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P-44-10-21

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DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D.C. 20523

BOLIVIA
PROJECT PAPER
DEPARTMENTAL DEVELOPMENT CORPORATIONS

AID/LAC/P-023

Project Number: 511-0511

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT PAPER FACESHEET	1. TRANSACTION CODE <div style="border: 1px solid black; display: inline-block; padding: 2px;">A</div> A ADD C CHANGE U DELETE	PP 2. DOCUMENT CODE 3
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3. COUNTRY ENTITY BOLIVIA	4. DOCUMENT REVISION NUMBER <input type="checkbox"/>
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5. PROJECT NUMBER (7 digits) <div style="border: 1px solid black; display: inline-block; padding: 2px;">511-0511</div>	6. BUREAU OFFICE A. SYMBOL: LA B. CODE: <div style="border: 1px solid black; display: inline-block; padding: 2px;">05</div>	7. PROJECT TITLE (Maximum 40 characters) <div style="border: 1px solid black; display: inline-block; padding: 2px;">Departmental Development Corporations</div>
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8. ESTIMATED FY OF PROJECT COMPLETION FY <div style="border: 1px solid black; display: inline-block; padding: 2px;">83</div>	9. ESTIMATED DATE OF OBLIGATION A. INITIAL FY: <div style="border: 1px solid black; display: inline-block; padding: 2px;">79</div> B. QUARTER: <input type="checkbox"/> C. FINAL FY: <div style="border: 1px solid black; display: inline-block; padding: 2px;">79</div> (Enter 1, 2, 3, or 4)
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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	()	()	()	()	()	()
LOAN	(2,600)	(7,400)	(10,000)	(2,600)	(7,400)	(10,000)
OTHER U.S. 1						
OTHER U.S. 2						
HOST COUNTRY	-	800	800	-	3,500	3,500
OTHER DONOR(S)						
TOTALS	2,600	8,200	10,800	2,600	10,900	13,500

11. PROPOSED BUDGET APPROPRIATED FUNDS (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. 1ST FY <u>79</u>		H. 2ND FY		K. 3RD FY	
		C. GRANT	D. LOAN	F. GRANT	G. LOAN	I. GRANT	J. LOAN	L. GRANT	M. LOAN
(1) FN	200		200		7,000				
(2) SDA	200		200		3,000				
(3)									
(4)									
TOTALS					10,000				

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						7,000	MM YY <div style="border: 1px solid black; display: inline-block; padding: 5px;">1180</div>
(2) SDA						3,000	
(3)							
(4)							
TOTALS						10,000	

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

1

 1 = NO
 2 = YES

14. ORIGINATING OFFICE CLEARANCE SIGNATURE: Daniel A. Chaij TITLE: Acting Director USAID/Bolivia DATE SIGNED: <div style="border: 1px solid black; display: inline-block; padding: 2px;">MM DD YY 01/06/79</div>	15. DATE DOCUMENT RECEIVED IN AID/W. OR FOR AID/W DOCUMENTS. DATE OF DISTRIBUTION <div style="border: 1px solid black; display: inline-block; padding: 2px;">MM DD YY 01/09/79</div>
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DEPARTMENTAL DEVELOPMENT CORPORATIONS

(511-0511)

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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 per cent interest during
grace period, 3 per cent
thereafter)

Total New AID Obligation \$ 10,000,000

Because of the multi-sector nature of the project, \$7,000,000 will be funded from Agriculture, Rural Development and Nutrition account and \$3,000,000 will be funded from Selected Development Activities account.

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 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.

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. By providing financial resources to the DDCs for the objective of strengthening their outreach capability to implement 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.

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 outreach capability for the identification 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 used as follows:

- \$300,000 from the Selected Development Activities (SDA) account will finance 36 work/months of short-term technical assistance specifically directed at improving the DDCs' outreach capability. The following areas will be investigated: identification of outreach problems, development of solutions to the problems, and implementation of permanent outreach mechanisms once the DDCs have had an opportunity to test the proposed solutions; special evaluations of subprojects and instituting an evaluation mechanism for the DDCs to assure appropriate feedback of experiences from implementing subprojects into the planning process; a study to identify potential alternative sources of revenues that would help expand the financial resource base of the DDCs; and development of guidance regarding examination of environmental concerns during the design of subprojects.

- \$9.7 million from Agriculture Rural Development and Nutrition (FN) account and Selected Development Activities (SDA) account will finance 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 agroindustries and marketing facilities. Subprojects outside the agriculture sector such as potable water systems and small-scale rural electrification will also be eligible.

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. A GOB counterpart contribution of 25 per cent will be provided from the corporations' own funds or through P.L. 480 Title III generations. 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 \$ 10.0 million.

E. Project Committee

Robert D. 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 R. Handler	- Chief, Planning and Evaluation Division, USAID/B
William Kaschak	- Office of Development Resources, LAC Bureau, AID/W
Kevin Kelly	- Project Coordinator, Development Resources Division, USAID/B
Thomas McKee	- Consultant, Practical Concepts Incorporated
Roger Popper	- Consultant, Practical Concepts Incorporated
Charles Reed	- Chief, Human Resources Development Division, USAID/B
Melvin Van Doren	- Controller, USAID/B
Stephen C. Wingert	- Deputy Chief, Rural Development Division, USAID/B

Reviewed by

J. Peter Bittner - Chief, Development Resources Division, USAID/B
Daniel A. Chaij - Acting Deputy Director, USAID/B

Approved by

Abe M. Peña - Director, USAID/B

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. As discussed below in the Project Strategy (Part B.2), the Rural Development Planning project will focus on developing a technical capability for planning and project identification while the proposed Project, through the provision of financial

resources for the implementation of specific subprojects, will focus on developing the outreach capability necessary to assure target group participation. Once both have been developed, the institutional framework is expected to be sufficiently strong so that the corporations can serve as a focal point for implementing this new strategy.

The broad scope of responsibilities of the DDCs is another important factor in supporting the corporations as the vehicle 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 agroindustry 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 the Rural Development Planning Project

The proposed Project and the Rural Development Planning project are closely related in that they are considered to be necessary/complementary activities for the institutional development of the DDCs. The Project's strategy calls for development of a technical capability for planning as well as development of an outreach capability if the corporations are to be effective in carrying out their mandate. Originally, it was felt that development of the technical planning capability (i.e., preparation of analytic development strategies and

medium- to long-term plans which address the constraints identified in the strategies) should be given top priority, to be followed by assistance in implementation once the technical capability had been established. Additional analysis of the situation, however, demonstrated that the complementarity of planning and implementation make it possible to address them both simultaneously. As a result, this Project has been proposed for immediate implementation rather than waiting until the technical assistance effort is completed.

The Rural Development Planning project was approved in FY 1978. Initially designed to provide assistance to five of the development corporations, an amendment to expand its scope to include seven DDCs (La Paz and Oruro in addition to Pando, Beni, Chuquisaca, Tarija, and Potosí) was submitted to AID/W in June 1979. The amendment was based upon additional information concerning La Paz and Oruro which became available during the intensive review of this loan. Including the amendment, the Rural Development Planning project will provide twenty-seven years of long-term technical assistance designed to improve the planning and project design and implementation capabilities of the DDCs. A ten-person team consisting of six regional planners, an operations management specialist, an agriculture sector planner, a specialist in public administration, and a specialist in urban functions in rural development will work directly with the seven corporations; the chief of party will work in La Paz directly with the Office of Regional Planning in the MPC. The primary responsibility of the technicians will be to provide on-the-job training to their counterparts in the DDCs. A series of training manuals will be developed and utilized both in daily job situations and as materials for periodic workshops to be held which will involve personnel from all of the DDCs. The project also includes short-term assistance (four work years) designed to fill technical gaps either in planning or project design and implementation which are recognized by the long-term advisors to require specific inputs outside their own areas of expertise. The short-term assistance will include assistance to the National Institute of Public Administration (ISAP) to improve its curriculum in development planning. ISAP is a GOB institution which provides instruction for government officials in a wide range of subjects, including planning. Finally, to help institutionalize ISAP's role in providing in-country training in planning, the project will finance one year of long-term third country training in development planning for one staff member of ISAP. This individual will return from the training and work with the long-term advisors in making final changes to ISAP's curriculum.

The long-term advisors are expected to arrive in Bolivia in August or September 1979, which will allow them to contribute to the preparation of the 1980 annual operating plans to be prepared by the

DDCs. Short-term advisors will arrive shortly thereafter to begin working with ISAP on improvements in its curriculum related to development planning. The single participant will work with the advisors for approximately one year and then depart for one year of training.

4. 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.

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 Campesino 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, subloans 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 agroindustrial 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. The Mission has carefully examined the availability of these resources and believes to the maximum extent possible they should be used as counterpart contributions to loan sub-projects. The GOB agrees, especially in light of anticipated budgetary difficulties in the next few years. What this means is that where cash contributions are required for the subprojects the corporations will probably be drawing upon Title III resources. An additional step of coordinating the use and expenditure of these resources will be required with the Title III secretariat, but it is not expected that this will pose any problem. It is difficult to make an estimate of the magnitude of resources required because the loan financed sub-projects have not yet been specifically identified, however the range should be between \$ 2.5 - 3.0 million.

Regarding the balance of Title III resources (\$ 12.0 - 12.5 million), these monies will be used for activities similar to those of the loan with several important distinctions which demonstrate why the two sources of funding are not duplicative:

- An autonomous secretariat has been established to control all Title III activities, to some extent taking the project outside the multiyear planning process of the DDCs which has been established by the MPC. Although similar eligibility criteria will be applied to both projects, the central planning which is an important element

in the design of the loan is not an integral requirement in the Title III program. That is, discrete projects financed from Title III funds will be planned annually on an "ad hoc" basis.

- Availability of funds under Title III will be on a year-to-year basis with no firm budgeted amounts available in advance for each year. Given this uncertainty, linking Title III activities to the planning process is less than optimal since the corporations will not have firm data on which to base their plans. On the other hand, under the loan, the DDCs will be certain as to the availability of funds and will be able to take this availability into consideration in developing long-range financial and implementation plans.

- Generations from the sale of wheat will be local currency only. Although the proposed loan does not contemplate the need for a significant amount of foreign exchange, it will have a foreign exchange component which will provide a degree of flexibility to the DDCs not readily available under Title III.

- The loan proposes as eligible subprojects certain infrastructure activities (potable water, electrification) which are not a priority emphasis under the DDC component of the Title III program. Title III will concentrate DDC projects primarily on agricultural production activities.

The first two factors provide the key distinction between the projects. The proposed loan is seeking to improve the outreach mechanism of the DD's through implementation of specific activities which will provide feedback into the planning process. This link to the planning process is critical to achievement of the Project's objective. Title III does not emphasize this link to the planning process. While Title III will provide financial resources to help achieve the objectives of the proposed loan, this is not the only purpose of Title III DDC funding.

Another factor to consider in assessing the two projects is the amount of funds they will make available to the DDCs. Over a five-year period both will provide approximately \$ 25 million, or approximately \$ 600,000 per corporation per year. In percentage terms, this represents no more than a twelve to fifteen per cent increase in the budgets of the DDCs; given the demand for project funds, this is an amount which can be readily absorbed by the corporations.

Finally, there are two coordination mechanisms that will guard against potential duplication. First, the Sub-Secretary for Planning of the MPC, as a member of the Joint Commission for Rural Development

(the policy body for the use of Title III funds), will be advised of all Title III activities. In addition, approval of subprojects under the proposed loan will require concurrence of the Sub-Secretary. Thus, at a senior level, the GOB will have full knowledge of the activities of both projects. And, second, internally within the Mission, the Title III project manager will be named to the project committee for the loan. As loan financed subprojects are sent to the Mission for approval, the Title III project manager will participate in the review process and have an opportunity to review the subprojects against those proposed under Title III.

5. 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. The World Bank and InterAmerican Development Bank have been somewhat limited in their participation with the DDCs. Santa Cruz has received loans for large infrastructure projects and others have received limited loans also for 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.

6. 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.

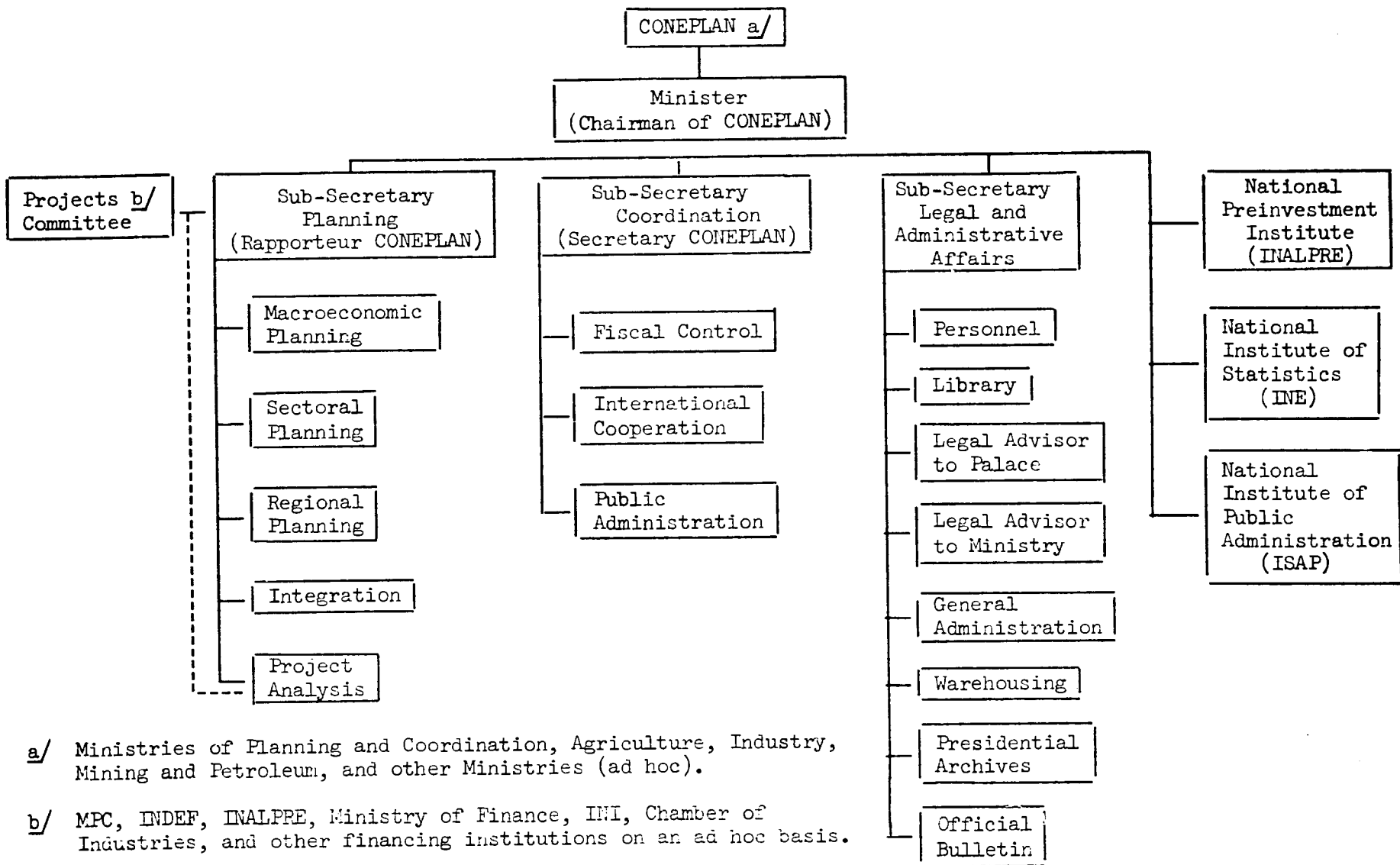
a. Planning at the National Level

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 projects they propose to undertake during the planning period. Upon submission, the plans are reviewed by the project analysis, sectoral and regional divisions within the MPC where attempts are made to integrate and coordinate them with the guidelines previously provided. (This lack of coordination and integration is a constraint which will be addressed by

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.

the Rural Development Planning project). The plans are then reviewed by the National Projects Committee prior to submission to CONEPLAN for approval. For the most part, CONEPLAN approves all 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 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 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 and not analytical studies. They 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 seven of the DDCs (Pando, Beni, La Paz, Oruro, 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, although this will not occur until the latter stages of the assistance effort. 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. 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 or final design 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 an integrated national plan. Recommendations are submitted to CONEPLAN by the Sub-Secretary after they have been reviewed by the National Projects Committee.

7. 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, it is the responsibility of the Ministry of Planning 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 complementary activities (either with technical or financial support) are identified and appropriate measures taken to assure that coordination takes place.

A third mechanism is through agreements signed by the DDCs and other institutions for the provision of services. Generally the need for these services are not for technical inputs in the design of subprojects since the corporations have capable technical staffs. Rather, the services are needed to complement an activity which a corporation is implementing. 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. Several DDCs have agreements with SNC which call for joint participation in construction of roads. In Oruro, the DDC has an agreement with ENDE in which CORDEOR provides a percentage of the cost of installing a small system in a rural area and ENDE provides the balance of the cost as well as the technical expertise required for installation.

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.

Two factors deserve special attention in this discussion of coordination between the DDCs and other government entities. First, the existence of the problem has been recognized as an internal problem by those involved and they have initiated efforts to improve the situation. Secondly, the problem is not related so much to the DDCs' need for technical services from other government entities as it is to the need for improved coordination of activities. In those cases when technical services are required, however, the corporations have indicated that the needed assistance is forthcoming.

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

In their role as the entities responsible for fostering economic and social development in their respective regions, the DDCs have a dual function: (1) planning and (2) implementing development activities. Put another way, their function is to plan and implement activities designed to improve the standard of living of the population. Since most of the population lives and is employed in rural areas, improvement of their standard of living requires that these areas be the primary focus of the development activities planned and implemented by the development corporations.

The institutional analysis shows that the DDCs vary significantly among each other for a number of reasons: geographic isolation, financial resources, human resources, years in operation, etc. Generalized statements about the corporations are difficult to make as a result. Nonetheless, the institutional analysis also shows that the DDCs are beginning to recognize that development of the rural areas is critical if their regions are to experience economic and social development on a broad scale. An important indicator of this is that the corporations are beginning to reorient their programs toward a more rural focus.

In this context, however, two basic weaknesses have been identified in the DDCs' ability to respond to their mandate of both planning for the development of their regions and implementing related development programs: a lack of a strong global planning capability and insufficient extension of development activities into the rural areas. Both the Mission and the GOB believe that these weaknesses are closely related; to be effective an overall planning capability must be supported by the ability to implement specific activities. For the development of rural areas, this is particularly important because the existence of an implementation capability provides the mechanism to establish permanent channels for contact between the DDCs and the rural population, and thus for coordination of activities with identified needs of the population. In addition to contact and coordination, implementation also creates a certain level of confidence both in the DDCs (that is, although these types of activities are new to them, they have the ability to carry them out) and in the rural areas (that is, the DDCs want and are trying to assist in the

development of their areas). The experiences gained from implementation are also important for feedback into the planning process for future activities to be implemented by the DDCs. Finally, increased implementation in the rural areas will create the need for improved coordination among the DDCs, the central ministries and other donors; the DDCs will be more aware of the activities of the ministries and other donors and will be able to utilize the knowledge in the planning and preparation of their own programs.

The planning system, defined as including elements of both planning and implementation, is shown in Figure 2. The complementarity between planning and implementation is indicated by the various flows that exist between the components of the system.

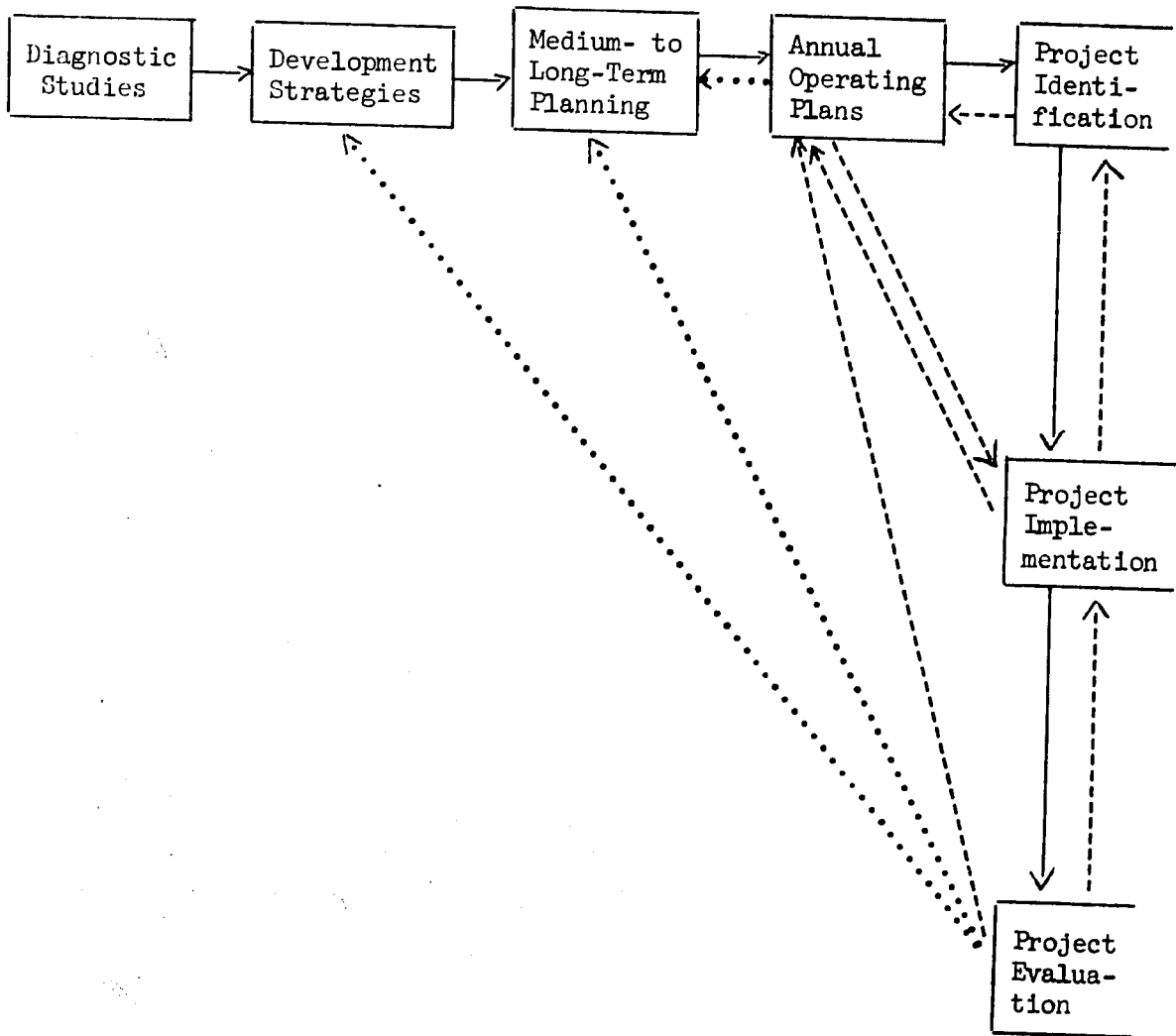
For the DDCs to be effective in their responsibility of planning and implementing projects designed to improve the standard of living of the rural population, the institutional weaknesses in the planning system must be reduced. In order to take advantage of the complementarity which exists between planning and implementation, and in recognition that both must be strengthened if the DDCs are to complete successfully their assigned responsibility, the Mission has developed a two-part program aimed at strengthening the planning system.

The FY 1978 Rural Development Planning Project was designed to address the lack of global planning ability -- i.e., lack of clearly defined development strategies from which plans (medium to long term as well as annual) can be prepared, and from which specific subprojects can be identified which are consistent with the plans and which will contribute to achievement of the objectives established in the strategy. The main contribution of the Planning Project is long-term technical assistance focusing on the planning and project offices of the corporations in order to coordinate project preparation and planning objectives. The project applies what can be termed a "deductive" method to improving the planning system. In essence, the technical assistance is aimed at macro-level analysis and use of planning theory to develop strategies, plans and, at the last stage, to identify specific subprojects. By beginning at the general level and working down to the specific, the Project will help improve the theoretical and technical basis for a consistent and integrated planning system.

What the deductive method for improved planning does not provide, however, is a mechanism for improving the outreach capability of the corporations -- that is, for addressing the second institutional weakness which hampers the effectiveness of the DDCs. As designed,

Figure 2

Planning System



—————> = project development
-----> = immediate feedback of information
.....> = feedback over time

the Rural Development Planning Project addresses the theoretical and technical basis for an improved planning system, but without other resources it does not allow for practical experience in the implementation of subprojects which are specifically designed to impact on the rural areas. As explained above, for the planning system to be effective, there must be both a technical planning capability and experience related to working with the target clientele.

The complementarity of planning and implementation makes it possible to address both simultaneously. Waiting until technical capability is in place before initiating specific outreach activities which will complement and reinforce the planning mechanism would be less than optimal for several reasons: (1) lack of feedback from experiences in implementing projects specifically targeted at the rural poor; (2) limited participation of intended beneficiaries; and (3) loss of time in installing an effective system because of the need for modifications resulting from the experiences gained. The latter point is important in view of Mission and GOB interest in stronger decentralized organizations capable of reaching rural areas.

The proposed Project, therefore, will focus on improving the implementation/outreach capability of the DDCs, thereby complementing the efforts of the Rural Development Planning Project to create a technical planning capability. This Project will utilize what can be termed the "inductive" method to improved planning -- particularly as it relates to the identification and implementation of subprojects which will improve the standard of living in the rural areas. The converse of the deductive method, inductive planning starts at the micro level and, through the provision of financial resources, permits implementation of a series of small subprojects which, when aggregated, provide considerable learning experience in how development activities reach a specific target group and create a desired impact. By providing resources for specific subprojects (the type to be controlled through a series of eligibility criteria) a mechanism is created through which the DDCs can: establish permanent communication channels with the rural population; coordinate activities with identified needs of the target group; and create a level of confidence in themselves that they can undertake rural oriented projects as well as in the rural areas regarding their intention to do so. As has been discussed above, these factors are important to an effective implementation capability and, because of the feedback to the planning process, to the overall planning system as well.

As Figure 2 has demonstrated, there is a close relationship between implementation of subprojects and the development of strategies and medium- to long-term plans. An important consideration that is not clear from Figure 2, however, is that this relationship

exists only when the total system itself is operational. That is, when both a technical planning capability and an outreach capability exist. It is important to recognize that becoming operational requires time and, until that point is reached, the relationship between implementation of subprojects and planning is going through a development process; as a result, the relationship cannot be solidified quickly. The Project, therefore, will not require the presentation of a strategy or medium- to long-term plan as a prerequisite to subproject approval. This is in keeping with the strategy of this Project, in conjunction with the Rural Development Planning project, to help establish the strong technical planning and outreach capability necessary an effective planning system in which a direct linkage between implementation and strategies/plans is an integral part.

Through the use of eligibility criteria, subprojects will be focused on the rural poor target group and will require that each subproject demonstrate how it will contribute to the development of a permanent outreach capability. This control on subproject financing is intended to produce the continual interchange and feedback between planning and implementation desired to improve the technical capability of the corporations in both areas and, as a result, in the overall planning system employed. Use of eligibility criteria of this nature represents an important shift from the current situation in which subprojects are often proposed on an ad hoc basis and without application of any formal criteria.

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 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 agroindustry. 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 system and small-scale electrification will be eligible to receive financing.

3. Funding Level and Target Area

To finance subprojects, a funding level of \$ 9.7 million has been established for the Project. Based on discussions with the DDCs, analysis of the demand for funds and the ability of the corporations to absorb the resources provided, this level is considered to be optimal. Over the five-year life of the Project, the \$ 9.7 million will average approximately \$ 250,000 to \$ 300,000 per corporation per year. While this amount is somewhat modest on a per corporation basis, it is sufficient to support the Project's purpose of improving their outreach capability. The hope is that a strong outreach capability, coupled with a strong technical planning capability (developed through the Rural Development Planning project), will provide a sound institutional base for future Mission (and other development institutions) financing of activities with the corporations which are designed to impact on the rural poor target group.

During intensive review, consideration was given to limiting the geographic focus of the Project in order to maximize the impact of the resources available. This was rejected in favor of all nine DDCs participating because the Project is institution building in nature and, to be successful, both the Mission and GOB believe that all the institutions must participate and work within the framework

and criteria which have been designed to help achieve this institution building objective. In addition, with each of the DDCs participating linkages between them will be strengthened (through sharing of experiences) as will linkages to the MPC. Limiting the target area by excluding corporations from the Project would cause a gap in this institution building process and result in an unnecessarily weak base for the implementation of future activities.

4. Project Design

The total estimated cost of the project is \$ 13.5 million of which AID will finance \$ 10.0 million and the GOB will contribute a minimum of \$ 3.5 million. AID's loan funded contribution will consist of two components: \$ 9.7 million to finance DDC subprojects which conform to the requirements of the project, and \$ 300,000 for short-term technical 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.

The need for additional inputs such as training, staff increases and organizational changes were examined as part of intensive review, but have not been included in the final design. A certain amount of training (primarily on-the-job) will be provided under the Rural Development Planning project. The long-term advisors will also be in a position to identify specific cases where additional long-term training will be beneficial because they will be working closely with counterparts in the corporations. However, since it is premature to pinpoint specific personnel for training at this time, no provision has been made in the Project design for training. Rather, the Mission is planning to utilize the LAC Bureau's regionally funded Training for Development project for this purpose once specific needs have been identified.

The institutional analysis points out that the corporations have experienced significant staff increases over the past three years and are planning to maintain the current levels into the future. It is the Mission's belief that additional staff is not required; a re-orientation of technical expertise, however, is needed. To be successful in establishing or strengthening their outreach capability, the DDCs will require more promoters, extensionists, and agriculturalists and fewer civil engineers. Santa Cruz has already begun to change the composition of its staff, and the Project will encourage other corporations to do the same.

As part of their increased awareness of the importance of the rural areas (and at the urging of the MPC), the DDCs have adopted a standard organizational structure with slight modifications to meet the specific requirements of the corporations. The recent changes in organizational structure were examined as part of the institutional analysis and were found to be satisfactory in terms of creating lines of responsibility which reflect the increasingly rural focus of the corporations' programs. Therefore, no additional modifications have been planned as part of this Project.

a. Technical Assistance

The major technical assistance needs of the corporations are being satisfied by the Rural Development Planning project. Nonetheless, additional short-term assistance needs have been identified and will be financed under this Project.

Two work-months of assistance will be provided to each corporation (a total of 18 work-months) to work with staff members in the identification of outreach problems, development and testing of solutions to the problems and, based on the results of the testing, the implementation of mechanisms within the corporations which will assure a permanent outreach capability. It is expected that for each corporation, the two months of assistance will be divided into two phases: problem identification and development of solutions (one month) during the early stage of Project implementation, and a one-month follow-up approximately a year later (i.e., once the DDCs have had an opportunity to test proposed solutions) to assist in final implementation of permanent outreach mechanisms.

One short-term specialist in financial/tax systems will be contracted to prepare a study of possible alternative or additional sources of financial support for the DDCs. The study (approximately 4 - 6 months in duration) will evaluate various mechanisms to augment and diversify DDC revenues to permit expanded investment by the corporations. 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 development activities.

Another short-term specialist will assist the MPC in the preparation of guidelines for environmental considerations to be examined during subproject development. This assistance will require approximately two work-months of services.

Finally, short-term assistance (approximately ten work-months) will be utilized for special subproject evaluations. Over the life of the Project a minimum of five to eight such evaluations

will be undertaken. Also, in conjunction with these special evaluations, assistance will be provided to institutionalize the evaluation process in each DDC. This will assure that the feedback from subproject experiences into the planning process will be maximized.

The total amount of short-term assistance to be provided under the Project is 36 work-months. It is expected that the MPC will contract directly for the needed services. A total of \$ 300,000 from the loan have been budgeted for this purpose.

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 an outreach mechanism to assure target group participation and 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: Up to \$500,000 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. During intensive review, the appropriateness of this category of subproject was considered carefully before the decision was made to include it. The most significant issue -- potential conflict with private sector investment -- was rejected because Bolivia, as a socialist state, has limited private enterprise. As public sector entities, the DDCs are the appropriate institutions within the Bolivian context to undertake this type of activity. In addition, in discussing the matter with several DDCs, they indicated that a primary reason they will invest in agroindustry (and other enterprises) is to attempt to attract private sector investment. A number of corporations have been successful in this regard

in that enterprises that were once completely public are now "mixed" (public and private) enterprises. In Oruro, the stated policy of the corporation is to establish mixed enterprises; others will undertake activities on a pilot basis with the expectation that private investors will assist in expanding to other locations once the activity has been shown to be feasible. In supporting agroindustry projects, the loan will encourage the growth of the DDCs' desire for increased private sector participation and will require a 33% private sector participation in the required investment.

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) Outreach mechanism: Each subproject must demonstrate what it will do to establish or strengthen linkages between the DDC and the beneficiary community, including the role of the community in the identification and design of the subproject. How the subproject fits within the DDC's general strategy for improving its outreach mechanism also must be clearly demonstrated.

ii) 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.

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, a final design will be prepared for each subproject, in which the following concerns must be addressed prior to its approval for financing under the loan.

i) Target Group Analysis

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. Also, 33% of the total investment required for an agro-industry subproject will have to be obligated through private sector participation.

(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 final design. 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, an economic analysis will be conducted.

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 subprojects 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 will be specified. The outreach 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) will be described within the context of each corporation's plans to develop a permanent outreach capability. Sufficient information also will 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 estimates 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 project design 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 final subproject design. 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 \$ 9.7 million in loan funds will be utilized to finance 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 agro-industries.

Up to \$ 300,000 in loan funds will be used for short-term technical assistance.

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 \$ 3.5 million, which may include funds from Title III.

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 break-out 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	500	300	200
Water Resources / Water Control	1,370	500	870
Land Improvement	600	500	100
Marketing Facilities	100		100
Reforestation	900		900
Rural Electrification	900	500	400
Potable Water Systems	940	500	400
TOTAL	<u>9,700</u>	<u>2,300</u>	<u>7,400</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 proportionally smaller allocation but which would be sufficient to reinforce the objectives of the Project. An allocation of \$ 1.0 million was agreed upon.

5. End of Project Status

Together with a limited amount of short-term technical assistance, the Project will rely on experience gained from implementation of subprojects in order to achieve its objective of institutionalizing an outreach capability in each of the DDCs. Through permanent outreach mechanisms, the corporations will have the means to directly involve the target group population not only in planning new activities but in their implementation as well. The proposed Project is timely because the corporations have recognized the existence of an outreach capability as an important part in strengthening their overall planning systems, and are seeking assistance for their efforts to establish this capability.

Success of this Project will be measured in terms of the extent to which the DDCs continue to rely on their outreach mechanisms for planning and project design and implementation purposes. It is expected that the positive experiences gained from the Project will be sufficient incentive for the DDCs to continue utilizing their contacts with the target group in the development of future activities. In addition, it is hoped that with a strong outreach capability as well as a strong technical planning capability that the DDCs will serve as a base not only for future AID assistance but other international development agencies as well. This will provide an opportunity to observe the extent to which the DDCs involve the target group in the development process as well as the opportunity to reinforce their efforts with additional funding.

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%	15%	\$ 1,275
CORDEPAZ (La Paz)	5,082	15%	15%	1,275
CORDECO (Cochabamba)	4,284	12%	15%	1,275
CORDEOR (Oruro)	3,674	11%	11%	990
CODITAR (Tarija)	4,388	13%	15%	1,275
CODEBENI (Beni)	2,756	8%	9%	810
CORDENO (Pando)	2,855	8%	9%	810
CORDEPO (Potosí)	6,443	19%	11%	990
Sub-Total	34,294	100%	100%	8,700
CORDECRUZ (Santa Cruz)	39,091	-	-	1,000
TOTAL	73,385	-	-	9,700

The specific outputs expected from this Project include:

- a. Thirty-five to fifty subprojects will be implemented in accordance with eligibility criteria.
- b. There will be a minimum of ten staff members on each DDC hired and trained to be responsible for development of outreach linkages between the DDCs and the target group.
- c. Each DDC will establish permanent contact with a minimum of five campesino groups.
- d. Two workshops will be held each year in which representatives from all the DDCs will meet to share their experiences and offer suggestions regarding the establishment of outreach mechanisms.
- e. A report summarizing the mechanism of financial support for all 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.

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.

Given the steadily increasing importance of the role of the development corporations within the national planning system, it is important to note that only a two-level hierarchy has been created: national and departmental/regional. There is no formal level of planning or implementation below the DDCs, and the responsibility of the corporations, therefore, is not only development from a departmental/regional level but from the local level as well. In certain respects, because the corporations are regional entities, it can be argued that the planning they do is top-down in nature. However, if the corporations are to be successful in promoting the development of diverse localities in their regions, then they must create mechanisms to take the needs of these areas into consideration (through outreach mechanisms that permit permanent contact), thereby introducing an element of bottom-up planning into the planning process.

To take advantage of this existing system and the increasing importance of the DDCs, this Project has been designed to assist in the development of the outreach mechanisms which the DDCs need in order to increase the participation of the target group in the planning process. For example, in Santa Cruz the corporation is attempting to form community development committees comprised of representatives selected by community members. Technicians from CORDECRUZ will be assigned to work directly with these committees in order to gain an understanding of what their problems and needs are. The information from this direct link with target group communities will then be used within CORDECRUZ in development of plans and specific subproject ideas.

Reinforcement of the development of these outreach mechanisms will come about through the implementation of subprojects planned and identified with the assistance of the target group. The feedback of experiences gained from this implementation into the planning system is an important design feature that will help improve future planning and implementation through the application of this prior experience. The expected result is that the planning, design and implementation of future subprojects will be increasingly sensitive to the needs and priorities of the target group population throughout Bolivia because they will participate directly in the development process.

It should be emphasized, however, that the corporations are not the National Community Development Service (NCDS), nor should they be. NCDS operates at a different level with much more concern for construction of community projects and much less concern for how those projects fit into macro planning. On the other hand, the corporations are dealing with larger projects which must be more carefully planned keeping in mind departmental level (not just village level) needs.

2. Technical Capability of the DDCs

The DDCs will provide the technical and professional staff necessary to carry out Project activities. Over the past decade, the DDCs have undertaken a wide variety of projects and, as a result, have developed technically competent staffs. The problem currently being faced is how to utilize the available skills in a program oriented toward the rural sector. Because of this technical capability, the proposed Project will not place a burden upon the corporations' staffs to the point where they would be unable to carry out the required activities in an effective manner.

Maximizing the outreach capability of the DDCs 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 from 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 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.

Mission experience with community maintenance varies. In NCDS projects, evaluations have shown maintenance to be very good, with the major reasons for successful maintenance being village leadership and community interest in the project from the outset. Where local leadership and interest were weak, maintenance was a problem.

The Mission sees the outreach mechanism playing an important role in this regard. It would not be in the corporations' interests to have to assume maintenance responsibilities because of badly designed or promoted projects. Thus, subprojects will be designed, and this is part of the eligibility criteria, with a maintenance plan. It will be the responsibility of the subproject technicians and promoters to assure that these maintenance plans are realistic and that they are negotiated with community leadership.

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 and is complemented by an improved outreach capability, 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 B, 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 siphons 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>

Small hydropower systems are another possibility in which the corporations have expressed interest. The specific technology

and cost estimates for specific sites will be available upon completion of a prefeasibility study presently being funded by USAID/B. Depending on the results, the Mission may emphasize these hydro-systems over the diesel systems.

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 6, 1979, the Project was presented at a meeting of the DDC planning directors sponsored by the MIC 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.

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, additional analysis 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 G). 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 \$ 162 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 C, 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 development of this necessary linkage. Strategies which take these factors into account will be employed to assure that the linkage is established and the target population participates 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, generally tend to be comprised of middle class individuals who come from an urban background. 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. The beneficiary groups on the other hand tend to be 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 must be considered in order to avoid serious problems inhibiting successful implementation.

b. Campeño 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. Social Scientists on DDC Staffs

The DDCs will be encouraged to change the composition of their staffs to be consistent with the need to develop an outreach capability. In particular, more social scientists (especially sociologists and anthropologists) will help provide needed understanding of the target group and, based on that understanding, provide assistance in developing appropriate outreach mechanisms. A major function of the social scientists will be to conduct the social soundness analysis to be included in support of DDC subprojects to be financed under the loan. This analysis will be in general accordance with the guidelines provided in Annex II, Exhibit G, and will provide useful guidance in the development of outreach mechanisms by: (1) analyzing projected beneficiaries in social and cultural teams;

(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 social 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 social scientist will have the opportunity to sensitize 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 the development of the outreach mechanisms of the DDCs.

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 local 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. To the extent possible every effort will be made to capitalize on the rapport that such intermediaries have with potential clients.

3. Community Participation

Obtaining community participation is an important factor in the establishment of an outreach capability, and there are organizational mechanisms which can be used to mobilize community support. As noted in the profile (Annex II, Exhibit E), 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 NCDS 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 social 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 sub-projects 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 social 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

1. General Summary

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.

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 2 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

TABLE 2
1978 DDC BUDGETS, BY SOURCE 1/
(\$b 000)

	B U D G E T S O U R C E									
	Total Budget	Operating Budget	Investment Budget	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%)	19,094 (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.

of the sales tax on commodities and, beginning in 1978, with a special tax on beer.^{1/} 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 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.

2. Summary Analysis

A detailed institutional analysis of each corporation was undertaken in May and June 1979. All corporations were visited with the exception of Pando in which case representatives were interviewed in La Paz. This section presents a summary of the analysis; Annex II, Exhibit A, contains more detail on each of the corporations as well as the methodology employed in the analysis.

a. Methodology

The methodology for assessing the institutional strengths and weaknesses of the corporations included the following components:

- Type of projects currently being implemented
- Staffing current and planned
- Organizational structure, including how the corporations relate to campesinos and other groups
- Technical capability to staff and implement projects, including DDCs' ability to work with campesinos

^{1/} In June 1979, the GOB approved a new 1 per cent tax on luxury goods, the proceeds from which will go to the DDCs in Cochabamba and Beni.

- Internal and external image
- Internal and external morale

The latter two were included to find out what corporations believe and think about themselves and what others -- especially campesinos -- think about them.

b. Conclusions

In the summary of conclusions which follows, two terms (and topic headings) which may need explanation are "doctrine" and "program." Doctrine refers to an organization's long-term objectives and the principles it believes in. Program refers to the means for reaching long-term objectives.

1) Leadership

a) Strengths

Perhaps the corporations' greatest asset is young, highly trained men from the regions, already in high positions. Many are overseas trained. They are ambitious. It appears that in general they want to make things happen or move on. They have no desire just to fill slots and no problems finding good jobs elsewhere.

b) Weaknesses

i) In some instances, loss of a corporation president following the next election will be a serious loss, and in other instances it will not be a serious loss. In the former category are Oruro, Sucre, Tarija, Cobija, Cochabamba, and Trinidad.

ii) In weaker corporations (Cochabamba, Beni, Pando), the President runs a one-man operation, and has no executive director. Therefore, he must look out for corporation survival and effectiveness.

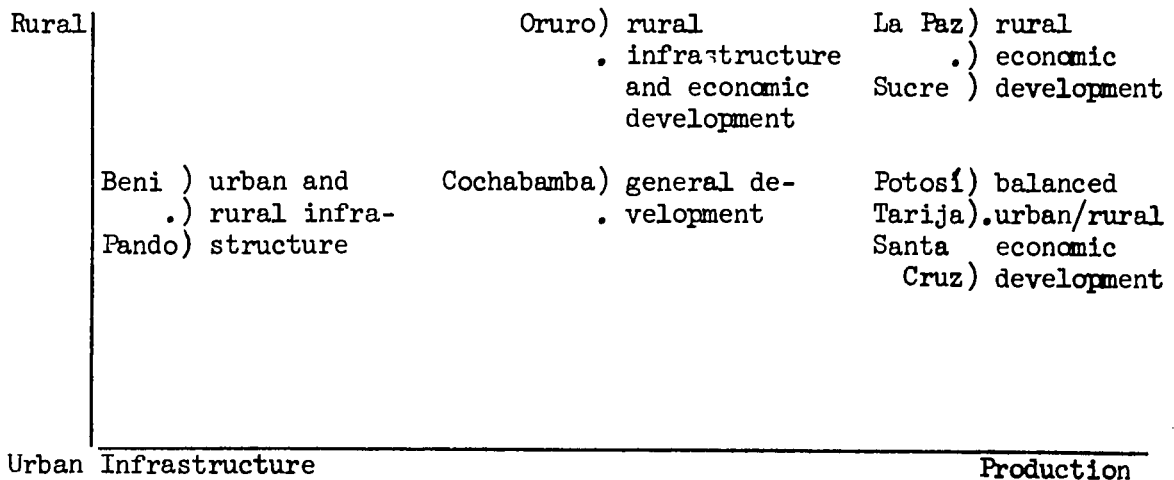
iii) In general, Boards of Directors are ineffective. They participate actively in decisions at neither the policy or technical levels.

2) Doctrine

The doctrines of all nine corporations contain the following two dimensions:

- Urban vs. Rural;
- Infrastructure vs. Production.

An economical way to present all the corporations' doctrines at once, and compare them is on a table where the urban - rural dimension is the ordinate, and the infrastructure - production dimension is the abscissa.



Given that the focus of this loan to the corporations is rural production, then the doctrines rank themselves as follows (rank is determined by distance from the upper-right-hand, rural/production corner):

- La Paz, Sucre;
- Potosí, Tarija, Santa Cruz, Oruro;
- Cochabamba;
- Beni, Pando.

Almost all corporations see their true role as rural, and almost all would like to leave infrastructure behind or to someone else.

3) Program: Strengths and Weaknesses

The corporations' program emphasis is summarized in the table on the following page.

The per cent of budget invested in rural projects is represented by the ordinate (and computed by dividing the budget for rural projects by the corporations' total investment budget), and the per cent of budget invested in production projects is represented by the abscissa (and computed by dividing the budget for production projects by the corporations' total investment budget).

There are two ways to look at program strength:

- From AID's point of view.
- From the corporations' point of view.

(This discussion refers to the composition and emphasis of the programs, not the quality or effectiveness of the individual projects.)

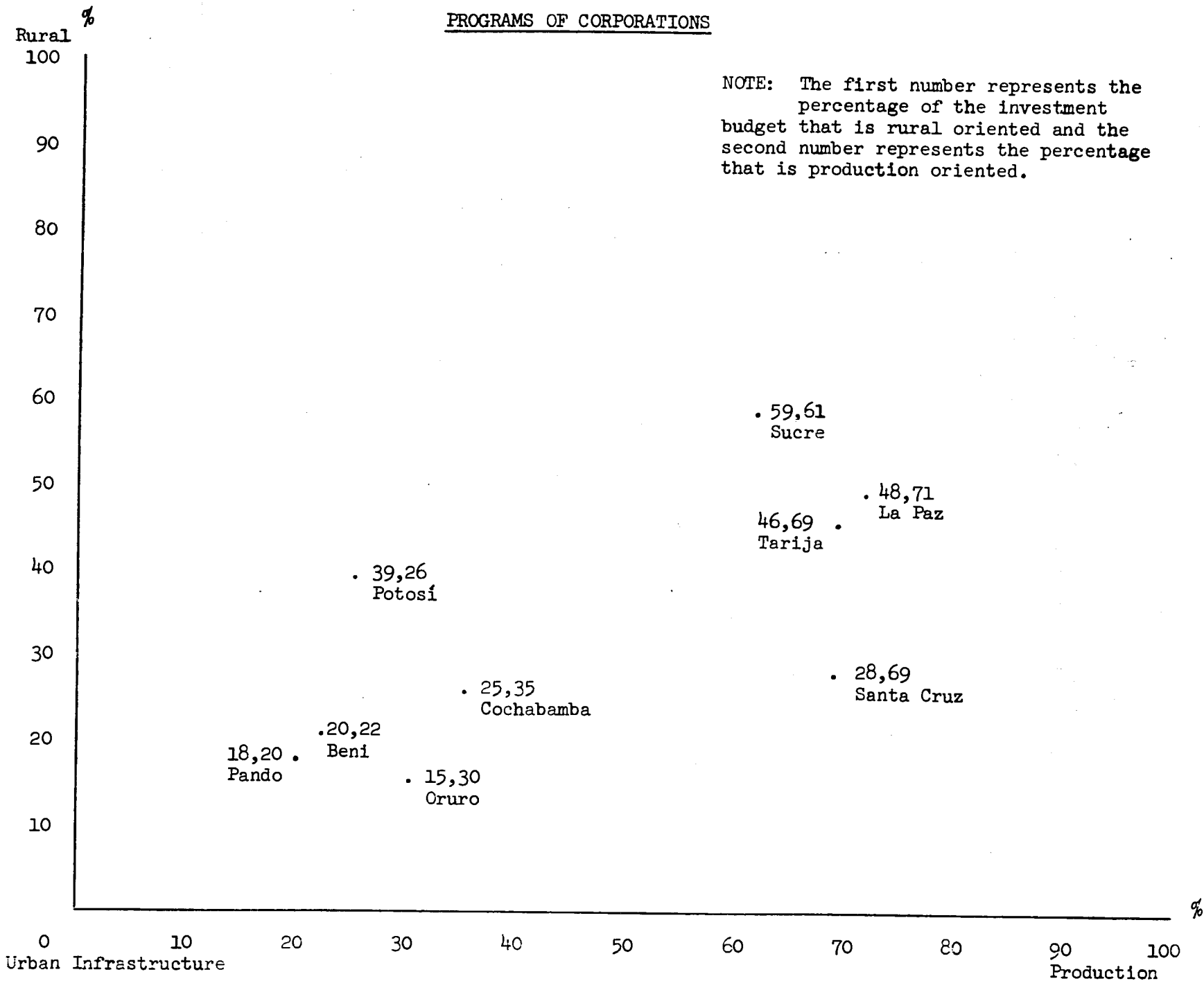
To calculate program strength from AID's point of view (as with the doctrines), the distance from the upper-right-hand corner to each of the coordinant points is measured.

From AID's point of view, corporations' programs rank from strongest to weakest as follows:

1. La Paz
2. Sucre
3. Tarija
4. Santa Cruz
5. Potosí
6. Cochabamba
7. Oruro
8. Beni
9. Pando

PROGRAMS OF CORPORATIONS

NOTE: The first number represents the percentage of the investment budget that is rural oriented and the second number represents the percentage that is production oriented.



To calculate program strengths from the corporations' point of view, the doctrine and program charts are superimposed, and the distance between the two coordinant points for each corporation is measured. A strong program is one that coincides with doctrine, and a weak program is one that differs from it.

From the corporations' point of view, program strengths rank as follows:

- Beni
- Tarija, Pando
- Cochabamba
- Santa Cruz
- La Paz
- Sucre
- Potosí
- Oruro

Corporations' high on the list have doctrine/program coincidence, and those low on the list do not.

4) Internal Structure

a) Project choice, especially with regard to prospective AID-supported projects, is informal. Most commonly project ideas come from "técnicos," the populace, or the directorate.

b) Management Styles and Policies

i) Santa Cruz

- Project management teams include a planner, an implementer and an administrator who follow the project from beginning to end.

- CORDECRUZ will put up no more than 10 per cent of the total for any industrial project.

ii) Oruro

- CORDEOR believes in mixed enterprise, which means start out with 51 per cent, and then sell out when the enterprise is on its feet.

- CORDEOR tends to contract implementation rather than implement themselves.

iii) Potosí

CORDEPO is at the point where most non-infrastructure activity is feasibility studies. They would like to contract some studies to speed things up.

iv) Tarija

CODETAR thinks of itself as being a strong, agile implementer. They are proud of being able to spend and move resources.

v) Sucre

CORDECH believes in specialized, high-investment, high infrastructure strategy of transferring technology to campesinos.

vi) La Paz and Tarija have divided up their departments into ecological units for planning purposes (three for La Paz, five for Tarija).

5) Linkages

a) Outreach to Campesinos

i) All corporations at least give lip service to the importance of direct contact with campesinos, and campesino participation in project planning and implementation.

ii) Experience at involving campesinos, and resources devoted to involving campesinos vary greatly.

Strong: La Paz, Sucre

Medium: Tarija, Santa Cruz

Weak : Oruro, Potosí, Beni, Pando, Cochabamba

iii) There seem to be two approaches to outreach. One is to set up your own cadre of extensionists (La Paz and Sucre; Potosí is just beginning), and the other is to use extension agents of the Ministry of Agriculture and community development programs, etc.

b) Linkages to Other Organizations

i) The corporations tend to have more relationships with international organizations than with GOB Ministries (with the

exception, of course, of the Ministry of Planning). Corporations commonly receive funds and technical assistance from Care, UNICEF, IDB, etc., but they do not commonly engage in cooperative ventures with the Ministry of Agriculture. Santa Cruz seems to be an exception to the above generalization.

ii) Corporations often use other organizations to do feasibility studies, or project implementation. For example, Beni contracts all feasibility studies and Oruro contracts almost all implementation.

6) Resources

a) Strengths

i) Regional corporations have been successful in obtaining resources from organizations other than the Bolivian Government.

Sucre : UNICEF, CARE, IDB
Potosí: UNICEF
Cruro : IDB, World Bank
Tarija: USAID, CARE, UNICEF, World Bank
Beni : Bank of Brazil, INTERMACO, ALDE
Santa Eximbank,
Cruz: IDB, City Corp., Bank of America
Cocha-
bamba : ALDE

ii) In spite of GOB's current dire fiscal straits, corporations who do not get significant royalties (Cochabamba, Beni) have received substantial budget increases recently. They have competed successfully for government support.

b) Weaknesses

i) Mineral and oil royalties, which support all but three of the corporations, are by their very nature a diminishing source of revenue. Replacing that revenue in the future is perhaps not as big a problem as side effects of replacing the revenue. Two ways to replace the revenue are increased support from outside donors and implementation of revenue generating activities.

Outside donors will inevitably eat into the corporations' autonomy and agility, and there is a limit to the debt

a corporation can carry (Santa Cruz is approaching that limit). Revenue generating activities will direct attention away from the rural poor.

ii) For many of the corporations, obtaining royalties obligated by law is a major preoccupation. Oruro, Cochabamba and Beni indicated that they have encountered serious difficulties in getting the GOB to meet budget obligations. To a lesser extent, La Paz and Pando also experience difficulties. Potosí, Sucre, Tarija and Santa Cruz did not indicate noticeable problems with receipt of royalties.

Even when budget obligations are met, an additional problem is that resources often arrive out of phase with operating plans. Although the fiscal year starts in January along with the need for funds to begin project activities, funds often do not arrive until June.

iii) There is a preponderance of economists and engineers on the DDC staffs. In several instances staff composition corresponds to old infrastructure doctrine, and not to new, agriculture and rural doctrines. An exception is La Paz, which has never had a public works doctrine. They have 12 agronomists and 4 sociologists. Also, Sucre has nine agronomists.

7) Internal/External Image-Weaknesses

a) For Oruro, Tarija and Potosí, campesinos expect and request assistance in infrastructure development from the DDCs. Their doctrine, however, is oriented more toward agriculture and/or agroindustry. Nonetheless, because of already established precedents, the DDCs believe that campesinos who do not receive what they expect can become a source of unwanted trouble.

b) In several places, the urban populace feels the corporations' job is urban projects (Pando, Beni, Cochabamba).

c) In some places, in particular Beni, the rural people do not expect anything, but the doctrine is to provide them with infrastructure.

3. Summary Description of the DDCs

The following summary descriptions are taken from the detail which is presented in Annex II, Exhibit A.

a. CORDENO - Pando

CORDENO's program aims at linking this isolated department with the rest of the country by land as well as developing its basic services. Investment funds are split roughly half and half between urban and rural projects while agriculture projects account for 12 per cent of the funding and industry 8 per cent. The rest of the investment budget goes toward urban and rural social infrastructure such as inter and intra departmental roads, schools, health posts, electricity, water, public buildings, sewage and telephone service.

Unlike any other corporation, CORDENO is not only a regional planner and implementer but also a regional services agency as it supplies electricity, water, sewage and telephone service.

The corporation's staff numbers 120 employees of whom 7 are professionals and 36 technical staff. The corporation wants to slow further staff growth (it has doubled in last two years); additional agricultural and industrial staff are needed. Corporation staff are able to design and successfully implement social infrastructure type projects but have had little experience on training with agricultural and industrial projects. Because of the department's difficult living conditions, the corporation has trouble attracting qualified professional people.

CORDENO recently has begun to get involved with campesino groups under its agricultural extension pilot project, but, because of its former focus on urban infrastructure, it has had little experience in this area. In the near future, CORDENO plans to develop its expertise with the help of the Community Development Service.

CORDENO's budget is relatively secure although it does not approach the amount the corporation calculates it could effectively invest annually.

b. CORDEBENI - Beni

CORDEBENI's 1979 program continues to be dominated by urban/social infrastructure as the corporation slowly moves into new areas of development such as the agricultural and industrial sectors. The 1979 social infrastructure program (78 per cent of total investment budget) includes rural and urban electrification (25 per cent), urban potable water and sewage (46 per cent), and caminos vecinales (7 per cent). Agricultural and industrial projects - primarily

agricultural and industrial feasibility studies and an experimental agriculture research station - represent 15 per cent and 7 per cent of the budget respectively.

CORDEBENI's staff numbers 255, a figure swollen by the addition of 79 people from three separate projects with which the corporation is involved. Thirty-two of the staff are university graduates. This staff is very capable of design and implementing social infrastructure/engineering type programs, but is inexperienced in the design or implementation of agricultural or industrial programs. The corporation needs additional personnel in these fields but hiring is constrained by budget limitations and unavailability of qualified personnel.

CORDEBENI has no organized outreach system for permanent contact with campesinos. It does, however, feel strongly that this is the major constraint (i.e., motivation and organization of campesinos) affecting its programs in the rural areas and it is anxious to develop an effective approach.

CORDEBENI is the corporation most financially dependent on the Central Government for its funds. This fact colors all the corporation's activities, self-image and morale.

c. CORDECRUZ - Santa Cruz

CORDECRUZ's 1979 budget illustrates their movement away from public works services of previous years toward the productive sectors especially industry and agriculture. They will spend 62 per cent of their investment budget on thirteen projects in the industrial sector. Three large projects (cement plant, cotton plan and industrial park) will use up 90 per cent of these funds. In agriculture, they plan to spend 9 per cent of the budget for sixteen projects including analysis of agricultural potential, analysis of irrigation potential, an integrated rural development project and a study on the agricultural impact of a new highway. Of the total budget, 54 per cent will have greatest impact on urban areas, 26 per cent on rural areas, and the remaining 20 per cent will impact equally on both.

Their staff is 545 employees -- up 10 per cent over the past two years. They hope to stay at or below this level for the next few years. The staff includes 145 university trained professionals and 12 high-level technicians. CORDECRUZ's staff is highly professional and has the capability to design and implement all the projects currently included in their program. They have moved beyond the pilot program stage in the agricultural sector and are trying to implement long-term integrated sub-region development projects.

CORDECRUZ has had experience in working with campesino groups through cooperatives and committees, but they feel that their performance in this area can be improved and recently have been seeking technical assistance in this area.

CORDECRUZ is the most financially secure corporation. Its budget accounts for approximately 50 per cent of the total amount of all the corporations' budgets. In addition to petroleum royalties, CORDECRUZ also has a large loan portfolio with international lenders.

d. CORDECO - Cochabamba

CORDECO's current program -- an ambitious series of programs and projects covering a broad spectrum of developmental activities -- will benefit from the problem identification and solution development approach to regional and internal planning now being initiated with the assistance of a West German technical assistance team. This year's project list includes a large industrial park, capital city bus terminal and grape production projects. Programs include caminos vecinales, three agro-industrial production projects, integrated rural development, flood control, provincial public works, potable water, reforestation and equipment maintenance. In addition, the corporation is attempting to get funding for design work on a 13-year \$ 250 million hydroelectric and irrigation project. In the past few years, CORDECO has spent from 10-15 per cent of its investment budget on agro-industrial, integrated rural development and reforestation programs, and another 10-15 per cent on rural social infrastructure such as caminos vecinales. The industrial park, bus terminal and flood control use up the bulk of CORDECO's investment funds.

CORDECO's current staff is 210, of whom 34 are university trained professionals; 120 of these are concentrated in the corporation's program and project department. CORDECO's staff has increased five-fold since 1976 and the corporation is attempting to curtail further growth.

As evidenced by the above discussed program, CORDECO's staff has had experience in designing and implementing a wide-range of projects. In the agro-industry and integrated rural development areas they feel that they are still developing their capability to design and implement viable projects.

CORDECO has limited direct outreach capability to campesinos -- currently only its integrated rural development program includes an outreach component. Otherwise, it depends on indirect contact with campesinos through elected community representatives in the political system.

The corporation habitually has difficulties obtaining its approved budget (65-70 per cent of corporation's funds come from the Tesoro Nacional) and this reduces its ability to program with certainty and timeliness.

e. CORDEOR - Oruro

CORDEOR is attempting to shift its focus of activity out of urban areas to the campo in order to stem rural to urban migration. The 1979 program is just beginning to reflect this approach in its new projects; the bulk of CORDEOR's investment funds are still tied up in the continuation of old infrastructure projects. The corporation is committed to their completion, but its newly approved projects show a shift to rural areas. Specifically, the 1979 investment program shows that urban and semi-urban infrastructure (mainly old projects) is 64 per cent of budget, rural infrastructure another 6 per cent, while agriculture, industry and mining are nine, twelve and nine per cent respectively.

CORDEOR has a staff of 127, many of whom are new following a major staff turnover in 1978 as part of total reorganization of the corporation.

CORDEOR's staff has little experience in designing or implementing agricultural projects. To date, their agriculture program has consisted of an agricultural research station. They are however capable in the area of infrastructure design and implementation.

CORDEOR's outreach is weak with no permanent contact maintained with campesinos and no staff experience in this area.

The corporation's investment program has been adversely effected by substantial delays in receipt of assigned funds both from mining royalties and the central government. Delays of six months to a year are common, and have a disruptive impact on implementation of projects.

f. CORDEPAZ - La Paz

CORDEPAZ's stated focus is the rural poor, although they also make substantial investment in large agro-industry. For planning purposes, they have divided their department into the following regions:

- The northern jungle where they try to attract settlers by providing basic infrastructure;

- The andean valleys where they promote the production of fruits and vegetables for population centers; and

- The Altiplano where they provide agricultural credit and technical assistance to campesino farmers.

In 1978, CORDEPAZ's investment budget was divided among the following types of projects: agro-industry (46 per cent), agriculture (28 per cent), rural infrastructure (21 per cent), and other (4 per cent).

The corporation's staff of 137 has 30 professionals including 12 agronomists, and 4 sociologists. CORDEPAZ's staffing has been relatively constant over the past few years.

CORDEPAZ appears to have relatively strong design and implementation capabilities in agriculture. Outreach to campesino appears to be a strong point in that their staff includes fifteen full-time extensionists.

CORDEPAZ has been subject to delays in receipt of funds. As with other DDCs which experience the same difficulties, this has a negative impact on timely planning and implementation.

g. CORDEPO - Potosí

CORDEPO's leadership seeks to industrialize and commercialize mining and agriculture in the department. They believe that agro-industry development must await progress in agriculture. Their current program includes agricultural development (13.5 per cent), industry/tourism (10 per cent), mining (3 per cent), rural infrastructure (25 per cent), urban infrastructure (34 per cent), and other activities (2 per cent).

With a staff of 200 (of whom roughly 50 work in the planning department and the remainder in implementation and related services), CORDEPO's project experience has been focused on urban and rural infrastructure. They are technically capable of doing engineering design and implementation work related to these areas. They have less experience in the agricultural field. Staff level is expected to remain fairly constant in the future.

Outreach activities have been limited to date; the exception being a one-year old agriculture, mechanization project which employs about 15 Quechua speakers as promoters. This project is the first of its kind for the corporation.

Potosí has the second largest budget of the development corporations and unlike most others is not plagued by delays in receiving funds.

h. CORDECH - Chuquisaca

CORDECH has a strong rural focus to its program and it encourages community participation. The aim of the program is improving the region's participation in the national economy. The corporation currently spends 44 per cent of its investment budget in agriculture -- half of which is for the largest pig production project in Bolivia. Eight per cent of their budget will be spent in the rural areas. In addition to agriculture, they spent 9 per cent on health and education, 7 per cent on rural infrastructure, 17 per cent on agroindustry, and 20 per cent on urban projects.

CORDECH's staff of 144 has 53 professionals dominated by economists, engineers and agronomists. This staff is experienced in the design and implementation not only of infrastructure projects but also agricultural projects.

The corporation is experienced in working directly with groups of campesinos on outreach type projects. A total of twenty-five extensionists work for the corporation on its agriculture projects.

i. CODETAR - Tarija

CODETAR's program aims at balanced urban/rural social-economic development to stop out migration and foster the development the five regions that have been identified in the department. 1979 investment funds are split into agriculture (31 per cent), industry, including agro-industry (38 per cent), rural infrastructure (15 per cent), natural resources (12 per cent), and other activities (5 per cent).

The corporation's staff number 161 with 40 professionals, chiefly engineers and economists. Staff level has been fairly static over the past few years. CODETAR's staff is experienced in the design and implementation of industrial and infrastructure projects.

CODETAR expends moderate resources on contact with campesinos - 30 CODETAR employees are classified as extension agents. Most of these work in the corporation's fruit project. Campesinos in Tarija often visit the corporation to request specific types of assistance.

CODETAR generally does not have difficulties in receiving funds from its allocated budget. Petroleum royalties provide the majority of its financing.

PART IV. FINANCIAL AND PROJECT IMPLEMENTATION PLANS

A. Financial Analysis and Plan

The estimated cost of activities to be financed by the project is \$13.5 million. AID will provide \$10.0 million in loan funds. 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.

Project funds will be disbursed over the five year life of the Project.

The GOB contribution of \$3.5 million will come through the participating DDCs and will include revenues from Title III generations. Counterpart funds will finance subproject feasibility studies and a percentage of total subproject cost. 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 newly instituted tax on luxury goods will provide a financial base for these DDCs and reduce their dependence on the central government.

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 1 per cent to 1.6 per cent of their current investment budgets.

Table 3

Impact on DDC Budgets
(\$ 000)

Corporation	1978 Investment Budget	Annual Allocation of Loan Funds	Counterpart Requirement (25%)	Percentage of Investment Budget
CORDECH	4,812	255	68	1.4%
CORDEPAZ	5,082	255	68	1.1%
CORDECO	4,284	255	68	1.6%
CORDECR	3,674	198	50	1.4%
CODETAR	4,388	255	68	1.6%
CORDEBENI	2,756	162	40	1.5%
CORDENC	2,855	162	40	1.5%
CORDEPO	6,443	198	50	0.8%
CORDECRUZ	39,091	200	50	0.1%

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. Final subproject designs 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)		
	AID	GOB	Total
Subprojects	9,700	3,450	13,150
Technical Assistance	<u>300</u>	<u>50</u>	<u>350</u>
TOTAL	10,000	3,500	13,500

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

Source
(\$ Millions)

	<u>AID Loan</u>		<u>GOB</u>	<u>Total</u>	
	<u>FX</u>	<u>LC</u>	<u>LC</u>	<u>FX</u>	<u>LC</u>
Subprojects	2.3	7.4	3.45	2.3	10.85
Technical Assistance	<u>.3</u>		<u>.05</u>	<u>.3</u>	<u>.05</u>
TOTAL	2.6	7.4	3.5	2.6	10.90

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 \$9.7million to finance subprojects will be disbursed in equal increments over a five-year period. The majority of loan funds providing short-term technical assistance will be disbursed during the first years of the Project. Funds for special evaluations will be disbursed over the life 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 on-going) 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, time 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 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 outline the current process. Adjustments in that system to accomodate 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 large investment projects prepared in the budget must be supported by a detailed feasibility study. Smaller new projects do not require a full feasibility study, but do require a final design which will vary in detail depending on the site of the project. Feasibility studies and final designs 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 and final design submitted by the DDCs. If either is not acceptable, it is returned to the particular DDC for revision. Although the submission of new projects to the MPC occurs throught the fiscal year, by the time the Operational Plan is reviewed, only those investment projects with approved feasibility studies or final designs 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 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.

As most of the subprojects to be financed by the loan will be small, a detailed feasibility study will not be required because the costs associated with completing a feasibility study cannot be justified given the low cost of the subprojects. For these small subprojects, the current system of preparing a final design will be utilized. Although less detailed than a feasibility study, they will present sufficient information regarding each subproject to determine whether loan funds should be used for its implementation.

Prior to undertaking the final design for a subproject, a preliminary subproject concept document (PSCD) will be prepared by the development corporation and submitted to the MPC and AID for review. In general terms, the PSCD will briefly describe the subproject providing information regarding its proposed design, its relationship to the development of an outreach capability within the corporation, expected impact on the target group, proposed implementation schedule, and the estimated cost. The PSCD will also review the environmental considerations related to the subproject. (Short-term technical assistance will be provided to the MPC for the development of basic environmental guidelines). As a condition precedent to disbursement, the MPC will prepare a manual indicating what information (including environmental concerns), and the level of detail, that will be required in the PSCD. The document will permit a reasonable judgement as to the extent to which the subproject fulfills the general eligibility criteria. Approval of the PSCD will

permit the IDCs to initiate final subproject design with increased certainty that the subproject can be financed under the loan. It should be noted that the PSCD will not be required for loan financed subprojects which will be included in the 1980 Operational Plan. Rather, each final design will be reviewed and approved as appropriate since the subprojects to be approved in 1980 have already passed through this preliminary stage and are ready to undergo final design.

Following approval of the PSCD, the second step will be the preparation of the final design for the proposed subproject. In most cases the design will be undertaken by the staff of the DDC. 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 final design.

The third step in the process is the review of the final design itself. For the first year of the project, AID will participate in the MPC review of all subprojects. In subsequent years where AID funds are involved, AID concurrence in the PSCD will be a prerequisite for the inclusion of a subproject in the Operational Plan for the following year. Approval of the final design will not be required except in the case of subprojects which are larger than \$200,000.

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 PSCDs and final designs, 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) Provide guidance to DDCs in the preparation of final designs, PSCDs and project procurement.
- 4) Prepare disbursement requests for subprojects for submission to AID.
- 5) 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 final design 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 final designs 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 contacts with MPC and DDC officials.

5) Participate in annual project evaluations.

6) Carry out on-site visits to the DDCs and their subprojects to monitor project implementation.

3. Project Contracting and Procurement

During intensive review, the procurement procedures of the DDCs were examined and found adequate in terms of assuring competition and reasonable prices (Annex III contains procurement guidelines utilized by CORDECO). In that most of the procurement under the Project will be through local currency contracts and because the Mission has found that the procedures used by the DDCs assure competitiveness and reasonable price, the Mission -- in keeping with Handbook 11, which states that its guidance does not apply to local currency contracts -- will not monitor and approve local currency procurement. To facilitate implementation, the current procurement system of the DDCs will be modified as necessary to include basic statutory requirements found in Handbook 11 and Handbook 1B, and, as a condition precedent to disbursement for subprojects, the MPC will develop procurement guidelines which incorporate these modifications. Having approved procurement guidelines for each DDC, the Mission will not review and approve bid documents, RFIs, contract awards or contracts for local currency procurement. To do so would be cumbersome and impractical because, as in the case of an ICI loan, the procuring entities are spread all over Bolivia. Naturally, AID will have the right to post audit all local currency procurement.

While most procurement will be through local currency contracts, a certain amount of commodities and possibly technical services will be procured through dollar contracts. Under the provisions of AIDTO CIRCULAR A-450 dated November 7, 1978, prior AID approval for host country dollar contracts of less than \$ 100,000 is not required. It is not anticipated that any single procurement activity or contract will be in excess of \$ 100,000, and, for the reasons cited above, the Mission, therefore, will not monitor and approve such procurement except to require that general guidelines be prepared by the MFC as a condition precedent to disbursement for subprojects. Should there be a dollar denominated procurement activity or contract in excess of \$ 100,000, the normal Handbook 11 regulations will be applied and closely monitored by the Mission.

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	August 1979
Project Agreement signed	September 1979
Submission of CY 1980 Operational Plans	October 1979
Review of Operational Plans and proposed subprojects	November 1979
Satisfaction of initial CPs	December 1979
Approval of Operational Plans including subprojects eligible for AID financing	February 1980
Submission of preliminary subproject concept document for CY 1981 financing	May-August 1980
Approval of PSCDs and initiation of final design	June-Sept. 1980
Submission of CY 1981 Operational Plans, including proposed subprojects	October 1980
Annual joint project evaluation	November 1980
Review and approval of subproject final design and Operational Plan	February 1981
(The cycle for subproject identification and approval will be the same for CY 1981 and CY 1982 projects)	
Final date for subprojects approval	February 1982
PACD	June 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 problems 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.

In particular, the annual evaluations will examine the extent to which the DDCs are succeeding in their attempts to institutionalize outreach mechanisms and the participation of the target group in planning, designing and implementing projects. The evaluation also will examine the feedback of implementation experiences into the planning process and make recommendations regarding measures to assure that this feedback will continue over time. Where possible, evaluations will include an examination of the technical assistance being provided under the Rural Development Planning project which, because of its complementarity to this Project, will also be contributing toward the institution building objectives established for this Project.

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 actions 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 corporations, an evaluation will be included as part of the project design established in the final design of each subproject.

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

3. Mid Term Evaluation

A mid term evaluation to be financed by USAID/Bolivia will be undertaken approximately two years after the first disbursement for individual subprojects. This evaluation will look toward project accomplishments to

date with a view toward determining whether each of the participating DDCs has taken adequate measures toward establishing or strengthening its outreach capability. In those cases where an individual corporation is found not to be taking sufficient measures toward accomplishment of this project objective, USAID & the MPC will consider reallocation of funds away from that corporation to those corporations whose focus is leading to achievement of the outreach objective.

4. 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 Precedent, Covenants and Negotiating Status

1. 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 final design 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.

2. Conditions Precedent to Disbursement for Individual Construction Subprojects

Except as AID 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 AID, in form and substance satisfactory to AID:

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.

3. Conditions Precedent to Disbursement for Subprojects for Each Corporation

Except as A.I.D. may otherwise agree in writing, prior to any disbursement or issuance of any commitment documents under the Project Agreement to finance subprojects with an individual departmental development corporation, that corporation shall furnish to A.I.D. through the Ministry of Planning and Coordination, in form and substance satisfactory to A.I.D.:

a. Evidence that the corporation has established and staffed an office or that an existing office be identified which will be responsible for monitoring and coordinating outreach activities undertaken in the corporation.

b. A statement of the responsibilities of the office and a plan indicating how the office will carry out its outreach activities.

4. Special Covenants

Approximately two years after the first disbursement for individual subprojects, the cooperating country agrees to participate in an interim evaluation to determine progress toward achieving project purpose. Further, the findings and recommendations of this evaluation shall be used as a basis for the decisions taken on allocations of the funds remaining to be disbursed under 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 September 1979.

T E L E G R A M

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7 Feb 79

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ANNEX I
Exhibit A

File PRM

AIDAC

Reply due 2/9

Info DIR

E.O. 12065: N/A

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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

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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.

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28 April 79

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E.O. 12065: N/A

TAGS:

SUBJECT: BOLIVIA DEPARTMENTAL DEVELOPMENT CORPORATION PP -
DAEC REVIEW

1. THE DAEC REVIEWED THE SUBJECT PP ON APRIL 11, 1979. AS A RESULT OF THE CONCERN EXPRESSED AT THAT REVIEW, IT WAS DETERMINED THAT THE MISSION SHOULD UNDERTAKE FURTHER PLANNING AND ANALYSIS OF THE PROJECT AND SUBMIT A REVISED PP WHICH ADDRESSES THE AREAS DISCUSSED BELOW. GIVEN THE RECOGNIZED IMPORTANCE AND DEVELOPMENT IMPACT OF THE PROJECT, THE MISSION IS URGED TO REVISE THE PP AND SUBMIT IT FOR RECONSIDERATION AS SOON AS POSSIBLE.
2. PROJECT PURPOSE: THE STATED PURPOSE OF THE PROJECT IS THE INSTITUTIONAL DEVELOPMENT OF THE DDC'S, I.E., TO ENHANCE THEIR OUTREACH CAPABILITY TO IDENTIFY AND IMPLEMENT TARGET GROUP-ORIENTED SUB-PROJECTS. HOWEVER, THE PROJECT ANALYSIS AND PROJECT INPUTS FOCUS PRIMARILY ON THE FINANCING OF SUB-PROJECTS RATHER THAN INSTITUTIONAL CONSTRAINTS TO ACHIEVE THE PROJECT PURPOSE. THE MAJOR INSTITUTIONAL GAP CITED IS A LACK OF DDC MEDIUM- AND LONG-TERM PLANNING CAPABILITY WHICH IS TO BE FILLED THROUGH TECHNICAL ASSISTANCE PROVIDED TO FIVE DDC'S UNDER THE RURAL DEVELOPMENT PLANNING GRANT WITH SIMILAR ASSISTANCE PROVIDED TO THE LA PAZ AND ORURO DDC'S UNDER THE GRANT PORTION OF THE SUBJECT PROJECT. THE PP DOES NOT IDENTIFY ADEQUATELY THE INSTITUTIONAL GAPS INHIBITING EFFECTIVE OUTREACH OF DDC'S TO THE TARGET GROUP AND TO THE IMPLEMENTATION OF TARGET-ORIENTED SUB-PROJECTS. IN ADDITION, THE RELATIONSHIP OF SUB-PROJECT IDENTIFICATION/IMPLEMENTATION TO THE DEVELOPMENT OF MEDIUM- AND LONG-TERM PLANNING CAPABILITY IS NOT CLEAR. THEREFORE, IT APPEARS THAT THE PRINCIPAL CONSTRAINT TO IMPLEMENTATION OF TARGET GROUP SUB-PROJECTS IS THE LACK OF SUFFICIENT DDC INVESTMENT RESOURCES.

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THE CAPITAL RESOURCES PROVIDED BY THE PROPOSED LOAN APPEAR TO FILL THAT RESOURCE GAP ONLY AND DO NOT CONTRIBUTE SIGNIFICANTLY TO THE INSTITUTION-BUILDING PURPOSE OF THE PROJECT.

TO SATISFY FAA SECTION 611(A) IN TERMS OF AN INSTITUTION-BUILDING PROJECT, ADDITIONAL INSTITUTIONAL ANALYSIS IS ESSENTIAL, LEADING TO A MORE DIRECT RELATIONSHIP BETWEEN PROJECT INPUTS AND PURPOSE. ALTERNATIVELY, IF THE PROJECT IS FUNDAMENTALLY A RESOURCE TRANSFER TO DDC'S TO IMPLEMENT TARGET GROUP-ORIENTED SUB-PROJECTS, THE EXISTENCE OF A UNIVERSE OF SUB-PROJECTS, INCLUDING REASONABLY FIRM COST ESTIMATES IN EXCESS OF THE AMOUNT OF THE PROPOSED LOAN MUST BE EVIDENCED.

ASSUMING THAT THE INSTITUTION-BUILDING PROJECT PURPOSE IS STILL VALID, THE REVISED PP AT MINIMUM SHOULD INCLUDE THE FOLLOWING:

(A) INSTITUTIONAL ANALYSIS: AN ANALYSIS OF THE INSTITUTIONAL STRUCTURE AND CAPABILITY OF EACH OF THE DDC'S PARTICIPATING IN THE PROJECT SHOULD BE PROVIDED. THE ANALYSIS SHOULD INCLUDE A BRIEF DESCRIPTION OF THE TYPES OF ACTIVITIES CURRENTLY BEING UNDERTAKEN BY THE DDC; ITS TECHNICAL, ORGANIZATIONAL, AND MANAGERIAL STRENGTHS AND WEAKNESSES, AND THE INSTITUTIONAL GAPS WHICH MUST BE FILLED IF THE DDC IS TO BE ABLE TO IDENTIFY, PLAN AND IMPLEMENT TARGET GROUP-ORIENTED SUB-PROJECTS ON A CONTINUING BASIS. (B) INSTITUTION-BUILDING INPUTS: BASED ON THE IDENTIFICATION OF DDC-SPECIFIC INSTITUTIONAL WEAKNESSES, A PLAN TO STRENGTHEN EACH OF THE PARTICIPATING DDC'S SHOULD BE DEVELOPED AND THE RESOURCES NECESSARY TO UNDERTAKE THIS INSTITUTION-BUILDING INCLUDED IN THE PROJECT. THE MEDIUM- AND LONG-TERM PLANNING ASSISTANCE BEING PROVIDED UNDER THE RDP GRANT SHOULD BE INCLUDED IN THIS DISCUSSION. A TENTATIVE PLAN FOR EACH DDC SHOULD BE INCLUDED IN THE PP DEFINING THE TA, TRAINING, STAFF INCREASES, ORGANIZATIONAL MODIFICATIONS, ETC., NECESSARY TO DEVELOP THE INSTITUTIONAL CAPABILITY OF THE DDC TO A SPECIFIED LEVEL BY END OF THE PROJECT. (C) DDC DEVELOPMENT STRATEGIES: THE TA PROVIDED UNDER THE RDP GRANT AND THE PROPOSED PROJECT WILL ASSIST DDC'S DEVELOP THE INSTITUTIONAL CAPABILITY TO PREPARE AN ANALYTIC DEPARTMENTAL DEVELOPMENT STRATEGY AND A SPECIFIC MEDIUM- TO LONG-TERM PLAN DESIGNED TO ADDRESS THE CONSTRAINTS IDENTIFIED BY THE STRATEGY. THIS IMPROVED PLANNING PROCESS SHOULD BE MORE SPECIFICALLY RELATED TO THE IDENTIFICATION AND APPROVAL OF INVESTMENT SUB-PROJECTS. THE PRESENTATION OF A DEPARTMENTAL DEVELOPMENT STRATEGY SHOULD BE A PREREQUISITE OF APPROVAL OF ANY INVESTMENT SUB-PROJECTS. THE STRATEGY SHOULD BE REVIEWED AND FOUND ACCEPTABLE BASED ON CRITERIA TO BE ESTABLISHED IN THE REVISED PP. ONCE A DDC STRATEGY/MEDIUM-TERM PLAN IS APPROVED, SUB-PROJECTS CONSISTENT WITH THE STRATEGY WOULD BE ELIGIBLE FOR FINANCING UNDER THE PROJECT (BASED ON THE OTHER ELIGIBILITY CRITERIA ESTABLISHED UNDER THE PROJECT). (D) REPLICABILITY: TO SUPPORT THE INSTITUTIONAL OBJECTIVES

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OF THE PROJECT, THE MISSION SHOULD EXAMINE THE IMPACT OF THE PROJECT BEYOND THE DISBURSEMENT PERIOD. WHAT LONG-TERM CHANGES IN THE WAY IN WHICH DDC'S IDENTIFY, EVALUATE, AND IMPLEMENT SUB-PROJECTS WILL RESULT FROM THE PROJECT? HOW WILL THE TARGET GROUP ORIENTATION OF ACTIVITIES INITIATED UNDER THE PROJECT BE CONTINUED? (E) EVALUATION: THE EVALUATION OF ACHIEVEMENT OF THE INSTITUTIONAL OBJECTIVES OF THE PROJECT SHOULD BE ADDRESSED MORE CAREFULLY IN THE PROJECT DESIGN. PROGRESS TOWARD DEVELOPING AND IMPLEMENTING MEDIUM-TERM DEVELOPMENT STRATEGIES AND OTHER INSTITUTION-BUILDING OBJECTIVES OF EACH DDC SHOULD BE PART OF THE PROJECT'S ANNUAL EVALUATIONS. IN ADDITION, A MECHANISM TO INSTITUTIONALIZE EVALUATION OF SUB-PROJECTS BY DDC'S SHOULD BE ESTABLISHED TO ASSURE THAT THE INSTITUTION-BUILDING ASPECTS OF EXPERIENCE GAINED THROUGH SUB-PROJECT IMPLEMENTATION ARE MAXIMIZED.

3. THE FOLLOWING ISSUES ALSO WERE RAISED DURING THE DAEC AND SHOULD BE ADDRESSED IN THE REVISED PP:

----A. TITLE III RESOURCES: UP TO \$15.0 MILLION WILL BE AVAILABLE TO DDC'S FROM LOCAL CURRENCY GENERATIONS UNDER THE TITLE III AGREEMENT. THE REVISED PP SHOULD DISCUSS THE RATIONALE FOR REQUESTING SUBSTANTIAL LOAN RESOURCES IN VIEW OF THE RESOURCES AVAILABLE UNDER TITLE III AND CLARIFY THE USE OF TITLE III RESOURCES BY THE DDC'S.

----B. COORDINATION: CONCERN WAS EXPRESSED THAT THE MECHANISM FOR COORDINATION AMONG GOB MINISTRIES AND AGENCIES AND THE DDC'S WILL NOT BE ADEQUATE TO ASSURE THE TIMELY AVAILABILITY OF TECHNICAL PERSONNEL TO ASSIST IN SUB-PROJECT DESIGN, IMPLEMENTATION, AND THE RECURRENT TECHNICAL REQUIREMENTS OF SUB-PROJECTS. THE REVISED PP SHOULD RE-EXAMINE THIS ISSUE AND ASSESS THE POSSIBILITY OF CREATING AN IMPROVED MECHANISM FOR COORDINATION WITHIN THE PROJECT.

----C. TARGET GROUP IMPACT: ALTHOUGH A MAJOR OBJECTIVE OF THE PROJECT IS TO FOCUS DDC'S ON SMALLER-SCALE ACTIVITIES OF DIRECT IMPACT ON THE TARGET GROUP, THE CURRENT PROJECT DESIGN DOES NOT INDICATE HOW THE TARGET GROUP WILL PARTICIPATE IN THE IDENTIFICATION AND IMPLEMENTATION OF POTENTIAL SUB-PROJECTS. WITHOUT INSTITUTIONALIZING TARGET GROUP PARTICIPATION, IT IS DIFFICULT TO UNDERSTAND HOW INCREASED CONCERN FOR TARGET GROUP-ORIENTED PROJECTS WILL EXTEND BEYOND THE DISBURSEMENT PERIOD OF THE PROJECT. IN REVISING THE PP, THE MISSION SHOULD CONSIDER MECHANISMS FOR ESTABLISHING A VIABLE PERMANENT LINKAGE BETWEEN THE TARGET GROUP AND DDC'S. IN ADDITION, THE PP SHOULD DESCRIBE HOW THE DDC STRATEGIES DISCUSSED IN PARA 2.C ABOVE WILL IDENTIFY TARGET GROUP DEVELOPMENT CONSTRAINTS AND TAKE INTO CONSIDERATION THE PERCEIVED NEEDS OF THAT GROUP.

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----D. MAINTENANCE: THE PP ANTICIPATES THAT SUB-PROJECT MAINTENANCE WILL BE CARRIED OUT BY PARTICIPATING COMMUNITIES. THE REVISED PP SHOULD EVALUATE MISSION EXPERIENCE WITH THIS APPROACH TO MAINTENANCE AND DETAIL HOW COMMUNITIES WILL ASSUME THIS CRITICAL RESPONSIBILITY.

----E. AGROINDUSTRY: INCLUSION OF AGROINDUSTRIES AS ELIGIBLE FOR FINANCING UNDER THE LOAN WAS QUESTIONED. IN LIGHT OF THE PROBLEMS ASSOCIATED WITH PUBLIC SECTOR-OWNED INDUSTRIES, THE REVISED PP WILL NEED TO MAKE A VERY PERSUASIVE CASE FOR FINANCING THIS CATEGORY OF SUB-PROJECT, INCLUDING AN ASSESSMENT OF WHETHER THE IDC'S WILL COMPETE WITH POSSIBLE PRIVATE SECTOR INVESTMENT IN AGROINDUSTRIES (SUPPORTED UNDER OTHER AID-FINANCED PROJECTS).

4. USE OF GRANT FUNDS: THE POSSIBILITY OF INITIATING THE GRANT PORTION OF THE PROPOSED PROJECT BY AMENDING THE RURAL DEVELOPMENT PLANNING GRANT WAS DISCUSSED. A GEOGRAPHIC EXPANSION OF THE ACTIVITIES UNDER THE RDP GRANT TO INCLUDE THE DEPARTMENTS OF ORURO AND LA PAZ APPEARS REASONABLE. THE GRANT AMENDMENT SHOULD BE LIMITED TO THE SAME ACTIVITIES AS THE CURRENT RDP GRANT AND NOT INCLUDE NEW ACTIVITIES (E.G., TA IN MANAGEMENT OF PUBLIC SECTOR ENTERPRISES FOR THE ORURO IDC) OR ACTIVITIES DIRECTLY ASSOCIATED WITH THE SUBJECT PROJECT (E.G., ASSISTANCE IN ENVIRONMENTAL PLANNING). NEW AND EXPANDED TA WHICH IS BEYOND THE SCOPE OF THE RDP PROJECT SHOULD BE INCLUDED IN THE REVISED PP FOR THE SUBJECT PROJECT. THE PP AMENDMENT SHOULD (A) ADDRESS THE NEED TO EXPAND THE RDP GRANT ACTIVITIES TO THE ORURO AND LA PAZ IDC'S; (B) IDENTIFY THE TYPE AND DURATION OF ADDITIONAL ASSISTANCE; (C) PROVIDE A REVISED FINANCIAL AND IMPLEMENTATION PLAN FOR THE PROJECT; (D) MODIFY THE LOGICAL FRAMEWORK AS NECESSARY; (E) DISCUSS THE REASONS FOR AMENDING THE RDP GRANT NOW RATHER THAN INCLUDING THE ASSISTANCE IN THE REVISION OF THE SUBJECT PP; AND (F) INCLUDE A SECTION ON THE CURRENT STATUS OF THE PROJECT. WE ANTICIPATE THAT THE GRANT AMENDMENT WILL NOT REQUIRE A DAEC AND THAT AN AMENDED PROJECT AUTHORIZATION CAN BE PROCESSED EXPEDITIOUSLY, PARTICULARLY IF NO ADDITIONAL FY 79 FUNDS ARE REQUIRED. VANCE

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Presidencia de la República
MINISTERIO DE PLANEAMIENTO
Y COORDINACION
BOLIVIA

"AÑO DEL CENTENARIO DEL LEONARDO CAUTIVO"

DIRREG N° 172334

La Paz, 12 de julio de 1979

Señor
Abe M. Peña
Director de USAID/E
Presente

Señor Director:

Tengo a bien dirigirme a usted a fin de solicitar la cooperación de USAID en la implementación de un programa dirigido 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.

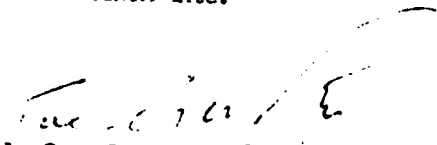
Como es de su conocimiento, las entidades mencionadas tienen a su cargo la promoción del desarrollo socio-económico de sus respectivas regiones, mediante el planeamiento regional, la realización de estudios, la elaboración de programas y proyectos y la ejecución de los mismos. Para las actividades anteriores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

La presente solicitud es para un préstamo de \$us. 10.300.000. Este sería amortizado en 40 años con un período de gracia de 10 años y un interés anual de 2% durante el período de gracia y 3% de allí en adelante.

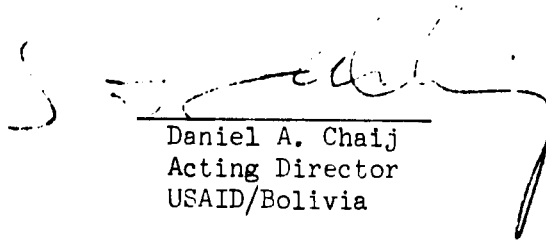
La contraparte del Gobierno de Bolivia a través de las Corporaciones, alcanzaría a la suma de \$us. 3.000.000.

Sin otro particular, me es grato saludarlo atentamente.


Genl. Gary Prado Salón
MINISTRO DE PLANEAMIENTO Y COORDINACION
DE LA PRESIDENCIA DE LA REPUBLICA

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

I, Daniel A. Chaij, 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.



Daniel A. Chaij
Acting 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.620B. 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.606. 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. If 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(e). 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 77 App. Act Sec.104. To pay pensions, etc., for military personnel? Yes
 - f. FY 77 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 1, Section 103 of the Foreign Assistance Act of 1961, as amended, I hereby authorize a Loan to the Republic of Bolivia ("Cooperating Country") of not to exceed Ten Million Three Hundred Thousand United States Dollars (\$10,300,000) ("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").

I approve the obligation of the entire amount of the Loan in 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

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, except as A.I.D. may otherwise agree in writing.

C. 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.

D. 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.

E. Conditions Precedent to Disbursement for Subprojects for Each Cooperation

Except as A.I.D. may otherwise agree in writing, prior to any disbursement or issuance of any commitment documents under the Project Agreement, to finance subprojects with an individual departmental development corporation, that corporation shall furnish to A.I.D. through the Ministry of Planning and Coordination, in form and substance satisfactory to A.I.D.:

- (1) Evidence that the corporation has established and staffed an office or that an existing office be identified which will be responsible for monitoring and coordinating outreach activities undertaken in the corporation.
- (2) A statement of the responsibilities of the office and a plan indicating how the office will carry out its outreach activities.

F. Special Covenants

Approximately two years after the first disbursement for individual sub-projects, the cooperating country agrees to participate in an interim evaluation to determine progress toward achieving project purpose. Further, the findings and recommendations of this evaluation shall be used as a basis for the decisions taken on allocations of the funds remaining to be disbursed under the project.

Administrator

Date

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

ANNEX I
Exhibit G

Life of Project:
From FY 79 to FY 83
Total U.S. Funding \$ 10,300,000
Date Prepared: June 28, 1979

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

Project Title & Number: Departmental Development Corporations (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>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>Assumptions for achieving goal targets:</p>

**PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK**

AID 1070 28 (7-71)
SUPPLEMENT 1

ANNEX I
Exhibit G
Life of Project: _____
From FY 79 _____ to FY 83 _____
Total U.S. Funding \$ 10,300,000
Date Prepared: June 26, 1979

Project Title & Number: Departmental Development Corporations (511-0511)

PAGE 2

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. Permanent contact and coordination between DDCs and target group population in rural areas will be established. 2. Confidence will be increased on two levels: <ul style="list-style-type: none"> - The target group confident that DDCs can and will assist in their development; - DDCs confident that outreach mechanism will help in identification and planning of appropriate activities. 3. Composition of all DDC staffs will reflect rural orientation and importance of outreach functions with increased numbers promoters, extensionists and non-economist social scientists. 4. Project portfolio reflects increased target group orientation. 	<ol style="list-style-type: none"> 1. MPC and DDC records. 2.a. Updating data collected for institutional analysis utilizing same methodology. b. Requests by <u>campesino</u> groups for assistance. 3. DDC records. 4. DDC records. 	<p>Assumptions for achieving purpose:</p> <ol style="list-style-type: none"> 1. The DDCs' technical capability for planning will improve. 2. Continued GOB support for decentralized planning. 3. Rural communities are willing to become more actively involved in development and implementation of subprojects.

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

ANNEX I

Exhibit G

Life of Project: _____
From FY 79 _____ to FY 83 _____
Total U.S. Funding \$ 10,300,000
Date Prepared: June 28, 1979

Project Title & Number: Departmental Development Corporations (511-0511)

PAGE 3

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Outputs:	Magnitude of Outputs:		Assumptions for achieving outputs:
1. Subprojects financed.	1. 35-50 subprojects implemented in accordance with eligibility criteria and with emphasis in agriculture sector.	1. MPC and DDC records.	1. MPC continues to support rural focus for DDC investment.
2. Promotors/extensionists added to DDC staffs.	2. Minimum of ten staff members on each DDC trained and hired to be responsible for development of outreach linkages between DDCs and the target group in rural areas.	2. DDC staffing patterns.	2. DDC development orientation remains in rural areas.
3. Increased contacts with <u>campesino</u> groups.	3. Permanent contact established between each DDC and a minimum of five <u>campesino</u> groups.	3. DDC records.	5. GOB is willing to act on recommendations made in contractor's report.
4. DDC workshops to share experiences in establishing outreach mechanisms.	4. Two workshops/year attended by all nine DDCs.	4. DDC records.	
5. Expanded financial resource base for the DDCs.	5. Report submitted to the MPC recommending potential means of expanding financial resource base of the DDCs.	5. Examination of report.	

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Life of Project: _____
From FY 79 _____ to FY 83 _____
Total U.S. Funding \$ 10,300,000
Date Prepared: June 28, 1979

Project Title & Number: Departmental Development Corporations (511-0511)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Inputs:</p> <p><u>AID</u></p> <p>1. Short-term technical assistance</p> <p>2. Subproject Fund</p> <p><u>GOB</u></p> <p>1. Counterpart for subproject fund</p>	<p>Implementation Target (Type and Quantity)</p> <p>1. 36 w/m \$ 300,000</p> <p>2. Resources for financing subprojects <u>10,000,000</u></p> <p style="text-align: right;"><u>\$ 10,300,000</u></p> <p>1. Contribution to cost of subprojects \$ 3,500,000</p>	<p>AID and DDC records</p>	<p>Assumptions for providing inputs:</p> <p>1. USG and counterpart funding will be available.</p> <p>2. Current resource base of the DDCs remains stable.</p>

Corporación de Desarrollo del Norte (CORDENO)

Introduction

The Department of Pando is the newest (founded in 1938) and most isolated in Bolivia. It is so isolated - no access by land and only two flights a week which are booked way ahead - that the contract team was unable to visit CORDENO. The information we gathered on CORDENO came chiefly from an interview with Lic. Urbano Franco, Sub-Gerente of Planning for CORDENO, who fortunately was working briefly in La Paz.

Leadership

CORDENO's current President is Lic. Miguel Salvatierra Barroso, an economist. President Salvatierra moved up from the Gerente General position to replace former President Captain Alberto Saenz, an Army Engineer, in December of 1978. Because of a shortage of qualified professionals in the area, CORDENO hasn't yet been able to refill the Gerente General position and the Sub-Gerente of Engineering is acting Gerente. The seven professional staff members that CORDENO has are from the area, have good credentials and some of them have been with CORDENO for extended periods.

CORDENO has a Directorio established in accordance with the standard guidelines set forth in 1978 Law of the Corporations and it is apparent from CORDENO's Operating Plan for 1979 and other sources that the members of the Directorio and the organizations they represent play a limited role in coordinating and implementing CORDENO efforts in the department.

Doctrine

CORDENO's current doctrine is drawn directly from the 5-year (1976-1980) Development Plan for the Department drawn up at the national level. From 1967 to 1975, CORDENO focused its activities on urban projects only. Currently, however, they report they are spending approximately 80 per cent of their resources in rural areas - under 200 population. CORDENO, because of the lack of other central or regional government agencies in the area, has had the full responsibility of carrying out the general and specific objectives of this Development Plan. More so than in any other Department, CORDENO has become the regional government for development of the Pando's resources

and services to its 36,000 inhabitants. Thus, in 1979 (and for the previous several years) CORDENO's doctrine continues to be:

- Consolidate and diversify the department's economy and reduce existing unemployment and underemployment.
- Maximize the efficiency of the extractive agricultural sector and its related industry.
- Develop productive activities which generate employment and substitution of local imports.
- Improve the quality of life and the income levels of the region's population.
- Reduce spatial friction and integrate the region into the territorial sub-system of the country.
- Develop an integrated system of urban and rural centers around the capital city.
- Improve the conditions of economic and social infrastructure.
- Consolidate national sovereignty in frontier areas.

More specifically, CORDENO in infrastructure wants to link the department up with the rest of the country by land, wants to develop road links within the department and to provide electricity, potable water and sewage where needed. CORDENO wants to make the existing agricultural production that can be industrialized. It will try to meet the existing needs in education, housing, health, transportation, energy and sanitation.

Program

CORDENO's extensive list of projects for 1979 coincides with their above discussed doctrinal approach. The 33 projects that CORDENO lists in its Operating Plan correspond to the various sectors and areas of emphasis. In 1978, CORDENO completed 90 per cent of its project activities while spending all their allotted investment funds. In 1979, they will be unable to keep up that record because they have significantly more projects than funds. One unusual aspect of CORDENO's program is its activities in the department's five urban centers - Cobija, the department capital and the province capitals. In these areas, CORDENO by default is in the business of providing

electricity, water, sewage and telephone service to these communities on a subsidized basis - last year at a cost of \$b 2,500,000. In the not too distant future, CORDENO hopes to go public with these activities and reduce the financial and managerial drain on its staff and resources.

Resources

CORDENO's projected budget for 1979 is \$b 80,000,000. In 1978, it was \$b 75,000,000. The bulk of these funds are generated by a 1 per cent tax levied by the central government on imports. Given the size of the Department's population - 36,000 inhabitants - this is a substantial per capita budget; however, this is outweighed by the overwhelming handicap of lack of infrastructure with which the department began. As presented in the 1979 Operating Plan, CORDENO's program calls for investment of approximately \$b 100,000,000 in 1979. As things now stand, it has only approximately \$b 60,000,000 available. In addition, CORDENO reports that administrative delays and problems hamper efficient use of its budget; for example, CORDENO had no 1979 investment funds from January until May of this year because of delays in approval of its Operating Plan by Min. of Finance.

CORDENO's current staff numbers 120 employees up more than double over the last three years (CORDENO's budget jumped from \$b 36,000,000 in 1976 to \$b 60,000,000 in 1977). Of the 120 employees, 7 are professionals, 36 technical people and 77 support staff. CORDENO spends 12 per cent of its budget on its staff and approximately 20 per cent in total on operations. CORDENO has difficulty attracting qualified professional staff, so in addition to salaries they provide housing and medical benefits for their staff. CORDENO hopes to curtail any significant further staff growth although it still wants to build up its agroindustry staff capability. Much of the recent staff growth has been connected with the service side of CORDENO's activities.

CORDENO is building at a cost of \$b 13,700,000 their own headquarters in Cobija.

In addition to their regular budget, CORDENO has received approximately \$b 1,000,000 a year since 1976 from ALDE (World Food Program) for road construction. In 1977, they obtained \$b 3,000,000 from INALPRE and this year they are negotiating with the Central Bank of Bolivia for a \$b 15,000,000 loan for road construction (12 years, 12 per cent).

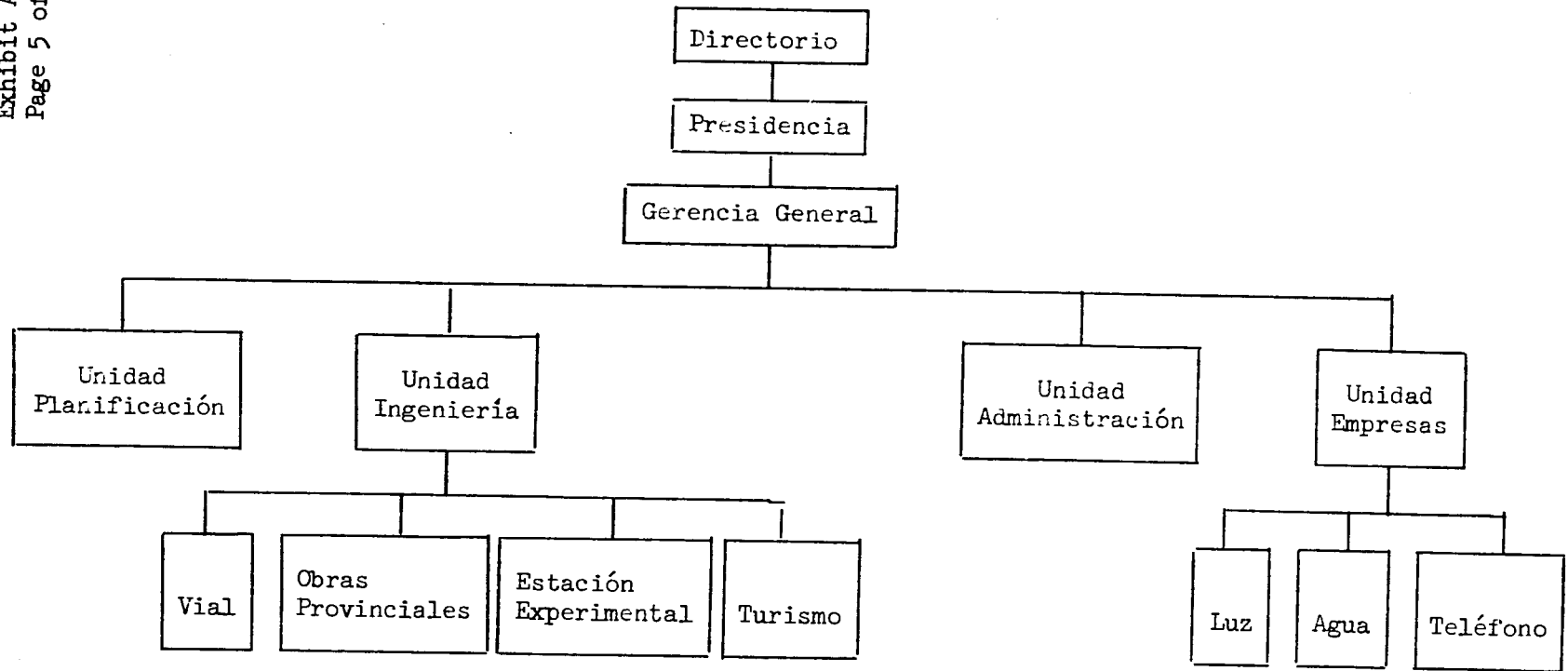
Internal Structure

CORDENO's organigram (see attachment) is similar to the MPC model with the major deviation being in the Empresas (Servicios) Sub-Gerencia which, as discussed before, is really a service organization for electricity, water, sewage and telephones in the provincial capitals. The remainder of the organization works by functions rather than projects. Planning Sub-Gerencia does preliminary diagnostic work on new project ideas and then passes them on to Engineering or Empresas for technical inputs. Majority of their work is then contracted out to local construction contractors. For example for infrastructure or social projects, CORDECO provides 50 - 80 per cent of cost - depending on whether or not another government agency such as MACA or Community Development Service was involved and the local community will put up 20 per cent of cost in kind.

Linkages - (Outreach)

CORDENO is literally the big fish in the little pond in the department so that everyone knows who and where they are, and both national and local government and organizations look to them for guidance and assistance. At the national level, CORDENO through the five-year Regional Development Plan tries to coordinate central government activities in the region. CORDENO maintains a permanent liaison office in La Paz for this purpose and also has program agreements with MACA (Ministry of Agriculture and Rural Affairs) and IBTA (Instituto Boliviano de Tecnología Agropecuaria). They are also working directly with FAO on rubber and timber studies. In addition, they maintain working relations with another two dozen national and local agencies (see page 14 of 1979 Operating Plan). These closest contacts with campesino groups take place under their agricultural extension pilot projects done in conjunction with the National Community Development Service (SNDC). Currently together with this service, they are attempting to get campesinos in ten pilot areas (1,000 people) to produce rice, banana and corn. SNDC organizes community groups and CORDENO provides seeds, tools and technical expertise through its agricultural extension project.

CORDENO Organigrama



CORDENO - Pando

	Tangibles	Image	Value
Internal	<ul style="list-style-type: none"> - 1979 Budget - \$b 80,000,000 1978 Received - \$b 75,000,000 - Staff of 120 employees; 7 professionals, 34 technical people - In process of building their own headquarters in Cobija. - ALDE program \$b 1,000,000 a year Central Bank loan \$b 15,000,000 possible. 	<p><u>Doctrine.</u> (1) Strengthen economy and reduce unemployment;</p> <p>(2) Increase efficiency of rubber and brazil nut extractive economy;</p> <p>(3) Develop new sources of production</p> <p>(4) Link up with rest of the country</p> <p>(5) Provide basic services.</p> <p><u>Program</u> (See complete list)</p> <p>Agricultural development, inter and intra departmental roads, agricultural extension, schools, health posts, public building, electricity, water sewage, telephones.</p>	<ul style="list-style-type: none"> - CORDENO offers medical and housing benefits to staff in addition to salary. No evidence of turnover problem but difficulty in obtaining qualified personnel. - CORDENO staff value agricultural extension and agricultural industry projects. - They are upset by budget delays.
External	<ul style="list-style-type: none"> - Backlog of funds with Ministry of Finance because of delays in budget approval - Subsidizing of urban services costs them approximately \$b 2,500,000 a year 	<p><u>Public requests</u></p> <p>Basic services, roads.</p>	<ul style="list-style-type: none"> - Apparent high public opinion of CORDENO - GOB has allowed budget to increase significantly over last few years.
Sensitivity	<p>High endurance factor because of recent history of GOB support, but they are concerned about short-term fluctuations in revenue amounts and dependence on sole source of income.</p>	<p>There is an apparent high degree of agreement or consensus of need between the corporation and its clientele. CORDENO is trying to meet expressed needs on all fronts and still attempt future-oriented economic development projects.</p>	<p>Big fish in little pond syndrome evident. CORDENO feels it is only hope for the Department.</p>

PROYECTOS DE INVERSION DE LA REGION DE PANDO (1979)
POR PROGRAMAS Y PROYECTOS

Annex II
Exhibit A (i)
Page 7 of 9

PROGRAMAS Y PROYECTOS	LOCALIZACION	COSTO TOTAL	RECURSOS PROPIOS	TESORO NAL.	OTROS INTER- NOS	EXTER- NOS	RECUR- SOS PRO- PIOS	TESORO NAL.	OTROS INTER- NOS	EXTER- NOS	TOTAL 1.979	OBSERVACIONES	PRIORITACION
<u>URB. y VIVIENDA</u>													
PLAN REGULADOR	PANDO	6'000.000	--	--	--	--	--	--	--	--	2'250.000	Intra Regional	3
✓ COLISEO CERRADO	COBLJA	5'500.000	--	--	--	--	--	--	--	--	2'645.888	Regional Urbano	2
ESTADIO "ROBERTO JORDAN C."	COBLJA	--	--	--	--	--	--	--	--	--	800.000	Regional Urbano	2
ADQUINADO Y OBRAS DRENAJE	COBLJA	6'000.000	--	--	--	--	--	--	--	--	3'000.000	Regional Urbano	1
CONSTRUCCION EDIFICIO CORDENO	COBLJA	13'689.396	--	--	--	--	--	--	--	--	8'115.704,40	Regional Urbano	1
REMODELACION EDIFICIO SS.PP.	COBLJA	610.000	--	--	--	--	--	--	--	--	610.000	Regional Urbano	2
OBRAS PROVINCIALES	PANDO	8'250.000	--	--	--	--	--	--	--	--	4'950.000	Regional Rural	2
OTRAS CONSTRUCCIONES	PANDO	4'000.000	--	--	--	--	--	--	--	--	2'500.000	Intra Regional	2
<u>EDU. Y CULTURA</u>													
INST.TEC.AGROP.	PANDO	4'968.746	--	--	--	--	--	--	--	--	1'554.080	Regional Rural	
CONSTRUC. INST. POLITECNICO	COBLJA	9'200.000	--	--	--	--	--	--	--	--	2'190.802	Regional Urbano	
CONSTRUC. ESCUELAS RURALES	PANDO	3'600.000	--	--	--	--	--	--	--	--	1'000.000	Regional Rural	2

PROGRAMAS Y PROYECTOS	LOCALIZACION	COSTO TOTAL	RECURSOS PROPIOS	TESORO NAL.	OTROS INTERNOS	EXTERNOS	RECURSOS PROPIOS	TESORO NAL.	OTROS INTERNOS	EXTERNOS	TOTAL 1.979	CESER-CACIONES	PRICRI-TACION.
ESTACION LOCALES ESCOLARES	PANDO	600.000	--	--	--	--	--	--	--	--	300.000	Intra Regional	3
PROGRAMA SALUD MIEB. MALARIA	PANDO	3'000.000	--	--	--	--	--	--	--	--	3'000.000	Intra Regional	2
ADQUISICION HOS PITAL CAMPANA	PANDO	300.000	--	--	--	--	--	--	--	--	300.000	Regional Rural	2
INSTRUM.BASIC.AMPL. AGUAS POTABLES	COBLJA	11'500.000	--	--	--	--	--	--	--	--	2'260.000	Regional Urbano	1
AGUAS POTABLES - POBLAC. RURALES	PANDO	6'000.000	--	--	--	--	--	--	--	--	3'780.000	Regional Rural	1
ALCANTAR.CASCO VIEJO COBLJA	COBLJA	80'000.000	--	--	--	--	--	--	--	--	10'000.000	Regional Urbano	1
REC.AEROFOTOGRAMET. (IMPLEMENTACION)	PANDO	3'929.040	--	--	--	--	--	--	--	--	2'646.392	Intra Regional	1
PROGRAMA AGROP. ESTABROPECUAR.	PANDO	5'229.600	2'000.000	--	--	--	--	--	--	--	2'000.000	Regional Rural	
ESTACION EXPERIM. ESTABROPECUARIA	VILLA BELLA	11'000.000	--	--	--	--	3'000.000	--	--	--	3'000.000	Regional Rural	
ESTUDIOS, INVEST. PROYECTOS	COBLJA	5'000.000	5'000.000	--	--	--	--	--	--	--	5'000.000	Regional Urbano	1
ARRANDEMIENTOS DE MANOS	PANDO	4'500.000	--	--	--	--	--	--	--	--	2'500.000	INTRA Regional	2
INDUST. y TURISMO PORTE A FIDESA	COBLJA	5'000.000	--	--	--	--	--	--	--	--	2'500.000	Regional Urbano	3

PROGRAMAS Y PROYECTOS	LOCALIZACION	COSTO TOTAL	RECURSOS PROPIOS	TESORO NAL.	OTROS INTERNOS	EXTERNOS	RECURSOS PROPIOS	TESORO NAL.	OTROS INTERNOS	EXTERNOS	TOTAL 1.979	OBSERVACIONES	PRIORITACION
CERAMICA ROJA	COBIJA	15'000.000	--	--	--	--	5'982.000	--	--	--	5'982.000	Regional Urbano	1
ENERGIA CAMINO COBIJA-PORVENIR	PANDO	8'000.000	--	--	--	--	7'000.000	--	--	--	2'000.000	Intra Regional	2
AMPLIACION SERV. ELECT.-COBIJA	COBIJA	7'000.000	--	--	--	--	1'760.000	--	--	--	1'760.000	Regional Urbano	2
ILUMINACION PUBLICA	COBIJA	2'000.000	--	--	--	--	300.000	--	--	--	300.000	Regional Urbano	2
RED ELECTRICA POB. MENORES.	PANDO	5'890.000	--	--	--	--	490.000	--	--	--	490.000	Regional Rural	2
TRANSPORTES Y COMUNICACIONES REDES TELEFON.	COBIJA	4'834.474	--	--	--	--	2'134.474	--	--	--	2'134.474	Regional Urbano	1
OFICINAS ADMINISTRATIVAS COTECO	COBIJA	3'465.310	--	--	--	--	1'965.810	--	--	--	1'965.810	Regional Urbano	1
CAMINO EL CEDRO PUERTO RICO	PANDO	22'932.829	--	--	--	--	5'963.685	--	--	--	5'963.685	Intra Regional	1
CAMINO BLANCA FLOR-CONQUISTA	PANDO	6'584.360	--	--	--	--	6'548.360	--	--	--	6'548.360	Intra Regional	1
CAMINOS VECINALES	PANDO	8'000.000	--	--	--	--	3'000.000	--	--	--	3'000.000	Intra Regional	1
TOTALES	--	309'400.304	7'000.000	--	--	--	40'044.529	--	--	--	99'547.285	--	--

Corporación de Desarrollo del Beni (CORDEBENI)

Leadership

The President of CORDEBENI, Cnl. DIM Elías Gutierrez Ardaya, is a native of Trinidad, who has been in comisión (on loan) from the Bolivian Army for the past two years. President Gutierrez graduated from the Bolivian Army University with a degree in Military Engineering - specialty in construction. From 1956 to 1978 he held a series of jobs as Chief of Construction, mainly for road building. Based on his two-year experience with CORDEBENI he feels that its greatest challenge is effectively grouping and motivating the department's campesinos - especially to produce now imported cereal and vegetable crops.

Next in CORDEBENI organization should be the Gerente General, who ideally oversees internal operations allowing the President to devote more time to CORDEBENI's relations with the public. However, as was the case with CORDECO, this position will not be filled in the foreseeable future. The new statutes approving this position are being approved but no additional action will be taken.

CORDEBENI's Sub-Gerente for Planning and Programs is an economist with regional planning training through the CINDER* program. He has, for the last four years, presided over the slow growth of this gerencia from one man (himself) to a dozen plus an INE statistics team. He feels that his gerencia is still very much in the development stage. Even though shown on the attached organigram, there is currently no Sub-Gerente for Empresas for the same reason there is no Gerente General. The Sub-Gerente for Engineering is a native of Beni who holds a degree in civil engineering from the Oruro School of Engineering. He has been with the Corporation as Head of Construction and then Engineering since 1975. He has also served as interim President of the Corporation. The Sub-Gerente for Administration and Finance has been with the Corporation one and a half years and is concerned with the corporation's low budget.

CORDEBENI's Directorio, formed and staffed at the same time and in the same manner as the other corporations, has however not played an active role in the corporation's activities. The corporation hasn't participated in CORDEBENI's planning process nor does it make strong program recommendations. One Directorio member stated that CORDEBENI had to begin doing economically sound programs and projects aimed at exploiting the department's natural resources. He also mentioned that CORDEBENI has not yet projected a strong public image and that many people felt that the department wasn't getting enough out of the corporation and that it was overstaffed.

* CINDER is a Latin American association for rural development. It is headquartered in Venezuela.

Doctrine

CORDEBENI is in basic disagreement with the doctrine laid out by the central government in the 5-year (1976-1980) Development Plan for the Nation and each respective Department. The corporation feels that the Beni Department was given short shrift in favor of other areas of the country and that a new strategy should be developed which will provide Beni with the financial resources to develop its infrastructure so that it can exploit its natural resources and contribute more efficiently to the country's GNP. To achieve this, CORDEBENI feels it needs to carry out the following doctrinal approaches to development of the Beni:

- Construction of economic and social infrastructure.
- Aim technical assistance at productive social and economic activities.
- Protection of natural resources and preservation of ecological equilibrium.
- Better the agricultural productive systems, especially their commercialization and industrialization to achieve total use of their products, sub-products and derivatives so as to achieve multiplier effects.
- Achieve total use of renewable natural resources such as wood, fishing, coffee, cacao, medicinal plants, rubber, brazil nuts.
- Foment the formation of production cooperatives, which constitute real units of production.
- Strengthen technically, financially and institutionally CORDEBENI.

Program

As was true with many of the corporations until two years ago, CORDEBENI did only urban/social infrastructure programs and projects. This is demonstrated in past completed projects (see attachment). In 1979, CORDEBENI made an attempt in preparing their proposed investment budget of \$b 100,000,000 to address the above listed doctrinal approaches; however, due to both their inexperience in planning and implementing these new, more development oriented projects and serious financial constraints (the final approved investment figure was

approximately \$b 60,000,000). CORDEBENI's 1979 budget (see attachment), as finally approved, eliminated 6 out of 13 activities in the Agricultural Sectors - chiefly new projects such as cooperative development type activities, development of vegetable production, pigs, poultry, timber development, study of possibility of installation of plant to produce commercially fruits and vegetables, and study on production of medicinal plants, also eliminated from the industry section were studies on rubber and brazil nut industrialization. Over the past several years, CORDEBENI has tried and now apparently just about given up on the building of a cattle processing center in Trinidad. The center would handle slaughter, refrigeration, and use of byproducts including leather. After several years of effort, CORDEBENI has given up the effort apparently because it was outweighed politically. While the agricultural sector funding represented 15 per cent and industrial sector 7 per cent of the total budget, these figures are roughly the same as last year and in fact half of the agricultural projects are carried over from last year. See attached sheet for list of projects completed by CORDEBENI through 1978.

Obviously then CORDI's program continues to be dominated by social infrastructure projects (78 per cent of 1979 budget). This breaks down into 7 per cent for transport (caminos vecinales - \$b 1,200,000; and \$b 3,000,000 for maintenance shop construction), electrification chiefly in the rural areas for 25 per cent, and most of the remaining 46 per cent for urban infrastructure streets, sewage, etc., mainly in Trinidad. To get itself out of the urban service syndrome, CORDEBENI helped form and is currently funding an organization - AROS-BENI - which will eventually be able to take over provision of potable water and sewage in the urban area. To date, progress has been slow, and the corporation has much of its hopes pinned on obtaining a BID loan for these activities.

CORDEBENI's internal and regional planning activities are obviously in real need of the upcoming technical assistance they will receive under the regional planning grant. Their current planning, as reflected in their Operating Plan, programs and projects, is done without basic information or studies and without attention to problem identification and related development of solutions. CORDEBENI has three projects which are managed on their own: a cerámica roja plant which produces bricks, blocks, tubes, etc.; an experimental farm and a rice silo and storage program. The cerámica roja plant operates at a loss because CORDEBENI keeps its prices low because it is the principal client. The experimental farm has made a profit the last few years, and the rice storage broke even.

Resources

CORDEBENI is the corporation most financially dependent on the central government. It obtains nearly 100 per cent of its funds from the Tesoro Nacional. CORDEBENI's total budget for 1979 is \$b 100,382,000 of which approximately 15 per cent goes for operating costs (including salaries), 15 per cent for debt repayment, 10 per cent for operation of the cerámica roja plant, the remaining 60 per cent is for investment. In 1978, the total budget was for \$b 74,210,300 with \$b 38,000,000 for investment; this year the total for investment was over \$b 61,000,000, a substantial increase which belies CORDEBENI's complaints unless seen in light of their original request of \$b 100,000,000 for investment. As of June 1979, however, CORDEBENI had only received \$ 4,700,000 out of its allotted investment funds (approximately \$b 30,000,000 were due by then) as the Tesoro Nacional failed to provide them both because of slow approval of the Operating Plan and slow handling of the funds. CORDEBENI's complete dependence on the central government dole should not be underestimated in terms of impact on corporation morale - they feel like black sheep because they are the only corporation without substantial outside income. CORDEBENI owns its own building - a gift from the government - but hasn't had it assessed for value. In addition, it has approximately \$b 14,000,000 in equipment. It received a loan in 1976 of US\$ 1,500,000 for purchase of road building equipment for the La Paz - Trinidad road; it also has borrowed for INTERMACO a local heavy equipment distributor for purchase of agricultural equipment for approximately US\$ 1,000,000. In addition, it participates in the ALDE road building program to the amount of approximately \$b 1,000,000.

CORDEBENI's current staff numbers 255 up substantially over the last few years. The 255-person staff breaks down into four distinct categories; first, there are CORDEBENI's administrative and project staff numbering 176, then the staff of the Cerámica Roja plant numbering 49, the staff of the Plan Regulador or Urban Development Plan with 10, and finally the ARCO-BENI staff with 20 people. All 255 are permanent employees, but are administered differently depending on where they are located. The 255 break down into eight people at management level - five in CORDEBENI itself, 33 university graduates, 26 in CORDEBENI, 62 technical people, 45 in the corporation, and the remaining 153 are administrative, service support and blue collar workers. CORDEBENI staff is noticeably short in professionals and technicians trained in agroindustry and integrated development. CORDEBENI has significant problems attracting and holding qualified personnel. For example, they recently opened employment applications

for two engineer and one architect positions, and they received no inquiries from interested job-seekers. CORDEBENI's current staff is obviously swollen by the addition of the three special staffs. It seems that the corporation hasn't yet learned to develop projects or studies needed for the department without permanently building up their staff.

Internal Structure

As have most of the corporations, CORDEBENI has recently adopted the MFC suggested organigram (see attachment) model. However, like CORDECO, CORDEBENI has not filled the Gerente and Sub-Gerente of Empresas slots reflecting the relative unimportance given to these positions by the leaders of the corporations. The sub-gerencia of planning and projects is (and has been for the last few years) trying to figure out what its role in the corporation should be. As currently constituted, CORDEBENI splits project design and implementation activities between the planning and projects gerencia and the engineering gerencia depending on the type of project. For projects other than feasibility studies or infrastructure, CORDEBENI performs the work. Feasibility studies are funded and carried out by INALPRE, not the corporation. Infrastructure projects below \$b 600,000 are carried out by the corporation above that they are contracted out.

Linkages

CORDEBENI has links with numerous central government and other regional development corporations; it has a system of appointing an honorary corporation representative at the province level to work with alcaldes, sub-prefectos and other local government representatives; it has attempted to but still has no permanent contact with the bulk of the campesinos in the department. CORDEBENI has working agreements with IBTA, INAN, INALCO, MACA, CBF, CORDEFIANTO, CORDEPAZ, CORDECRUZ, Servicio Nacional de Caminos - SENAC, the Chinese bilateral mission, and USAID (experimental station). CORDEBENI uses its provincial representatives to coordinate and organize requests for programs and projects from local officials in conjunction with its Operating Plan submission cycle. The Corporation is aware of its lack of success in dealing directly with campesino groups (the Villa Banzer project for example). It feels that the major constraint involved in implementing agricultural sector campesino-oriented projects is the organization and motivation of the campesinos. Toward this end, the corporation has developed contacts with the National Community Development Service and the Cooperative Development Service and has set up its own one-man cooperative division within the planning and program gerencia. However, much more has to be done before this hurdle is overcome.

PROGRAMA DE DESARROLLO RURAL

Código	Descripción	Localización	FINANCIAMIENTO		INVERSIÓN		TOTAL GENERAL	%			
			Presupuesto Nacional	Presupuesto Regional	Presupuesto Nacional	Recursos Propios					
SECTOR AGRICOLA											
01	Estudio agropecuario Area Influencia Carretera Centro de Desarrollo de Cultivo del Arroz Desarrollo Cultivos Hortícolas	Cerca de... Dptal. Dptal.	100,000.-	100,000.-	100,000.-	7.25	1,000,000.-	2.65	2,000,000.-	15.17	
			620,000.-	290,000.-	620,000.-	1,633,300.-	1,572,000.-	2,233,300.-	290,000.-	1,506,000.-	
	Complejo Agropecuario San Carlos: Sub-proyecto Lechero	Marbán			1,506,000.-				1,506,000.-		
SECTOR INDUSTRIAL Y MINERO											
02	Estudio y producción e industrialización de cacao Estudio Integral del Potencial Piscícola estudio de Fomentarías Turísticas	Dptal. Dptal.	370,000.-	1,200,000.-	370,000.-	0.00	0.00	0.00	4,000,000.-	7.31	
			260,000.-	1,000,000.-	370,000.-	1,260,000.-	1,572,000.-	1,260,000.-	1,670,000.-		
03	SECTOR TRANSPORTES Y COMUNICACIONES		0.00	0.00	4,200,000.-	6.82			4,200,000.-	6.82	
04	Caminos Vecinales Equipamiento e implementación Maestrada	Dptal. Trinidad	200,000.-	4,000,000.-	0.50	11,502,000.-	18.73		15,702,000.-	25.05	
						400,000.-	800,000.-	800,000.-	400,000.-	1,000,000.-	
05	Aumento Capacidad y ampliación Red Eléctrica Aumento Capacidad y Ampliación Red Distribución Eléctrica Aumento Capacidad y Ampliación Red Distribución Eléctrica Conclusión Sistema Eléctrico Guayaramerin, Pinaralta y Santa Ana. Electrificación a Poblaciones del Area Rural (Correo Tam) Estudio Hidroeléctrico de la Cuenca del Manoré Aumento Capacidad y Ampliación Red eléctrica en Baja Trinidad	San Joaquín Burrenabaque Sta. Rosa Maya Provincial Dptal. Hfo Manoré Trinidad	200,000.-	4,000,000.-	0.50	11,502,000.-	18.73		15,702,000.-	25.05	
			200,000.-	4,000,000.-	700,000.-	700,000.-	700,000.-	4,200,000.-		4,200,000.-	
SECTOR URBANISMO											
06	Barrido y Perfilado de Calles Obras Públicas en Provincias Construcción Puertos Los Mangalitos y El Pailón Barrido Avenida Circunvalación Plan Regulador Conclusión y Ampliación edificio ALBERANI Adquisición Equipo de Compactación	Trinidad Trinidad Dptal. Trinidad Trinidad Trinidad Trinidad Trinidad	870,000.-	1,000,000.-	0.00	20,720,000.-	33.51		21,590,000.-	35.06	
			276,000.-			1,000,000.-	1,000,000.-	2,000,000.-	2,000,000.-	1,000,000.-	
06	SECTOR SANEAMIENTO BASICO		0.00	0.00	1,500,000.-	5.00		1,500,000.-	5.00		
07	Bromaje Pluvial Bromaje Pluvial Provincias Agua Potable San Jorge	Trinidad Dptal. San Jorge	0.00	0.00	1,500,000.-				1,500,000.-		
					1,500,000.-	590,000.-	590,000.-		590,000.-		
PROYECTOS MULTIPLES											
07	Promoción y Puesta de Cooperativas Agrícolas e Industriales Equipamiento Escuela de Artesanía Programa de Alimentación y Nutrición Obras Sociales	Dptal. Dptal. Trinidad Dptal.	0.00	0.00	2,000,000.-	4.25			2,000,000.-	4.25	
					500,000.-	400,000.-	300,000.-	390,000.-	1,000,000.-	500,000.-	400,000.-
Totales:			2,800,000.-	9,980,000.-	16.20	47,150,000.-	76.52	1,633,300.-	2.65	61,613,300.-	100.00
08					10,000,000.-		50,000.-		10,500,000.-		
TOTAL:			2,800,000.-	9,980,000.-	16.20	57,150,000.-	76.52	1,633,300.-	2.65	72,153,300.-	
Total Presup. Nacional					1,972,000.-						

C O R D E B E N I

	Tangibles	Image	Value
Internal	<ul style="list-style-type: none"> - 1979 Budget - \$b 100,382,000 1978 Received - \$b 74,210,300 Nearly 100 per cent Tesoro financed - Staff of 255 employees, 40 professionals, 62 technical people - Own their building plus \$b 14,000,000 in equipment - ALDE program of \$b 1,000,000 a year 	<p><u>Doctrine.</u> (1) Economic and social infrastructure; (2) productive technical assistance; (3) protect natural resources; (4) improve agriculture, industrialize and commercialize it; (5) use available natural resources; (6) foment production cooperatives; (7) strengthen CORDEBENI.</p> <p><u>Program.</u> (See complete 1979 list)</p> <ul style="list-style-type: none"> - Social infrastructure including electrification, urban potable water, sewage, and caminos vecinales. - Agricultural and industrial studies, agricultural experimental station and farm. 	<ul style="list-style-type: none"> - CORDEBENI has difficulty attracting new staff. - CORDEBENI staff value agricultural and cattle programs, but are doing urban social infrastructure. - CORDEBENI staff not visibly upset over lengthy investment budget delays.
External	<ul style="list-style-type: none"> - Backlog of funds with Minister of Finance because of budget approval and other delays. - Debt service repayment costs them approximately \$b 20,000,000 a year. 	<p><u>Public requests</u></p> <p>Urban social services.</p>	<ul style="list-style-type: none"> - Fair to low public opinion of CORDEBENI. - GOB has increased corporation's budget.
Sensitivity	<p>Although a Government of Bolivia agency with a permanently assigned development task and presumably permanent funding, the corporation experiences frequent monetary crises brought on by delays in receipts in approved funds and annual funding petitions.</p>	<p>There is a sharp difference between the two clients of the Corporation. The urban clients are very aware of the corporation, are strong in their belief that the corporation should supply them social infrastructure. The rural clientele are largely unaware that the corporation is supposed to help them; however, the CORDEBENI staff for the most part feels their real work is in the rural areas.</p>	<ul style="list-style-type: none"> - CORDEBENI staff doesn't value what it is currently doing, but rather what it could do. - CORDEBENI feels like the black sheep in the Development Corporation flock because of its lack of fixed financing.

7.5. Proyectos terminados y en ejecución.

<u>AÑO</u>	<u>NOMBRE</u>	<u>LOCALIZACION</u>	<u>ENTIDAD</u>		<u>Forma de Ejecución</u>
			<u>Financiera</u>	<u>Ejecutora</u>	
1974	Enladrillado, Relleno de Tierra y Drenaje	Trinidad	TGN	CODEBENI	Administración
1974	Electrificación	Trinidad	TGN	CODEBENI	Administración
1974	Electrificación en Provincias	Departamental	TGN	CODEBENI	Directa
1974	Estación Experimental de Agricultura	Trinidad	TGN	MISION CHINA/CODEB.	Directa
1974	Cerámica Roja Trinidad	Trinidad	TGN	CODEBENI	Directa
1975	Complejo Agropecuario San Carlitos	Prov. Marbán	TGN	CODEBENI	Directa
1975	Colonización Villa Banzer	Prov. Marbán	TGN	CODEBENI	Directa
1975	Silos y Beneficiadora de Arroz	Prov. Cereado	TGN	CODEBENI	Directa
1976	Inventariación Forestal Zona Chimanes	Prov. Ballivián	TGN-FAO	FAO-CDF/CODEBENI	Directa
1977	Agua Potable y Alcantarillado	Riberalta	BID-TGN	CODEBENI	Consultera



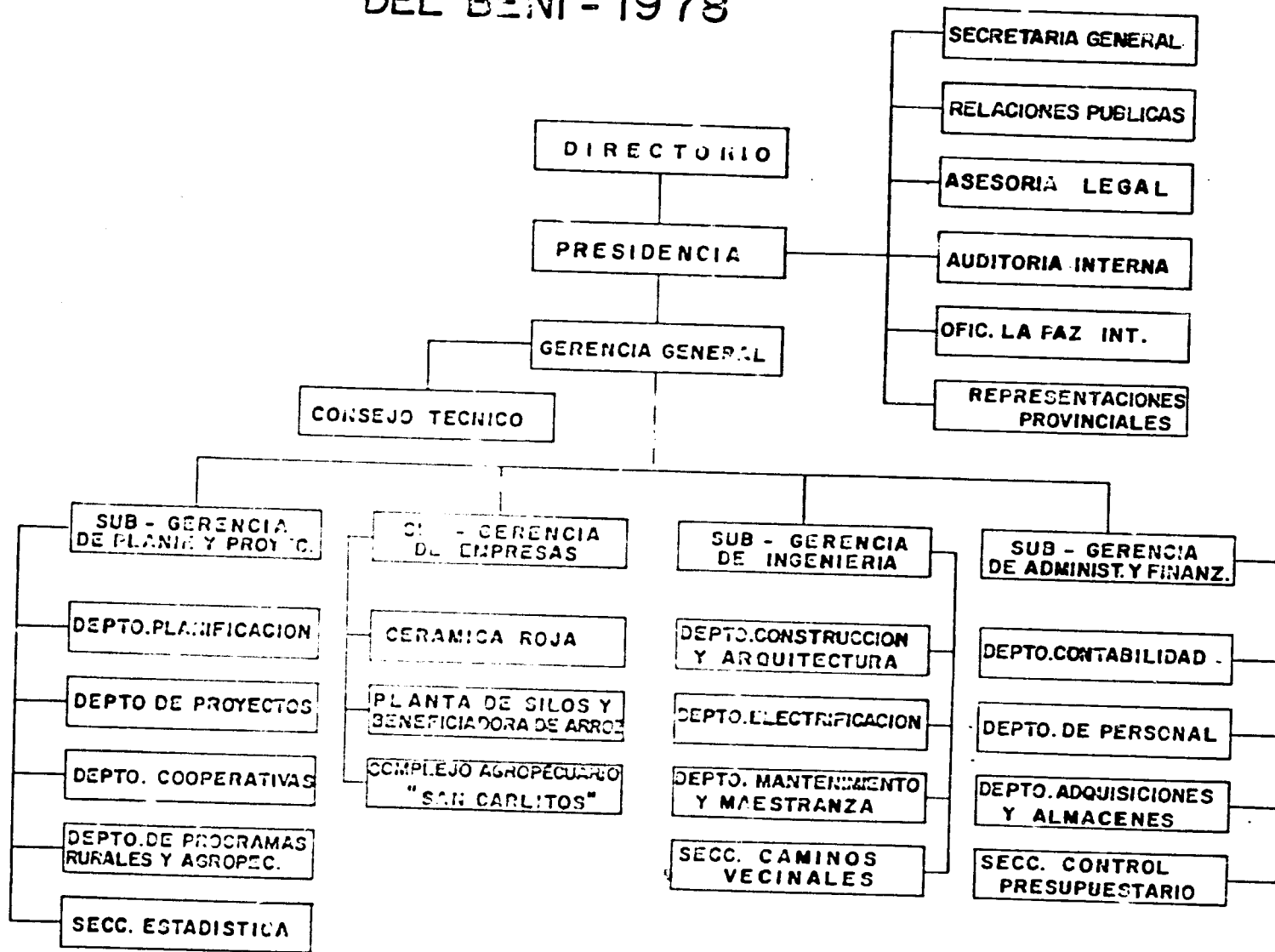
ESTADO DE EJECUCION PRESUPUESTARIA DE INVERSIONES EN
 INGRESOS Y GASTOS POR EL AÑO TERMINADO EL 31/12/78
 "C O D E B E N I"

Annex II
 Exhibit A (2)
 Page 9 of 10

PROGRAMAS	REC URSOS CRED. INTERNO INALPRE	R S O S T.G.N.	TOTAL PRESUPUESTO AJUSTADO	RECURSOS REMESADOS	EJECUTADO	SALDOS	SOBREGIRO
Programa 01: SECTOR AGRICULTURA							
- Estudio Prod. Vacunas Aftosa, Rab. y Br.	800.000.00	200.000.00	2.799.000.00	4.900.000.00	4.525.365.96	1.254.634.04	
- Complejo Agropecuario San Carlitos		2.000.000.00	1.000.000.00	200.000.00		1.000.000.00	
- Est. Experim. Perotó (ISIA)		1.100.000.00	3.000.000.00	3.000.000.00	2.819.289.05	180.710.95	
- Centro Des. Cultivo Arroz		660.000.00	1.100.000.00	1.100.000.00	1.056.163.53	43.836.47	
Programa 02: SECTOR INDUSTRIAL		2.400.000.00	4.000.000.00	2.400.000.00	2.269.832.88	1.822.805.75	92.638.63
- Planta de Silos y Benef. Arroz		1.000.000.00	1.000.000.00	1.000.000.00	966.640.25	33.359.75	
- Estudio Factibilidad Com. Mader. Chim.	1.600.000.00	400.000.00	2.000.000.00	400.000.00	210.554.00	1.789.446.00	
- Ampliación Cerámica Roja		1.000.000.00	1.000.000.00	1.000.000.00	1.092.638.63		92.638.63
Programa 03: SECTOR ENERGIA		12.119.000.00	12.119.000.00	12.119.000.00	11.872.026.33	260.751.11	13.777.44
- Ampliación Red Distrib. Trinidad		4.794.000.00	4.794.000.00	4.794.000.00	4.807.777.44		13.777.44
- Ampliación Red Distrib. Riberalta		1.700.000.00	1.700.000.00	1.700.000.00	1.691.178.00	8.822.00	
- Ampliación Red Distrib. Guayaramerín		1.500.000.00	1.500.000.00	1.500.000.00	1.492.887.36	7.112.64	
- Ampliación Capac. Instalad. Sta. Ana		1.500.000.00	1.500.000.00	1.500.000.00	1.476.363.83	23.636.17	
- Electríf. 10 Poblaciones Rurales		1.980.000.00	1.980.000.00	1.980.000.00	1.969.117.70	10.882.30	
- Mantenimiento Coop. Eléct. Provinciales		645.000.00	645.000.00	645.000.00	434.702.00	210.298.00	
Programa 04: SECTOR TRANSPORTES		2.060.000.00	2.060.000.00	2.060.000.00	1.805.251.36	496.958.27	242.209.63
- Equipo Caminero		600.000.00	600.000.00	600.000.00	108.122.11	491.877.89	
- Instalación Maestranza		1.100.000.00	1.100.000.00	1.100.000.00	1.342.209.63		242.209.63
- Caminos Vecinales		360.000.00	360.000.00	360.000.00	354.919.62	5.080.38	
Programa 05: SECTOR URBANISMO		11.381.000.00	11.381.000.00	9.031.000.00	10.025.747.56	1.415.298.36	45.92
- Enladrillado Trinidad		2.000.000.00	2.000.000.00	1.774.500.00	2.409.180.99	590.819.01	
- Kelleo de Tierra Trinidad		2.550.500.00	2.550.500.00	2.056.500.00	3.431.849.90	124.650.10	
- Construcción Puente Cementerio		100.000.00	100.000.00	100.000.00		100.000.00	
- Plan Regulador Trinidad		1.500.000.00	1.500.000.00	900.000.00	1.486.351.58	13.648.42	
- Obras Públicas en Provincias		1.300.000.00	1.300.000.00	1.300.000.00	1.113.819.17	186.180.83	
- Ripiado Av. Circunvalación		1.524.500.00	1.524.500.00	1.500.000.00	1.584.545.92		45.92
- Agua Potable San Borja		400.000.00	400.000.00	400.000.00		400.000.00	
Programa 06: SECTOR SALUBRIDAD BASICO		1.000.000.00	1.000.000.00	1.000.000.00	888.556.00	111.444.00	
- Drenaje Trinidad		1.000.000.00	1.000.000.00	1.000.000.00	888.556.00	111.444.00	
Programa 07: SECTOR OTROS	1.200.000.00	1.227.800.00	2.427.800.00	1.077.800.00	740.250.31	1.687.549.69	
- Promoción y Fomento de Cooperat.		500.000.00	500.000.00	350.000.00	358.892.97	141.107.03	
- Est. Socio-económ. Carret. Tdad-L.F. 331.200.000.00		300.000.00	1.500.000.00	300.000.00		1.500.000.00	
- Obras Sociales		427.800.00	427.800.00	427.800.00	381.357.34	46.442.66	
TOTAL GENERAL	3.600.000.00	35.147.800.00	38.747.800.00	32.647.800.00	32.067.030.40	7.029.441.22	348.671.62

ORGANIGRAMA BASICO DE LA CORPORACION DE DESARROLLO DEL BENI - 1978

Annex II
Exhibit A (2)
Page 10 of 10



Corporación de Desarrollo de Santa Cruz (CORDECRUZ)

Leadership

CORDECRUZ's current President, Ing. Oscar Serrate Cuellar, is a native of Santa Cruz, who has headed the corporation since November 1978. He has a degree in Electrical Engineering, a Masters in Systems Analysis from the Sorbonne, and is currently a doctoral candidate at the Sorbonne. President Serrate was attending the BID Latin American Program Conference in Jamaica during our visit. The Corporation's Gerente General is Arq. Fernando Prado, a young, dynamic native of Santa Cruz, who typifies CORDEBENI's sub-gerentes. Arq. Prado is incidently the brother of the current Minister of Planning. Taken as a whole, the top management of CORDECRUZ projects a strong image of professionalism and dedication to the development of the department. Likewise, the corporation's Directorio plays an active role in setting corporation priorities. For example, Gerente Prado reported that 1978 was a year of self-criticism and re-establishment of goals for the corporation. Furthermore, the corporation in conjunction with the Directorio has recently decided to shift CORDECRUZ's operational strategy so that it will be more of a support agency than one that provides direct intervention. In this line, the corporation will no longer provide budget support to either foment industry or bolster low central government Ministry budgets.

Within CORDECRUZ operational procedures, the President makes and maintains external contact with organizations, agencies, the general public, etc., while the Gerente oversees internal activities and program progress.

Doctrine

CORDECRUZ's doctrinal approach is solidly grounded in its work on regional planning. Up until 1970 (the corporation was formed in 1945), it focused solely on urban infrastructure. Since then it has gradually expanded out into the area of regional development with new focus on agricultural and industrial development. Some of the more important studies used by the corporation to set its approaches are:

- El Macrodiagnóstico Regional - a 1975 summary of all previous sectoral and sub-regional analyses.

- La Estrategia para el Desarrollo Socio-Económico de Santa Cruz (1975 - 1985).
- El Plan Quinquenal Regional (1976 - 1980).
- El Plan Quinquenal para el Comité de Obras Públicas (1976 - 1980).
- El Diagnóstico Agropecuario (por consultoría).
- El Estudio de la Mano de Obra Calificada en el Departamento de Santa Cruz.
- El Estudio de Mercado de Profesionales (por consultoría).
- El Programa Bienal Agropecuario.
- Planos Operativos Anuales.
- Proyectos de Desarrollo Rural Integrado.
- Diagnóstico Industrial del Departamento de Santa Cruz (1979).
- Plan Agrícola - Gestión 1979 - 1980.

CORDECRUZ's aims in 1979 are:

- Activate and solidify the process of regional development.
- Increase the department's absorptive capacity for productive labor.
- Gradually incorporate the low-income social groups into the development process.
- Rationalize the exploitation of natural renewable resources.
- Incorporate new geographical areas of the region into the development process.

CORDECRUZ's policy is oriented along the following lines:

- A reorientation of corporation sectoral resources, transferring gradually the public works services to other entities. This implies an increase in the proportion of resources destined to the productive sectors and for the support systems to support them.
- Implementation of industrial projects consider strategical from an economic, social and spatial point of view.
- Foment the development of the agricultural and industrial sectors via participation in the creation of favorable conditions and support and incentive mechanisms.
- Collaborate in the provision of general support systems for regional development in the socioeconomic, education and health fields.

- From the point of view of the spatial economic development of the corporation it should carry out activities tending to meet the following objectives:
 - Consolidate the process of development of the integrated sub-region (Santa Cruz and environs).
 - Strengthen and plan the development of the Santa Cruz - Montero micro-region.
 - Create the basic conditions to incorporate the stagnated sub-regions into the process of regional development.

Program

To implement the above listed policies in 1979, CORDECRUZ has projects in the areas listed below (see attachment for actual projects, types and amounts).

- Physical Planning
- Regional Planning
- Corporation Planning (Internal)
- Industrial Development
- Agricultural Development
- Energy
- Transportation and Communications
- Education and Culture
- Public Health and Basic Sanitation
- Urban Development and Housing
- Multi-Sectoral Projects

Examination of CORDECRUZ's budgeted projects shows that they are indeed moving away from public works services of previous years toward the productive sector especially industry and agriculture. In 1979, they project spending (the e figures are subject to some minor fluctuation over the year) approximately 62 per cent of their total investment budget on 13 projects in industrial sector. They have three large projects - a cement plant, cotton plant and an industrial park which will consume almost 90 per cent of their industrial budget although they are counting heavily on external funding sources - BID, Eximbank, etc. - to fund major portions of these projects. In the agricultural sector they plan to spend approximately 9 per cent of their budget on 16 projects. Four relatively large projects will use up the bulk of the funds. They are: a project to investigate and analyze the department's agricultural potential together with the Ministry of Agriculture and the

local University, a feasibility study on an irrigating system in the Santa Cruz integrated sub-region, implementation of an integrated rural development project in the area of San Ignacio, and finally a study on the agricultural impact of the new road from San Ramón to Trinidad. CORDECRUZ is trying to use the integrated rural development methodology to meet its doctrinal objectives of incorporating new geographical areas of the region into the development process and incorporating low-income groups into the regional economy. To date, it has had experience in two areas - San Javier and San Ignacio - and is planning to expand this type of activity into two new areas in the near future (preliminary studies already funded).

In addition to these two areas of emphasis, the Corporation continues to function, though at a reduced scale, as a mini-ministerio for the department providing social infrastructure and general support across a wide spectrum of activities. They report however that they have now stopped doing the work of the ministries nor do they undertake industrial projects unless there is real private sector interest, financial commitment, willingness to manage the projects and no need for the corporation to put up more than 10 per cent of the funding.

Resources

CORDECRUZ's projected budget for 1979 is, as it was in 1978, approximately \$b 1,000,000,000 of which 25.30 per cent is for operating costs and the remainder for investment. Because of the uncertainty of its income sources - CORDECRUZ gets over half of its income from petroleum royalties which are tied to variable oil production, the corporation depends on international borrowing for the bulk of its remaining investment resources. The budget amount for 1979 is an estimate only.

Several things are striking about CORDECRUZ's budget. First of these is its size. Second, its freedom from dependence on central government contributions. Third, its success in tapping into international loan funds. For example, CORDECRUZ's budget represents 50 per cent of the total annual funds available to Bolivia's Development Corporations; as of 1978 CORDECRUZ had received 89.5 per cent of all external funds lent to the corporations; and central government transfers to CORDECRUZ have been almost non-existent in recent years although it does obtain funds from various fixed taxes.

CORDECRUZ then is in fairly strong budgetary condition and will remain so for the foreseeable future. Obviously, it will not be able to borrow as heavily in the future as in the past (see attached list of loans), but it still has a healthy financial outlook.

CORDECRUZ has completed an impressive amount of Public Service work in this decade which now gives it the relative freedom to move out of the service business and into more development oriented activities. For example, the corporation has essentially completed the provision of urban services, water, sewage, paving, electricity, etc., in the region of Santa Cruz and most urban areas of the department. This base of infrastructure removes substantial public pressure for these types of projects from the corporation.

CORDECRUZ's staff now numbers 545 employees - up approximately 10 per cent over the past two years. The staff breaks down into 145 professionals - university trained, 12 high-level technicians, 49 secretaries, and 339 general workers including technicians. CORDECRUZ attracts and is able to keep dynamic, professional staffers with good professional training and backgrounds. CORDECRUZ has fixed assets - buildings, machinery, vehicles, equipment - worth approximately \$b 80,000,000.

Internal Structure

CORDECRUZ's organigram illustrates the size and scope of their program. The President focuses on policy and public affairs; the gerente on internal workings. The Comité Asesor de Políticas e Inversiones is the forum in which most of the organization's political decisions are made - membership includes President, Gerente, Chiefs of Planning, Projects, Administrative Units and the financial advisor. Operational decisions are made in the Comité de Operaciones by the Gerente, Unit Chiefs, and the heads of Organization and Systems and the legal department.

Typically projects flow from the planning unit which does preliminary analysis to the project unit where it is put into project format then into consultation with the appropriate technical unit for final preparation. Each project is respectively assigned individuals responsible for its planning, development and administration. In addition for large projects a separate Directorio is appointed to oversee progress. Depending on size and type of project, CORDECRUZ will do its own studies and implementation work or contract it out.

Linkages (Outreach)

CORDECRUZ attempts to coordinate development of the department with central government and local government groups at various levels and using several mechanisms. This year, it will attempt to strengthen its assigned role of departmental development coordinator along two fronts. First, it will create and develop a new system for flow of

information between the corporation and the Ministry of Planning and Coordination so that it can be better informed about national level policies and priorities. Second, it will promote the creation of an Inter-Sectoral Coordinating Council (CORDISEC) as a consultive body at the level of Presidency of the corporation for representatives of sectoral and local institutions of Santa Cruz.

CORDISEC's objectives are:

- Interchange of information on projects or plans of the institutions.
- Feedback to the Presidency on the regional planning strategy and plans being developed by the corporation or already existing.

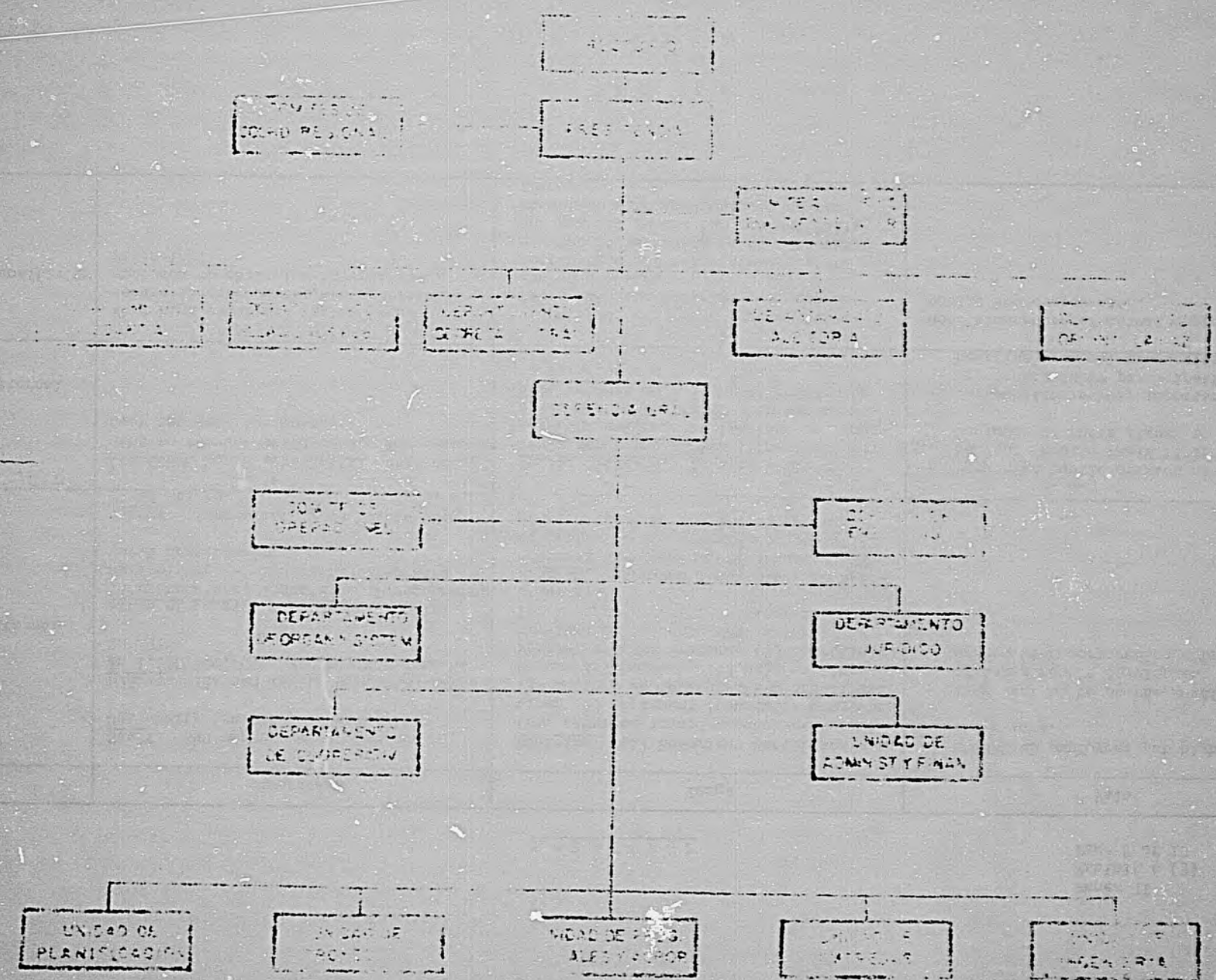
The corporation's Regional Planning Unit is to act as technical secretary of CORDISEC and special commissions - task forces will be established for each of the major sectors from the membership.

In addition to this effort, the corporation has a history of working directly with local groups. In these efforts, they have evolved or are evolving various organizational techniques for organizing or maintaining contact. The corporation's project related approach is to form cooperatives for public works services such as rural electrification. To date, they have formed 115 coops of this type and are also using the cooperative development approach in their integrated rural programs. Another mechanism that the corporation uses is the formation of comités cívicos of local leaders in communities who then funnel requests for assistance to the corporation. There are 25 of these comités cívicos currently in existence. In the San Ignacio area - their first integrated rural development program - CORDECRUZ established a Provincial Development Council as a pilot attempt to organize local groups at the provincial level. Members include mayors, representatives from comités cívicos, representatives from campesino organizations, and representatives from the church.

The corporation has working agreements with Community Development Service, Ministry of Agriculture, Ministry of Education, Ministry of Health, the local farmers and cattlemen's associations and CORDEBENI, CORDECO, CORDECH, and CODETAR.

C O R D E C R U Z

	Tangibles	Image	Value
Internal	<p><u>Staff.</u> 545 employees - 145 are University trained professionals.</p> <p><u>Budget.</u> Planned 1979: approximately \$b 1,000,000,000. Roughly the same as in 1978.</p> <p><u>Areas of Project Experience.</u> Social infrastructure, Industrial, Development, Agriculture - including integrated rural development.</p> <p><u>Others.</u> Approximately \$b 80,000,000 in fixed assets.</p>	<p><u>Doctrine.</u> (1) Re-orient activities away from services toward productive activities; (2) implement industrial projects; (3) support agricultural and industrial sector development; (4) help provide general support systems; (5) consolidate development in Santa Cruz area; (6) incorporate other regions into process.</p> <p><u>Program.</u> Stresses Industrial and Agricultural Development, 62% Industry, 9% Agriculture, and downgrades, but still provides some social infrastructure.</p>	<ul style="list-style-type: none"> - CORDECRUZ employees put high value on their work. - They want to be on the leading edge of department's development and this agrees with corporation approach.
External	<p>CORDECRUZ has a substantial outstanding debt to service based on its borrowing over the last ten years.</p>	<p><u>Public requests.</u> Focused still on basic services, social infrastructure. Although evidence of interest in industrial and agricultural programs as public becomes more informed concerning corporation's new objectives.</p>	<ul style="list-style-type: none"> - Very high public opinion of the corporation. Public feels it is the embodiment of their rights to develop. - Corporation is very important since it represents their participation in the benefits from oil production.
Sensitivity	<p>Very high endurance factor because of secure income sources and aggressive approach to obtaining international financing.</p>	<p>Corporation evidences agreements between both its doctrine and program and on consensus of need, i.e. both corporation and its clientele agree on what it is trying to do although the general public has not yet fully caught up with implications of new thrust.</p>	<p>Good atmosphere of mutual support between public and corporation.</p>



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6.1.4.

6.1.4. PRESTAMOS DE FUENTES EXTRANJERAS.-

<u>AÑO</u>	<u>CREDITO</u>	<u>MONTO EN \$US.</u>	<u>PROYECTO</u>
1.968	B. I. D.	5.800.000.-	Alcantarillado
1.977	B. I. D.	6.500.000.-	Parque Industrial
1.977	CITICORP	3.345.000.-	Planta de Queso Complejo Maicero Alimentos Balanceados
1.977	BANK OF AMERICA	10.000.000.-	Máq. camino San Ramón-Trini- dad.
1.977	MITJUI	1.686.384.-	Máquinas camino San Ramón - Trinidad.
1.977	CACEX	1.099.484.-	Máquinas camino San Ramón- Trinidad.
1.977	HILL SAMUEL-E.C.G.D.	20.066.486.-	Hilandería de algodón.
1.977	CITIBANK	4.687.500.-	Hilandería de algodón.
1.978	EXIMBANK	3.473.900.-	Hilandería de algodón.
1.978	EXIMBANK + NORTH CA- ROLINE.	1.349.400.-	Hilandería de algodón.
1.979(1)	B. I. D.	48.000.000.-	Fábrica de Cemento
	T O T A L:	107.643.154.-	
		=====	

Corporación de Desarrollo de Cochabamba (CORDECO)

Leadership

The President of CORDECO, Cnl. DIM Bernardino Zurita Ayala, is in comisión (on loan) from the Bolivian Army. He has been President for approximately a year. He is a Civil Engineer with a Masters in Hydraulic Engineering. Both degrees were obtained at the Bolivian Army University. A native of Cochabamba, his previous work experience was with the Bolivian Army Corps of Engineers. The industrial park, the Misicuni project, caminos vecinales, schools, health posts, potable water - infrastructure large, medium and small are his special interests. He has been instrumental in moving CORDECO out of its relative isolation vis-a-vis other groups and institutions - CORDECO recently signed work agreements with the local university, Alcaldía, and CORFAGUAS (Corporación de Aguas, a dependency of the MSW/PH).

According to new statutes being adopted by CORDECO (see organigram) the new position of Gerente General is to be established. Ideally the man in this position would oversee CORDECO's internal workings taking some of the work load off the President who currently has to both represent CORDECO publicly and then manage its internal operations. However, in discussions with the President, he made it clear that he has no intention of appointing anyone to fill this position. He said the new statutes are being approved just to get them on the record and at the direct request of the Ministry of Planning and Coordination and that would be the end of the matter.

The Directorio meets approximately once a month. Initially - the Directorio was formed a year and a half ago - relations between CORDECO's staff and the Directorio were cool but have improved somewhat. Members of the Directorio feel that CORDECO is still new and has not projected a strong image. In order to do so, it needs according to one member to organize itself and then put together a good program. CORDECO's staff feels that the Directorio hasn't been especially interested in its programs and projects but also are concerned that in the future they have to do more to educate the Directorio. The sub-gerente for planning is new to the job and lacks academic training in the planning field, but he had prior experience working with CORDECO and has just begun to receive long-term technical assistance from a German team in the planning field. The sub-gerente for programs and projects - who has a degree in forestry - has had three years of on the job work experience and exerts strong influence on CORDECO's decisions in this area. The sub-gerente for administration is also a three-year veteran who has presided over the five fold increase in CORDECO's budget and staff.

Doctrine

CORDECO has interpreted its general mandate of promoting economic and social development in the region through regional planning, the carrying out of studies and the implementation of programs and projects by adopting the following doctrinal approaches:

- Emphasis on large-, medium-, and small-level industrial and agricultural projects which are employment generators and will help stem out migration from the department and provide jobs for the urban unemployed.
- Provision of felt needs of rural areas regarding roads, water and other types of infrastructure along with a variety of social services such as schools, health posts, hospitals, etc.
- When possible, CORDECO prefers to work with Central Government or other agencies rather than alone. CORDECO requires local groups counterpart assistance in kind.

Program

Two things stand out at first glance about CORDECO's programs and projects. The first is the absence of any real planning exercise, either at the regional development level or internally within CORDECO. Consequently, CORDECO's program presents itself as a series of programs and projects at various levels over varying periods of time without a unifying plan. Fortunately a German-funded technical assistance team in planning began three years of work at the beginning of this year in CORDECO's planning office. With their assistance, CORDECO will be able to identify problems and then go on to developing solutions thus easing internal coordination problems and disagreement on work to be done.

The second major program difficulty that CORDECO has is its responsibility for flood control in the area of Cochabamba. This requirement - CORDECO has adopted this role because of the apparent lack of any responsive national level disaster or civil defense organization last year drew heavily on CORDECO's limited resources and staff and has greatly contributed to both internal and external confusion about CORDECO's image - role - in the department.

During last year's rains, CORDECO spent about \$b 15,000,000 on flood control; during the flood season CORDECO's staff is on emergency call in case of flooding and CORDECO maintains a permanent staff of twelve

people just for flood control. In addition, CORDECO handles flood damage payments to affected areas. Thus, one of the principal images of CORDECO in Cochabamba is that of a flood control agency, not a development catalyst or regional planner. To be an effective Development Corporation, CORDECO will have to take whatever steps are necessary to rid itself of complete responsibility for flood control so it can focus on development activities.

As currently constituted, CORDECO's program and project portfolio reflects the lack of planning discussed above, but also evidences sincere interest in the development of Cochabamba. The current project list (see attachment) obviously attempts to cover as many felt needs as possible in the department. Of particular interest to USAID are the agroindustrial, desarrollo rural integrado, and the reforestation projects. The desarrollo rural integrado projects are very much in the formative stage with CORDECO committed to working in three out of fourteen provinces, and of these three areas only one has gotten beyond the planning stage. This one has proceeded as far as provision of infrastructure with 45 communities participating in the construction of irrigation facilities, caminos vecinales, potable water facilities, schools, health posts and service center.

CORDECO is in the process of completing final design work on the industrial park, bus terminal and also hopes to get funding for design work on the 13 year US\$ 250,000,000 Misicuni Hydroelectric and Irrigation project. If successful in their efforts these projects will take up the majority of CORDECO's investment capital in the near future.

Resources

CORDECO's chief resource concern is the uncertainty of its budget since it receives approximately 65 to 70 per cent of its funds as direct contributions from the Central Government. CORDECO's budget (and staff) have increased five-fold since 1976. The 30 - 35 per cent of the budget which CORDECO obtains from its own sources consist of sales taxes and taxes on local mine production. Not only is CORDECO's total budget amount subject to significant variation during the year - last year the Tesoro Nacional cut their budget by 20 per cent because of tight economic conditions - but also there is a cash flow problem caused by delays in delivery of funds, for example so far this year CORDECO has only received \$b 9,000,000 out of \$b 36,000,000 due them from the Tesoro, and they are owed \$b 5,000,000 by COMIBOL on the mine taxes. CORDECO is attempting to solve this situation by among other things asking for an additional tax for themselves on electricity produced in their department but used nationally. CORDECO

has significant amounts of heavy equipment for road building and flood control (\$b 20,000,000) and has recently completed the purchase of a former railroad station in Cochabamba and surrounding land for an office via a \$b 40,800,000 loan from the Tesoro which they will be paying back over the next three years out of their operating budget.

CORDECO is receiving approximately \$b 1,500,000 a year of food through the World Food Program for assistance in construction of caminos vecinales. As mentioned before, they are seeking B.I.D. funding for design of their Industrial Park and Electricity-Irrigation projects.

1978 - planned budget - \$b 107,000,000 - actual: \$b 82,000,000
1979 - planned budget - \$b 107,340,000

Total current CORDECO staff is 210 of whom 34 are university trained professionals and four are top management. One hundred twenty of the 210 are in the Program and Projects gerencia including 25 in the agricultural division.

CORDECO spent \$b 90,000,000 on its operating costs in 1978 and expects to spend \$b 11,000,000 this year. Salaries and percentages spent for operating costs are controlled by the Ministry of Finance based on submissions by CORDECO - this is true for all the corporations. CORDECO's salaries appear to be adequate since turnover was normal or better. There are problems in staffing the planning office and this seems to reflect the previous discussed role of planning in CORDECO.

Internal Structure

As mentioned before, CORDECO has recently adopted new statutes which bring its internal structure into line with the recommendations of MEC (see organigram). However, the President told us that he was doing this to get it on the books and that he had no intention of filling the positions of Gerente General or creating a sub-gerencia for Empresas as he didn't feel they were needed at this time. In addition, he reported that he cancelled the division of control (evaluation) as duplicative although retaining the audit section. The bulk of the work actually carried on by CORDECO is done by the Programs and Project section. CORDECO organizes by projects more than functions and does a good deal of its own implementation work although it knows how to and does contract out work or provides funding for other agencies to complete work.

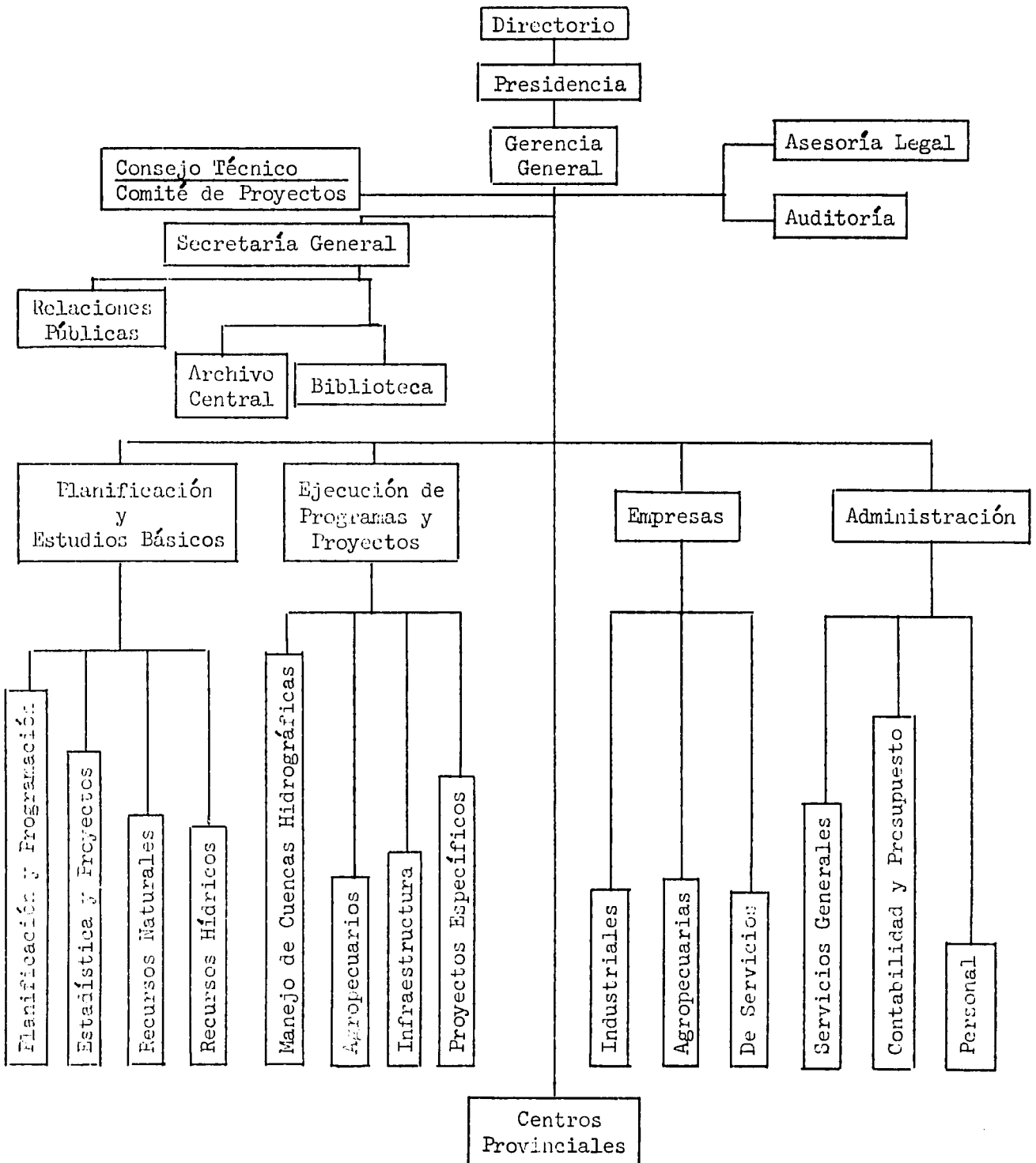
Linkages - Outreach

CORDECO had a serious problem a year and a half ago at the time of its transformation into a "new" corporation with its linkages with central government and regional organizations. At that time, it enjoyed almost no ties except with MPC and a German assistance program. President Zurita has done much to remedy this problem, and CORDECO is now seeking agreements and support from these organizations and coming closer to playing a catalyst role as witnessed by its efforts in the Chapare area. Much remains to be done, however, before CORDECO has the support of local civic groups in the urban areas and the Alcaldía. In the rural areas and provinces, CORDECO works through the political system - prefect, sub-prefect, corregidor and alcalde and/or through community development committees based on former hacienda groupings of campesinos. To work with this committees and their sindicatos, etc., along with the political structure, CORDECO has two full-time promoters paid by the Ministry of Education. Their focus is chiefly on CORDECO's Integrated Rural Development projects discussed before. For the rest of its programs, CORDECO uses a planned outreach approach center around its planning cycle for its Operation Plan. Once a year - usually 4 to 6 months before submission of next year's Operation Plan - CORDECO sends out letters to local officials and representatives soliciting their ideas/projects for their areas. Once a reply is received, a CORDECO team is dispatched to do analysis and if appropriate develop the project for presentation to management and eventual conclusion in next year's plan and budget.

C O R D E C O

	Tangibles	Image	Value
Internal	<p><u>Staff.</u> 210 employees of whom 34 are professionals. In 1976, total staff was 32 people.</p> <p><u>Budget.</u> Planned 1979: \$b 107,340,000. The 1978 planned budget was also \$b 107,000,000, but for various reasons only \$b 82,000,000 was actually received (narrative). In 1976, total budget was \$b 22,863,000.</p> <p><u>Areas of project experience.</u> Industrial Development, Infrastructure, Integrated Rural Development, Flood Control, Public Works, Forestation, Agroindustry.</p> <p><u>Others.</u> CORDECO has approximately \$b 20,000,000 worth of heavy machinery and equipment, and is purchasing a \$b 40,000,000 former train station for use as their headquarters.</p>	<p><u>Doctrine.</u> (1) Emphasis on industry and agriculture at large and medium-level employment generation to stem out migration and provide jobs for urban and rural unemployed; (2) provision of needed infrastructure; (3) provision of social services; (4) work with ministries and others.</p> <p><u>Programs and projects.</u> Industrial Park, Bus Terminal, Grape Production, Rural Roads, Agroindustry projects, Rural Integrated Development, Flood Control, Provincial Public Works (ten different types of projects), Potable Water, Reforestation, Equipment Maintenance.</p>	<ul style="list-style-type: none"> - Professional higher-level employees have with one exception stayed with the corporation over the last three years. - CORDECO's employees value different kinds of projects and each group is trying to do its own thing. - The employees are concerned about the funding hold ups, but seem to take program and project delays for granted.
External	<p><u>Accounts Records.</u> CORDECO is currently owed by the <u>Tesoro Nacional</u> approximately \$b 27,000,000 out of the \$b 36,000,000 due this year. Also COMIBOL owes them \$b 5,000,000 in <u>regalias</u> for this year.</p> <p><u>Commitments.</u> CORDECO is paying off out of its budget over the next three years the \$b 40,800,000 due on their new offices.</p>	<p>Requests seem to cover a wide range of activities from <u>campesino</u> groups including those mentioned above and especially roads and schools. No clear-cut area of focus indicates external image of CORDECO as entity involved in everything. Flood control work of CORDECO has confused public on its image.</p>	<p>CORDECO reported that it was unable to get civic groups and the <u>alcaldia</u> to support its efforts.</p> <p>The GOB at CORDECO's budget 20 per cent last year and hasn't provided the bulk of it this year.</p>
Sensitivity	<p>As a public service entity formed in 1970 and re-constituted in 1978, CORDECO has a high endurance factor. It is, however, because of its lack of internal income sources unable to program with certainty and timeliness.</p>	<p>There is internal/external agreement in that CORDECO is doing a little bit of everything and that is how its clientele perceives CORDECO. However, because of the flood control work emphasis and CORDECO's diffused program and projects, there was little consensus perception of CORDECO's image.</p>	<p>CORDECO's leaders feel that it hasn't yet established a strong image with the public nor do they feel that its efforts are fully appreciated especially in the urban areas.</p>

Organigrama



CORPORACION REGIONAL DE DESARROLLO DE COCHABAMBA

LISTA DE PROGRAMAS Y PROYECTOS, Y RESPONSABLES

<u>Proyecto</u>	<u>Responsable</u>
1. Parque Industrial	Ing. Oscar Carvallo
2. Terminal de Buses	Arq. Jaime Jiménez
3. Vitivinícola	Ing. Raúl Ovando
 <u>Programa</u>	
4. Caminos Vecinales	Ing. Fausto Guillén
5. Agroindustrial: Te, Piretro, Tarhui	Ing. Armando Torrico
6. Desarrollo Rural Integrado	Ing. Miguel Yaksic
7. Manejo de Cuencas y Torrenteras	Ing. Ramón Oviedo
8. Obras Provinciales	Ing. José Meruvia
9. Agua Potable y Caminos	Ing. Ramiro Hinojosa
10. Repoblamiento Forestal	Ing. Gilberto Hinojosa

Corporación de Desarrollo de Oruro (CORDEOR)

Leadership

The leadership of CORDEOR underwent a complete revision in late 1978 following a three-day strike against the policies and practices of the corporation administration. Casiano Ancalle was selected as the new president based upon results from a "concurso de méritos" (most qualified of several candidates applying for the position). Ancalle is a native of Oruro and is from a campesino family (the only DDC president with this background). He has an M.A. in civil engineering from Penn State. In less than a year, Ancalle has refocused the direction of CORDEOR's activities and has assembled a staff which shares his concern for rural development.

Hugo Urquiola is the director of the planning office. He joined CORDEOR at the same time as Ancalle, also on the basis of a "concurso de méritos." A native of Oruro, Urquiola completed his graduate studies in Belgium.

Doctrine

Until 1978, the primary focus of CORDEOR's activities was urban infrastructure. The new administration has shifted from that focus to assistance to the rural poor. They believe that increased employment opportunities, improved agriculture production, etc., will help stem the rural to urban migration currently being experienced. While this doctrine has not been formalized in a strategy document, the recent shift in program orientation lends credence to leadership statements on CORDEOR's change in direction.

Program

Thirty-five projects were approved by the Ministry of Planning for this year's budget. Of these, 20 are continuations of old projects, and 15 are new. And the shift toward rural and agriculture projects is dramatic.

	<u>Old</u>	<u>New</u>
Rural/Agriculture	0	6
Total Rural	4	6
Non-Rural	17	9

Over half of CORDEOR's budget for 1979 is used up by large, hold-over urban infrastructure projects, and less than 10 per cent goes to agriculture.

Urban infrastructure	7 projects	\$b 53,850,000	51 %
Semi-urban infrastructure	8 projects	13,550,000	13 %
Rural infrastructure	4 projects	6,400,000	6 %
Agriculture	6 projects	9,592,700	9 %
Industry	6 projects	12,500,000	12 %
Mining	3 projects	900,000	9 %

Of concern to AID is that CORDEOR has little experience implementing Ag projects. So far, the agriculture program consists primarily of the CADEA research station where they do work on chinchilla, rabbit, and cattle breeding, and some presentations to campesinos.

<u>Old</u>	<u>Rural Focus</u>	<u>New</u>
1. Electricity for ten rural communities		1. Study and production of quinoa
2. Potable water for ten rural communities		2. Agricultural statistics
3. Rural roads for ten rural communities		3. Forestation
4. Schools for ten rural communities		4. Study/raise llamas and alpacas
5. Raise small animals for fur		5. Artisan market
6. Livestock quality study		6. Study and use of hand tools

Urban Infrastructure

1. Finish bus terminal	1. Electricity for the airport
2. Finish stadium	
3. Culture center	
4. Construction/repair urban area	
5. Study renovation Oruro plumbing	
6. Study capturing rain-water	
7. Construct CORDEOR garage	

Semi-Urban Infrastructure

1. Channel Tayarete river	1. Study for Huanuni hospital
2. Electricity Savary-Challapata	2. Study for Huanuni sewage system

3. Study for by-pass route
3. Study for Huanuni potable water
4. Study for Oruro-Tambo highway

Industry

1. Screw and nut factory
2. Finish industrial park
3. Implement industrial park
4. Study for a cannery
5. Finish cement factory
1. Study for a pewter factory
2. Study for a nozzle and pipe factory

Mining

1. Tungsten carbide project
1. Search for phosphoros
2. Search for non-metallic deposits

Internal Structure (See Organigram)

The most striking thing here is that CORDEOR until now has done primarily planning and little implementation. Implementation is contracted. Figure shows CORDEOR's organigram, and Figure shows a contract written by them.

Linkages

Linkages upward to ministries, except, of course, with the Ministry of Planning are scarce, as are links downward to local organizations. However lateral links to obtain expertise, resources and implementation are common. For example:

- INFOL will implement their proposed llama breeding project.
- An Israeli consulting firm provides the technology for building an industrial park.
- Loans from BID and the World Bank.

Links to poor campesinos are informal, and, other than one person from the agriculture department, little resources are devoted to promotion. However:

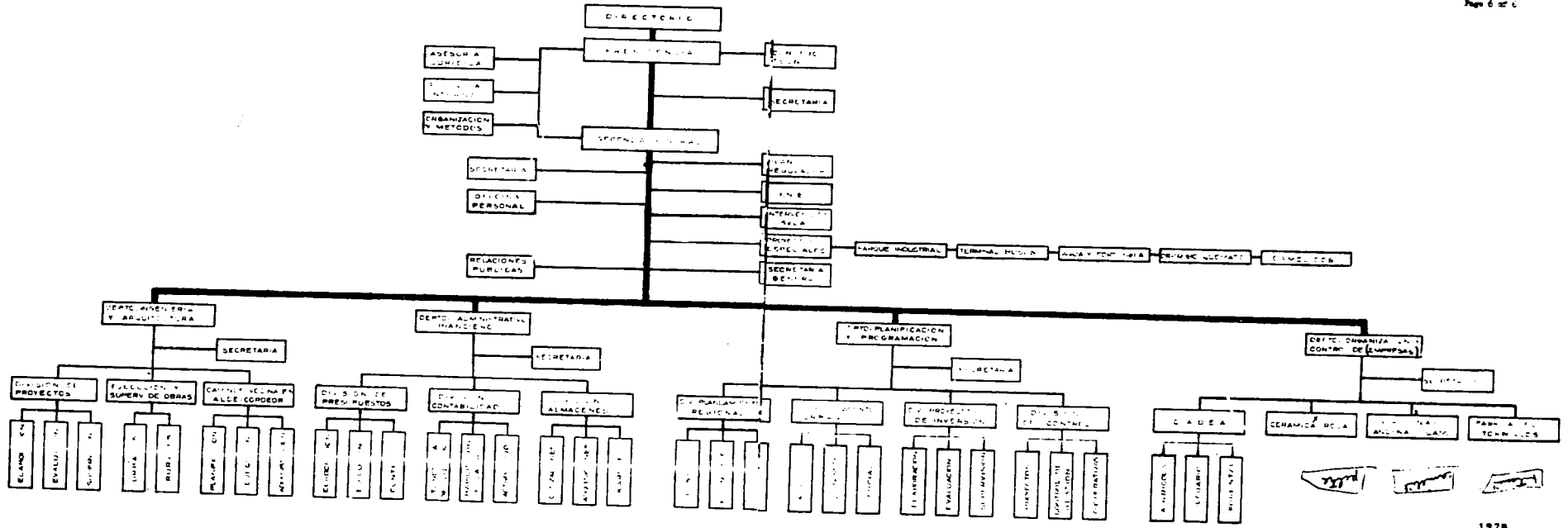
- Announcements of demonstrations at the CADEA research center are made in Quechua on Radio Bolivia, and a truck picks up campesinos so they can attend.

- CORDEOR is sponsoring a series of lectures on how to use quinoa, a versatile, high-protein cereal.
- They receive many written requests for help from community groups.

C O R D E O R

	Money	Image	Morale
Internal	<p><u>Current Program</u></p> <p>Urban Infrastructure = 51 % Semi-Urban Infrastructure = 13 % Rural Infrastructure = 6 % Agriculture = 9 % Industry = 21 %</p> <p><u>Staff = 127</u></p> <p>Superior = 2 Admin. = 24 Professional = 36 Service = 15 (4 agronomists) Field = 17 Technical = 33</p> <p><u>Outreach: Weak</u> Normally the job of those contracted to implement.</p>	<p><u>Doctrine</u></p> <ul style="list-style-type: none"> - Try to shift to rural focus - Stop rural-to-urban immigration - Simple technology - Mixed enterprise 	<ul style="list-style-type: none"> - Higher pay in La Paz and overseas, so it is hard to attract and hold professionals. - Mid-level personnel gives preference to what local public pushes for, such as industrial parks. - Changes in president, delays in GOB fund allocation are depressing.
External	<p>GOB owes CORDEOR a large amount of money destined for agriculture projects.</p>	<ul style="list-style-type: none"> - Campesino groups send letters requesting infrastructure: potable water, roads, schools. - They do not request agriculture projects; CORDEOR is not perceived yet as working in agriculture. 	<ul style="list-style-type: none"> - Departmental, public strike against corporation which resulted in the current administration. - 40 detailed letter requests from campesino groups in the last 8 months. - GOB doesn't honor CORDEOR budget allocation.
Sensitivity	<p>CORDEOR must get its relationship with GOB straightened out.</p>	<p>"They see us as the source for all the things other government organizations should be doing."</p>	<p>"The public sees us as the only government organization here which has money and can do things."</p>

ORGANIGRAMA CORDEOR



Corporación de Desarrollo de La Paz (CORDEPAZ)

Leadership

CORDEPAZ is one of three DDCs with a military officer as its president. He is Admiral Fernando Monje and has been with CORDEPAZ for less than one year. It is expected that he will be replaced in the near future.

The general manager is Jorge Crespo. He is an economist who has received a post graduate degree in Belgium. He also has been with CORDEPAZ less than a year. Mr. Crespo can be described as a young man of vision and has been working hard to develop the rural focus of CORDEPAZ's activities.

Doctrine

CORDEPAZ's focus, according to management, is totally on the rural poor. This emphasis on the poor (instead of large infrastructure) is about one year old. CORDEPAZ personnel feel they are unique and lucky because there are other organizations in La Paz who meet city needs, thereby eliminating pressure for urban involvement which is felt in most other corporations. CORDEPAZ has never been a "Comité de Obras Públicas."

CORDEPAZ's stated overall strategy for the region is:

- Provide basic infrastructure to attract people to the north jungle.
- Increase production of fruits and vegetables for valley population centers.
- Provide credit and technical assistance to farmers in the Altiplano.

Program

CORDEPAZ project investments for 1978 are distributed as follows:

Agroindustry	:	\$b 33,000,000	(46%)
Agriculture	:	\$b 20,000,000	(28%)
Rural infrastructure:	:	\$b 16,000,000	(22%)
Other	:	\$b 3,000,000	(4%)

Following is a list of individual projects in implementation:

Agriculture

Kallutaca Livestock Production Center	\$b 20,000,000 in 10 years 55% complete
Huaculavi Cereals Production	\$b 15,000,000 in 8 years 65% complete
Altiplano Credit and Technical Assistance	\$b 2,242,000 a year 10,000 families reached in 5 campaigns
Cattle improvement	- 3,000 head - 20% complete
Potato Commercialization	\$b 20,000,000, preliminary study complete

Rural Infrastructure

- Penetration Roads	Variable yearly cost; 768 Km. so far
- Rural Roads	\$ 4,000,000; 80% complete
- Rural Potable Water	- variable cost - with CARE
- Forestation	\$ 6,000,000; 30% complete

Agroindustry

Fish Farming (trout for commercial and sport use)	\$b 8,400,000 feasibility study and physical infrastructure complete
Sugar complex	US\$ 50,000,000 Infrastructure and planting underway

Mining

Study of calcium and plaster deposits	\$b 4,700,000 30% complete
--	-------------------------------

Internal Structure (See Organigram)

Planning has two units: planning and project formulation. The former has a staff of 4 people, the latter 12. Over 100 people work in project implementation.

There are two sources of project ideas: the Directorate and "técnicos" in the field. The evolution of a project seems to be as follows:

1. Idea from directorate or "técnico."
2. "Técnicos" commissioned to do field study.
3. Planning Department makes sure the project is compatible with the national plan.
4. Pre-investment feasibility study.
5. Present project to CONEPLAN (Ministry of Planning).

It should be noted that at only one point is the planning department involved - to make sure the project is compatible with the national plan; compatibility with the development plan of the corporation was not mentioned. The planning mechanism as such, therefore, is one of proposing projects based on field experience and needs identified on this basis. Formalized planning can be said to be non-existent, with a more informal system as outlined above being utilized.

There is one person with responsibility for evaluation. It is not clear whether evaluation consists of more than auditing. I asked for and never got production type dates (only seeds delivered, money paid and received, etc.).

Linkages with Campesinos

A major program of CORDEPAZ is its rural credit program with farmers in the Altiplano. It is impressive from several points of view:

- Credit and T.A. are combined;
- The credit official, the "técnico" and the campesino meet on the campesino's field, and decide on cultivation strategies and credit warranted;
- Credit is not money but seeds, fertilizers, etc.;
- Repayment on credit is around 90 per cent;
- Credit is not delivered until fields are properly prepared; and
- A thorough, professional "insumo," payment, and activity monitoring system has been established.

Following is some loan and repayment data from the rural credit program.

	Loans	Principal (in Pesos Bolivianos)	Interest ^{1/}	% Recouped
1974 - 1975	2,413,000	2,244,090	1,920,000	93
1975 - 1976	1,661,000	1,445,070	1,252,000	87
1976 - 1977	1,033,000	1,033,000	1,186,000	100
1977 - 1978	1,037,000	622,000	N.A.	60

^{1/} Interest received also includes payments on loans made to the Ministry of Agriculture prior to CORDEPAZ assuming responsibility for program.

The linkages with campesinos established by this program is among the most extensive and apparently most effective linkages established in any of the DDCs. The emphasis given to this program and the attempts to improve it is a major strength of CORDEPAZ.

Linkages with donors: CORDEPAZ has received funds from World Bank, CARE, and PMA, and have loans pending with BID and the Grupo Andino de Fomento.

Linkages with Ministries: As for other corporations, vertical links are almost totally with the Ministry of Planning.

Resources/Personnel

CORDEPAZ staff is distributed in the following manner:

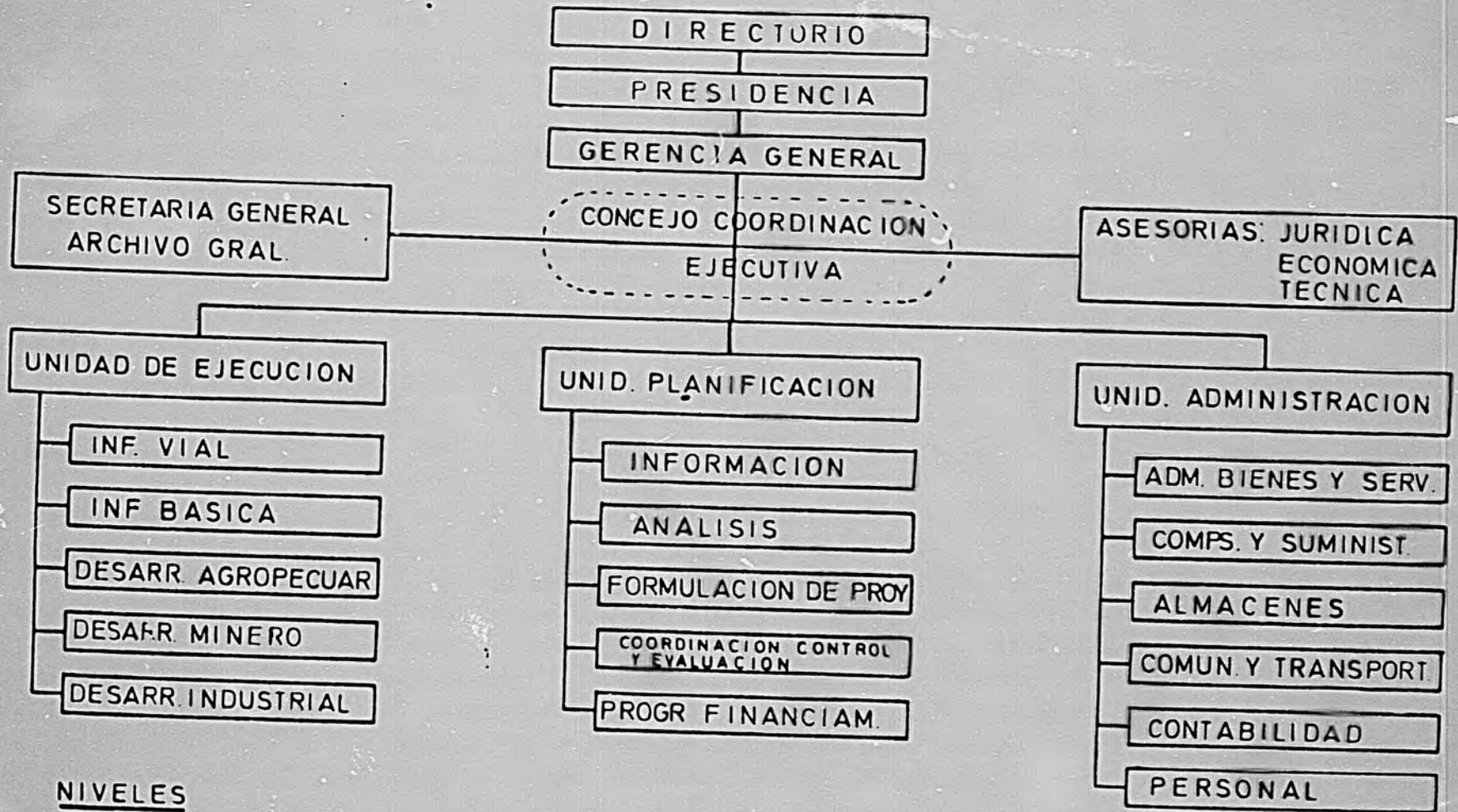
	<u>No.</u>	<u>%</u>
Professionals	30	22
Technicians	20	15
Support staff	47	34
"Obreros"	40	29
Total	<u>137</u>	

Specialties of the professionals are distributed as follows:

Agronomists	12	There are more specialties than professionals because some professionals have more than one specialty.
Civil Engineers	5	
Planners	4	
*Sociologists	4	
Lawyers	4	
Economists	4	
Accountants	2	
Industrial Engineers	2	
Mechanical Engineer	1	
Veterinarian	1	
	<u>41</u>	

* CORDEPAZ has more non-economist social scientists than any other corporation.

	Money	Image	Morale
Internal	<p><u>Current Program</u> Agriculture = 27% Agro-industry = 44% Rural Infrastructure = 21%</p> <p><u>Staff = 137</u> Agronomists = 12 Veterinarian = 1 Engineers = 8 Technicians = 24 Sociologists = 4 Support = 47 Economists = 4 Field = 40 Accountants = 2</p> <p><u>Outreach: Strong</u> 15 extensionists in established credit/ TA project inherited from the Ministry of Agriculture.</p>	<p><u>Doctrine</u> - Total rural poor focus. - Incorporate Altiplano into national economy. - Attract people to the northern jungle via infrastructure. - Fruits and vegetables for valley population centers.</p>	<ul style="list-style-type: none"> - Hard to attract but easy to keep good personnel. - Prestige projects are those with large geographic and population coverage. - Location in La Paz eases some bureau- cratic problems.
External	<p>20% of last years budget still owed them by GOB.</p>	<p>-<u>Campesinos</u> in the Altiplano request fer- tilizers, tools, seeds, pesticide (pre- cisely what CORDEPAZ can and wants to provide there). -No information on request from other regions (jungle, valleys). -Some criticism of CORDEPO investment in agro-industry.</p>	<ul style="list-style-type: none"> - 200 communities requested Agricultural credit help in one year. - Donors who respect CORDEPAZ enough to invest there: World Bank, IDB.
Sensitivity	<p>CORDEPAZ is actively looking for new donors: IDB, AID, Grupo Andino de Fomento.</p>	<ul style="list-style-type: none"> - Sometimes prestigious people call us up to ask us for urban infrastructure, or to sweep the streets, etc. But we tell them, "No, that's not our job." 	<p>"With funds, fertilizer, promoters, we could double or triple our Ag/credit program. Service 15,000 families instead of 5,000."</p>



NIVELES

- CONDUCCION

- APOYO MEDIO

- APOYO BASE

{ DIRECTORIO
PRESIDENCIA
GERENCIA GRAL

{ ASESORIA
SECRETARIA GRAL

{ OPERACIONES
PLANIFICACION
ADMINISTRACION

Corporación de Desarrollo de Potosí (CORDEPO)

Leadership

Gil Villegas, a civil engineer, has recently replaced an army colonel as president of CORDEPO. He is the first civilian leader of the Corporación in about three years. A major obstacle facing Ing. Villegas is improving staff moral which has been low following the poor leadership of the two previous presidents.

To serve as general manager, CORDEPO has promoted its former director of project implementation, José Luis Carvajal. He is a civil engineer who has worked for CORDEPO for two years.

The director of planning, Alfredo Bellott, has only been with CORDEPO for about two months. He is an economist by educational background. A major objective he has set is to turn the corporation's thinking away from urban infrastructure and toward industrial and agriculture development. Already he has seen some change in this direction.

Doctrine

Industrialization on the basis of mining and agriculture. As a long-term goal, CORDEPO hopes to capture some value added by providing at least one stage of processing for mineral and agricultural products prior to their leaving the department. Industrialization includes commercialization. CORDEPO recognizes that agroindustry is several steps away, and that assistance in basic agriculture is needed first. Potosí farmers may be the poorest and most neglected in Bolivia.

Program

CORDEPO project investments are distributed across sectors as follows. Note that 60 per cent of the project budget is taken up by infrastructure.

			<u>% of Project Budget</u>
Agriculture	13 projects	\$b 27,421,700	13.5 %
Industry/Tourism	7 projects	32,419,000	15.9 %
Mining	7 projects	17,786,500	3.2 %
Rural Infrastructure	Electrification Rcads Potable Water Schools	51,168,600	25.0 %
Urban Infrastructure	Highways Airports Bus Terminal	70,050,600	34.0 %
Other	17 projects	<u>3,700,000</u>	1.9 %
		<u>\$b 204,000,000</u> =====	

Many new project ideas are studies of economic potential, and some of them duplicate efforts by CORDEOR (Oruro), in particular llama breeding and care.

Internal Structure (See Organigram)

Genesis of a project:

1. A long list which comes from staff ideas, suggestions of populace.
2. Planning office chooses for project profile those ideas which look most promising.
3. Project profile by project department.
4. Planning department does pre-feasibility study.
5. Submission to CONEPLAN.

They feel that a needed change is to contract feasibility studies. In-house studies seem to be taking up too much of CORDEPO's time and slowing implementation.

They profess close collaboration between planning and implementation: site visits include someone from planning and from implementation. A problem is that various CORDEPO offices are in different parts of Potosí.

Linkages with Campesinos

There is a one-year-old agriculture mechanization project which employs about 15 Quechua speaking men who act as promoters. They are a potentially strong link to rural farmers which should be exploited in future projects. These extensionists plow land with a tractor in exchange for a percentage of the harvest.

Linkages to Other Donors

Linkages to other donors have been few, perhaps due to:

- High mining royalties in the region.
- Low initiative of planners.

Assistance from other donors has been limited to: an integrated rural development project with UNICEF (\$b 3,000,000), ALDE (Alimentos para el Desarrollo), and a request to FAO for technical assistance which has received now answer. CORDEPO is also a participant in the Mission's Rural Roads II project.

Resources/Personnel

CORDEPO has about 200 employees. About fifty work in the planning department, and the other one hundred fifty in the implementation department. Planning is divided into: Projects (15 people), Natural Resources (20 people), and Promotion (15 people). Implementation is divided into Agriculture (20 people) and infrastructure (150 people). A breakdown of CORDEPO personnel by salary gives the following structure:

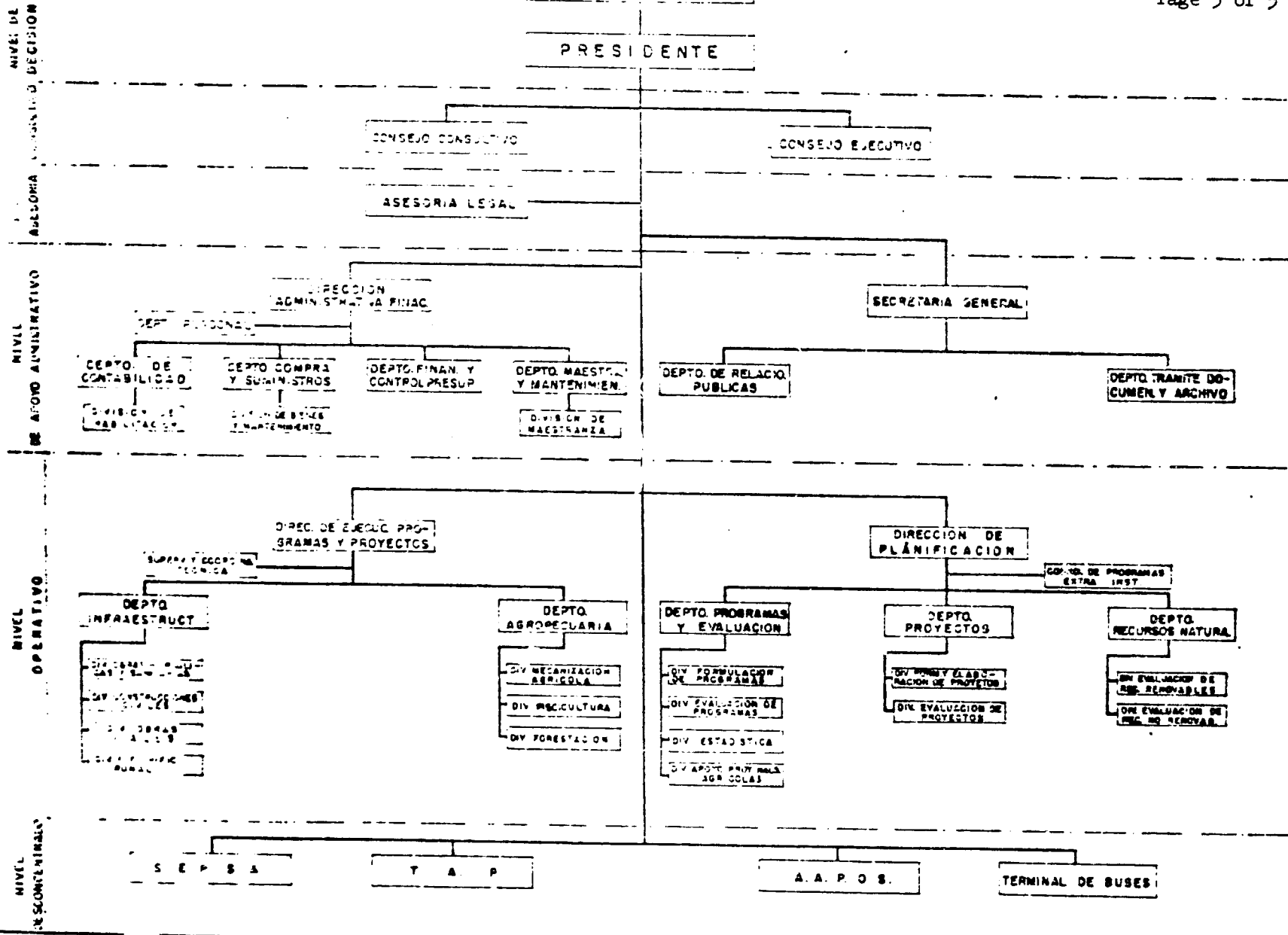
Monthly Salary

Above \$b 10,000	4
\$b 7,000 - \$b 10,000	15
\$b 3,500 - \$b 7,000	32
Under \$b 3,500	100

	Money	Image	Morale
Internal	<p><u>Current Program</u> Urban infrastructure = 34% Rural infrastructure = 25% Agriculture = 14% Industry = 11%</p> <p><u>Staff = 127</u> Superior = 4 Professional = 15 Technical = 32 Support and Field = 100</p> <p><u>Outreach: Weak</u> 20 men in new agricultural mechanization project.</p>	<p><u>Doctrine</u></p> <ul style="list-style-type: none"> - Industrialize on the basis of mines and agriculture. - Allow no raw materials to leave the region without undergoing one transformation. - Develop agriculture to the point where it can be industrialized: canning, etc. 	<ul style="list-style-type: none"> - A new mover and shaker has just arrived (Sr. Bellott). - Before, the corporation was apparently low on ideas and initiative. - They are unhappy about having to do so much infrastructure; feel it is someone else's job.
External	<p>No troubling getting funds until now because of</p> <ul style="list-style-type: none"> - high mining royalties; - few non-infrastructure project ideas. <p>Potosí has high poverty and high mineral royalties.</p>	<ul style="list-style-type: none"> - CORDEPO receives requests for infrastructure, not agriculture or industry projects. 	<ul style="list-style-type: none"> - No documented demand for services. - UNICEF thought they were worth a \$ 150,000 investment. - Previous administration - not highly thought of.
Sensitivity	<ul style="list-style-type: none"> - CORDEPO's current problem is designing projects, not getting funds. - They need design assistance, not resources. 	<ul style="list-style-type: none"> - Management knows it is perceived as providing infrastructure, and not as an agriculture and industry organization. 	<ul style="list-style-type: none"> - The agriculture sector needs every type of help. - Especially irrigation.

ORGANIGRAMA DEL COMITE DE DESARROLLO DE POTOSI (CODEPO)

Annex II
Exhibit A (7)
Page 5 of 5



ANEX I.

Corporación de Desarrollo de Chuquisaca (CORDECH)

Leadership

The president of CORDECH, Dr. Oscar Freerking, is an individual of vast experience and enormous prestige in Bolivia. He is a former chief of the Bolivian Supreme Court and has also been rector of the university in Sucre. Dr. Freerking is 65 years old and will be retiring in August of this year. The loss of a leader of the stature of Dr. Freerking will be keenly felt.

Eloy Martínez is the director of project implementation. He is a mining engineer, with nine years of experience with CORDECH. Most of his experience (which reflects the past program emphasis of CORDECH) is in large infrastructure projects.

The director of planning is Edmundo Zelada who has been working with CORDECH for ten years. Although a chemical engineer with experience in industrial projects, Zelada has worked hard to change the primary focus of CORDECH's efforts to the rural areas. A young man, he is enthusiastic and appears to be a major force within the corporation in the development of policy and strategy.

CORDECH has the best existing outreach capability of all the corporations primarily because of the presence of Ariel Avilés on the staff. He is a charismatic individual who has developed a theory on technology transfer to campesinos which is being applied in CORDECH's pig production project (the largest of its kind in Bolivia).

Doctrine

As with other corporations, the focus of CORDECH's program was on urban infrastructure. In recent years the focus shifted to rural areas although the primary form of assistance remained in infrastructure. Most recently program focus has been rural without specific emphasis in infrastructure.

CORDECH's program is the least paternalistic (top-down) of all the DDCs. Their projects have a high percentage of community participation.

Programs

Forty-four per cent of CORDECH investment goes to agriculture, and half of that to the largest pig production project in Bolivia. Eighty per cent of CORDECH's investment is rural (when agro-industry is included). In general, their program reflects a belief that a few, big, intense projects will have more of an impact than many, small, scattered efforts.

Other major project areas are:

Education and health	9%
Rural infrastructure	7%
Agroindustry	17%
Urban projects	20%

Internal Structure (See Organigram)

The CORDECH project origination, design and implementation process are carefully spelled out in the document presented on pages 6 - 9. They do not pretend that this is the way things always happen, but it is what they strive for.

Linkages to Campesinos

Linkages to campesinos seem numerous and strong:

- 25 extensionists in various agriculture projects;
- 12 centers for health, nutrition and literacy education;
- Each community has a representative on CORDECH's Board of Directors.

In agriculture they follow a strategy which includes:

- Specialist rather than generalist extensionists;
- Narrow focus;
- Credit in "insumos," not money;
- Credit arrangements between bank and campesino, not between campesino and corporation;
- Direct contact between extensionist and results of his technical assistance;
- Corporation handles marketing of campesino's product;
- Large infrastructure to support campesino production;
- Veterinary service centers (laboratory, drugs for pigs);
- Farm for producing breeding stock;
- Imported breeding stock;
- Regional livestock collection centers.

Linkages to Other Donors

CORDECH has participated in a UNICEF education project, and has received assistance from CARE and BID.

Linkages to Other Government Agencies

- Agreements with the Ministry of Education and Ministry of Health for the education project.
- Extension agents for the pig breeding project have presented courses in Santa Cruz, and at CIAT in Cali, Colombia.

Resources/Personnel

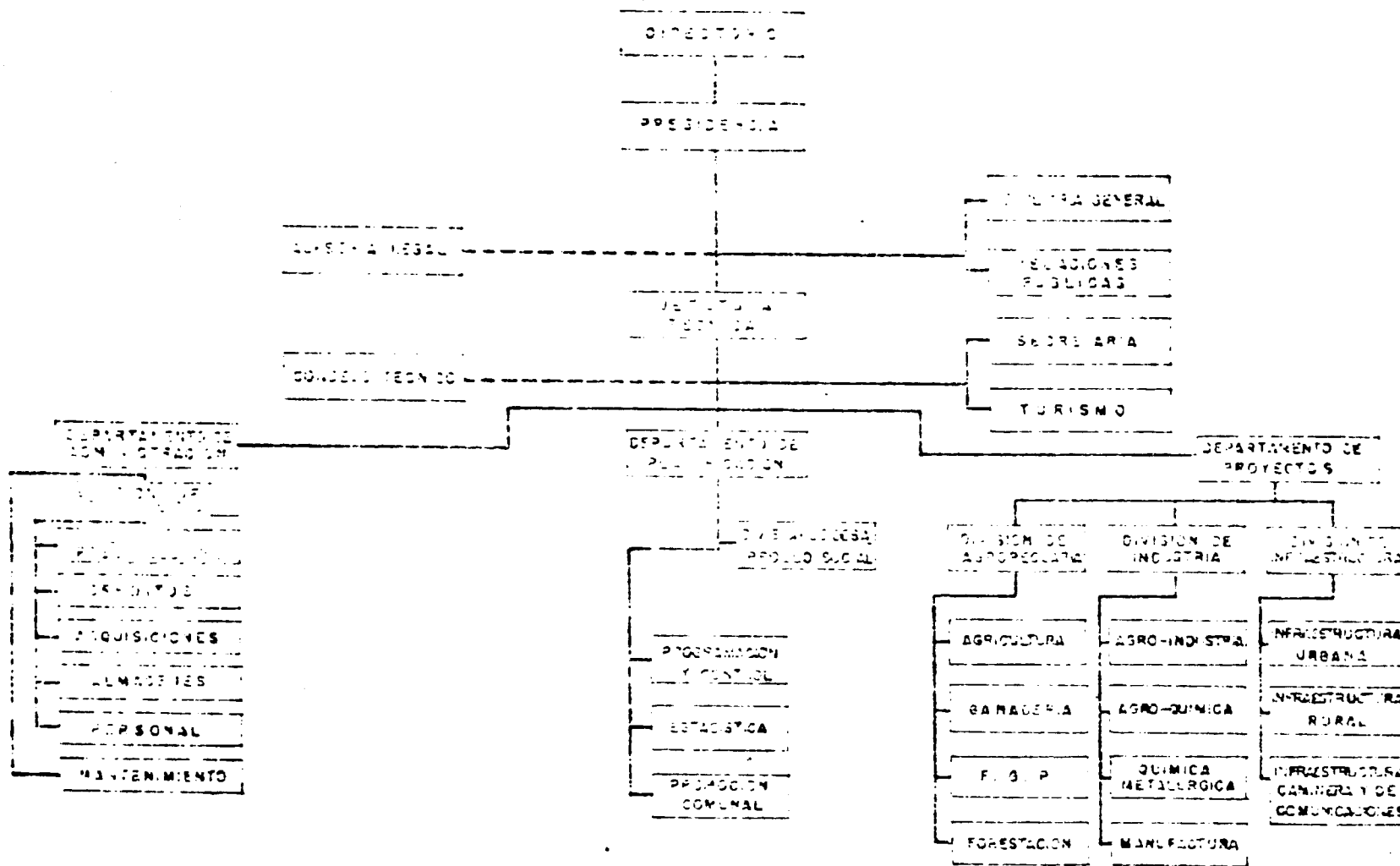
<u>University Trained</u>	<u>Technical</u>	<u>Other</u>
9 Economists	5 Draftsman	55 Field hands
11 Engineers	2 Mechanics	16 Chauffeurs
9 Agronomists		9 Secretaries
5 Auditors		4 Tractor drivers
5 Topographers		
4 Geologists		
4 Lawyers		
2 Architects		
1 Journalist		
1 Veterinarian		
1 Tourism promotor		
1 Zoologist		

C O R D E C H

	Money	Image	Morale
Internal	<p><u>Current Program</u> 44% agriculture 17% agroindustry 10% rural infrastructure 20% urban projects</p> <p><u>Staff = 202</u> Economists = 9 Sociologists = 1 Engineers = 11 Topographers = 5 Agronomists = 9 Technicians = 23 Veterinarians = 1 Support and Geologists = 4 Field = 84</p> <p><u>Outreach: Strong</u> 25 extensionists, mostly in Bolivia's largest pig production project.</p>	<p><u>Doctrine</u></p> <ul style="list-style-type: none"> - Rural focus - Improved living conditions - Include region in economy of country - Non-paternalism - Form campesino leaders 	<ul style="list-style-type: none"> - The pig project is high prestige. - Hard to keep Agricultural Credit Extensionists. They get good offers from elsewhere. - They feel they are the only ones in Bolivia who know how to do extension/outreach type projects. - About to lose prestigious president. - Angry with USAID for delay in loan.
External	<ul style="list-style-type: none"> - Oil royalties are going down. - No large problem getting budget requests fulfilled. 	<ul style="list-style-type: none"> - Campesinos request agriculture as well as infrastructure help. - Many people want CODECH to concentrate on industry. 	<ul style="list-style-type: none"> - 450 requests in one year for participation in pig project. - UNICEF, CARE, BID think CODECH worth investing in.
Sensitivity	<ul style="list-style-type: none"> - They must find a source of revenue to replace oil revenues. - They are already good at finding foreign donors. 	<ul style="list-style-type: none"> - "They think of us as accessible and as having regional resources. Therefore, we are easier to deal with." - "Since we are a government organization, sometimes they feel they don't have to pay us back." 	<ul style="list-style-type: none"> - "Uncreated demand is for infrastructure." - "Demand for production help needs stimulation."

ORGANIGRAMA DEL COMITE DE DESARROLLO DE CHUQUISACA (CODESA)

Annex II
Exhibit A (3)
Page 5 of 10



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**ACCIONES Y RESPONSABILIDADES EN LA ELABORACION
Y EJECUCION DE PROYECTOS**

En función de la Estructura adoptada por la Corporación y los manuales de funciones para cada una de las Unidades y Departamentos, se establece los siguientes mecanismos que normen las acciones y responsabilidades para la gestión, elaboración, implementación y ejecución de los Proyectos.

a) La Idea del Proyecto

Un proyecto puede nacer de la idea de la Comunidad, la Dirección Ejecutiva de la Corporación, los Departamentos de Planificación, Proyectos o cualquier otro de la Entidad.

b) Compatibilización de la Idea

Mediante el canal respectivo se sugiere la idea del Proyecto al Departamento de Planificación, quien como responsable de la elaboración de las Políticas, Objetivos, Estrategias y Planes Globales del Desarrollo Regional, determina la compatibilidad de la idea con aquellos e implementa el mecanismo necesario, caso positivo para la formulación del estudio por parte del Departamento de Proyectos.

c) Elaboración de los Estudios

La idea de Proyecto, que se adecúe al Esquema propuesto, es elaborada por el Departamento de Proyectos a nivel de Perfil, cuyas características determinarán la conveniencia o inconveniencia de continuar con las etapas siguientes, que consistirán en formular el Estudio de Prefactibilidad y/o Factibilidad.

Durante esta etapa, especialmente en los aspectos técnicos del Proyecto, podrá ser requerida la participación de personal de otros Departamentos, aunque con la

**ACCIONES Y RESPONSABILIDADES EN LA ELABORACION
Y EJECUCION DE PROYECTOS**

- 2 -

idea de que siempre sea el Departamento de Proyectos, quien asuma la responsabilidad y control del Estudio.

Cierto tipo de Proyectos pueden requerir de trabajos de experimentación e incluso acciones de ejecución a nivel de experiencias piloto. Bajo esta situación, el proyecto continúa, aún bajo la responsabilidad de la Unidad de Planificación y Proyectos.

En algunos casos de urgencia y que por su índole - eminentemente especializada, en que se carezca de personal disponible en el Departamento de Proyectos; la Presidencia podrá disponer que el perfil u otras fases del Proyecto se asigne a otro Departamento, o en su defecto mediante invitación o licitación, según los casos, se encargue a otro personal extraño o empresa especializada, cuyos trabajos conocerá y seguirá el Depto. de Proyectos y en su momento informará.

d) Evaluación de los Estudios

Los estudios, en sus distintas fases (Prefactibilidad, Factibilidad, Diseño Final), deberán ser evaluados en el contexto de los siguientes aspectos fundamentales. En cuanto su coherencia con los esquemas globales de Planificación y en lo que respecta al proyecto en sí (Mercado, Tecnología, Indices Económico-financiero, Sociales, etc.).

Para este trabajo de Evaluación, la Unidad de Planificación y Proyectos, sobre la base de personal del Departamento de Planificación, conformará un Equipo Especial con personal técnico, según el tipo de Proyecto, de la Corporación y eventualmente extra Institución.

El resultado de esta Evaluación será puesto en conocimiento de la U.P.P.C., para la introducción de los

ACCIONES Y RESPONSABILIDADES EN LA ELABORACION
Y EJECUCION DE PROYECTOS

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correctivos que fuesen necesarios y elevado a la Presidencia de la Corporación.

e) Aprobación de los Estudios

Con el informe de la U.P.P.C., la Presidencia requiere por parte del Directorio, la aprobación del Estudio, con lo que en caso de ser necesario, el Departamento de Proyectos, se encargará de obtener por conducto regular la aprobación final por parte del Comité Nacional de Proyectos.

f) Implementación de los Proyectos

Aprobado que haya sido el Proyecto en todas sus etapas, incluidos los criterios de inversión y organización, la Unidad de Ejecución por intermedio del sector correspondiente, tomará bajo su responsabilidad todas las gestiones y acciones tendientes a implementarlo (legales, administrativas, infraestructurales), con la conveniente supervisión del Departamento de Proyectos.

g) Funcionamiento del Proyecto

Una vez implementado el Proyecto, la responsabilidad de su funcionamiento estará a cargo de un Director o funcionario responsable de su administración, bajo la supervisión del Departamento respectivo.

En el caso de algún Proyecto (que de lugar a la formación de una Empresa) con participación societaria de otras Entidades o personas, su administración a partir de la constitución definitiva de la Empresa, será autónoma, bajo la dirección de su gerente respectivo, aunque con el control y supervisión de un Directorio conformado por representantes de las Entidades que participen, de acuerdo a la Ley de Corporaciones.

ACCIONES Y RESPONSABILIDADES EN LA ELABORACION
Y EJECUCION DE PROYECTOS

- 4 -

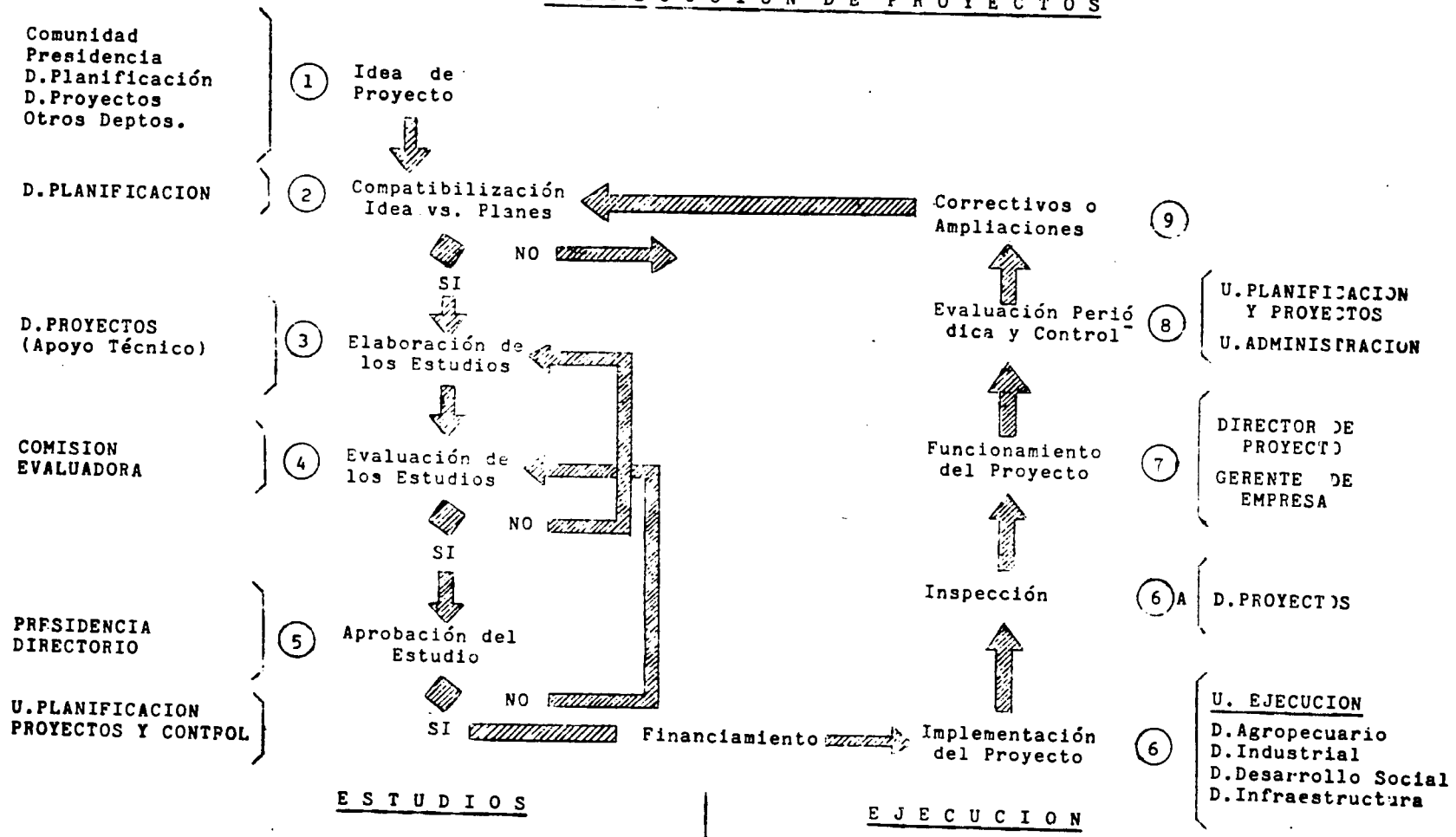
Tanto si la empresa es de exclusiva responsabilidad de la Corporación, o una sociedad, será la División de Empresas la que tenga a su cargo el manejo de los intereses de la Corporación en aquella.

h) Evaluación del Funcionamiento del Proyecto

El control de la marcha de los proyectos en ejecución, cumplimiento de metas, cronogramas y la evaluación periódica de su funcionamiento es una tarea constante de Planificación y el Departamento Administrativo.

Los informes de evaluación, con la sugerencia de los correctivos más aconsejables, serán presentados a la Presidencia para que vía la Unidad respectiva, sean canalizados para su aplicación.

FLUJOGRAMA PARA LA ELABORACION
 Y EJECUCION DE PROYECTOS



Corporación de Desarrollo de Tarija (CODETAR)

Leadership

The president of CODETAR is Jorge Vito Blacud. By training he is a civil engineer but has also earned an MBA in the United States. Prior to joining CODETAR three years ago, he was a university professor in La Paz. Ing. Blacud has provided dynamic leadership to CODETAR during his tenure as president.

Fernando Vargas is the general manager of CODETAR. He also has three years of experience with CODETAR. A geological engineer by background, he obtained a doctorate in Argentina. Prior to joining CODETAR, he served many years with the state oil company (YPFB).

Secundino Ugarte is CODETAR's director of planning. He has worked with CODETAR for five years. An economist, Ugarte has the equivalent of an M.A. and has also done graduate work in Chile. In addition to working with CODETAR, he also teaches classes at the local university.

A lawyer, Jorge Paz, serves as the director of administration for CODETAR. He is a professor of public administration at the university and has worked with CODETAR for about three years.

Doctrine

CODETAR's doctrine can be characterized as follows:

- Balanced urban/rural social-economic development;
- Stop immigration of campesinos to other provinces and to Argentina;
- Develop the potential of each of five regions which correspond to the five principal towns in the Department. Each region has been identified to serve as the center for a distinct ecological unit.

Program

CODETAR project investments for 1979 by sector are as follows:

Agriculture	15 projects	\$b 66,300,000	31%	of project budget		
Industry (7 of the projects are in agro-industry)	14 projects	80,390,000	38%	"	"	"
Rural Infrastructure	3 projects	30,260,000	15%	"	"	"
Natural Resources	7 projects	25,390,000	12%	"	"	"
Rural Development Planning	1 project	4,630,000	2%	"	"	"
Other	<u>4 projects</u>	<u>7,000,000</u>	3%	"	"	"
TOTAL	<u>44 projects</u>	<u>\$b213,970,000</u>				

Internal Structure

CODETAR's system for originating, designing and implementing projects seems generally to be the same as for other corporations. Some details are:

- a) Many if not most feasibility studies are contracted to consulting firms.
- b) Construction projects are also contracted.

A series of "shell" projects are generally available since feasibility studies are often done in advance of the availability of investment resources although availability of investment funds sometimes is a prerequisite for doing a feasibility study.

Linkages With Campesinos (Outreach)

CODETAR has about 30 employees whose work might be classified as extension. Most of the extensionists work in CODETAR's fruit project. In general, CODETAR feels that central research stations and agricultural expertise are more needed than are extension programs. They feel Tarija's campesinos are more open to change than elsewhere in Bolivia, and will take advantage of new opportunities on their own initiative.

CODETAR's rural roads project uses the strategy of exchanging food, technical assistance, and machinery for work.

Tarija's campesinos apparently feel comfortable enough with CODETAR to visit in person to apply for participation in CODETAR programs. Usually, groups of campesinos ask for rural infrastructure rather than agriculture help.

Linkages With Other Donors

Assistance from AID, CARE, World Bank, and UNICEF indicate that CODETAR understands how to actively and successfully attract help from international agencies. (Assistance from these donors accounts for 36 per cent of CODETAR's budget.) The existence of an organized, well-developed public relations department is a major reason why CODETAR is successful in this area.

Linkages with GOB

The primary linkage with other GOB institutions is through the MPC. CODETAR has expressed dissatisfaction with the project approval process utilized by the Government.

Resources (Personnel)

Two ways to classify the personnel in CODETAR are by training and by department where they work.

Personnel Classified by Training

Engineers	24
Economists	10
Lawyers	4
Architects	2
Technicians of various types	56
Secretaries, drivers, field hands	65
	<u>161</u>

Personnel Classified by Department

Dirección Superior	3
Secretaría General	4
Asesoría Legal	1
Relaciones Públicas	1
* Compras y Suministros	5
Implementación y Control de Proyectos	46
Planificación	11
Forestry and fruits	28
Integrated Rural Development	8
Potable water	7
Wells	3
Plan regulador	5
Gran Chaco	3
National Statistics Institute	2
Bus Terminal	34
	<u>161</u>

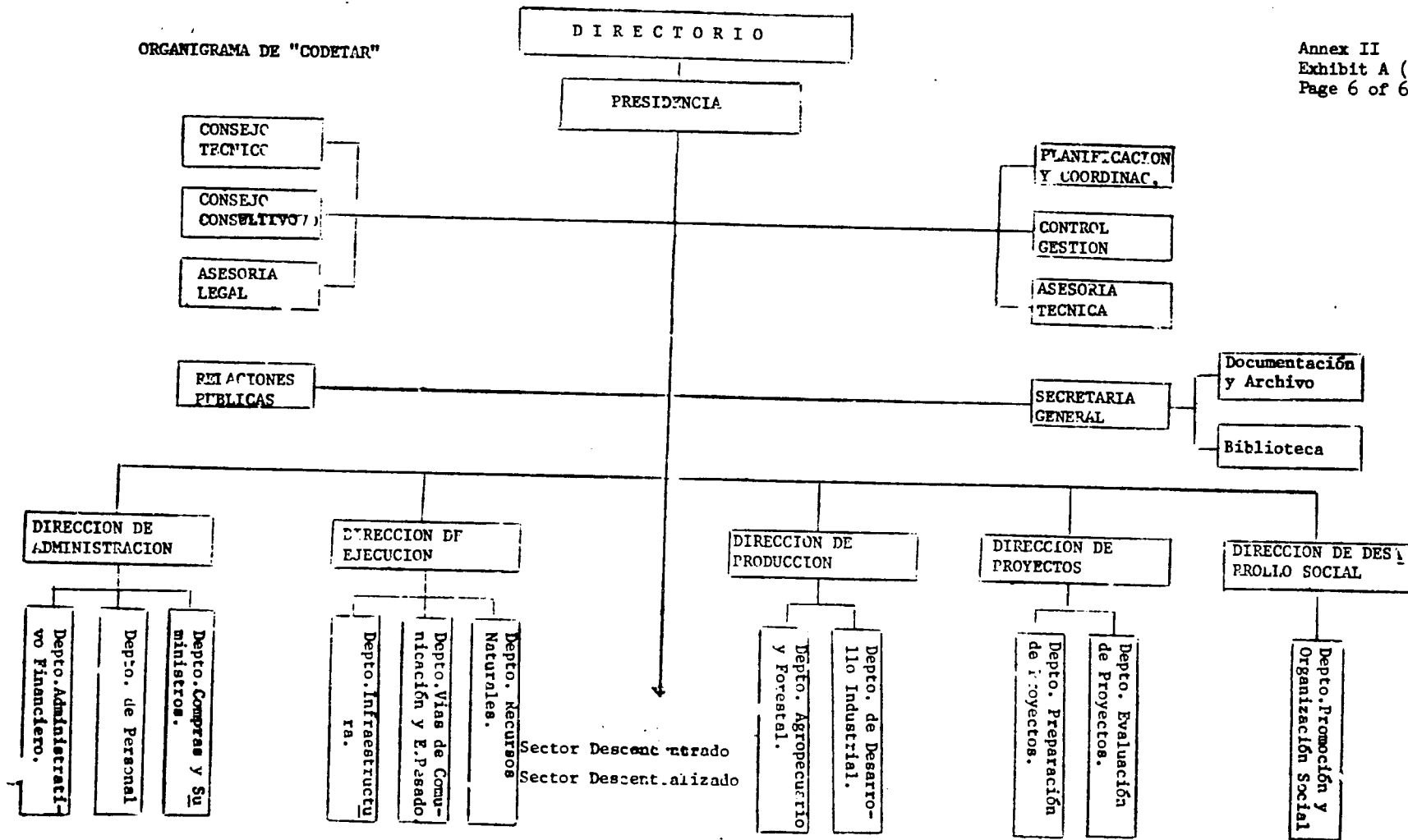
* Procurement

C O D E T A R

	Money	Image	Morale
Internal	<p><u>Current Program</u> Agriculture = 31% Industry = 38% Rural Infrastructure = 15% Natural Resources = 12%</p> <p><u>Staff = 181</u> Engineers = 24 Architects = 2 Economists = 10 Technicians = 56 Lawyers = 4 Support and Field = 85</p> <p><u>Outreach: Medium</u> 30 extensionists in a fruit project.</p>	<p><u>Doctrine</u> - Balanced urban/rural social-economic development in each of Tarija's five regions. - Prevent immigration of campesinos to other provinces and to Argentina.</p>	<ul style="list-style-type: none"> - Proud of strong executing capacity and of being able to spend lots of money. - Worried about weak agriculture expertise (they lost a good man to CODECH). - About to lose strong president. - Angry with GOB over project approval process.
External	<ul style="list-style-type: none"> - Oil royalties are going down. - No problem getting budget fulfilled. 	<ul style="list-style-type: none"> - Requests are primarily for rural infrastructure. - There is apparently little demand for urban infrastructure in Tarija. 	<ul style="list-style-type: none"> - Rural population centers send groups in to meet with CODETAR face to face (not just letter requests). - CARE, World Bank, USAID think enough of CODETAR to invest in it.
Sensitivity	<ul style="list-style-type: none"> - CODETAR is already actively looking into royalties from sale of gas to Argentina. 	<ul style="list-style-type: none"> - "They expect us to solve all our problems." - CODETAR is very public-relations conscious. They pay attention to what potential donors think of them. 	<ul style="list-style-type: none"> - "We have already satisfied demand for urban and rural infrastructure." - "Some people want us to do big industry. It's early for that."

ORGANIGRAMA DE "CODETAR"

Annex II
Exhibit A (9)
Page 6 of 6



Methodology for Institutional Analysis

To assist with the institutional analysis of the nine corporations, the Mission contracted with Practical Concepts Incorporated (PCI). A two-person team visited all the DDCs (except CORDENO in which case interviews were conducted in La Paz with representatives from the corporation) during May and June 1979.

PCI's methodology for assessing the institutional strengths of Bolivia's Regional Corporations had the following components:

- A. Comments on the Scope of Work;
- B. The Scope of Work and Milton Esman's Components of Organizations;
- C. Interview and Document Search Questions; and
- D. The MIM Model for Predicting Future Effectiveness of Organizations.

A. Comments on the Scope of Work

Two tasks were straight forward:

2. Staffing Current and Planned; and
4. Types of Projects Currently Being Implemented.

Two tasks needed broadening:

1. Organizational Structure; and
 3. Technical Capability of Staff to Design and Implement Projects;
- and

Two tasks needed to be added:

5. Internal and External Image; and
6. Internal and External Morale.

The two tasks that needed broadening:

1. Organizational Structure

Must be broadened to include how the corporations relate to people and groups outside themselves. In particular, we must know about linkages between corporations and poor rural farmers, plus corporation linkages with other development organizations in the department such as ministries or local civic and political groups.

3. Technical Capability of Staff to Design and Implement Projects

Must be broadened to include sociological and cultural capacity. In particular we must know about linkages between the corporations and poor, rural farmer.

Note that the broadenings of tasks 1 and 3 cover the same ground.

The two tasks that needed to be added:

5.a. & 5.b. Internal and External Image

What do the corporations believe and think about themselves, and what do others (particularly poor, rural farmers) believe and think about the corporations?

6.a. & 6.b. Internal and External Morale

What evidence is there that the corporations are valued by those inside and outside them? And, what evidence is there that projects directed at rural poor farmers are valued?

Image and morale are as strong determinants of how the corporations will perform as any of the other factors.

B. Scope of Work -- Esman's Components of Organizations

As a tool for organizing our data collection, we used the components of organizations developed for AID by Milton Esman of Cornell University. Below we show the relations between the components and the Scope of Work Tasks.

<u>Esman</u>		<u>Scope of Work</u>
Leadership	1a	Internal Structure
Doctrine	5a	Internal Image
Programs	4	Types of projects currently being implemented
Resources	2	Staffing current and planned
	3	Technical capacity of staff to design and implement
Internal Structure	1a	Internal Organizational Structure
Linkages	1b, 3b	Relations to other people and groups
Outside Esman's List	5b	External Image
	6a	Internal Morale
	6b	External Morale

C. Interview and Document Search Questions

Following is a list of the questions we used to carry out the analysis of Bolivia's regional corporations' institutional strength. In some instances the answers came from documents, in other instances they came from conversations with corporation personnel, and in others they came from observation.

Doctrina

1. En breve, ¿qué es y qué hace su corporación?
2. ¿Diría Ud. que su corporación tiene una misión? ¿Cuál es?
3. ¿Quiénes son, o deberían ser, los beneficiarios de sus actividades?
4. ¿Cómo quisiera Ud. que sea su corporación en cinco años?

Programa

1. ¿Qué son los fuertes de su corporación?
2. ¿Cuáles son sus debilidades? Debilidades no financieras?
3. ¿Qué tipos de proyectos son aceptables y no aceptables?
4. ¿Cuáles son sus proyectos actuales? (Documento)
5. ¿Están incluidos proyectos que ayudan directamente al campesino? Tipo y monto.
6. ¿Cuáles son sus proyectos futuros? (Documento)

Liderazgo

1. ¿Quiénes son sus líderes?
2. Formación y experiencia.
3. Miembros del Directorio.
4. ¿Podría hablar con algunos de ellos?

Recursos (Documentos)

1. Presupuesto para 1979. Fuentes de fondos.
2. Problemas y demoras con el presupuesto.
3. Personal actual. Tipo, número, tiempo de servicio, salario.
4. ¿Quién trabaja directamente con los campesinos?
5. Personal planeado para el futuro.

Estructura Interior

1. Organigrama.
2. Planificadores y ejecutivos. ¿Quiénes son? Separados o no.
3. Evaluación y monitoreo. ¿En qué consiste? ¿Quién lo hace?
4. ¿Cuál es el proceso para iniciar, seleccionar, aprobar, y llevar a cabo un proyecto?
5. ¿Cómo utilizan el diagnóstico?

Enlaces con Otros Grupos y Organizaciones

1. ¿Cuál es la relación entre ustedes y los campesinos?
2. ¿Con quién colaboran ustedes en la planificación y ejecución de proyectos?

Otras Corporaciones, Consultores, Grupos Locales, Empresas Mixtas

3. ¿Qué hacen cuando necesitan ayuda técnica?
4. ¿Qué experiencia tienen con contratos? ¿Podría copiar un ejemplo?
5. ¿Cuál es su relación con el Ministerio de Planeamiento?

Imagen Exterior

1. ¿Qué tipo de servicios, ayuda y proyectos piden los campesinos?
2. ¿Puedo leer las solicitudes?
3. ¿Cuántas solicitudes reciben al año?
4. Artículos sobre ustedes en los diarios.
5. ¿Qué piensan los campesinos de ustedes?

Moral de su Corporación (Interna y Externa)

1. ¿Qué tipo de proyectos tienen mayor prestigio entre los miembros de su corporación?
2. ¿Qué obstáculos dificultan que ustedes obtengan fondos y recursos?
3. ¿Están los donantes de acuerdo con sus finalidades?

In institution building projects, AID wants to build organizations that can solve problems over the long term without AID's help. Below is a list of some of the things organizations must do to solve problems on their own without outside help. The list is meant to be suggestive, not exhaustive.

1. Survive: Continue to exist.
2. Grow: Self-generate to match the size of problems or recover from trauma.
3. Adapt: Detect changes in problems and conditions, and alter operations to match the changes.
4. Innovate: Introduce change to solve problems.

PCI uses the word viable to describe organizations which can do all the above.

A problem that institution builders have is that they want to know whether an organization will survive, grow, adapt, or innovate before they happen. Under a separate AID contract, PCI developed a

model for predicting an organization's future effectiveness, and called it the MIM model. The model includes:

M = Money
I = Image
M = Morale

The Essential Elements of an Organization: Money, Image, and Morale

An organization can be conceived of as having three essential properties:

1. Image

The cognitive dimension of what people think about an organization: knowledge, on the part of those internal as well as external to the organization, as to what the organization is and does, and why it exists.

2. Morale

The affective dimension of attitudes held about an organization: the assessment of those internal and external to the organization as to where they place the organization's image and operations in their structure of personal beliefs and priorities.

3. Money

Money and the things that have been and could be bought.

As a simple mnemonic, we call the above the "MIM Model" for Money, Image, and Morale.

Use of these definitions points up a possible fallacy in thinking about institutions, where we may overly concern ourselves with money and the things money can buy. Our proposed model suggests that "money" is only one, possibly the least important, of three key assets.

Having defined an organization in terms of its elemental and fundamental properties, we now define viability as the state of being that ensures preservation of those essential properties. An organization that has an image, money, and morale exists. To the extent that we can guarantee continuation of its image, morale, and replenishment of its money, we are confident that it will continue to exist, or meet our general definition of viability.

An analogy is to liken the organization to a single-celled animal adrift in a sea of nutrients. Our organization is the single-celled animal. The sea of nutrients is the societal and economic context of the organization. The organism is viable if the nutrients it requires are available from its environment. It can and does freely exchange used up nutrients for fresh ones -- continuing and indefinite process in which there is a homeostatic relationship between the organism and its environment.

As external money from clients, sponsors, and suppliers, etc., become internal money, external image and morale tend to become internal image and morale. Members of an organization tend to think about and value their organization the way clients and sponsors, etc., think about and value it.

And as money is obtained through transactions, image and morale are obtained through transactions. As there are identifiable, discrete instances where an organization's money are obtained and spent, there are also identifiable, discrete instances where an organization's image and morale are obtained and spent.

As an organization depends on valid money transactions, it also depends on valid Image and Connotation transactions. A valid transaction is one where more resources are obtained than spent.

What goes where in the MIM Model?

	Money	Image	Morale
Internal	<ul style="list-style-type: none"> - Real program (current projects) - Staff 	Doctrine	<ul style="list-style-type: none"> - Problems and advantages in attracting and holding good people. - Relative prestige of "rural poor" projects.
External	<ol style="list-style-type: none"> 1. Receivable from GOB and other donors. 2. Payables for debt service and other costs 	What kinds of help do people request of the corporation?	<ul style="list-style-type: none"> - Volume of requests for help. - Other donors who think corporation worth investment.
Sensitivity	Are resources on the way up or the way down?	What does corporation think its External Image is?	Corporation estimates of demand for its services.

Esman's Components - The MIM Model

Esman components that appear directly on the model:

- Doctrine: Appears as Internal Image;
- Program: Appears as part of Internal Money;
- Resources: Actual resources are part of Internal Money; prospective resources are External Money.

Esman components that appear indirectly in the model:

- Leadership: Appears indirectly in all nine.
- Internal structure boxes: They must be judged.
- Linkages: On their effects, not directly.

Components peculiar to the MIM Model:

- External Image
- Internal Morale
- External Morale

Generic Log Frame for Institution Building

Goal	Improved standard of living and quality of live of rural poor.			
Purpose	Organizations which: Survive Grow Adapt Innovate			
Leading Indicators of Purpose		M	I	M
	I			
	E			
	S			
Outputs	Leadership Doctrine Program	Resources Internal Structure Linkages		

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

-2-

IV. Oruro

- Quinoa Production/Industrialization	\$	100
- Dairy Cattle Improvement		200
- Small-scale Irrigation		100
- Reforestation		50
- Potable Water (rural areas)		75
- Electrification (rural areas)		150
		<hr/>

Sub-Total \$ 675

V. Cochabamba

- Tarhui Production	\$	100
- Banana and Yuca Production/Industrialization		700
- Vegetable Drying Plant		635
- Firetro Production		100
- Small-scale Irrigation (6 sites)		1,000
- Reforestation		500
		<hr/>

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)		1,700
		<hr/>

Sub-Total \$ 6,855

VII. Chuquisaca

- Improved Sheep Production	\$	200
- Improved Poultry Production		100
- Fruit Production/Industrialization		500
- Apple Production		100
- Reforestation		200
		<hr/>

Sub-Total \$ 1,100

VIII. Tarija

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

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)	<u>150</u>

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 87 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 4.50/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-2-2
FINANCIAL CASH FLOW

	YEAR												
	-1	0	1	2	3	4	5	6	7	8	9	10	
1. Marketable Surplus													
1.1 Onions			1283	3208	5774	5774	5774	5774	5774	5774	5774	5774	5774
1.2 Carrots			691	1728	3110	3110	3110	3110	3110	3110	3110	3110	3110
1.3 Total			1974	4936	8884	8884	8884	8884	8884	8884	8884	8884	8884
2. Investment (In \$b 000)													
2.1 Fixed Assets	408	2478											
2.2 Working Capital							376			558			
2.3 Total	408	2478	560	658	879								
3. Costs (In \$b 000)													
3.1 Operating Costs										558			
3.2 Administration Costs			6411	14283	24779	24779	24779	24779	24779	24779	24779	24779	24779
3.3 Sales Costs			409	409	409	409	409	409	409	409	409	409	409
3.4 Total Costs			1256	3003	5349	5349	5349	5349	5349	5349	5349	5349	5349
4. Income (In \$b 000)													
4.1 Sales			8076	17695	30537	30537	30537	30537	30537	30537	30537	30537	30537
4.2 Salvage Value			7172	17948	32007	32007	32007	32007	32007	32007	32007	32007	32007
4.3 Recuperation of Working Capital							38						
4.4 Total Income			7172	17948	32007	32007	32045	32007	32007	32063	32007	35686	2097
5. Cash Flow (In \$b 000)													
5.1 Total Income (4.4)			7172	17948	32007	32007	32045	32007	32007	32063	32007	35686	
5.2 Less Total Investment (2.3)	(408)	(2478)	(560)	(658)	(879)								
5.3 Less Total Costs (3.4)			(8076)	(17695)	(30537)	(30537)	(30537)	(30537)	(30537)	(30537)	(30537)	(30537)	(30537)
5.4 Net Cash Flow	(408)	(2478)	(1464)	(405)	591	1470	1132	1470	1470	968	1470	5149	
6. Net Present Value													
6.1 At 15%													
6.1.1 Discount Factor	1.1500	1.0000	0.8696	0.7561	0.6575	0.5718	0.4972	0.4323	0.3759	0.3269	0.2843	0.2472	
6.1.2 Present Value	(469)	(2478)	(1273)	306	389	40	563	635	553	316	418	1273	
6.1.3 NPV	461												
6.1.4 R B/C	1.16												
6.2 At 20%													
6.2.1 Discount Factor	1.2000	1.000	0.8333	0.6944	0.5787	0.4823	0.4019	0.3349	0.2791	0.2326	0.1938	0.1615	
6.2.2 Present Value	(490)	(2478)	(1220)	(281)	342	709	455	492	410	225	285	832	
6.2.3 NPV	(719)												

IRR = 16.95 %

B/C = 1.16

Net Present Value (NPV) (55%) = \$b 461,000

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)	693	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 infectious 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 \$,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	213,034	277,798	337,148	383,767	415,111	353,154	396,447	396,442	596,442	596,442	596,442	596,442	596,442	596,442
Veterinary Medicine		61,811	68,661	83,564	95,449	107,656	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	22,040	25,986	25,383	26,686	26,629	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	1,360,402	1,247,584	1,274,905	1,315,748	1,236,048	1,491,677	1,291,697	1,291,697	1,291,697	1,291,697	1,291,697	1,291,697	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	927,250
Sheep (Discards)			3,200	4,000	8,000	12,800	41,600	6,800	21,600	21,600	21,600	21,600	21,600	21,600	21,600	21,600
Lambs (Discards)			84,700	109,200	100,900	312,900	1,070,200	223,300	567,000	567,000	567,000	567,000	567,000	567,000	567,000	567,000
Castrated rams			107,750	201,000	264,000	371,000	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	531,540	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	2,213,900	2,359,440	3,256,880	4,090,960	5,429,040	4,675,250	4,580,920	4,972,360	4,972,360	4,972,360	4,972,360	4,972,360	4,972,360	4,972,360
Gross Profits	-322,282	-544,775	1,035,915	1,096,958	2,009,296	2,115,215	2,113,298	3,479,202	3,259,223	3,680,663	3,680,663	3,680,663	3,680,663	3,680,663	3,680,663	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 local-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 2.7 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 Cruro 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 heactares, 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 the six 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.

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT LAC/DR-ILE-79-17
OFFICE OF ENVIRONMENTAL AFFAIRS
ENVIRONMENTAL THRESHOLD DECISION

ASSISTANT
ADMINISTRATOR

Location : Bolivia
Project Title : Departmental Development Corporations
511-0511
Funding : FY 1979 - \$10 million
Life of Project: Four Years

Mission Recommendation:

Based on the initial Environmental Examination, the Mission has concluded that the project will not have a significant effect on the human environment and therefore recommends a Negative Determination.

The Development Assistance Executive Committee of the Bureau for Latin America and the Caribbean has reviewed the Initial Environmental Examination for this project and concurs in the Mission's recommendation for a Negative Determination.

AP/DEC Decision:

Pursuant to the authority vested in the Assistant Administrator for Latin America and the Caribbean under Title 22, Part 216.4a, Environmental Procedures, and based upon the above recommendation, I hereby determine that the proposed project is not an action which will have a significant effect on the human environment, and therefore, is not an action for which an Environmental Impact Statement or an Environmental Assessment will be required.

Assistant Administrator for
Latin America and the Caribbean

Date

Clearances:

LAC/DR: Environmental Advisor: RCto RCto
DAEC Chairman: Maroon Maroon

INITIAL ENVIRONMENTAL EXAMINATION

Project Location: : Bolivia
Project Title : Departmental Development Corporations
Funding (Fiscal Year and Amount) : FY 1979 \$ 10 million
Life of Project : 4 Years
IEE Prepared by : George G. Hoover
Date : 7 December 1978

Environmental Action Recommended: It is recommended that a negative determination and decision be made for this project.

Based upon this Initial Environmental Examination, the proposed project will not have a significant effect on the physical or socio-cultural environment and, therefore, does not require an Environmental Assessment or an Environmental Impact Statement.

Concurrence:



Frank B. Kimball
Mission Director
USAID/Bolivia

Date:

Dec 7, 1978

INITIAL ENVIRONMENTAL EXAMINATION

Annex II
Exhibit G
Page 3 of 11

I. Summary Project Description

The purpose of the project is to provide financial resources for rural oriented subprojects to be implemented by the Departmental Development Corporations. Funds provided by the loan will help finance the backlog of subprojects now ready for implementation, new projects expected to be developed by the corporations as part of their normal operations, and new projects expected to be developed as a result of the Rural Development Planning Project. The loan funds will be available to the corporations to support their development priorities.

It is expected that the following types of subprojects will be financed:

- Agricultural development activities to improve crop/livestock production
- Marketing facilities
- Reforestation
- Small-scale rural infrastructure, including irrigation works, river defense systems, and ponds to provide year-round water supply for small farm use
- Small-scale agroindustrial enterprises
- Land improvement, including use of machinery for land preparation and harvesting; land clearing is not anticipated.
- Storage facilities for agricultural products
- Small-scale rural energy systems
- Potable water systems

To assure that the benefits of each subproject are directed toward the rural poor target group, a detailed set of subproject eligibility criteria will be developed during preparation of the PP.

In addition to eligibility criteria, environmental factors will be examined for each subproject as part of the preliminary approval process for subprojects. The corporations will prepare Preliminary Subproject

Concept Documents (PSCD) which must be approved prior to the initiation of detailed feasibility studies. The PSCD will focus on the general level of environmental impact expected from the subproject. Specific concerns identified in the PSCD which will be examined in greater detail as part of the subproject feasibility study.

Final design of subprojects therefore will take environmental impact specifically into account. To assist the corporation in establishing procedures for examining environmental concerns, short-term technical assistance will be provided under the project in the area of environmental impact analysis.

II. Impact Identification and Evaluation

A. Land Use

Generally, little overall change in land use will result from this project. There should be no changes in either the character of the land nor in the use of the land. It will still be used for farming almost exclusively. The areas utilized for non-agricultural facilities will be negligible. The only major change which might occur as a result of the project is that slightly more land will be tilled as the result of use of water from streamlets for supplemental irrigation and of better accessibility to markets. Additional hectareage added will be quite limited however, due to the limits of the major input the small farmer has, i.e. his labor.

1. Changing the character of the land:

a. Increasing the Population - It is not expected that there will be any significant increase or decrease in population as a result of a project activity. Over the longer term it is expected that there will be some improvements in health and longevity.

b. Land fertility depletion is not expected to be greatly affected and in fact, the contrary may occur with the erosion protection and better access to be provided to the small farmer. Supplementary irrigation will, over a long term, allow some removal of detrimental salts from project area soils in the west. Better access will allow for the distribution of better seeds, fertilizers, etc. which, when coupled with access to existing and improved agricultural extension activity, should in the long run actually prevent soil mineral depletion, if not actually improve the soils. Protection of riverine silt flats from erosion by the small rivers in these valleys will preserve the fertility of these areas.

c. Land Clearing - None expected.

2. Altering Natural Defense

There are no foreseeable consequences.

3. Foreclosing Important Uses

No use, other land agricultural, is anticipated in any significant degree and thus no foreclosure is anticipated.

4. Jeopardizing Man or His Works

Erosion control is a genuine plus factor in this project. Rock filled wing gabions constructed in the riverbeds will divert the flood flows of the small rivers away from the silted flats which are the richest soils in these areas.

B. Water Quality

The irrigation works will be very small scale (about 50 hectares) and will rely on diversion structures in the streams and attendant unlined canals into the fields. This coupled with diversion for potable use will result in a small reduction of flow and a slight increase in salinity in the streams themselves. However, it is not expected that this will have a significant impact on the quality of riverine nor ground waters.

2. Other Water Quality Effects

With the introduction of latrines, the bacterial and viral contamination of surface water will in all probability be reduced. There will be contamination of the ground water within a 15 meter radius of the latrines where it may be necessary to dig water wells. These wells will be sited outside of the influence range of these latrines. No other physical or chemical changes in water quality can be anticipated.

C. Atmospheric:

1. Air additives

None expected.

2. Air Pollution

None expected.

3. Noise Pollution

None expected.

D. Natural Resources

1. Diversion or Altered Uses of Water

The diversion of water will in all probability consist of the channeling of storm runoff via the ditch and bridge/culvert system and in the canalization of river waters to fields for irrigation and to houses for drinking purposes. These will not be of a scale significant enough to affect the overall ecosystem of the streams involved.

2. Irreversible or Inefficient Commitment of Resources

There are none anticipated in the project design. If design surveys indicate that unlined canals would lead to substantial sub-surface absorption or leakage, the project will provide for lining or piling.

3. Other Factors

Commitments of wood, woodlands or other forest and or timber products of the project is almost non-existent. The native flora of typical of high altitude mountainous areas which gives way to grass-lands on the lower easternmost area of the project area. There are no significant stands of forest in the area, other than the jungle area to the northeast which will experience only very limited clearing for the project. It is expected that the project will, therefore include some re-forestation effort as well as land management in selected areas.

F. Cultural

1. Altering Physical Symbols

No cemeteries, churches, shrines or other location of cultural significance will be disturbed by the project. Site surveys prior to actual construction, will identify any such cultural site and will modify design, location etc. as necessary.

2. Changes in Population

No significant changes in population or population patterns, either within the project area or through in or out migration from the project area, are expected in the foreseeable future. There should ultimately be some slight increase due to reduction in out-migration to more populous centers.

F. Socio Economic

1. Changes in Economic/Employment Patterns

Changes in the general economic situation should be the increasing of disposable income for the entire rural population served by the project. Improvements in health, supplementary irrigation, and more reliable means of moving crops from farm to market will encourage farmers to devote

more time, land and other inputs to the production of marketable crops.

The present situation discourages production of any perishable or fragile produce and channels production into crops which require little water and which store easily for on-farm consumption. The combination of increased accessibility to markets, diversification into higher utility crops, lower transportation cost and less damage to produce as a result of transportation should bring an increase in the standard of living of these target group. No changes in employment patterns are expected, except that the individual farmer may devote more of his time to increasing production.

2. Changes in Population

(see e.2)

3. Changes in Cultural Patterns

None expected.

G. Health

1. Changing a Natural Environment

It is anticipated that any significant deleterious changes in natural environments will take place.

2. Eliminating an Ecosystem Element

No element of the ecosystem of the project area has been identified as a candidate for elimination, either directly or secondarily, as a result of proposed project activities.

3. Other Factors

The project should make both medical care and preventive medicine facilities more available and accessible to the rural poor. The provision of potable water and latrines is expected to significantly reduce the incidence of gastrointestinal diseases. Of the top five defined causes of mortality (respiratory infection, gastro-intestinal infection, whooping cough and all other infectious and parasitic diseases) affecting the population, none will be increased by the project.

None of the diseases related to the creation or maintenance of vector breeding sites (i.e. malaria, yellow fever, dengue/haemorrhagic fever, etc.) are epidemic in the area, in most cases are only sporadically endemic. None of these vector-borne diseases appear in the top ten causes of either morbidity or mortality. It is not anticipated that there will be any increase in such vector breeding sites from project activity.

H. General

1. International Impacts

None are anticipated with this project.

2. Controversial Impacts

None are anticipated as a result of this project.

3. Larger Program Impacts

The project is associated with other AID development projects, as well as, integrated with projects of a similar nature sponsored by other lenders. The project will provide direct infrastructure support for AID projects in agriculture, rural health and sanitation.

4. Other Factors - Endangered Species

Knowledge of wild plant and animal species in the project area is minimal. However, the project activity should have little or no detrimental effect on any plant or animal species which may be considered endangered.

I. Other Possible Impacts

None have been identified.

IMPACT IDENTIFICATION AND EVALUATION FORM

Impact
 Identification
 and
 Evaluation 2/

Impact Areas and Sub-areas 1/

A. LAND USE

1. Changing the character of the land through:

- a. Increasing the population ----- L
- b. Extracting natural resources ----- L
- c. Land clearing ----- N
- d. Changing soil character ----- L

2. Altering natural defenses ----- N

3. Foreclosing important uses ----- N

4. Jeopardizing man or his works ----- N

5. Other factors

Erosion Control ----- L/M

B. WATER QUALITY

1. Physical state of water ----- L

2. Chemical and biological states ----- N

3. Ecological balance ----- L

4. Other factors

1/ See EXPLANATORY Notes for this form.

2/ Use the following symbols: N - No environmental impact
 L - Light environmental impact
 M - Medium environmental impact
 H - High environmental impact
 U - Unknown environmental impact

IMPACT IDENTIFICATION AND EVALUATION FORM

C. ATMOSPHERIC

- | | | |
|--------------------|-------|---|
| 1. Air additives | _____ | N |
| 2. Air pollution | _____ | N |
| 3. Noise pollution | _____ | N |
| 4. Other factors | _____ | |
| | _____ | |
| | _____ | |

D. NATURAL RESOURCES

- | | | |
|--|-------|---|
| 1. Diversion, altered use, of water | _____ | L |
| 2. Irreversible, inefficient commitments | _____ | N |
| 3. Other factors | _____ | |
| | _____ | |
| | _____ | |

E. CULTURAL

- | | | |
|------------------------------------|-------|---|
| 1. Altering physical systems | _____ | N |
| 2. Dilution of cultural traditions | _____ | N |
| 3. Other factors | _____ | |
| | _____ | |
| | _____ | |

F. SOCIOECONOMIC

- | | | |
|--|-------|-----|
| 1. Changes in economic employment patterns | _____ | L/M |
| 2. Changes in population | _____ | N |
| 3. Changes in cultural patterns | _____ | N |
| 4. Other factors | _____ | |
| | _____ | |
| | _____ | |

IMPACT IDENTIFICATION AND EVALUATION FORM

G. HEALTH

- 1. Changing a natural environment ----- N
- 2. Eliminating an ecosystem element ----- N
- 3. Other factors -----

H. GENERAL

- 1. International impacts ----- N
- 2. Controversial impacts ----- N
- 3. Larger program impacts ----- N
- 4. Other factors -----

I. OTHER POSSIBLE IMPACTS (not listed above)

- N
-
-

See attached Discussion of Impacts.

ANNEX III

MANUAL OF PROCEDURES

DDC PROCUREMENT SYSTEM

Table of Contents

- 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
 - b) Kardex by item
 - 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.

r) 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 receive commissions, 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.

AUG 15 1979

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR (LAC)

FROM: LAC/DR, Marshall D. Brown

Problem: Authorization of a FY 79 \$10.0 million loan for Departmental Development Corporations in Bolivia.

Discussion: The purpose of the loan is to enhance the outreach capability of the Departmental Development Corporations (DDCs) to identify and implement subprojects which will directly benefit the target group. The project responds to the Mission's strategy to work more closely with the DDCs as an alternative channel for funneling development assistance to the rural poor in Bolivia. The project complements the 1978 Rural Development Planning Grant which is assisting the GOB to develop a technical capability for planning, project identification, and project design at the national and regional levels through its support to seven DDCs (Potosi, Tarija, Chuquisaca, Pando, Beni, La Paz and Oruro).

The Borrower will be the Government of Bolivia (GOB) through the Ministry of Planning and Coordination (MPC) which will pass the funds to the nine implementing agencies, the DDCs, on a grant basis. The loan will finance \$10.0 million in costs associated with subproject implementation. Subprojects will emphasize activities which generate income or employment opportunities for the target group, especially in the agriculture sector. In addition, \$300,000 will finance 36 person months of short-term technical assistance directed at improving the outreach capability of the DDCs and assisting the MPC in developing environmental guidelines, evaluation systems and carrying out a financing study. The GOB will contribute \$3.5 million, or 25% of total project costs, from the Corporations' own funds or through PL 480 Title III resources for financing subproject feasibility studies and additional support costs of the DDCs. Because of the multi-sector nature of the project, it is proposed that the project be authorized utilizing \$7.0 million from Section 103 funds (Food and Nutrition) and \$3.0 million from the Section 106 account (Selected Development Activities).

The DAEC reviewed and approved the loan on July 19, 1979, with the following modifications in the Project Paper: (1) addition of a condition precedent to initial disbursement for financing subprojects of each corporation requiring that an office be identified, or established, which will be responsible for outreach activities and that a plan be submitted indicating how the designated office will conduct outreach activities; (2) addition of a special covenant requiring an interim evaluation after approximately two years following initial disbursement for subprojects to measure progress in achieving the project's purpose, and requiring the evaluation findings and recommendations be taken into consideration in allocating undischursed loan funds; and

(3) addition of a covenant which limits the total amount of A.I.D. funds available to finance agroindustrial subprojects to \$500,000 and requires a minimum of 33% private ownership for each agroindustry.

The Initial Environmental Examination (IEE) with a Negative Determination was approved on April 2, 1979.

The project did not appear in the FY 79 Congressional Presentation. An Advice of Program Change was submitted to Congress on July 31, 1979; the project may be authorized as of August 14, 1979.

Recommendation: That you sign the attached Project Authorization and Request for Allotment of Funds (PAF) forms, thereby authorizing USAID/Bolivia to negotiate and sign a Project Agreement for Departmental Development Corporations.

Attachments:

Tab A - PAF

Tab B - Project Paper

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D. C. 20523

**ASSISTANT
ADMINISTRATOR**

Loan No. 511-T-064 7.0 million
511-W-065 3.0 million
Ref: AID/LAC/P-023

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 1, Sections 103 and 106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize a Loan to the Republic of Bolivia (the "Cooperating Country") of not to exceed Ten Million United States Dollars (\$10,000,000) (the "Authorized Amount") to help in financing certain foreign exchange and local currency costs of goods and services required for the project described in the immediately following sentence. The project will provide financial resources and technical assistance to the Departmental Development Corporations ("DDCs") to improve their capabilities to plan, design and implement subprojects designed to improve the standard of living of the poor in the following categories: agricultural development, storage facilities, agroindustry, water control and resources, land improvement, marketing facilities, reforestation, rural potable water systems, and rural electrification or other categories of subprojects which impact upon the urban or rural poor (the "Project"). The entire Authorized Amount will be obligated when the Project Agreement is executed.

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 AID regulations and Delegations of Authority, subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as AID may deem appropriate:

A. Interest Rate and Terms of Repayment

The Cooperating Country shall repay the Loan to AID 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 AID in

United States Dollars interest from the date of the first disbursement of the Loan at the rate of (i) two percent (2%) per annum during the first ten (10) years, and (ii) 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

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

C. Conditions Precedent to Disbursement for Other Than Technical Assistance

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

(1) A detailed implementation plan which shall include procedures for designing, selecting, monitoring and evaluating subprojects and which 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.

D. Conditions Precedent to Disbursement for Individual Construction Subprojects

Prior to any disbursement, or to the issuance of any commitment documents under the Project Agreement, to finance individual construction subprojects, the Cooperating Country shall, except as AID may otherwise agree in writing, furnish to AID, in form and substance satisfactory to AID:

(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.

E. Conditions Precedent to Disbursement for Subprojects of Each DDC

Prior to any disbursement, or to the issuance of any commitment documents under the Project Agreement, to finance subprojects approved by each DDC, the Cooperating Country shall, except as AID may otherwise agree in writing, cause each such DDC to furnish to AID, in form and substance satisfactory to AID:

(1) Evidence that such DDC has established and staffed an office, or that an office already exists, which will be responsible for monitoring and coordinating outreach activities undertaken by such DDC; and

(2) A statement of the responsibilities of the office referred to in clause (1) and a plan indicating how such office will carry out its outreach activities.

F. Covenant

Except as AID may otherwise agree in writing, the Cooperating Country shall covenant and agree to: (i) participate with AID in an interim evaluation after approximately two years following initial disbursement of the Loan for subprojects, such evaluation to measure progress in achieving the Project's purpose; (ii) use the evaluation findings and recommendations in considering the allocation of undisbursed Loan funds; and (iii) limit to \$500,000 the Loan funds to be used to finance agroindustrial subprojects and require not less than 33% private ownership in each agro-industry financed under the Loan.

Edward W. Long
Assistant Administrator
Bureau for Latin America
and the Caribbean

August 15, 1979
Date

Clearances:

GC/LAC, J. Kessler	<u>JMK</u>	date	<u>8/5/79</u>
LAC/SA, R. Burke	<u>RB</u>	date	<u>8/3/79</u>
LAC/DR, N. Parker	<u>NP</u>	date	<u>8-8-79</u>
LAC/DR, M. Brown	<u>MB</u>	date	<u>8/15/79</u>