma area; construction of a bus terminal in Cochabamba; and a feasibility study of the Misicuni irrigation project.

5. Corporación de Desarrollo de Santa Cruz (CORDECRUZ)

The history of CORDECRUZ goes back over thirty years when it was established as the Public Works Committee of Santa Cruz, thus making it the oldest of the Bolivian Departmental Development Corporations. Santa Cruz Department, with a population of 715,000, is the second largest department in population and the largest in land area. From 1950 to 1976 the Santa Cruz Department experienced an annual population growth of 4.21 per cent, the highest in the country. This was spurred by a local economy growing due to oil exploitation and the colonizing of open land. The city of Santa Cruz has become the second largest in the country.

CORDECRUZ has a total staff of 505 more than twice the size of the next largest DDC. Twelve employees are in administration, 107 are technical personnel, and 386 are auxiliary support personnel. The corporation possesses capital assets worth approximately US\$ 4,114,000 in undepreciated value.

In 1977 CORDECRUZ had eighteen projects under their authority. These ranged from two in the idea stage to six under study and ten in various stages of implementation. Most projects were agricultural or agro-industries, including production of balanced feeds, cheese, corn starch, paper, oil, tomato products, textiles, ginned cotton, improved seeds, and peanuts. Others included a regional hydrological study, a cement factory, and a brick tile factory.

CORDECRUZ produced a Regional Diagnostic Study in 1975; a five-year CORDECRUZ plan for 1977 - 1981; a five-year development plan for the department 1977 - 1981; and a two-year agricultural development plan for 1977 - 1979. The five-year plan for CORDECRUZ calls for a total investment over the period of US\$ 276,744,000.

The 1978 budget for CORDECRUZ was \$b 1,088,104,000, of which 28.1 per cent was for operating costs and 71.9 per cent was for investment. Sources of funding were: 53.1 per cent from petroleum royalties; 2.8 per cent from its own sources; 1 per cent from other national sources; and 43.1 per cent from foreign loans. The petroleum royalties are from an 11 per cent tax on exported gas and oil from the Santa Cruz Department. A tax on industrial sales and on commercial sales provides the funds from the committee's own sources.

CORDECRUZ has made heavy use of foreign credit since 1977. It has contracted a total of eleven loans with: IDB (3), Ex-im Bank (2), and commercial banks for a total of US\$ 107,643,000. Most of the credit has gone for road construction equipment, cotton gins, and a cement factory.

CORDECRUZ has a board of directors and president with a secretary general, legal advisors, internal auditor, public relations office, a planning unit, and technical and advisory councils. The organization is then divided into a technical division, a development promotion bureau, and an administrative bureau, subdivided into finance and administration divisions.

CORDECRUZ maintains well developed systems of planning, accounting, and auditing. They coordinate planning with the Ministry of Planning and Coordination and the Ministry of Finance. Contacts are maintained with the DDCs of adjacent departments. Relations are also maintained with COFINSA (Corporación Financiera) and the international organizations of IDB and Corporación Andina de Fomento.

6. Corporación de Desarrollo del Departamento de Oruro (CORDEOR)

The Development Corporation for the Department of Oruro serves the development needs of the 311,200 population of this Altiplano Department.

Of their 1978 budget of \$b 159,881,000, 54.0 per cent was for operating costs and 46.0 per cent was for investment. The corporation's own sources provide 24.3 per cent of their budget; national transfers (from mining royalties) 52.3 per cent; and other national sources, other than the national treasury or credit, the remaining 23.4 per cent.

As one of Bolivia's principle mining areas, the focus of CORDEOR's program has gravitated toward the urban sector. The agriculture sector received only about 1 per cent of the total 1978 investment budget with the majority going to urban and industrial projects.

Detailed information regarding CORDEOR's administrative structure and operational procedures were not available at the time of the PP preparation.

7. Corporación de Desarrollo de Potosí (CORDEPO)

The Departmental Corporation for Development of Potosí was established in 1968. It serves this mainly Altiplano Department with its population of 658,700.

CORDEPO has a total staff of 148, including administrative, technical, and support personnel. The committee is headed by a president and board of directors assisted by executive and consultative councils and a legal advisor. The committee is divided into four directorates. The Directorate of Administration and Finance and the Secretary General function at the administrative level. The Directorate of Program and Project Implementation and the Directorate of Planning are at the operational level. Planning is divided into the departments of Programs and Evaluations, Projects, and Natural

Resources. The Program and Project Implementation Directorate is divided into departments of Infrastructure and Agriculture.

The committee possesses adequate warehouse facilities under good control and has a maintenance and repair yard. It has approximately US\$ 771,000 in capital assets.

The 1978 budget for CORDEPO was \$b 232,502,000 of which 44.6 per cent was for operating costs and 55.4 per cent was for investment. National transfers, resulting mainly from a tax on mining produce, yielded 67.3 per cent of the CORDEPO budget. Other national sources, the committee's own sources, and national credit accounted for 31.4 per cent of the budget. Foreign donors and the committee's own resources yielded 1.2 per cent.

The corporation's development priorities in order of importance are agriculture, tourism, and infrastructure (mainly roads).

CORDEPO has a developed planning process. The corporation's projects and development plan are coordinated with the central government through the Ministry of Planning and Coordination. They also maintain relations with the Ministry of Finance.

The corporation received foreign technical assistance from the UN in preparing a regional diagnostic study in 1975. A 1976 study by a German consulting firm reviewed mining research areas.

8. Corporación de Desarrollo de Chuquisaca (CORDECH)

The Departmental Corporation for Development of Chuquisaca was formed in 1967. Its purpose is to foster development in this predominantly valley region department of 357,200 population.

The staff of CORDECH consists of 202 persons, of which 46 are temporary employees. Twenty-one employees are in administration, 69 are technicians, and 112 are auxiliary support personnel. The committee possesses approximately US\$ 1,962,000 worth of capital assets.

CORDECH, as most DDCs, is organized under a president and board of directors with a secretary general, a public relations office and a legal advisor. Below the president is a Technical Division chief with a Technical Council, an office of tourism, and supervision of the three divisions of the corporation: Administration, Planning, and Projects.

The 1978 CORDECH budget was \$b 124,524,000 of which 22.7 per cent was for operations and 77.3 per cent was for investment.

Sources of revenue were the corporation's own resources 12.4 per cent; national transfers 29.4 per cent (from mineral royalties); other national sources, excluding national credit and the national treasury, 31.6 per cent; foreign credit 11.3 per cent; and foreign donors 15.3 per cent.

CORDECH uses a mechanized budgeting and accounting system that provides necessary information in a timely fashion. They have two warehouses and a maintenance yard. Their office building is rented.

CORDECH has been active in projects and studies since 1973. From 1973 to 1976 they engaged in 39 activities. A majority of these were urban development and/or tourism-related projects.

Development priorities for the department are stated to be agricultural projects, industrial projects, especially agro-industries, and infrastructure, mainly roads.

CORDECH produced a regional social and economic diagnostic study in 1975 and a five-year operating plan for 1976-1980. A series of sub-regional socio-economic studies are being done for various provinces. Planning is coordinated with the Ministry of Planning.

The corporation maintains relations with the Ministries of Finance, of Urbanism and Housing, and of Campesino Affairs and Agriculture. Contact with other DDCs is limited although expanding; relations are, however, maintained with IDB, OAS, IBRD, CARE, and the Canadian bilateral aid program (CIDA).

9. Corporación de Desarrollo de Tarija (CODETAR)

Established in 1971, the Corporation for the Development of Tarija is charged with the development of the southern most department in Bolivia which is comprised of high and low valleys and the semi-arid Chaco area. The population of the department is 189,000.

CODETAR has a president and general manager serving under a ten-person Board of Directors. The Board serves an important role in policy development and making decisions regarding the composition of the annual operating plan. The Corporation has a staff of 174 of which 52 are professionals. The professional staff is one of the most complete planning staffs of all the DDCs. As with other corporations, CODETAR has completed a diagnostic study of the department and have also prepared a five-year development plan for the department.

The 1978 budget for CODETAR was \$b 103,991,000 of which 15.6 per cent was the operating budget and 84.4 per cent the investment budget.

The primary focus of its investment activities is the agriculture sector, including agro-industry. Provision of basic infrastructure (primarily roads) is the second priority of the corporation. Sources of funds for CODETAK's budget included: its own resources (11.9 per cent), national credit (34.1 per cent), mineral royalties (15.7 per cent), other national sources (1.8 per cent), and foreign sources (36.5 per cent).

Proposed Scopes of Work for Long-Term Technicians

Grant funds will finance four long-term technicians for a total of seven-work years. The technicians will include two regional planners for two work-years each, a public administration/systems analyst for two-work years, and an expert in public enterprise management for one work-year.

1. Regional Planners

Two regional planners will be contracted to work with the development corporations in La Paz and Oruro (one in each location). They will provide services similar to those provided by the regional planners contracted under the Rural Development Planning Project. A primary objective will be to assist the corporations in improving their planning techniques and, based upon the improved planning, the identification of program priorities designed to achieve medium- to long-range objectives established by the plans.

The advisors will have advanced degrees in regional planning or a closely related field and will have a minimum of three to five years of experience in designing and implementing data gathering systems for regional planning. Fluency in Spanish will also be required.

Each advisor will be assigned to work with the planning and projects offices of the respective corporations and will provide assistance in the following areas:

- a. Preparation of guidelines and methodologies for the formulation of departmental plans;
- b. Development of a system for the identification, development, implementation and evaluation of projects;
- c. Improving methodologies for project identification and design;
- d. Identification of bottlenecks in project implementation and designing project monitoring system to reduce bottlenecks;
- e. Designing a system of quantitative and qualitative socio-economic indicators that will permit continual evaluation of departmental plans and projects; and
- f. Assisting in the preparation of the department annual operating plan.

Because the activities of these advisors correspond to those of the planners provided in the Rural Development Planning Project, general coordination meetings will be held to assure maximum impact of the overall effort to assist the development corporations improve their planning capabilities.

2. Public Administration Advisor

One advisor will be contracted to work with both the La Paz and Oruro corporations (CORDEPAZ and CORDEOR, respectively). Over the two-year period, it is expected that the advisor's time will be divided into six-month segments: six months initially in La Paz to review the overall administrative mechanism and make recommendations; six months in Oruro performing the same functions; six months back in La Paz to evaluate the progress of the corporation and make whatever additional recommendations are appropriate; and the final six months in Oruro in the same capacity.

The advisor will have an advanced degree in public administration, including some background in the financial management of public corporations. A minimum three to five years of experience will be required in working with public sector institutions in development countries. Experience in Latin America would be useful. Fluency in Spanish will be required.

The advisor will work primarily with the administrative offices in each corporation, providing assistance in the following areas:

- a. Analyzing prevailing internal project management systems and making recommendations to increase effective and efficient corporation administration;
- b. Reviewing and recommending changes in existing management reporting and communication systems;
- c. Analyzing the administrative organization and methods of the corporations and making suitable recommendations; and
- d. Reviewing the structure and functioning of the corporations' system of financial management (including budgeting) and recommending changes designed to improve the system.

3. Specialist in Public Enterprise Management

The need for this advisor has been particularly stressed by CORDEOR. As public sector institutions, the responsibility of the corporations often goes beyond investing in economic and social

development activities and includes the management of infrastructure provided through their investment activities. For example, in Oruro, a brick factory constructed by the corporation is also operated and managed by the corporation. Most other departments are subject to the same experience. In recognition of this situation, a number of corporations have established specific offices within their administrative structure which are responsible for the management of the corporation-owned enterprises. In addition to Oruro, the corporations in Santa Cruz, Pando and Beni have established this type of office within their administrative structure.

In Oruro, the problem faced by the corporation is one of lack of experience and knowledge in public enterprise management. In response to this problem identified by CORDEOR, the Project proposes to finance one year of technical services specifically to work with the public enterprise management office. Assistance will be provided in:

- a. Designing an appropriate administrative system for the efficient management of the corporation's enterprises;
- b. Developing guidance manuals for technical staff; and
- c. Developing improved techniques and methodologies for the administration/management of the corporation's enterprises.

One year of this assistance is expected to be sufficient to establish sound administrative practices within CORDEOR for the operations of its enterprises. Since a number of other corporations now include a similar administrative office, this advisor may be requested to make periodic visits to those corporations and provide similar assistance. In this regard, the manuals to be developed would be useful not only for CORDEOR but for other corporations as well.

ANNEX II
Exhibit C

DEMAND FOR PROJECT FUNDS

Summary Listing of Potential Subprojects

	<u>(\$000)</u>
I. Pando	
- Small-scale Agroindustry (primarily rubber and Brazil nut processing)	\$ 100
- Potable Water (rural areas)	189
- Potable Water (Cobija)	113
- Electrification (rural areas)	<u>50</u>
Sub-Total	\$ 452
II. Beni	
- Land Improvement	\$ 190
- Improved Vegetable Production	15
- Improved Rice Production/Dairy Feed	285
- San Carlitos Livestock Center	
- Pig Production	120
- Sheep Production	60
- Dairy Production	80
- Rice Silo	50
- Rural Electrification (18 projects)	<u>615</u>
Sub-Total	\$ 1,415
III. La Paz	
- Potato Silos (over 5 years)	\$ 1,000
- Cattle Improvement	135
- Apple Production	25
- Grape Production	150
- Poultry Production	50
- Coffee Production	50
- Reforestation	<u>100</u>
Sub-Total	\$ 1,510

IV. Oruro		
- Quinoa Production/Industrialization		\$ 100
- Dairy Cattle Improvement		200
- Small-scale Irrigation		100
- Reforestation		50
- Potable Water (rural areas)		75
- Electrification (rural areas)		<u>150</u>
	Sub-Total	\$ 675
V. Cochabamba		
- Tarhui Production		\$ 100
- Banana and Yuca Production/Industrialization		700
- Vegetable Drying Plant		635
- Piretro Production		100
- Small-scale Irrigation (6 sites)		1,000
- Reforestation		<u>500</u>
	Sub-Total	\$ 3,035
VI. Santa Cruz		
- Dairy Production		\$ 800
- Grain Dryer		500
- Area Specific Ag Development (Improve production of fruits, rice, coffee and cattle, over 6 year period)		2,400
- Potable Water (29 projects)		1,200
- Wells (30 projects)		255
- Electrification (19 projects)		<u>1,700</u>
	Sub-Total	\$ 6,855
VII. Chuquisaca		
- Improved Sheep Production		\$ 200
- Improved Poultry Production		100
- Fruit Production/Industrialization		500
- Apple Production		100
- Reforestation		<u>200</u>
	Sub-Total	\$ 1,100

VIII. Tarija

- Fruit Production	\$ 100
- Storage Facilities (2 corn silos)	400
- Land Improvement	470
- Irrigation Improvement	65
- Potable Water System	25
- Wells (10 projects)	85
	<hr/>

Sub-Total \$ 1,145

IX. Potosí

- Small-scale Irrigation	\$ 205
- Trout Production	100
- Sheep Improvement	35
- Fruit Production	50
- Reforestation	50
- Potable Water	500
- Electrification (4 projects)	150
	<hr/>

Sub-Total \$ 1,090

TOTAL DEMAND \$ 17,277

SAMPLE SUB-PROJECT ECONOMIC ANALYSIS

I. PRE-FEASIBILITY STUDY: VEGETABLE COLLECTION CENTER, VILOMA RIVER VALLEY, DEPARTMENT OF COCHABAMBA

A. Brief Project Description

The project will finance a marketing and collection center to improve the marketing of two principal cash crops -- carrots and onions -- grown in the micro-region of the Viloma River Valley, located in the Province of Quillacollo in the east-central portion of the Department of Cochabamba. Financing would be provided for the construction, equipping, maintenance and working capital for a center which would have an installed capacity of handling 32.9 metric tons of produce a day (11.6 MT carrots, 21.3 MT onions). The following processes are incorporated into plant design:

- reception of produce
- preliminary cleaning and sorting
- washing
- sorting and classifying
- uniform packaging for market
- weighing
- shipment of produce to market

The center is designed to work at approximately 20 per cent of installed capacity during the first year of operations; 50 per cent during the second year; and 90 per cent at year three. At this point it would be capable of handling the entire marketable production of the micro-region, as well as some of the surplus production from neighboring areas.

Total project costs are estimated at \$b 5,206,304 (US\$260,315), of which \$b 3,109,271 (60%) correspond to fixed assets and \$b 2,097,033 (40%) to working capital.

B. Project Purpose and Rationale

The purpose is to decrease small farmers' dependence on commercial intermediaries for the sale of their produce, as well as to favor consumers by offering a higher quality product at a lower cost.

Carrots and onions are the micro-region's principal cash crops; other major crops, such as corn, potatoes and grains are grown principally for home consumption, whereas 97 per cent of carrots and 97 per cent of the onions produced in the micro-region are destined for market.

The following table shows actual production data for carrots and onions (based on 1978 data) as well as anticipated production for the year 1983 -- a low estimate based on current irrigation practices and a high estimate which considers increased production from planned investment in irrigation. Marketable surplus is also estimated.

PRESENT AND PROJECTED PRODUCTION OF
 CARROTS AND ONIONS: VILOMA RIVER VALLEY
 (Figures in Metric Tons)

	<u>Carrots</u>	<u>Onions</u>
1. 1978 Production	1,363	2,183
--Marketable Surplus	1,186	2,118
2. 1983 Production (Without Irrigation)	1,563	2,614
--Marketable Surplus	1,360	2,536
3. 1983 Production (With New Irrigation)	2,748	5,089
--Marketable Surplus	2,391	4,937

At the present time, area producers receive \$b 1.71/kg for carrots and \$b 1.89/kg for onions; intermediaries then sell to wholesalers and retailers in Cochabamba, La Paz, Oruro and Santa Cruz. Average prices for carrots in these markets range from a low of \$b 1.50/kg in Cochabamba to a high of \$b 7.00 in Santa Cruz, representing marketing margins of up to 76 per cent. In the case of onions, the market range is from \$b 4.80 to \$b 6, representing marketing margins of up to 69 per cent.

When the marketing and collection center is in operation, it is expected that producers will receive \$b 2.00/kg for carrots (in constant terms) and \$b 2.70/kg for onions. Table II.D.1 uses projected production figures for 1983, both without and with improvements in irrigation, and shows the incremental value which will accrue to producers as a result of the project.

Total incremental value is approximately 35 per cent at the level of the producer, utilizing services of the marketing center. This would imply not only increased family incomes, but also an incentive to increase productivity.

Table II - D - 1

INCREMENTAL VALUE OF PRODUCTION WITH MARKETING AND COLLECTION CENTER: 1983

	C a r r o t s				O n i o n s			
	Marketable Surplus (MT)	Value of Production Without Center (\$b)	Value of Production With Center (\$b)	Incremental Value to Farmers (\$b)	Marketable Surplus (MT)	Value of Production Without Center (\$b)	Value of Production With Center (\$b)	Incremental Value to Farmers (\$b)
Without irrigation improvement	1,360	2,325,000	2,720,000	395,000	2,536	4,793,000	6,847,000	2,054,000
With irrigation improvement	2,391	4,088,000	4,782,000	694,000	4,937	9,330,000	13,329,000	3,999,000

Total Incremental Value to Region Without Irrigation: \$b 2,449,000 (34%)
 Total Incremental Value to Region With Irrigation: \$b 4,693,000 (35%)

\$b 20 = US\$ 1

C. Project Beneficiaries

The micro-region contains 14 communities, with a total of 867 families (or approximately 4,335 individuals); by the year 1983, assuming a 1.53 per cent increase as measured in the latest population census, the population will be 5582.

Economic activity is almost exclusively small agriculture. Of a total land extension of 2598 hectares, 1955 are in crop production and 324 hectares in pasture land. Total land under production per family averages 2.6 hectares.

In addition, up to 200 small-farm families in neighboring areas will benefit through the utilization of the marketing center. A total of approximately 6,500 individuals will thus benefit as a result of the project.

D. Financial Analysis

In order to determine the financial feasibility of the marketing and collection center, the following factors were considered:

1. Annual Operating Costs
 - a. Purchase of marketable surplus from farmers
 - b. Packaging
 - c. Salaries of administrative and labor force
 - d. Transportation costs
 - e. Energy requirements
 - f. Maintenance and repairs
 - g. Depreciation and amortization of fixed assets
 - h. General administrative costs
 - i. Sales costs
 - j. Sales commissions
2. Fixed Assets
 - a. Value of Land
 - b. Civil Works
 - c. Equipment
 - d. Office supplies and furniture
3. Projected Income from Sales

Using the above factors, a cash flow projection was constructed for a ten-year period (see Table II-D-2). Year A corresponds to the year prior to the construction, and expenditures are for final feasibility studies. Year 0 is the year of actual construction, and the

center will begin operations in year 1. During the first two years of operation, the center will show net losses, but once the center reaches 90 per cent of installed capacity, in year 3 of its operations the cash flow becomes positive.

Table II-D-2 indicates an Internal Rate of Return of 16.95 per cent, with a benefit/cost ratio of 1.16 and a net present value of \$b 461,000 at a 15 per cent discount rate. Given the current commercial bank system interest rates of 12 per cent, the investment is financially feasible.

In order to determine the project's ability to withstand unforeseen market variations, sensitivity analysis was performed, changing key variables:

- With a 10 per cent increase in prices to farmers, cash flow is negative; the same is true with a 10 per cent reduction in prices to consumers.

- With a 10 per cent decrease in prices to farmers, the IRR is raised to 46.9 per cent.

E. Economic Analysis

To determine the economic benefits of the project, the benefits to the producers and consumers were added to the net financial cash flow (line 5.4 of Table II-D-2). These benefits include:

- The increased income to farmers as a result of lowering of intermediaries' margins.

- An estimated 10 per cent reduction in the price of carrots and onions to the final consumer as a result of direct sales by the marketing center.

Table II-D-3 shows the modified cash flow, including social benefits, over a ten-year period, and indicates an internal economic rate of return of 79.3 per cent.

F. Expected Impact of Project

The project will have the following impacts on the economy of the micro-region:

- Farmers will have a higher degree of security in the sale of their production.

- Farmers will receive a higher value added for their production.
- Farmers will have incentives to increase productivity.
- Consumers will receive a higher quality product for less money.
- Less spoilage during the marketing process will result in increased food supply in local markets.
- Possible industrialization of by-products in future.

G. Conclusions

The proposed project has a high beneficial on target group farmers, will provide incentives to increase production as well as improve family income positions, and is both financially and economically feasible.

Table II-D-3

ECONOMIC CASH FLOW

	YEAR											
	-1	0	1	2	3	4	5	6	7	8	9	10
1. Net Cash Flow	(408)	(2.478)	(1.464)	(405)	591	1.470	1.132	1.470	1.470	968	1.470	5.140
2. Benefits to Producer			521	1.303	2.345	2.345	2.345	2.345	2.345	2.345	2.345	2.345
3. Benefits to Consumer			797	1.994	3.556	3.556	3.556	3.556	3.556	3.556	3.556	3.556
4. Net Social Cash Flow	(408)	(2.478)	(146)	2.892	6.492	5.261	7.033	7.371	7.371	6.869	7.371	11.050
5. Net Present Value												
5.1 At 75%												
5.1.1 Discount Factor	1.75	1	0.5714	0.3265	0.1866	0.1066	0.0609	0.0348	0.0198	0.0113	0.0065	0.0037
5.1.2 Present Value	(714)	(2.478)	(83)	944	1.211	561	428	256	146	78	48	41
5.1.3 Net Present Value	438											
5.2 At 80%												
5.2.1 Discount Factor	1.80	1	0.5555	0.3086	0.1715	0.0952	0.0529	0.0294	0.0163	0.0090	0.005	0.0028
5.2.2 Present Value	(864)	(2.478)	(81)	893	1,113	500	372	217	120	62	37	31
5.2.3 Net Present Value	-78											

IRR = 79.3%

II. FEASIBILITY STUDY: SHEEP IMPROVEMENT AND PRODUCTION CENTER,
"CORRALON MAYU," PROVINCE OF AZURDUY, DEPARTMENT OF CHUQUISACA

A. Brief Project Description

The project consists of one principal activity, increasing and improving the production of sheep within the zone of influence of the center, and two complementary activities: pasture improvement and the introduction of new technologies in the processing and marketing of wool. The project is being considered by the GOB as a pilot project for possible replication in up to six other areas of the Bolivian highlands.

1. Center Activity

The project will finance infrastructure and equipment to install a model sheep raising facility in a highland area of the province. In addition, the project contemplates importing 2,500 pedigreed lambs and 83 sheep, of high genetic quality, and over the life of the project maintaining a constant population of 4,500 lambs and 150 sheep. The center will conduct experiments in high altitude genetic improvement of local stocks, improved feeding methods and pasture control. In addition, it will establish strict veterinary controls over stocks in the area and instruct campesino families in new methods of stock selection, breeding and pasture and health control. The goal of the center will be the production, for sale to small farmers in the area, of 1,500 pure-bred genetically improved lambs per year, and 1,100 sheep. Prices will be lower than market prices in order to facilitate their purchase by low-income families.

In addition, the center will produce an estimated 160 tons of high-grade wool fiber per year; this will be sold to support the operations of the center.

2. Pasture Improvement

Complementary to the principal activities of the center is a program to improve pastures in the area. Three activities are planned:

a. Construction of protective fencing on small parcels, to develop high-resistance/high-nutritive value native pastures.

b. Collecting of natural pastures from valley areas to test their resistance on hillsides, which have experienced severe erosion due to over-cultivation.

c. Introduction of improved pastures, both from other areas within Bolivia as well as other countries.

3. Wool Processing and Marketing

A second complementary program involves research on improving techniques in cleaning, classification and marketing of wool. Technical advisors working at the center will give assistance to farmer organization in the area.

Total project costs are estimated at \$b 12,097,106 (US\$ 604,855); of this \$b 10,293,995 (92%) will be used for financing fixed assets and \$b 1,803,111 for working capital. Investment is scheduled to take place over a two-year period.

B. Project Purpose and Rationale

The purpose of the project is to increase and improve upon the production of sheep, both for meat and wool purposes, in the area circumscribed by the Province of Azurduy. At present, an estimated 5,400 small farm families are raising approximately 44,900 sheep in order to supplement their incomes from crop production and provide a protein supplement to their diet.

Typically sheep in the area are currently grazed on natural pastures, with little or no control against disease. Given the depleted nature of the pastures, combined with a high incidence of disease and a progressive lowering of genetic qualities as a result of in-breeding, productivity is extremely low. The following characteristics are prevalent in the area:

- The majority of stocks are "raza criolla," the result of a progressive degeneration of two Iberian races imported into Bolivia some two centuries ago.
- Weight is generally well below national averages; average weight in the area is seven to eleven kilos of meat, barley enough to meet home consumption needs.
- The "spinning count" which measures fiber fineness is considerably below acceptable norms, ranging between 44s and 46s whereas normal fineness for processing should be between 54s and 56s.
- Approximately one and one half pounds of wool per year per adult animal is normal in the area, compared to a national average of between four and six.
- Incidence of parasites and infectuous diseases is extremely high.
- Selective breeding is not practiced.

- Marketing is carried out sporadically when the family needs ready cash instead of on a basis to control herd population; sheep have been likened to a "savings account" in the area.

- Cultural practices inhibit modern corral techniques, hygienic control weaning at appropriate ages, etc. -- all of which contribute to low productivity.

The project will attempt to rationalize and modernize sheep production in an effort to increase productivity and raise family protein and income intakes. Specific objectives include:

- Promotion of sheep production in high altitude zones.
- Improvement of yields and quality of wool through the introduction of new breeds.
- Improved genetic quality through cross-breeding of "criolla" stock with imported breeds.
- Increased family incomes through efficient and planned production.

It is expected that up to 5,000 small farm families will benefit from the program (25,000 individuals).

C. Project Beneficiaries

The total population of the province of Azurduy in 1979 is estimated at 30,400 inhabitants, comprising an estimated 6,080 families. The area is almost exclusively dedicated to small farm agriculture, with principal production in corn, potatoes, grains and tubers -- and an estimated 70 - 80% of production is destined for home consumption.

The majority of farmers also raise small livestock to supplement family diets and income. In the case of sheep, this is carried out on a very small scale; whereas the national average of sheep per farm family is about 25, it is less than ten in the Azurduy area. This reflects two basic area-wide conditions: (1) the relative poverty of the area in comparison to other agricultural areas in the country; and (2) the low quality of pasture land, which, due to over-grazing and poor range management, can support a declining number of animals per year.

"Minifundismo" characterizes the majority of farm areas, with family farms averaging less than five hectares, of which frequently only one or two are appropriate for crop cultivation. Most

of the land is rain fed, and cultural practices with regard to crop cultivation are relatively primitive, i.e., less than adequate application of fertilizers and pesticides, low incidence of crop rotation, etc.

D. Financial Analysis

Both investment costs and working capital requirements have been fully justified in the feasibility study, and projections of yearly income from the sale of lambs and sheep to farm families and wool and manure on local markets are based on low estimates, so any error in cash flow projections are likely to be on the low side.

Financial analysis has used a fifteen year time horizon to calculate financial feasibility. Table II-D-4 gives a projected profit and loss balance sheet, based on annual expenditures and income. Table II-D-5 demonstrates the net cash flow including investment costs. Based on this cash flow, the following financial information was obtained:

- Internal Rate of Return (IRR): 18.9%
- Benefit/Cost ratio (at 12%) : 1.27:1
- Net Present Value (at 12%) : \$b 5,168,977

In order to test financial feasibility under varying conditions, sensitivity analysis was performed on critical variables, with the following results:

- 10% reduction in income led to an IRR of 15.7%
- 10% increase in income led to an IRR of 21.8%
- 10% increase in costs led to an IRR of 15.9%

E. Economic Analysis

The feasibility did not attempt to calculate the social benefits resulting to small farmers as a result of improved incomes, stating that "given the complexity inherent in the process of social evaluation and the scarcity of information, i.e., the MPC does not possess information on shadow values and prices of productive factors at regional levels" such a calculation would be fruitless.

Given the positive financial IRRs, however, and assuming that even as few as 10 per cent of area farmers currently raising sheep actively participate in the project, buying the new genetically superior breed and thereby upgrading their own stocks, it is obvious that the project would have a positive economic impact and could be justified on societal terms.

In addition to the positive impact on target group small farmers, the project will have the following economic impact:

- Increase in food production, thereby impacting positively both on nutritional levels in the target area as well as on overall GOB balance of payments.

- Increased sale of wool fiber will have a positive impact on generation of foreign exchange.

F. Conclusions

The proposed project impacts favorably upon production levels in a marginal agricultural area, will have a positive income and consumption impact on the rural poor, and is financially and economically feasible.

Table II-D-4
PROJECTED PROFIT AND LOSS STATEMENT
(In \$b 000)

	YEAR															
	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Costs																
Salaries	207,432	674,928	674,928	674,928	674,928	674,928	674,928	674,928	674,928	674,928	674,928	674,928	674,928	674,928	674,928	674,928
Feed Program		249,681	213,634	277,798	337,248	383,667	415,011	353,254	396,442	396,442	596,442	596,442	596,442	596,442	596,442	596,442
Veterinary Medicine		61,811	60,661	83,564	95,449	107,658	115,188	101,145	110,856	110,856	110,856	110,856	110,856	110,856	110,856	110,856
Crops (Pasture)	71,520	97,675	127,620	127,620	44,070	11,400	11,400	11,400	11,400	11,400	11,400	11,400	11,400	11,400	11,400	11,400
Maintenance	7,204	39,586	39,586	39,586	39,586	39,586	39,586	39,586	39,586	39,586	39,586	39,586	39,586	39,586	39,586	39,586
Other Costs	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000
Contingencies	5,126	22,014	22,046	25,986	25,363	26,686	28,629	24,835	27,485	27,485	27,485	27,485	27,485	27,485	27,485	27,485
Total Cost	322,282	1,176,695	1,177,475	1,260,482	1,247,584	1,274,925	1,315,742	1,236,048	1,291,697							
Income																
Sale of Sheep (Pedigreed)			996,000	996,000	1,266,000	1,542,000	1,759,200	1,905,600	1,650,000	1,818,000	1,818,000	1,818,000	1,818,000	1,818,000	1,818,000	1,818,000
Sale of Lambs (Pedigreed)		142,500	117,000	364,500	597,000	777,750	900,000	659,250	827,250	827,250	827,250	827,250	827,250	827,250	827,250	927,250
Sheep (Discards)			3,200	4,000	8,000	12,800	41,600	8,800	21,600	21,600	21,600	21,600	21,600	21,600	21,600	21,600
Lambs (Discards)			84,700	109,200	200,900	312,900	1,070,300	223,300	567,000	567,000	567,000	567,000	567,000	567,000	567,000	567,000
Castrated rams			207,750	201,000	264,000	321,000	366,750	396,750	336,750	378,750	378,750	378,750	378,750	378,750	378,750	378,750
Wool		369,920	425,440	531,840	652,280	748,760	816,240	720,800	774,920	788,360	788,360	788,360	788,360	788,360	788,360	788,360
Manure		262,000	353,800	430,400	501,200	556,400	497,200	520,000	571,400	571,400	571,400	571,400	571,400	571,400	571,400	571,400
Total Income	631,920	2,213,390	2,359,440	3,256,880	4,090,860	5,429,040	4,675,250	4,580,920	4,972,360							
Gross Profits	-322,282	-544,775	1,035,915	1,098,958	2,009,296	2,815,935	4,113,298	3,439,202	3,289,223	3,680,663						

Note: Depreciation not considered

Table II-D-5

FINANCIAL RATE OF RETURN

Year	Investment	Costs	Income	Cash Flow
0	4,200,464	322,282		- 4,522,746
1	6,093,531	1,176,695	631,920	- 6,638,306
2		1,177,475	2,213,390	1,035,915
3		1,260,482	2,359,440	1,098,958
4		1,247,584	3,256,880	2,009,296
5	665,000	1,274,925	4,090,860	2,150,936
6		1,315,742	5,429,040	4,113,298
7		1,236,048	4,675,250	3,439,202
8		1,291,697	4,580,920	3,289,223
9		1,291,697	4,972,360	3,680,663
10	742,600	1,291,697	4,972,360	2,938,063
11		1,291,697	4,972,360	3,680,663
12		1,291,697	4,972,360	3,680,663
13		1,291,697	4,972,360	3,680,663
14		1,291,697	4,972,360	3,680,663
15		1,291,697	4,972,360	3,680,663

IRR = 18.93%

NPV = (12%) 5,168,977.8

B/C = 1.27

SOCIAL ANALYSIS

1. Introduction

The range of diversity found among the country's poor (ethnicity, language, ecological niche, and locale-rural vs. urban) and the wide geographic scope of this project makes it difficult to draw meaningful generalizations. Major groups which will be the beneficiaries of goods and services provided by this project include: (1) indigenous peasant communities; (2) Spanish speaking mestizo small farmer settlements; and (3) urban poor. Although there are some characteristics and conditions which these beneficiaries share, there are also significant socio-cultural differences which require specific treatments to address critical needs and achieve participation in the development process. Indigenous communities are concentrated in the altiplano region of Bolivia encompassing the Department of Oruro and portions of La Paz, northern Potosí, and the Cochabamba and Sucre valleys. Mestizo villages tend to predominate in the lower valleys - southern Potosí, Chuquisaca, Tarija, and Sucre - and in the tropical lowlands - the Beni, Pando, and Santa Cruz. The landless are scattered throughout all departments while the urban poor are found only in the departmental capitals.

2. Beneficiaries

A. Indigenous Communities

Among the target groups, the indigenous peasant communities are the least assimilated into the cultural mainstream of Bolivia and therefore may require the most forceful effort on the part of the DDC's to achieve participation and transfer of benefits. These are communities formed among peones on the haciendas which existed prior to the 1952 revolution as well as freehold communities which were never a part of the hacienda system. For historical and cultural reasons they have been relegated to the bottom most level of the Bolivian social pyramid: such communities are made up of only one ethnic group - native Quechua or Aymara speakers as the case might be, although there is some facility with Spanish, and are normally below the canton administrative level.

1) Social Organization

Within these communities, there are a number of cohesive factors at both the family and village level, which can and should be utilized to achieve community participation in the choice and design as well as implementation and maintenance of development activities.

The most basic social and economic unit is the extended domestic household. Normally it is made up of parents, children and spouses and grandchildren if married. The determining factor in both the composition and number of people of a household is the quantity and quality of land over which it has effective control. Individual households are linked to each other by marriage and compadrazgo (ritual co-parenthood). These bonds in turn serve as the basis of the ayni practice-reciprocal work exchanges among related households during periods of peak activity (planting and harvesting and animal tending), as well as loans of food and other essentials when circumstances dictate.

At the community level unifying factors include language (Quechua or Aymara) and ethnicity (indian) which assume greater importance because of the minority status of each and the history of subservience under the latifundio system. Also, although not universal, there are communal work groups (minka) to which all households are expected to contribute labor service - the threat of criticism in small face-to-face communities inhibits malingering. In addition, most communities have communal pasture land to which all households have use rights.

The system of community leadership exhibits considerable variation. In free-hold communities which were not affected by the hacienda system nor the land reform the traditional, the informal socio-political fiesta system prevails. In communities which were a part of the land reform, the sindicato dominates. In some communities the leadership system is a combination of the two - the determining factors in any particular settlement being the degree to which a particular landlord permitted the development of the fiesta system and the level of impact of the land reform.

According to the fiesta mechanism, adult men of the community pass through a series of ranked offices. Attached to each office is an increased status level and a local fiesta, the scale and cost of which are commensurate to the office and which must be financed by the incumbent. All offices are voluntary, held for one year, and there is no right of succession. A man with sufficient ambition and resources (cash outlays for fiestas can become significant) continues through the system until he reaches the office of chief (caraca or jilakata) after which he becomes a respected elder and is consulted on every important community level activity.

Within the system, the decision-making process is collegial. All major office holders, the respected elders, and in some cases all of the adult males, have a voice in deciding important matters. Even though the caraca or jilakata is the local leader for his term of office, and the official representative in matters with the outside world, he is in effect the first among

equals. He does not make unilateral decisions and his performance is subject to the scrutiny of fellow villagers.

The sindicato is a product of the agrarian reform created to lobby for land expropriation. In communities where it has persisted sindicato officials are either selected by the community members (adoption of the cargo system) or appointed by national level representatives. The number of officers varies with the size of the community, but there is one office holder for every major function - education, health, control of communal pasture, etc. The leader holds the office of Secretary General and like the caraca or jilakata has responsibility for dealing representatives from outside of the community. Such representatives are the corregidor - an administrative official appointed by the national government - rural school teachers and health workers. As will be discussed below the latter two categories of people, representing formal institutions, could serve a critical promoters role.

2) Economic Activity

For virtually all families agriculture is the major economic activity. The individual household, in addition to being the primary social segment, is also the basic economic unit. Division of labor follows sex and age lines. Men perform the more physically demanding agricultural tasks, while women undertake the lighter field activities, tend the animals (especially in the altiplano where herd type animals such as llama, alpaca, and sheep are an important part of household income) perform some marketing and cottage industry functions, in addition to a full complement of domestic chores. Children contribute in accordance with their sex, age, and physical capabilities.

The size of farms are universally small. For example the average size of a peasant holding is 2.5 hectares, while in the higher valleys of Cochabamba few farmers have more than 2 hectares. Moreover, not all available hectareage is utilized. Land left fallow plus that which is not usable for natural impediments reduces considerably the amount of land under cultivation at any one time.

The primary orientation of produce is toward meeting subsistence requirements. In Potosí an average of 57 percent of farm production is consumed directly by the household and an additional 20 percent is reserved for seeds and animal feed. While precise data are not available for La Paz and Oruro and the higher valleys the situation is generally considered to be similar.

Crop mixes consist of grains and tubers with some variation caused by ecological conditions. On the Altiplano quinoa and potatoes predominate, while in the higher valleys the principal

crops are corn and potatoes combined with some barley and wheat. Farmers located in less hospitable environments (the wide majority of indigenous farmers are in such locations) and situated away from trunk marketing roads tend to use the basic grain/tuber mixes. Those living in more favorable environments and who are closer to markets have crop mixes which include fruits and vegetables as well as grains and tubers.

Like the crop mix, the work cycle is in large part determined by the environment. There are two periods of peak activity. First, the months of September thru November which are taken up in land preparation and planting in coincidence with the onset of the rainy season. The second, is the harvest season which begins in April and continues into June. The intervening period between planting and harvesting is spent in field maintenance, animal tending, household repairs and cottage industry activities. The same applies for the segment between June thru August with the added activity of migration for casual day labor work in the sugar fields in Santa Cruz and Argentina.

Off-farm and non-farm employment is a significant complementary activity. As noted above the principal source of off-farm employment is day laboring on sugar plantations. In addition to field laboring, most households are engaged in some sort of cottage industry and/or processing of animal by-products. The cottage industry spans a range of activities from semi-skilled artisanry to handicraft production for both subsistence and market ends. Although exact figures concerning levels of participation and earnings derived from such activities are not available, it is believed generally that they add considerably to net farm household income.

3) Quality of Life Indicators

Like economic activity, indicators of general quality of life (illiteracy, educational attainment, health status) also reflect substandard conditions among indigenous small farmers. For the country the illiteracy rate is calculated at 60 percent. In the countryside the provision of educational services has lagged far behind similar services in urban areas. In addition the rural social environment has placed less emphasis on reading and writing skills. Illiteracy rates are highest in areas with high concentrations of indigenous population. Of the five departments with the highest illiteracy rates three, Potosí, La Paz, and Cochabamba have large indian segments. In these areas, lack of facilities and low priority ranking have combined with language and ethnic barriers to make formal training difficult to secure.

With respect to health, the sub-par status is a consequence of three factors: (1) poor nutrition; (2) inadequate environmental sanitation; and (3) deficient health services. The indian campesino diet is closely related to the subsistence orientation of farming, that is, they eat what they produce. Consequently, the diet is heavily unbalanced with carbohydrates (grains and tubers) while severely lacking in animal protein and other essential elements. Sanitation conditions are marked by the absence of privies and potable water systems. Prevalent diseases include scabies (perhaps 50 percent of the indigenous campesino population), intestinal parasites, and respiratory ailments.

The incidence and persistence of disease is in part attributable to deficient health services. In the countryside adequate facilities and trained personnel are exceptions. In addition, physical isolation and cultural dissonance inhibit indians from using urban/rural town health installations.

B. Mestizo Small Farmers

1) Social Organization

With rare exceptions the cohesive factors present in indigenous communities is reduced considerably in mestizo settlements. At the family level the extended household is the primary social unit, but interfamilial kinship bonds are less influential. Reciprocal work exchanges do not exist and all additional field work requirements are met through hired labor.

At the community level, responsibility for social control is assumed by the corregidor. Rarely are corregidores residents of the villages. Leadership within the community is provided on an adhoc basis. Organization tends to be task or interest group specific - a committee is selected to manage discreet activities (school building, road construction etc.) as they arise. The committee exists for the duration of the project. Positions are voluntary, but the weight of public opinion makes refusal difficult. As with indian villages, influential people, in regard to planting ideas of change and serving as brokers between the residents and the outside world are clergymen, school teachers and the like who may reside in the community.

2) Economic Activity

The economic activity of mestizo farmers is similar to that of their indigenous counterparts. They combine crop production and animal raising with off-farm (day-laboring) and non-farm (cottage industry) pursuits to gain a livelihood. In general

farm sizes of mestizos are larger than indians, and their level of market participation tend to be higher - all of which suggests closer assimilation to the market economy of contemporary society. However, advances are slight as most mestizo small farmers are extremely poor. Per capita incomes for small farmer families in Chuquisaca and Tarija are \$207 and \$232 respectively while ranging to \$400 in Pando and \$450 in the Beni.

Although larger than indigenous holdings, mestizo farms are small. The average size of farms in Chuquisaca is 6.34 hectares while in Tarija it is 4.75 hectares. In Pando, Beni, and the colonization areas of Santa Cruz although holdings are relatively extensive, ranging up to 50 hectares, tropical jungle growth and lack of infrastructure limits cultivable portions to 3 hectares or less.

Among mestizos there is greater commercialization of produce, although the portion kept for household consumption is still significant, and in the tropical areas production for subsistence is the major orientation. In Chuquisaca, over 50 percent of small farmer produce is sold, while in Tarija the average proportion reaching the market is 42 percent.

In the lower valleys the work cycle is marked by the same peaks and troughs of activities as described above. A notable exception is Tarija where the period of land preparation and planting occurs later in the year (November - January) as does the harvest period (May - June).

3) Quality of Life Indicators

The education and health status of mestizo small farmers is generally poor, showing only a slight improvement over indian campesinos. For example, available data indicate that 40 percent of small farmers in Chuquisaca and 60 percent in Tarija have completed three years of schooling, while only 13 percent and 7 percent have advanced beyond the third grade. Moreover, illiteracy rates among small farmers in the two departments are estimated to be 30 and 26 respectively, placing them among the top five departments in the country.

Health conditions are marked by the same poor diet, lack of environmental sanitation, and deficiency in health facilities as found among indigenous peasants. The lack of health facilities and trained personnel is particularly critical in the colonizational

areas in the tropical lowlands. In general mestizos are less reticent (absence of cultural barriers) to make use of urban/rural town health facilities, but many do face similar problems of physical isolation and access.

C. Urban Poor

Recent (1976) Bolivian census results reveal an annual countrywide population growth rate of 2.11 percent. Disaggregated by ecological/geographic regions the data note more rapid growth in the tropical lowland while showing only modest increases in the high valley and altiplano zones. The tropical departments of Santa Cruz, Beni, and Pando have growth rates of 4.21 percent, 3.33 percent, and 2.92 percent respectively; the highland departments of Potosí, Chuquisaca, Oruro, and Cochabamba all have increases of less than 2 percent. This suggests a highland to lowland migration trend triggered by the availability of land in the tropical areas.

A second major demographic trend is rural to urban migration. Census data indicate that in 1970 the urban population was 36.8 percent of the total population. Projections for 1979 indicate that 42 percent of the population will live in urban areas. Again the moving forces behind this trend are scarcity of land in the highland hinterlands, and the promise of increase economic and social opportunity in the cities and rural towns. For the most part the migrants are campesinos and upon arriving in the cities are forming the urban poor.

1) Social Organizations

Of the three beneficiary groups, the rural town poor have the least cohesive social organization. In this context rural towns refer to towns of approximately 10,000 people or less at the province administrative level. Distinctive features of these towns are that they are made up of multiple ethnic groups (mestizo, indian), are stratified into defined classes, and are guided administratively by appointed government officials. In addition they have some services and institutions - health clinics, churches, nuclear schools, transportation facilities - not normally found in more remote communities. The poor in these towns are lower echelon mestizos and indian peasants who have immigrated from the hinterland. For the majority, the recent immigrants, the social ties of the countryside are weakening while new alliances in the cities have yet to coalesce. Although there are both real and fictional kinship bonds the nuclear family assumes greater importance as the primary social

unit. Beyond the family organizational mechanisms center on special interest groups - neighborhood or block groups, recreational clubs, and school or church related organizations. Although they do have a certain "common purpose" aspect about them, they do not command the same degree of allegiance from the members as do the organizational mechanisms in the rural sector.

2) Economics

Although concrete data are not available, it is generally believed that the economic condition of the rural town poor, is only marginally better than that of their rural counterparts. For the recent migrants, little formal training and an agricultural background place severe limits on employment opportunities in the town setting. A fortunate number find work as laborers in the construction or service industries which provides steady employment at a level above subsistence. For most, however, occupational niches are limited to other menial tasks (porter, public sector maintenance worker, janitors, street hawkers etc.) which offer little financial return and stability.

3) Quality of Life Indicators

In general, town poor have a comparative advantage over rural dwellers in terms of quality of life factors. Basically this advantage is a function of increased access, both cultural and physical, to social services - principally schools and health facilities. However, it must be noted that the physical conditions under which they live are far from acceptable. For the most part they locate in slum or shanty town areas at the periphery of the cities. Housing is inadequate, marked by temporary constructions which often become permanent for lack of financing, and overcrowding. Yet perhaps the most severe problems are related to sanitation. Neighborhoods with piped in-house water systems are the exceptions not the rule. Community public faucets are available but overcrowding and poor maintenance jeopardizes the potability of the water they provide. Latrines do exist but again overcrowding and maintenance tend to turn them into health hazards rather than safeguards.

SUBPROJECT SOCIAL ANALYSIS GUIDELINES

I. Introduction

These guidelines will provide the basis for determining the social feasibility of subprojects. The analyses will include: (1) a socioeconomic profile of the beneficiaries; (2) identification of the needs and priorities of the beneficiaries; (3) identification of potential social and/or cultural constraints to subproject implementation; and (4) strategies to deal with the constraints and suggestions on tailoring the design of the subproject to fit as closely as possible into the cultural system of the beneficiaries. Not all of the items in the guidelines which follow need to be addressed for every subject. The guidelines are structured in such a way as to be flexible for different types of target communities and kinds of sub-projects. Therefore, the emphasis must be on selectivity of items to be included in an analysis.

II. Socioeconomic Profile

A. Ethnicity

1. Indigenous
2. Cholo
3. Mestizo

B. Social Institutions

Identification and functional analysis of formal and informal institutions at the local level which could be utilized to enhance participation.

1. Basic Socioeconomic Unit

- a. Composition - how many people, what categories?
- b. Division of labor within unit - Who is responsible for what and at whom should a particular type of subproject be directed?
- c. Decision-making process within the unit - especially concerning innovation and the allocation of resources.

2. Community Level Institutions

Which of the following exist in a community and could be used to express needs and organize participation.

a. Informal

- Local leadership systems (jilakata), ad hoc committees.
- Work or interest groups - ayni, minka, neighborhood associations.

b. Formal

- Leadership - sindicatos, corregidores.
- Work or interest groups - coops, grower/producer associations, schools, church.

C. Production System

1. Agriculture

- a. Holding size
- b. Tenure arrangement - privately owned, private + communal, share cropping, renting.
- c. Inheritance
- d. Principal crops and/or animals and work cycle.
- e. Orientation of produce - subsistence vs. market.
- f. Technology
- g. Major problems in farm production system.
- h. Expressed interest and needs of beneficiaries concerning farm production technologies.
- i. Risk - behavior.

2. Non-Agriculture

a. Cottage industry

- Types
- Technology used
- Preferred organizational arrangement
- Principal problems

b. Agroindustry

- Sophistication level - i.e., capacity to organize and manage
- Work cycle and availability of labor supply
- Preferred organizational arrangement

D. Health/Environmental Sanitation

1. Sources of drinking and cooking water - sanitary?
2. In-house water storage practices - sanitary?
3. Practices related to disposition of excreta.
4. Beliefs concerning illness and good health.
5. Laundering and animal watering practices.
6. Priority ranking assigned to environmental sanitation.
7. Community contribution - labor and/or finance.

E. Electrification

1. Current sources of heat and lighting.
2. Approximate cost of heat and light.
3. Affordability of electricity.
4. Preferred payment schedule.
5. Potential productive uses of electricity.
6. Priority ranking assigned to electricity.
7. Community contribution - labor and/or finances

III. Tailoring Strategies

There is no set formula for predicting potential constraints beforehand. Usually they are specific to the community and the type of project being considered. If, however, in the design, sub-projects are tailored to mesh to the extent possible with the local cultural system then constraints will be kept to a minimum. The following are a few illustrative examples of the kinds of tailoring that should be done.

Examples

1. Cultural variable - indigenous ethnicity and language
Tailoring strategies - (1) technicians with facility in indigenous language.
(2) repeated, extensive contact to reduce suspicion.
2. Cultural variable - village leadership system - (jilakata)
Tailoring strategies - (1) consultation with jilakata to enter community.
(2) use of jilakata as a responsibility party for community.
(3) use of jilakata as source of articulation for community interests.
(4) use of jilakata to organize community participation.
3. Cultural variable - preference for independent household activity in economic matters
Tailoring strategies - (1) avoid joint production and marketing mechanisms.
(2) use, as organizational mechanism, "loose" coop or association through which services are provided to farmer and he is paid at time of turning over produce.
4. Cultural variable - household division of labor which has women principally responsible for animal caring
Tailoring strategies - (1) directing animal raising improvement or innovation projects principally at women.
(2) use of qualified women technicians.

5. Cultural variable - mini-max risk management behavior

Tailoring strategies - (1) sensitivity toward tenuous economic position of former and resultant behavior of reluctance to replace procedures for something which to him is an unknown.

(2) repeated successful demonstrations.

ANNEX III

MANUAL OF PROCEDURES

DDC PROCUREMENT SYSTEM

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- I GENERAL STANDARDS
- II OBJECTIVES OF THE SYSTEM
- III SCOPE OF THE SYSTEM
- IV AREAS AFFECTED
- V GENERAL CONSIDERATIONS
- VI DESCRIPTION OF THE PROCEDURE
 - a) Accounting request
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 - c) Kardex by supplier
 - d) Quotations
 - e) Awarding sheet
 - f) Purchase order

I. GENERAL STANDARDS

1. The unit will take charge of all requests for materials, stationery, equipment and other items requested by the four Corporation Directorates and other support and advisory units.
2. An adequate purchase programming will be prepared each quarter, based on the requests, calculation of inventory rotation and availability of funds so as to keep in stock a sufficient volume of items to meet the demand from the Directorates and other units.
3. A "List of Suppliers" will be prepared based on local market surveys, in order to have at hand this list of suppliers including items and costs to facilitate quotations and the selection of the best commercial establishments.
4. The issuance of purchase orders will be made according to the provisions set forth in the "Procurement System" document; however, we must bear in mind that this is a basic element of control and pay compromise to the suppliers.
5. The Purchasing Section will supervise the reception of the ordered materials according to the stipulations contracted and will verify its admission into the Corporation warehouses.
6. Since a purchase programming will be in effect, "urgent purchasing" should be avoided as much as possible.

II. OBJECTIVES OF THE SYSTEM

1. It is intended to carry out the purchasing correctly securing adequate characteristics as requested by the units involved.
2. Cost, quality and timely procurement, either for stock or immediate use, must be directly correlated.
3. Other existing systems must be integrated in its entirety.
4. The chapter of procurement must be modeled within clear concepts of expediency, responsibility, and selection and protection of the Government economic interests.

III. SCOPE OF THE SYSTEM

The process starts at the Kardex-Accounting Division based on internal requests, either as non-stockable materials or as programming for the implementation and continuation of projects or to start new projects according to warehousing standards, pages 1 and 11 of the respective manual.

The process ends with the approval of the awarding sheet by the administration and the representative of the Previous Control office and its forwarding to the Accounting Division for settlement.

Its contents cover:

- I. C. (internal control) of valued kardex accounting.
- Handling and checking of kardex by item.
- Handling and checking of kardex by supplier.
- Quotation request.
- Consultation with involved requesting units regarding technical characteristics.
- Completion of awarding sheet.
- Approval and evaluation by the Administrative Directorate according Article 3 of Law No. 15223.
- Verification by previous control office.
- Issuance of purchase order.
- Settlement at Accounting Division.
- Central Warehouse action.

IV. AREAS AFFECTED

- Requesting Sector
- Administrative Directorate
- Kardex Accounting
- Previous Control
- Auditing
- Warehouse

V. GENERAL CONSIDERATIONS

- The purchasing unit must establish standards and procedures which will govern the procurement of use or consumer goods, furniture, implements and any other category of assets purchased by the Institution which are not in the scope of the procurement Law No. 15223 for the public sector.
- A direct relationship with the accounting and warehousing units and the compatibilization of procedures that fit in the similar overall administrative procedures of the Corporation constitute the base of this design that fills the gap between the accounting and warehousing systems prepared by Cooper & Librand Consultants, from the placing of the order to the physical admission of the respective goods.
- As a general standard the scope of standards and procedures now designed is effective when the amounts are not more than \$b 200,000 as stated by Decree Law No. 15223 regarding the procurement Law for the public sector, in which case we must observe strictly such regulation. It is necessary to determine in this document the top amounts or limits for the operation of projects as well as the circumstances and procedures.

- a) Up to \$b 1,000. When the purchase is for less than one thousand Bolivian pesos, it will not be necessary to comply with the previous requirement for three quotations, and the purchasing can be made directly at any legally established commercial facility. Under no circumstance the fractioning of the purchase to avoid this provision will be accepted.
- b) Up to \$b 20,000. If the purchase fluctuates between \$b 1,001 and \$b 20,000, it is compulsory to comply with the requirements set forth by this document and which could be summarized as follows:
- Order to Kardex-Accounting
 - Three quotations
 - Purchase Order
 - Awarding Table
 - Admission to Central Warehouse
- c) Up to \$b 199,999. Once completed the above requirements of b) and when the purchase order fluctuates between \$b 20,001 and \$b 199,999, it is essential that the purchase be within the programming of the warehousing system in addition to its final approval by the internal qualifications Commission consisting of:
- The Administrative Director
 - The Chief, Finance Division
 - One representative from the Gestion Control Directorate
 - The Comptroller from the Previous Control office
 - The officer in charge of procurement
 - One representative from the requesting unit
- d) \$b 200,000. And upwards must comply with regulations set forth by Decree Law No. 15223 regarding procurement Law for the Public Sector.

VI. DESCRIPTION OF THE PROCEDURE

- a) Kardex-Accounting Request. Based on the programming both for the Investments and Operation, the Finance Division through its Kardex-Accounting unit and with prior approval by the Administration Directorate, will process the order subject to procedure standards designed under the warehousing system.
- b) Kardex by Item. The officer in charge of procurement will start a survey of the market to establish:
- Fast moving items
 - Acceptable quotations
 - Credit possibilities

Following these previous steps, the kardex by item is completed keeping a direct correlation with the warehouse record, or in the worst case performing the handling and control by alphabetic order.

The card completion is initiated:

- One time for Item - Code, which is the same for the warehouse and specifications.
- The part provided for the supplier should identify the largest possible number of reliable suppliers.

c) Kardex by Supplier. Once made the identification of a supplier by item, its name will be transferred to the kardex by supplier keeping alphabetic order and containing the following information:

- Supplier
- Address
- Location
- Sales conditions
- Remarks

Under remarks all observations will be noted to determine if the supplier is enabled or not for a future purchase.

As previously stated, it is preferable that the supplier operate with the Institution under the credit system.

d) Quotations. The officer in charge of procurement must select at least three suppliers for the issuance of the respective quotations and send them to specific destinations thus avoiding the search all over the local commercial establishments.

In case the item is not available in one or more commercial establishments, the same number of other establishments will be selected to comply with the pertinent provisions of the respective Decree Law. If the order covers various requested items, each one of these items must be quoted by at least three suppliers, consequently the number of quotations issued should be sufficient to comply with this requirement.

Once this essential requirement is met, the officer in charge of procurement will proceed to complete the awarding sheet for the purchase.

e) Awarding Sheet. This document must be processed by the officer in charge of procurement after complying with the requirement of having at least three quotations for each

ordered item. These quotations must forcefully assign priority to the procurement of goods produced or manufactured by national commerce and industry. Whenever the consumer goods or any other goods requested are produced by a single national industry or commercial establishment quotations will not be necessary, and these goods may be directly procured attaching a note to explain this particular.

The completion of the awarding sheet will be made according to the following:

- Date. The date corresponding to the processing of the document, in all cases it must be the same on the last quotation or a later one.
- Item. Denomination of the item and description of characteristics, trade marks, and measurements.
- Quantity. The same as requested on the respective I.C. (internal control).
- Unit. The units should be common to all suppliers to permit more or less realistic comparisons showing a clear preservation of the Government interests.
- Name of the Supplier. If the person is a legal individual, the name of the business must be registered and not the name of the owner.
- Conditions. This refers to conditions for the sales of consumer or any other goods imposed by the seller.
- Unit Cost. Datum which is used primarily to determine essential incidences.
- Total. Determines the overall incidence over the costs variations. Finally, at horizontal level it is necessary to determine if the unit cost quoted by columns includes the sales tax, otherwise this percentage will be noted on the total columns only.
- The vertical columns for totals and the horizontal for totals must coincide at its intersection and only at this point the overall totals by supplier will be determined. The process continues for the procurement unit with the approval of the awarding sheet by the Administrative Directorate, according to Chapter I, Article 3, of the Procurement Law No. 15223 for the public sector and the approval by the Comptroller from the Finance Ministry.

f) . Purchase Order. The present profile of the Institution vis-a-vis the suppliers must be changed progressively turning to an Institution with responsible and fast accounting procedures and meriting credit. Administratively, the Institution will try to operate under the credit system, consequently the purchase order must be a truthful payment compromise document on the side of the Institution. The purchase order and several other forms are already at implementation stage and the procedures previously adopted are the same providing information to:

- Person or business involved, original
- Accounting, first copy
- Warehouse, second copy
- Procurement file, last copy

This way, the circuits are closed and complemented with the accounting and warehousing systems.

LAW OF THE DEPARTMENTAL DEVELOPMENT CORPORATIONS

GENERAL HUGO BANZER SUAREZ, PRESIDENT OF THE REPUBLIC

WHEREAS:

The Executive Power's Organization Law approved by Executive Decree No. 10460 of September 12, 1972, and its Amendments provide in Chapter IV the regulations for the Regional Administration.

That Law in its Article 87th provides for the transformation of the Public Works and Development Committees into Development Corporations by the issuance of a General Law for Regional Development Corporations.

On the other hand, the National Planning System and National Projects System Laws approved by Executive Decrees No. 11846 and 11849, respectively, include the regional level as an integrated part of both systems.

One of the priority objectives of the Government is to promote the harmonious and balanced development of the various regions of the country, ensuring the rational utilization of their own financial resources and providing new resources for those regions which lack them.

It is consequently necessary to furnish the country with a legal and administrative instrument in order to have a consistent economic development at the regional level.

IN COUNCIL OF MINISTERS, DECREES:

ARTICLE ONE: That the General Law for the Regional Development Corporations in its fifteen Chapters and fifty-six Articles be approved.

ARTICLE TWO: That the respective sources of income and patrimony which the Public Works Committees, Public Works and Development Committees and Regional Development Committees presently own be consolidated in favour of each one of the future Regional Development Corporations.

ARTICLE THREE: That the Ministry of Planning and Coordination of the Presidency of the Republic is authorized to study the possibility to increase the availability of their own resources to those Regional Corporations that lack them and to submit its recommendations to the consideration of the Supreme Government within ninety (90) days.

ARTICLE FOUR: All those legal dispositions contrary to the present Executive Decree are hereby revoked.

The Cabinet Ministers in their respective Offices are entrusted with the execution and compliance of this Executive Decree.

It is given at the Presidential Palace of the City of La Paz on the nineteenth of February of 1978.

GENERAL LAW FOR THE REGIONAL DEVELOPMENT CORPORATIONS

CHAPTER ONE - GENERAL REGULATIONS OF THE REGIONAL DEVELOPMENT CORPORATIONS

ARTICLE ONE: The present Law has the purpose to set forth rules and general requirements inherent to the constitution, attributions and operational activities of the Regional Development Corporations.

ARTICLE TWO: In accordance with the present Law, the Regional Development Corporations are public decentralized entities with legal capacity, administrative, technical and financial operational autonomy, with their own patrimony and indefinite duration.

ARTICLE THREE: For the purpose of this Law, it is understood as region the territory contained within the administrative and political boundaries of each Department; therefore, in each one of them it will be established and it will function a Regional Development Corporation the same which will operate within its respective sectorial area, being its legal residence the capital city of each Department.

ARTICLE FOUR: The main objective of the Regional Development Corporations is to provide economic and social development for the region by means of regional planning, the performance of survey studies, elaboration of programs and projects in accordance with the national objectives and the execution and implementation of same in accordance with the functions and attributions established.

CHAPTER II - GLOBAL, SECTORIAL AND REGIONAL COORDINATION

ARTICLE FIVE: The Ministry of Planning and Coordination of the Presidency of the Republic is the principal organization within the National Planning System responsible for the global, sectorial and regional coordination at a national level. At the regional level it operates through the respective Regional Development Corporation.

ARTICLE SIX: The Regional Development Corporations will channel their administrative negotiations with the Supreme Government through the Ministry of Planning and Coordination of the Presidency of the Republic.

ARTICLE SEVEN: The Regional Development Corporations will receive from the Ministry of Planning and Coordination and from the Public Institutions the national and regional programs and development projects which are being executed or which will be executed in the respective region, in order to facilitate their planning and coordination tasks at regional level.

ARTICLE EIGHT: The Ministry of Planning and Coordination will call meetings at national, sectorial and regional levels for the study of the national projects.

ARTICLE NINE: Each Regional Development Corporation will be entitled to establish consulting and advisory mechanisms under the presidency of the Corporation President and consisting of the representatives of public sectorial entities at regional level and the representatives of the region's private sector, for the compatibility and coordination of plans, programs, projects and action.

CHAPTER III - COORDINATION OF REGIONAL DEVELOPMENT CORPORATIONS WITH THE PREFECTURES AND MUNICIPAL TOWN HALLS (MUNICIPALITIES)

ARTICLE TEN: The Prefectures in the respective Department undertake the Departmental Government in representation of the Presidency of the Republic and the Central Government. In accordance with the Administrative Organizational Law of the Executive Power, they are to perform political and administrative functions. They participate in the regional development planning and programming through their representative in the Board of the Corporation.

ARTICLE ELEVEN: The Municipal Town Halls (municipalities) are autonomous organizations in charge of performing and executing equipment provision tasks and of providing services to the urban areas. Their functions are complemented by the National Planning and Projects Offices which coordinate their plans, projects and programs with the respective Regional Development Corporation in order to avoid the overlap, duplication and dissemination of resources.

ARTICLE TWELVE: The coordination of activities for social, economic and regional development purposes among Prefectures, Municipal Town Halls (Municipalities), Regional Development Corporations and other local and/or regional institutions shall be the task of the Regional Development Corporation.

CHAPTER IV - INTER-REGIONAL COORDINATION

ARTICLE THIRTEEN: The Regional Development Corporations will be able to undertake joint programs and projects in areas of common interest by the subscription of the appropriate agreements, after the approval of the Ministry of Planning and Coordination.

CHAPTER V - FUNCTIONS, STRUCTURE AND ORGANIZATION OF FUNCTIONS AND ATTRIBUTIONS

ARTICLE FOURTEEN: The Regional Development Corporations shall have the following attributions:

- a) Shall draw up and submit to the consideration of the Supreme Government through the Ministry of Planning and Coordination of the Presidency of the Republic, a proposal outlining the objectives, strategies, socio-economic development policies for the region within the national general development objectives for its further inclusion in the National Plan for Socio-Economic Development, and structure planning of the regional physical and economic space, and the coordination of the sectorial activities at regional level, in order to achieve an efficient development administration.
- b) Shall elaborate a Regional Development Plan with special emphasis on the rural sector within the frame of the National Development Plan in accordance with the regulations of the National Planning System.
- c) Shall promote the programs and projects included in the Regional Development Plan and shall execute their own programs and projects in agreement with the regulations of the National Projects System.
- d) Shall coordinate their own plans, programs and projects with the regional plans, programs and implementation projects of the national centralized and decentralized organizations and of the private sector with the purpose to meet the objectives of the regional socio-economic development plan for which these organizations shall provide the pertinent information. The Ministry of Planning and Coordination will see that this operation meets its objectives.
- e) Shall collect, prepare, receive and provide the necessary data for the performance of survey studies of regional and national interest in cooperation with the respective national organizations.
- f) Shall promote the conservation and the rational exploitation of the renewable and non-renewable natural resources of the region.

- g) Shall develop, motivate and guide community's participation in the development of the region.
- h) Shall promote the development and conservation of the Department's human resources by encouraging its further training.
- i) Shall collaborate exceptionally with the National Government, through the pertinent Ministries, in the financing of projects and evaluation of natural resources of national and regional interest in their area through agreements which reconcile the financial capacity of the Corporations and the requirements of their plans, programs and projects.
- j) Shall carry out the necessary studies and operations to increase their income and financial resources.

ARTICLE FIFTEEN: In agreement with the current legal provisions for each case, the regional development corporations, in order to attain their goals and to comply with their functions shall have the following attributions:

- a) Shall perform basic survey studies and research studies for regional planning and for the respective programs and project follow-ups in the region.
- b) Shall handle, contract, and administrate internal credits for the attainment of their objectives.
- c) Shall select and contract consulting firms.
- d) Shall contract by bidding, invitation and/or direct administration the execution of their works and performance of services.
- e) Shall purchase and sell property, be it personal or real estate in accordance with current legal provisions and shall purchase and sell stock and securities in general in accordance with the established regulations.
- f) Shall promote the creation and constitution of organizations which contribute to the region's development.
- g) Shall participate through agreements in the establishment of financial entities to channel credits through them or through the banking system in order to finance, in their jurisdiction, development programs and/or projects using for that purpose their own income and/or internal, external, public or private sources.
- h) Shall facilitate the observance of the current legal provisions in regard to the inspections, control and supervision of each negotiation.

- i) Shall absorb and coordinate the national or foreign technical assistance.
- j) Shall give advice and technical assistance to entities proposing development projects or which are engaged in activities of prior importance for the national development.
- k) Shall sign agreements between Regional Development Corporations and/or other institutions to promote and/or execute development programs or projects in areas of common interest.

CHAPTER VI - STRUCTURE

ARTICLE SIXTEEN: The Regional Development Corporations shall have the following basic executive structure: 1) Board of Directors, and 2) Presidency.

ARTICLE SEVENTEEN: Each Regional Development Corporation shall select an organic administrative structure in accordance with their needs, possibilities and objectives for the further approval of the Ministry of Planning and Coordination of the Presidency of the Republic.

CHAPTER VII - BOARD OF DIRECTORS

ARTICLE EIGHTEEN: The Board of Directors of the Regional Development Corporations is the superior body of these institutions which is to be aware of the priority regional needs and which is to outline the regional development policies in agreement with the general development objectives of the country.

ARTICLE NINETEEN: The Board of Directors shall have the following attributions:

- a) Shall formulate the most suitable policies for the economic and social development of the region, emphasizing on priorities and needs.
- b) Shall approve the development strategies and plans for the region.
- c) Shall be familiarized with and approve the plans, projects and programs of the Corporation.
- d) Shall be acquainted with and approve the annual operations plan, the operations and investment budget and the Corporation's financial programs.
- e) Shall ascertain that the Corporation's resources are applied to the plans, programs and projects of the Corporation.

- f) Shall approve amendments and propose transfer of resources from the Corporation's current expense budget and the investment budget.
- g) Shall approve the contracting of internal, external and commercial credits.
- h) Shall consider, approve, or reject the sale of property, be it private or real estate, equipment and material on proposals formulated by the Chairman, in accordance with the current legal provisions.
- i) Shall approve the administrative structure, bylaws, regulations, and operation manuals proposed by the Chairman of the Board of Directors of the Corporation.
- j) Shall comply with and see that they are complied with the pertinent legal dispositions, bylaws and regulations of the Corporation.
- k) Shall be acquainted with and approve the Annual Report and the audited General Balance, in agreement with the provisions of the Law.
- l) Shall approve the establishment of companies and the participation of the Corporation in their capital stock and financing.
- m) Shall request audited reports and take the pertinent actions thereto.
- n) Shall authorize trips abroad of the Corporation's officials initiating the corresponding procedure.
- o) Shall approve training programs for the staff of the Corporation.
- p) Shall designate through competitive examinations the Executive Staff of the Corporation, with the exception of the Chairman of the Board, in accordance with the bylaws of this Institution.

ARTICLE TWENTY: The Board of Directors will be permanently integrated by:

- a) The President of the Regional Development Corporation, who in turn will be the Chairman of the Board.
- b) The Prefect of the Department.
- c) The Major of the Capital City of each Department.
- d) The Dean of the Local State University.
- e) A Representative of the Armed Forces.

- f) A Representative of the Ministry of Planning and Coordination with authority to speak.
- g) A regional representative of the Ministry of Rural Affairs and Livestock
- h) The President of the main civic organization of the Department.
- i) The President of the Departmental Professional Organization.
- j) The President of the Departmental Federation of Private Investors.
- k) A representative of the Departmental Rural Federation.

ARTICLE TWENTY-ONE: The Board of Directors of each Corporation taking into account the socio-economic reality of each region shall propose to the Ministry of Planning and Coordination the permanent additional participation of a representative of an institution different to those which correspond to the ex-officio Directors, with authority to vote.

ARTICLE TWENTY-TWO: The Board of Directors' Executive Secretary with a right to speak but no right to vote, shall be nominated by the President of the Corporation in accordance with the hierarchy established by the internal structure of the Institution.

ARTICLE TWENTY-THREE: The Chairman and Members of the Board are jointly and severally responsible for the decisions taken at their meetings, thus they can become liable in accordance with the current provisions, in the like manner as that applied to the officials of the public and decentralized offices.

ARTICLE TWENTY-FOUR: The Board of Directors, through its Chairman, may call or invite to its meetings those authorities or officials of the public or private sectors, or those natural persons who are considered convenient in regard to the survey studies and works to be performed.

ARTICLE TWENTY-FIVE: The Directors shall act through the Board. Under no circumstance shall they personally intervene in the technical, financial and administrative activities of the Corporation.

ARTICLE TWENTY-SIX: The Members of the Board shall not receive any compensation for attending meetings. Their representation shall be ad-honorem. Likewise, they shall not perceive commission, entertainment expenses, and such other allocations.

ARTICLE TWENTY-SEVEN: The Members of the Board shall not themselves or through intermediaries intervene as promoters or negotiators of construction, purchasing and/or sale contracts for the Corporation, during the time of their commission and until six months after its termination.

ARTICLE TWENTY-EIGHT: To be a Member of the Board, it is necessary to be a Bolivian citizen and reside in the region.

ARTICLE TWENTY-NINE: The following shall not seek the position of Directors: Senators and Congressmen, those having contracts with the Corporation, those related by direct blood bond (up to second degree) to the President of the Corporation, those convicted of common law crimes, those having pending lawsuits, and those having delinquent debts with the Corporation and/or other government institutions.

ARTICLE THIRTY: The Members of the Board have the obligation to attend Ordinary and Special Meetings. Their unjustified absences to more than three consecutive meetings or to five meetings in total in a year will automatically relieve them of their commission.

ARTICLE THIRTY-ONE: The Directors shall be appointed to their posts for the length of time designated by their institutions.

ARTICLE THIRTY-TWO: The Board shall hold Ordinary Meetings, at least twice a month, which are to be convened by the Chairman, and likewise shall hold Special Meetings the number of times deemed necessary, at the request of the Chairman or of three directors.

ARTICLE THIRTY-THREE: The required quorum for the Board's Meetings shall be one half plus one of the Members of the Board, except the Chairman.

ARTICLE THIRTY-FOUR: The Board of Directors shall prescribe the rules to be observed during the Meetings. The resolutions shall be taken by the Members' absolute majority of votes, except when the legal and statutory regulations demand two thirds of the votes.

The Directors shall not vote in blank, and in the case of disagreements they shall make their position clear in order to have it recorded in the Minutes.

When the voting results are even, the Chairman's ballot will serve to settle the matter.

CHAPTER VIII - ATTRIBUTIONS AND FUNCTIONS OF THE PRESIDENT

ARTICLE THIRTY-FIVE: The President is the highest executive authority of the Corporation, accordingly his attributions are to organize, administrate, supervise and coordinate the general activities of the Corporation.

ARTICLE THIRTY-SIX: The President of the Regional Development Corporation shall perform his functions in accordance with the present Law, its respective statutes and the decisions of the Executive Board.

ARTICLE THIRTY SEVEN: The President of the Corporation will be appointed by the President of the Republic, and his attributions shall be the following:

- a) Shall comply with and set forth the policies of the Corporation and shall propose to the Board of Directors its structure in order to attain its goals and objectives.
- b) Shall officially represent the Corporation.
- c) Shall comply with and see that the legal provisions, bylaws, regulations and operation manuals that outline the functions of the Corporation are complied with.
- d) Shall convene and preside the Board of Directors' Meetings whether ordinary or special, and shall settle the votings with even results.
- e) Shall submit to the Board the short- and long-term plans, and the annual budget for its consideration and approval.
- f) Shall represent, promote, maintain and coordinate the Corporation's relationship with national and international organizations, be it public or private.
- g) Shall assume the Corporation's legal representation, shall sign contracts, deeds, agreements and shall purchase property and effect transfers in accordance with the pertinent legal dispositions established.
- h) Shall forward the General Balance and the External Audit Annual Report to the National Government through the Ministry of Planning and Coordination.
- i) Shall direct the Corporation's personnel policy in accordance with its internal bylaws.
- j) Shall undertake all those functions inherent to his job not specified in this Law and which will be established in the internal bylaws of the Corporation.

- k) Shall preside the advisory and consultation mechanisms to be established by the Corporation in agreement with Article 9 of the present Law.

ARTICLE THIRTY-EIGHT: The requirements to become a President of a Regional Development Corporation are the following:

- a) To be a Bolivian citizen.
- b) To have a professional degree or its equivalent compatible with the Corporation's functions and to have experience at executive level in the related areas.
- c) In order to be appointed to the job, the candidate will not have stock participation or a commercial relationship with any national or international company having technical, economic and commercial relationships with the Corporation, and in addition will be subject to the prohibitions established for the aspiring Members of the Board.

ARTICLE THIRTY-NINE: In case of absence or temporary impediment of the Chairman, in accordance with the regulations, he will be replaced by the Corporation's highest ranking official, who shall have the Chairman's functions and attributions as outlined in Article 37 of the present Law.

CHAPTER IX - COMPANIES

ARTICLE FORTY: The companies organized with the participation of the Corporation will necessarily be administrative, technical and financially autonomous, without incriminating, however, the Corporation's own patrimony, with the exception of the company's paid in capital and those financial resources invested in the constitution of the company.

The general policy of these companies will be to seek community participation and the further transfer of the responsibility to them taking into account each particular case in accordance with the current legal provisions.

CHAPTER X - COMPANIES AND PUBLIC SERVICES

ARTICLE FORTY-ONE: The Corporations will be able to constitute urban and rural public service companies. Further on, these, depending upon the case, shall be transferred to the respective Municipal Town Hall (Municipalities) or to cooperative-like organizations after the approval of the Supreme Government. These companies will necessarily be decentralized organizations with an administrative and technical operational autonomy seeking financial self-sufficiency.

CHAPTER XI - COMPANIES' INCENTIVES

ARTICLE FORTY-TWO: The companies established and to be established with the Corporation's participation shall have a right to the incentives and benefits prescribed by the Law.

CHAPTER XII - ECONOMIC AND FINANCIAL PATRIMONIAL REGULATIONS OF THE FINANCIAL PATRIMONIAL STRUCTURE

ARTICLE FORTY-THREE: The following will be the Regional Development Corporations' sources of funds:

Ordinary Sources

- 1) Hydrocarbons and Mining Royalties, taxes assigned by Law, the National Treasury funds allotted in the National Budget.
- 2) Those to be established by Law.
- 3) Profits, revenues and other sources coming from their operations.

Special Sources

- 1) Sale of private property.
- 2) Transfers in their favour gratuitously, donations and bequests.
- 3) Those to be created by special interim disposition.
- 4) Financial resources coming from local and foreign credits and from other bank and/or commercial obligations.

ARTICLE FORTY-FOUR: Those organizations of the public sector that generate and collect funds for the Corporations shall deposit these in the Corporations' checking accounts at the Central Bank branches located at the respective sites of the Corporations, or to the contrary, at Banco del Estado's corresponding district office, in its capacity of Representative of the Issuing Institutions, within a period of 30 days as of the date on which the funds were generated and/or allotted, and whether or not these act as collection agents of them.

ARTICLE FORTY-FIVE: The economic financial regime of the Corporation shall be subject to the control of the public offices as prescribed by the Law: First, control of the Ministry of Finance and then audit by the General Accounting Office of the Republic.

CHAPTER XIII - OPERATIONAL PLANS AND BUDGET

ARTICLE FORTY-SIX: Before August 30 of each year, with no postponement, the Regional Development Corporation shall

submit to the approval of the Ministry of Planning and Coordination the Annual Budget and Operations Plan corresponding to the next fiscal period.

ARTICLE FORTY-SEVEN: The Budget's amendments and transfer of resources during the corresponding fiscal period shall be authorized by the Ministry of Planning and Coordination and the Ministry of Finance.

ARTICLE FORTY-EIGHT: The amount of financial own resources contemplated for the budget of one Corporation which were not used in the corresponding fiscal period shall be transferred to the Corporation's budget for the next fiscal period. The same criterion should be applied to income estimated in excess, and that coming from unforeseen factors which were not expected when the budget was being elaborated.

CHAPTER XIV - VARIOUS REGULATIONS OF THE PERSONNEL SYSTEM

ARTICLE FORTY-NINE: For compensation purposes all the paid personnel of the Regional Development Corporations shall be subject to the regulations established by the General Labour Law.

CHAPTER XV - TRANSITORY REGULATIONS

ARTICLE FIFTY: The Public Works Committees and Public Works and Development Committees are constituted as of this date in Regional Development Corporations.

ARTICLE FIFTY-ONE: The total patrimony, rights, obligations, participations, and stocks of any such nature, which each one of these Public Works Committees and Public Works and Development Committees presently own, are validated in favour of the respective Regional Development Corporation stemming from these Committees after being audited by the General Accounting Office of the Republic.

This consolidation shall be exempt of all national, departmental and municipal taxes which are normally applied to transfer operations.

ARTICLE FIFTY-TWO: The Regional Development Corporations shall continue, up to its conclusion, with all the projects and works initiated by the Public Works Committees and Public Works and Development Committees.

ARTICLE FIFTY-THREE: The transformation of the present Public Works Committees and Public Works and Development Committees into Regional Development Corporations, shall not affect the existing employer/employee relationship.

ARTICLE FIFTY-FOUR: Within ninety (90) days further to the issuance of the present Decree, the Regional Development Corporations shall submit to the Ministry of Planning and Coordination, for its further approval, the proposed bylaws and regulations that will govern their operations.

ARTICLE FIFTY-FIVE: Those Development Committees that exist at sub-regional, provincial or sectorial levels, shall fall under the jurisdiction of their respective Regional Development Corporations, thus there should be made provisions in the bylaws and regulations for an economic as well as financial, administrative and technical relationship.