

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

Report No.: PIDC148

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| Project Name | Rural Alliances Project II (P127743) |
| Region | LATIN AMERICA AND CARIBBEAN |
| Country | Bolivia |
| Sector(s) | General agriculture, fishing and forestry sector (70%), Agricultural extension and research (20%), Agro-industry, marketing, and trade (10%) |
| Lending Instrument | Specific Investment Loan |
| Project ID | P127743 |
| Borrower(s) | GOVERNMENT OF BOLIVIA |
| Implementing Agency | EMPODERAR |
| Environmental Category | B-Partial Assessment |
| Date PID Prepared | 03-Jan-2012 |
| Estimated Date of Appraisal Completion | 09-Jul-2012 |
| Estimated Date of Board Approval | 19-Sep-2012 |
| Concept Review Decision | Track I - The review did authorize the preparation to continue |

I. Introduction and Context

Country Context

Bolivia has undergone a period of profound change since Evo Morales was first elected as President in 2005. Bolivia's largely indigenous rural population has suffered from extreme poverty and socio-economic exclusion, and the new administration has promised to change this reality. In May 2006 the Government launched its National Development Plan (NDP), with indigenous rights and development opportunities for the rural poor constituting fundamental elements of the plan. A new Constitution consolidating these principles was enacted in February 2009, and now, in its second term, the Government is consolidating the legal framework for the Constitution's implementation. Bolivia has also benefited from improved prices for its natural gas and mineral exports, allowing for the rapid expansion of public sector investment and increased intervention in the economy. Despite recent improvements, poverty and inequality remain high, especially in rural areas. In 2009, poverty and extreme poverty reached 66.43 and 45.48 percent respectively in rural areas, compared to 43.55 and 16.09 in urban areas. Furthermore, the Gini index stood at 0.53 in rural areas compared to 0.45 in urban areas.

Sectoral and Institutional Context

With the Government's strong focus on rural poverty alleviation, a number of policies have been directed towards improving access to basic services, reducing infant malnutrition and increasing income for rural producers. The NDP's Productive Bolivia pillar emphasizes the creation of greater productive opportunities through agricultural transformation, improved access to markets and better productive equipment and infrastructure, while the Sovereign Bolivia pillar seeks self sufficiency in food production. In October 2007 the Government approved its 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 forestry production to the livelihood of the population and the development of the country; and (iii) promote the sustainable use of natural resources. Under this policy, the Ministry of Rural Development and Land generated two key programs: CRIAR, which intends to reduce the vulnerability of rural communities in extreme poverty, and EMPODERAR, which aims at stimulating the smallholder sector in poor municipalities in order to increase agriculture yields and production and help to address rural poverty.

The first Rural Alliances Project (PAR I), has served as the basis of EMPODERAR, which also counts with financing from other donors. Productive development policies received a boost in response to the rise in food prices which started in 2007. PAR has gained wide recognition as a successful model for boosting rural production and incomes. PAR addresses some of the most important constraints in improving access to markets for small rural producers: (i) high transaction costs, both for buyers who wish to expand purchases from a multitude of smallholders and for the provision of technical assistance and production support to those same producers; (ii) high levels of risk arising from legal and cultural coordination issues between producers and buyers; and (iii) limitations arising from poor rural public infrastructure (roads and bridges, water provision, etc.). PAR I has surpassed expectations. It has financed a total of 793 alliances (18% over the target), directly benefiting a total of 30,342 households, and its success rate, based on an analysis of a sample of about 25% of executed alliances, is close to 100% (compared to an expected failure rate of 20%). Though part of this result can be attributed to the general increase in prices and incomes in Bolivia, a large part is explained by efficient implementation, based on market-driven, competitive and non-discretionary allocations. PAR I tested and proved a model for improving accessibility to markets of poor rural producers, and generated useful instrumental and operational lessons which will be incorporated in the follow-on operation.

Relationship to CAS

PAR II has been included in the Sustainable Productive Development results area of the new Bolivia 2012- 2015 Country Partnership Strategy (No. 65108-BO), discussed by the Board on December 1, 2011. An area of the CPS was designed to respond to the Productive Bolivia pillar of the NDP. Through promoting productive alliances and providing incentives to improve production in rural areas, the Project will contribute considerably to meeting the goals of this CPS results area. Gender is a cross cutting theme throughout the new CPS and the proposed project will incorporate an explicit set of activities to increase opportunities for women and women's groups to participate.

II. Proposed Development Objective(s)

Proposed Development Objective(s)

The project development objective (PDO) is to improve market access for small rural producers in selected areas of the country.

Key Results

Five indicators will be used to reflect and measure success in achieving the PDO:

- Percentage of small producer organizations which are profitable, membership disaggregated by gender
- Increase in the volume sold by participating small-producer organizations
- Percentage of small-producer organizations who increase their yields
- Percentage of alliances that maintain agreed commercial relations for at least two productive cycles
- Number of small-producer organization members who can carry out a financial evaluation, disaggregated by gender

III. Preliminary Description

Concept Description

In order to improve market access for small rural producers, the proposed Project will support the creation and maintenance of productive alliances between small organized rural producers and effective value-adding buyers (intermediaries, retailers or transformers). Furthermore, it will empower rural producers through the strengthening of self-managed grass-roots organizations; increase their access to productive assets and technology to improve production; promote awareness and know-how on related environmental sustainability, and more effective, responsive and accountable service provision at the local level.

IV. Safeguard Policies that might apply

| Safeguard Policies Triggered by the Project | Yes | No | TBD |
|--|-----|----|-----|
| Environmental Assessment OP/BP 4.01 | X | | |
| Natural Habitats OP/BP 4.04 | X | | |
| Forests OP/BP 4.36 | X | | |
| Pest Management OP 4.09 | X | | |
| Physical Cultural Resources OP/BP 4.11 | X | | |
| Indigenous Peoples OP/BP 4.10 | X | | |
| Involuntary Resettlement OP/BP 4.12 | X | | |
| Safety of Dams OP/BP 4.37 | X | | |
| Projects on International Waterways OP/BP 7.50 | | X | |
| Projects in Disputed Areas OP/BP 7.60 | | X | |

V. Tentative financing

| Financing Source | Amount |
|---|--------|
| BORROWER/RECIPIENT | 0.00 |
| International Development Association (IDA) | 40.00 |
| Municipalities of Borrowing Country | 3.00 |
| Local Farmer Organizations | 7.00 |
| Total | 50.00 |

VI. Contact point

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