

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: AB4481

Project Name	BO (AF) Rural Alliances
Region	LATIN AMERICA AND CARIBBEAN
Sector	General agriculture, fishing and forestry sector (45%);Agricultural marketing and trade (40%);Agro-industry (10%);Other industry (5%)
Project ID	P111863
Borrower(s)	PLURINATIONAL STATE OF BOLIVIA
	Plurinational State of Bolivia
Implementing Agency	
	Ministry of Rural Development and Land (MDRT) Avenida Camacho 1471, La Paz, Bolivia Tel: (591-2) 2114332 Fax: (591-2) 2114332 alianzarural@gmail.com
Environment Category	<input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)
Date PID Prepared	October 7, 2009
Date of Appraisal Authorization	February 4, 2009
Date of Board Approval	April 7, 2009

1. Country and Sector Background

Despite major reforms and an important increase in the funding of rural areas in Bolivia in the past two decades, economic growth has remained concentrated in urban areas and in a few, export-led, agricultural zones. In consequence, rural poverty has remained high and so has political unrest. In part, conflict arises because of the perception that the enhanced opportunities in health and education have not been similarly reflected in the improvements of rural incomes. At the rural development policy level, the three main reasons responsible for this are: (a) the inclusion of conflicting incentives in the policies on municipal transfers, which did not provide for a clear differentiation between the equalization measures supporting social programs and the competition-based measures associated to economic promotion; (b) the emphasis of rural production investment programs on supporting the needs rather than the market opportunities of producers; and (c) the failure of not taking into account spatial differences in the policy process, leading to interventions that did not reflect local realities and opportunities. The Rural Alliances Project was designed to pilot a way to redress some of these problems. It focuses on a selected number of areas which show both a high level of poverty and market potential; it provides different avenues for financing public infrastructure and support to producers; and it finances clear market opportunities, as demonstrated by concrete alliances between producers and buyers. As the project has consistently demonstrated that this approach is effective in helping government to select and support viable initiatives, rural producers' demands to expand the project have grown.

The Bank's contribution in Bolivia has been instrumental in supporting rural development through a series of investment, technical assistance and sector work initiatives which have accompanied the process of decentralization and rural production through the Rural Communities Development Project (P040085) and the Participatory Rural Investment Project (P040085), the Rural Productivity Study and assorted policy notes. The Bank also financed a pilot operation to support production efforts from indigenous groups, through the Indigenous Peoples LIL project (P057416). Under the present administration, two new operations have been approved. The Second Participatory Rural Investment Project, focused on public infrastructure in rural municipalities, and the Land for Agricultural Development Project, which aims to pilot a market-based approach to land distribution.

The present administration has placed great emphasis on rural development and particularly on increasing the incomes of the rural poor. After issuing its National Development Plan, the Government of Bolivia approved in October 2007 a sector Plan for the Rural, Agrarian and Forestry Revolution which proposed to: (i) move towards food security and sovereignty; (ii) widen the contribution of agricultural and forest production to the livelihood of the population and the development of the country; and (iii) promote the sustainable use of natural resources. The project has since been formally incorporated into the EMPODERAR Productive program, which falls under the policy designed to "transform food and production patterns" in rural areas. The project constitutes the core of EMPODERAR, through which the Government intends to broaden the area of intervention, and align other donor interventions in the sector. Further, the project has served as a model of intervention in rural areas for other sector programs.

2. Objectives

The project's original objective will be maintained: to test a model to improve accessibility to markets for poor rural producers in selected pilot areas of the country. To achieve this, the project will continue to: (i) promote strategic productive alliances between different economic players at the local level, (ii) empower rural producers through the strengthening of self-managed grass-root organizations, (iii) increase access to productive assets and technology, and (iv) promote more effective, responsive and accountable service organizations at the local level.

3. Rationale for Bank Involvement

Demand for the parent project has exceeded expectations and there is a large number of pending proposals from small producer associations that want to participate in the project, as well as increasing demands for project intervention outside the present project area. Much of this viable demand would be satisfied by scaling-up the project through original credit reallocation and by additional financing. The Government of Bolivia is encouraged by results on the ground, the strong support for the project expressed by empowered indigenous and *campesino* organizations, and by the impact the project is having in responding to market demands, increasing food supplies and improving service provision to poor rural producers without imposing greater logistical and organizational demands on line ministries. The project's successful track record is underpinned by a well-honed set of implementation instruments, operated by an experienced and professional team. Expansion into new project areas should proceed smoothly, given that field operations would be put in charge of deconcentrated project units (UORs) and local consultants

who would provide all the necessary support to potential producers and buyers in order to organize, form alliances and design alliance plans. Additional activities will reach new producer organizations whose capacity varies widely and which would receive tailored support. The Government is committed to using the additional funds in order to enhance development impact, as the project would raise the incomes of a larger number of poor rural producers, generate demand for labor and increase the volume of production. Project outcomes would spread over a wider area of the country, thus helping to consolidate the alliance model proposed by the project.

4. Description

The additional financing will help the Government of Bolivia to scale-up project activities in both the present pilot areas and in three additional areas of the country. The AF will finance the three components of the original project, with minor modifications: (a) institutional support, (b) implementation of rural productive alliances, and (c) project management.

Component 1: Institutional Support (Parent project: US\$ 2.52 million; Additional Financing: US\$ 2.77 million)

This component finances technical assistance and training to provide the institutional and organizational support needed for the creation of productive alliances at the local level. The component gives a particular focus to the development of the institutional capacity of small producers to become partners in new marketing arrangements with the private sector. The component's main outputs will be the formation of rural productive alliances and the preparation of viable alliance plans. To realize this objective, the component will continue to: (a) support the implementation of a project dissemination campaign; (b) support collective action and empower groups of rural poor producers; (c) support the process of call for proposals, the preparation of pre-feasibility and feasibility studies and their evaluation and approval; and (d) assist with the organizational arrangements for the formalization of the alliances.

The component has the following sub-components: (a) communication and dissemination, (b) institutional facilitation, (c) capacity building for service providers and local governments, and (d) appraisal of alliances. No changes are contemplated for the revised project. Activities will continue in the pilot areas and will be replicated in the additional ones. Greater emphasis will be placed on reaching and supporting women and lowland minority indigenous groups.

Component 2: Implementation of Rural Productive Alliances (Parent project: US\$ 28.93 million; Additional Financing: US\$ 28.57 million).

The aim of this component is to provide support for the implementation of the rural alliances prepared under component 1. The component's main outputs will be: (i) to have producers and their marketing partners working together efficiently and effectively in long term relations; (ii) an improved production by the rural poor producers to meet their new market requirements; (iii) adapted systems in the markets to work with the alliances' small producers; and (iv) the ensured co-participation in alliance plans of service providers and local governments. To achieve these outputs, the project cofinances one or more of these potential alliance members: small producers, market agents and/or local governments. This assistance is made available for one or more of the following: (a) to co-finance the implementation of producer's subprojects up to the storage stage; (b) to co-finance local governments which decide to become alliance members in design and

construction of public infrastructure aimed at supporting a local alliance in its productive goals; and (c) to provide technical assistance to market partners to mitigate the relatively higher costs and risks associated with entering into financing and marketing arrangements with small rural producers.

The component has the following revised sub-components: (a) producer organizations subprojects, and (b) municipal subprojects. The “financing enhancement incentives” sub-component will be eliminated from the revised project as practice has shown that demand for this service is low and that access to credit for the implementation of subprojects which include post-production transformation and processing can be favored through technical assistance interventions provided to the alliances themselves. The scope of the municipal subprojects subcomponent will also be reduced in order to reflect existing demand.

Component 3: Project Management (Parent project: US\$ 3.93 million; Additional Financing: US\$ 5.23 million)

This component’s outputs are the efficient and effective coordination of the project and an M&E system which can measure the improved access to markets by poor producers, and the enhancement in rural incomes. The component achieves this through the provision of technical assistance, goods, equipment and incremental operating costs which support the establishment and operation of a project coordinating team in the Ministry of Rural Development and Land (MDRT), the setting up and operation of a management information system, the implementation of monitoring, evaluation and learning arrangements, and the completion of technical studies. The component also ensures that effective fiduciary and safeguard arrangements are in place during implementation.

The component has the following sub-components: (a) studies, (b) technical services, (c) financial management, (d) monitoring and evaluation, (e) equipment, and (f) operating costs. As project management systems are well established and will require only minor adjustments to operate the Additional Financing, financing for this component will cover the incremental costs required to establish and operate project units in each of the new areas, and reinforcement of the central unit to ensure proper safeguard and fiduciary oversight.

5. Financing

Source:	(\$m.)
BORROWER/RECIPIENT	0.00
International Development Association (IDA)	30.00
Local Govts. (Prov., District, City) of Borrowing Country	0.86
Local Farmer Organizations	5.71
Total	36.57

6. Implementation

Changes in Institutional Arrangements. The Project “Council”, originally intended to provide strategic level oversight for project implementation will be eliminated. The Government of

Bolivia considers its existing consulting mechanisms sufficient for project purposes. The project will establish a new UOR in each new pilot area, replicating existing staffing and procedures.

7. Sustainability

Sustainability depends on two factors: (a) institutional, covering the incorporation of the project into the structure of MDRT; and (b) economic, resulting from the success and viability of financed alliances.

At the institutional level, the project can currently be regarded as unsustainable because it is financed fully by IDA funds and counterpart contributions from producer organizations and municipal governments. This initial situation was expected at preparation because of the pilot nature of the project. The Government of Bolivia has created the EMPODERAR program, which is based on the project, but is conceived of as a permanent unit of the MDRT. It is expected that as implementation advances, MDRT (and possibly other actors, such as prefectures) will assume increasingly larger portions of project operating costs. This issue will be a feature of negotiations and implementation.

At the alliance level, sustainability is highly likely because of the following elements, reliably observed in the parent project's implementation: (a) alliances are based on viable plans, focused on key elements for producers, such as technological applications and organizational improvements; (b) alliances are formed by experienced actors, both producers and buyers, who enter into win-win agreements that are often thought for the long term; (c) projected flows show significant rises in producer incomes following the investment stage; and (d) most buyers are experienced and capable, provide a solid market reference for producers and some are involved in providing technical assistance, indicating that they intend to enter into long-term arrangements.

8. Lessons Learned from Past Operations in the Country/Sector

The Additional Financing is based on lessons learned under the implementation of its parent project and will build on other lessons learned through past rural projects in Bolivia, namely the Participatory Rural Investment Project and the Indigenous Peoples Development Project, projects from other bilateral and multilateral donors, and from Bank's projects elsewhere in the region (Brazil Northeast projects, Colombia Rural Alliance Project). The most important lessons from these operations, which have impacted the design of this project, include:

- The recognition that municipal transfers have not had the expected impacts on enhancing rural production, primarily due to an unclear differentiation of programs supporting social and productive goals. The main achievements by municipal governments in the productive front have been in providing support for public infrastructure to support production, e.g. roads. Implementation under the parent project has shown that an independent, specialized and competitive mechanism for identifying productive opportunities has a higher chance of ensuring viability.
- The acceptance that the support to rural poor producers should be based on the identification of market opportunities, and not only on satisfying "needs" or "demands"

with unclear prospects of penetrating the market. Implementation under the parent project has shown that the demonstration of the existence of pre-defined markets as one of the eligibility criteria for the alliances is a key to their success. This combines the existing poverty and exclusion needs with an emphasis on opportunities.

- Capacity building of organizations of poor rural producers is a key to project success. Support to organizations covers the whole alliance cycle, from identification to operation and is provided in a tailored way, minimizing conceptual training and emphasizing on the field technical assistance and transfer of knowledge.
- Transferring resources to producer organizations and providing technical assistance for their management helps to improve the quality of service provision to rural producers. Producer associations are empowered and demand specificity and quality, and pay when services are provided to their satisfaction.

9. Safeguard Policies (including public consultation)

Safeguards compliance under the project has been consistently rated Satisfactory. The project implementation unit has a national-level social/environmental specialist and regional support staff (two in each of the pilot areas). This team is in charge of reviewing both social and environmental framework activities, supervising field activities, technical assistance, and generally ensuring safeguards compliance. Several forms and checklists are in place to monitor and evaluate subprojects. This information is integrated into an online project information system accessible by the project team. The AF will finance similar activities in new pilot regions and thus the project will not trigger any new safeguard policy.

Environmental aspects. In compliance with Bank Safeguards, the original project received an environmental assessment based on a Category B designation, covering the pilot areas originally included in the project. The project triggered the following safeguard policies: Environmental Assessment, Forests, Natural Habitats, Pest Management, and Physical Cultural Property. No important negative environmental impacts were noted from subproject implementation while many best-practices and capacity-building exercises were introduced through the environmental management framework utilized for prior review. A continuous process of improvement of the environmental supervision was carried out during project implementation based on adequate monitoring and evaluation. Supplementary EAs have been prepared for the scaling-up of the AF phase in order to review the potential impacts in the new project areas as part of safeguards compliance and as a requirement under Bolivian law. As with the initial project, no large-scale or irreversible impacts were identified for the new regions, and impacts are generally positive for the types of rural alliances likely to be supported. Region-specific guidelines have been prepared based on expected or known typologies of projects which incorporate best practices for environmental sustainability.

The AF would maintain the original objectives of the parent project including a similar typology and scale of interventions and investments in rural alliances financed. Given the demand-driven approach to project implementation, the environmental management plan (EMP) establishes a framework for review of alliances, including a checklist and environmental review system as well as a monitoring and evaluation process for supervision, follow-up, and continual improvement of environmental management aspects. An exclusion list was developed within the EMP to avoid activities that would conflict with national environmental law, international

conventions, and Bank safeguard policies. The exclusion list has been reviewed and updated based on the specific conditions in the additional pilot areas, particularly in regard to natural habitats. No fishing or off-shore activities will be financed in the Lake Titicaca region while aquaculture projects in the Pilcomayo sub-region of the Chaco region will be limited to native species if supported. In addition, activities that might involve or induce any conversion or degradation of natural habitats are ineligible and will continue to be screened out early on during subproject identification. The framework has been revised, is adequate and will be maintained and updated in the AF, incorporating the results of supervision. Capacity-building, training, and technical assistance related to Integrated Pest Management will be strengthened in the AF. All EAs have been reviewed by the Bolivian environmental authorities and have received licenses authorizing implementation.

Social aspects. Supervision and evaluations have shown that the Project will reach the objectives set out in the original social assessment, namely, to improve opportunities and equity in benefits in particular for excluded groups such as indigenous peoples and women. The application of project instruments has also led to the effective empowerment of poor rural producers, improved the quality of services they purchase, and increased the accountability of their organizations. Producer associations manage their alliances efficiently and transparently. Social instruments and methodologies have been adjusted, improved and validated successfully on the basis of field experience, and will be applied equally in the new pilot areas. The communication strategy reached the intended beneficiaries and was carried out in the corresponding local indigenous languages (in addition to Spanish) through mass media and workshops.

As part of AF preparation, a supplementary Social Assessment was carried out in the proposed new pilot areas. For the first two pilot areas of Northern La Paz and the Lake Titicaca regions, the consultation process was carried out in two phases. In the first, carried out by the project implementation unit, a total of seven information workshops with 349 producers, social leaders and local authorities were held in the two proposed sub-regions. In the second phase, six workshops were held with 309 representatives of producer organizations, potential buyers, middlemen, transport companies, union leaders, financial entities, NGOs and municipal governments. An additional workshop was held in the north of La Paz with 120 representatives of small indigenous groups (Leco, Tacana, Chiman, Mosen and Esse Ejjja). Key recommendations of the social assessment, have been incorporated into the revised project. In particular, increased attention to the specific needs of women and minority indigenous groups will be supported by targeted dissemination, training and technical assistance. In the pilot area of the Chaco region, a total of 1,060 participants were involved in the 12 consultancy workshops in the Chaco region. Of these participants, 69% were men and 31% were women. Given the lower rate of participation of women in earlier meetings, two additional workshops were organized for women only.

Just as the Supplementary Social Assessment had identified, the consultations show an important degree of participation by women in productive activities. The PAR will promote policies and institutional actions to generate productive initiatives of groups of women, thereby acting as a form of positive discrimination for projects by women.

Indigenous peoples. As part of the social assessment for the original project, particular attention was paid to the situation of various indigenous groups. A majority of the likely beneficiary population in the pilot areas self-identified as indigenous, and the project as a whole was

therefore designed in compliance both with the Operational Directive 4.20 and Operational Policy 4.10 (which was then in draft form). No separate Indigenous Peoples Development Plan was prepared in order to avoid parallelism and contribute to better integration of indigenous groups' needs and concerns in the overall project design. Alliance implementation has been properly tailored to the cultural and organizational characteristics of producer groups. Project implementation has validated this approach: 98% of approved alliance members identify themselves as indigenous (whereas 70.4% of the target population does) and indigenous organizations in the pilot areas strongly support the scale-up proposed in the AF.

In the proposed three new sub-regions, according to the last census of 2001, indigenous peoples also constitute a majority of the population and thus the existing approach will continue to be applied in the AF. In the Lake Titikaka pilot area, 93% of the population identifies itself as Aymara. This area is marked by strong empowerment processes, both at the organizational and productive levels. In the sub-tropical region to the north of La Paz and west of Beni departments, 68% of the potential beneficiaries consider themselves Aymara and 8% Quechua. Most of the potential beneficiaries are descendants of migrants from the highlands who went to the area in order to farm lands that were opened for colonization after 1952. In addition, in this area, minority indigenous groups (Leco, Tacana, Chiman, Mosen and Esse Eja) add up to 8% of the population. The Leco and Mosen have been granted collective indigenous titles (TCO), but some conflicts over land with highland groups persist. Within the 16 regions of Chaco, more than 50% of the population is considered to be indigenous. Some have originated from the area such as the Guarani, Wehnyek and Tapiete while others such as the Quechua, Aymara, Chiquitano and Mojeno have migrated to the region. These migrations have generated changes in regional production. The Guarani population has succeeded in deepening its organizational cohesion in response to territorial conflicts, which led to an empowerment and strengthening of its identity; however there still exist some conflicts with landowners in the area. The supplementary Social Assessment recommends that particular attention be paid to these minority groups in order to tailor interventions to their different production systems and organizational structures. A similar assessment will be carried out in any new area the Government of Bolivia proposes, prior to its inclusion in the project.

10. List of Factual Technical Documents

Ayuda Memoria de la Misión de Evaluación de Medio-Término del Proyecto de Alianzas Rurales, Banco Mundial/Gobierno de Bolivia, January 2009.

José Baldivia, Pequeños Productores e Inserción en Mercados, FAO-Banco Mundial, November 2008.

Dino Francescutti, Economic and Financial Assessment of the Additional Financing for the Rural Alliances Project, FAO-CP, December 2008.

Fernando Araujo, Evaluación de la Calidad en la Gestión de Obras de Infraestructura, Banco Mundial, November 2008.

Proyecto de Alianzas Rurales, Estudio de Evaluación de Impacto Ambiental Complementario en la Región Del Chaco Del Proyecto Alianzas Rurales, Ministerio de Desarrollo Rural, Agropecuario y Medio Ambiente, August 2009.

Estado Plurinacional de Bolivia, Ministerio de Desarrollo Rural y Tierras, Proyecto de Alianzas Rurales, PAR, Estudio del Análisis Social y Plan de Acción Complementario de la Región del Chaco, August 2009.

Proyecto de Alianzas Rurales, Evaluación Ambiental Complementaria, Ministerio de Desarrollo Rural, Agropecuario y Medio Ambiente, December 2008.

Proyecto de Alianzas Rurales, Resumen del Análisis Social y Plan de Acción Complementario, Ministerio de Desarrollo Rural, Agropecuario y Medio Ambiente, January 2009.

Proyecto de Alianzas Rurales / Sistemática, Evaluación de Medio Término, Informe Final, Ministerio de Desarrollo Rural, Agropecuario y Medio Ambiente, October 2008.

Proyecto de Alianzas Rurales / Teresa Ruiz, Evaluación de la Aplicación del Manejo Integral de Plaguicidas en los Planes de Alianza del PAR, Informe Final, Ministerio de Desarrollo Rural, Agropecuario y Medio Ambiente, November 2008.

The World Bank, Note on Compliance with Environmental Safeguard Policies, Rural Alliances Project, January 2009.

The World Bank, Note on Compliance with Social Safeguards Policies, Rural Alliances Project, January 2009.

11. Contact point

Contact: David Tuchschnieder
Title: Rural Development Specialist
Tel: (591-2) 215-3350
Fax: (591-2) 215-3305
Email: Dtuchschnieder@worldbank.org
Location: La Paz, Bolivia (IBRD)

12. For more information contact:

The InfoShop
The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 458-4500
Fax: (202) 522-1500
Email: pic@worldbank.org
Web: <http://www.worldbank.org/infoshop>