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## STAFF APPRAISAL REPORT

COLOMBIA

RURAL DEVELOPMENT INVESTMENT PROGRAM (RDIP)

JULY 5, 1990

Country Department III  
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## CURRENCY EQUIVALENTS

Currency Unit - Colombian Peso (Col\$)

US\$1 = Col\$ 400  
(1/98)

## WEIGHTS AND MEASURES

Metric System

## ABBREVIATIONS AND ACRONYMS

ANFAC	-	The National Association of Artisan Fishermen
AOP	-	Annual Operating Plan
CAJA AGRARIA	-	Caja de Credito Agrario, Industrial y Minero (Agricultural, Industrial and Mining Credit Bank)
CECOSC	-	Centros Regionales de Servicios para la Comercializacion (Regional Marketing Service Centers)
CESPAS	-	Centros de Servicios a la Pesca Artesanal (Small-Scale Fishery Service Centers)
CRECED	-	Centros Regionales de Capacitacion y Difusion de Tecnologia (Regional Center for Training and Diffusion of Technology)
CONPES	-	Consejo Nacional de Politica Economica y Social (National Council for Social and Economic Policy)
CORFAS	-	Corporation Fund to Assist Associative Enterprises
CIAT	-	Research Center for Tropical Agriculture
CTDA	-	Canadian International Development Agency
CM	-	Cofinancing Matrix
DNP	-	Departamento Nacional de Planeacion (National Planning Department)
DRI	-	Fondo de Desarrollo Rural Integrado (Integrated Rural Development Fund)
ENCOPER	-	Colombian Company for Perishable Produce
ESAP	-	Escuela Superior de Administracion Publica (The Superior School for Public Administration)
FDT	-	Territorial Financing Development Organization
FFDU	-	Fondo Financiero de Desarrollo Urbano (Fund for Financing Urban Development)
FNCV	-	Fondo Nacional de Caminos Vecinales (The National Fund for Rural Roads)
FRCAMC	-	Revolving Credit Fund for the Association of Rural Women
ICA	-	Instituto Colombiano Agropecuario (Colombian Agricultural Institute)
IDB	-	The Inter-American Development Bank
INCORA	-	Banco Interamericano de Desarrollo Instituto Colombiano de la Reforma Agraria (Colombian Institute for Agrarian Reform)
INP	-	National Fisheries Institute
INDERENA	-	Instituto Nacional de Recursos Naturales Renovables (National Institute for Renewable Natural Resources)
IVA	-	Impuesto al Valor Agregado (Value Added Tax)
MOA	-	Ministerio de Agricultura (Ministry of Agriculture)
MOF	-	Ministry of Finance
PNR	-	Ministerio de Finanzas Plan Nacional de Rehabilitacion (National Rehabilitation Plan)
RDIP	-	Rural Development Investment Program (RDIP)
SAC	-	The Agricultural Society of Colombia
EENA	-	Servicio Nacional de Aprendizaje (National Apprenticeship Service)
SNCA	-	National System for Agricultural Credit
TAU	-	Unidades Municipales de Asistencia Tecnica Agropecuaria (Municipal Technical Assistance Units, Extension)
ZPTD	-	Zonal Plans for Technological Development

## FISCAL YEAR

January 1 - December 31

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## COLOMBIA

### RURAL DEVELOPMENT INVESTMENT PROGRAM (RDIP)

#### I. LOAN AND PROJECT SUMMARY

**Borrower:** The Republic of Colombia

**Executing Agency:** The Fund for Integrated Rural Development (DRI)

**Beneficiaries:** Approximately 9,000 rural communities in 602 municipalities encompassing about 280,000 poor farmers and fishermen, DRI and the municipalities

**Loan Amount:** US\$75.0 million

**Terms:** 17 years, including 5 years of grace, at the standard variable interest rate. The Government would make the loan proceeds available to DRI as a grant, and DRI would pass it on to the municipalities also on a grant basis.

**Project Description:** The RDIP would support the first phase of a time-slice of DRI's investment program (1990-1994), consisting of small, discrete, environmentally sound projects in 9,000 rural communities (602 municipalities) to help: (a) increase the income of about 280,000 poor farmers and fishermen mainly in the Andean and coastal areas of Colombia; (b) improve living standards of rural communities through provision of potable water and better sanitation, roads and marketing facilities; (c) protect and develop watershed areas to safeguard the environment and help ensure sustainable supplies of clean drinking and irrigation water; (d) promote grassroots involvement of rural communities in the identification of investment needs and the maintenance thereof; and (e) strengthen DRI's capacity to plan, prepare, appraise and help the municipalities to administer and cofinance development projects as mandated in the 1986-1989 decentralization reforms. To this end, the RDIP would finance specific projects in: (a) Agricultural Production and Environmental Protection (technology adaptation and extension, watershed management and environmental protection, fisheries, and marketing); (b) Training and Community Organization Support for: (i) organizing rural communities to prepare Community Profiles (Ficha Veredal) and involving them in identifying projects in close collaboration with municipal governments and DRI; (ii) forming associations of rural women, and developing cottage enterprises; and (iii) training of extension agents, municipal mayors, regional development corporations, and DRI staff and rural communities in all aspects of environmental management of projects; (c) Infrastructure (rural roads and water supply and

sanitation); and (d) Strengthening DRI and the municipalities (technical assistance, vehicles, equipment, training and preinvestment studies) for the preparation of projects for inclusion in the RDIP in the outer years (1991-1994).

Benefits and Risks:

The major benefits of the RDIP would be: first, reduced rural poverty by increasing employment and incomes of some 280,000 poor farmers, fishermen and women through access to improved agricultural technological packages with strong support of extension services and complimentary marketing facilities; second, improved living conditions for the rural poor in about 9,000 communities through access to safe drinking water, better sanitation and rural roads to connect villages with production and marketing centers; third, enhanced sustainability of investments through more active involvement of rural communities; fourth, improved soil management practices in watersheds, mainly in the Andean region to safeguard the environment; and fifth, strengthened DRI's capabilities to plan, prepare, appraise and supervise projects, as well as enhance the capacity of the municipalities to cofinance and administer rural development projects. The main risks relate to the degree to which benefits mentioned above may not fully materialize during the first five years of the RDIP because of the inexperience and limited capacity of municipalities to objectively select and implement projects in spite of the established screening procedures (Eligibility Criteria). Implementation may also take longer than planned because procedures, especially the cofinancing arrangements between municipalities and DRI are new, and the capacity of the municipalities to arrange to provide effective extension services. Although there is adequate capacity in Colombia to produce technological packages and to provide extension services, a related risk concerns ICA's capacity to generate enough technology packages in a timely manner and transfer the know-how effectively to farmers under the decentralized system. To minimize these risks, advanced Annual Operating Plans would be prepared, and a comprehensive Program Review of the RDIP would be completed after the first three years to identify potential problems including, inter alia, the effectiveness of research and extension services under the RDIP, etc., and to take necessary corrective measures. Special arrangements have also been made between the Bank and IDB to ensure close and intensive supervision under which IDB's Resident Mission would complement the Bank's supervision of the RDIP.

RURAL DEVELOPMENT INVESTMENT PROGRAM

LOAN AND PROJECT SUMMARY TABLE

	<u>Local</u>	<u>Foreign</u>	<u>Total</u>	<u>%</u>
	----- (US\$ million) -----		-----	
Agricultural Production and Environmental Protection	56.1	20.4	76.4	30.6
Infrastructure	93.9	73.3	107.3	42.9
Training and Community Organization	16.7	4.2	20.9	8.3
Strengthening DRI & Municipalities	<u>7.2</u>	<u>1.5</u>	<u>8.7</u>	<u>3.5</u>
<u>Total Baseline Costs</u>	<u>113.9</u>	<u>99.4</u>	<u>213.3</u>	<u>85.3</u>
Physical Contingencies	5.7	5.0	10.7	4.3
Price Contingencies	7.8	18.3	26.1	10.4
<u>Total Program Costs</u>	<u>127.4</u>	<u>122.6</u>	<u>250.0</u>	<u>100.0</u>
<u>Financing Plan</u>				
Municipalities & Other Agencies	62.5	0.0	62.5	25.0
Government Resources (DRI)	37.6	0.0	37.6	15.1
IBRD	13.7	61.3	75.0	30.0
IDB	13.7	61.3	75.0	30.0
<u>Total Program Cost</u>	<u>127.4</u>	<u>122.6</u>	<u>250.0</u>	<u>100.0</u>

Estimated Disbursements:

	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
Annual	3.0	3.0	7.5	12.0	11.2	15.7	14.2	7.7	0.5
Cumulative	3.0	6.0	13.5	25.5	36.7	52.5	66.7	74.5	75.0

Economic Rate of Return: 16%

Map: IBRD No: 21684R1



## II. THE AGRICULTURAL SECTOR AND THE ROLE OF SMALL FARMERS

### Structure and Performance

2.01 Agriculture accounts for about 20% of GDP, provides employment for two million people--25% of the labor force--and contributes about 70% of merchandise exports. Of this, coffee accounts for about 12% of agricultural GDP; <sup>1</sup> other permanent crops: 31%; annual crops: 20%; and livestock: 37%. However, coffee accounts for 55% of total (legal) exports, and 85% of agricultural exports. Coffee exports, as a proportion of total agricultural exports, have remained fairly constant over the last two decades, but some diversification has occurred within non-coffee agricultural exports (e.g., flowers and bananas). Growth of agricultural GDP in Colombia was good in the 1970-80 period (about 4.5% p.a.), slowed between 1980 and 1985 to 1.1% p.a., but picked up again in 1986 to about 2% and 4.5% in 1987. The slowdown in the early 1980s was attributed to weakening demand for Colombia's non-coffee agricultural exports, and appreciation of the real exchange rate. It may also have reflected the steady decline in public sector investment expenditure for agriculture during the decade of the 1970s and early 1980s.

2.02 Colombia has a total land area of 114 million ha, of which no more than 33 million ha (30%) are considered suitable for agricultural production (14 million ha for crops and 19 million ha for livestock). Of this area, about 27 million ha are presently under cultivation, with crop production accounting for about 4 million ha in 1985 (only 28% of the total area potentially usable for cropping), and about 23 million ha in livestock. Of the 10 million ha suitable for rainfed production, about 7 million ha are in sloping areas in the Andean foothills which could be primarily used for permanent crops to minimize erosion problems, and 3 million ha are in flatlands primarily in the coastal areas.

2.03 Three typical farming practices prevail: (a) modern agriculture located primarily on flat and relatively more fertile lands involving more capital-intensive technology and higher productivity (accounts for about 10% of the area of production); (b) traditional agriculture typical of mountainous land (the Andean zones) and in the tropical lowlands (coastal zone); this system is marked by more labor-intensive technology and lower productivity; and (c) transition agriculture in which modern and traditional technologies are both used by a mixture of small, medium and large producers.

### Potential for Agricultural Production Growth

2.04 The Agricultural Society of Colombia (SAC) has calculated Colombia would need to bring 2 to 3 million additional ha into agricultural production (to 30 million ha compared with 27 million ha currently under production, or an increase of about 11%) by the year 2000 to meet the expected demand for foodstuffs for agroindustries, and for expanding exports of agricultural commodities. Land availability would not be a

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1/ This proportion is likely to decline because of the breakdown of the International Coffee Agreement in July 1989 which has cut the international price by 50%.

constraint to increasing food production in Colombia. However, the existing pattern of land distribution and ownership and lack of adequate transport infrastructure (which would be costly to provide) constrain the incorporation of additional land into production. A more efficient way to meet the expected additional demand would be through agricultural intensification and improved yields. While crop yields are quite good on average, there are large variations in crop productivity between commercial crops, especially rice (produced mostly by large farmers on the valley floors of the main rivers, on soils with good agricultural potential) and food crops (produced primarily by small farmers).

#### The Small Farmers--Contributions and Constraints

2.05 It is estimated that Colombia has about 1.0 million small farmers who work 78% of all the farms in the country, but these account for only 8.7% of the total farm area under cultivation. The small farmers are vital for sustaining Colombia's self-sufficiency in producing basic foodstuffs, mainly for the domestic market. Using the 1982 figures of the National Planning Department (DNP), it is estimated that small farmers produce about 60% of the basic foodstuffs (maize, wheat, beans, potatoes, cassava, plantain, panela, fruits and vegetables), and about 20% of the industrial raw material derived from agriculture. They consume about 30% of their production and sell the remaining 70%. Domestic demand accounts for 80% of the sector's growth, with the remaining 20% due to external demand. About 60% of the rural labor force is employed in small-scale agriculture, consisting of small landholdings concentrated in the Andean mountainous regions which are prone to erosion. There is also a sizeable concentration of small farmers in the tropical lowlands. Evaluation studies of the average agricultural production under the First and Second Rural Integrated Development Projects (DRI I and II), para. 2.08 (a) and (b), have shown impressive yield increases for some crops, such as: 103% for cassava; 67% for maize; 72% for beans.

2.06 However, because of deficiencies in adapting and transferring technology from the Colombian Agricultural Institute (ICA) experimental stations to poor farmers, it has not been possible until now to improve yields for the majority of small farmers. To overcome this problem, ICA has recently established 33 Regional Centers for Training and Diffusion of Technology (CRECED) with specific responsibility for adapting technology to the agroecology needs of poor farmers. An additional 19 CRECEDs would be established under the RDIP (para. 3.13 (a)). Besides low productivity, transportation costs are higher in the Andean and coastal regions due to the absence of roads, inadequate storage and marketing problems which also cause serious production losses. Rural families also lack clean water and appropriate sanitation services. The proposed Rural Development Investment Program (RDIP) would help to overcome these problems by financing the cost of technology adaptation and transfer, roads, marketing, and water supply and sanitation projects as well as training.

#### Bank Strategy in the Agricultural Sector and Experience with Poverty Alleviation Programs

2.07. The Bank's strategy gives priority to investments for poverty alleviation, and for improving the efficiency of key economic sectors. The Bank supports the Government's anti-poverty strategy which is explicitly

set within the framework of overall macroeconomic policies, on the premise that Colombia can best eradicate poverty by sustaining high economic growth and thereby expand the overall demand for labor. To this end, the Government seeks to achieve steady GDP growth (around 5% per annum during 1987-1990) combined with continued sound fiscal and external management. Moreover, beyond attaining the overall growth targets, the Government supports expanding specific programs designed to increase the productivity and employment opportunities of the poor, such as rural development projects, education and health. Bank strategy for assisting agricultural development aims at achieving efficient growth of the sector by: (a) generating and promoting adaptation and transfer of new technology; (b) assisting in the rationalization of the extension system and improving credit delivery services in rural areas; and (c) providing support in infrastructure, mainly irrigation and rural roads.

2.08 Between 1977 and 1990, the Bank has helped finance two multisectoral programs targeted specifically for poverty alleviation in the rural areas, totalling US\$105.0 million, as well as ten other projects (US\$645.0 million) for a grand total of US\$750.0 million. Because of their relevance to the proposed RDIP, the experience with the two DRI rural development projects is discussed below:

- (a) the First Integrated Rural Development Project (DRI I),  
Loan 1352-CO for US\$52.0 million, signed in January 1977, was part of a US\$250 million national program of rural development in five impoverished regions, with a high concentration of low income farmers with small landholdings, often without title. The Bank-financed DRI I Project focused on improving the income of about 40,000 farmers with less than 20 ha and the living conditions of about 150,000 rural inhabitants of some of the poorest areas in three Andean regions. Simultaneously, a loan of US\$65 million from the Inter-American Development Bank (IDB) financed investments in the departments of Boyaca and Santander, and a loan of US\$13 million from the Canadian International Development Agency (CIDA) assisted in the departments of Cordoba and Sucre. The DRI I Project Completion Report concluded that the primary strategy for improving farmers' income through increasing yields, reducing idle land, and introducing a managerial approach to farming and marketing was successful. The project's economic rate of return was 16% against an appraisal estimate of 22%. The average financial rate of return was 23% against an appraisal estimate of 57%; and
  
- (b) the Second Integrated Rural Development Project (DRI II),  
Loan 2174-CO for US\$53.0 million was signed in July 1982, and declared effective one year later (May 1983). The project covered 93 municipalities in four departments (Huila, Tolima, Meta and Caldas). The project was closed on June 30, 1990 and it surpassed most of the physical targets in the SAR, but disbursed about 82% of the loan amount. Implementation was slower than programmed because of chronic shortages and delays in provision of counterparts funds, and non-compliance by some executing agencies with audit requirements which further slowed disbursements. A partial impact evaluation, carried out under the project for the Tolima District concluded that the living standards of DRI

beneficiaries have improved significantly. About 56% of the beneficiaries have improved their housing, 63% their access to electricity, and 55% benefited from better sanitation services. Health standards and education levels, however, have remained relatively poor in this area in spite of the project. The participation of rural families in community organizations rose to 84% in 1989 from 39% in 1983. The evaluation has calculated the internal rate of return for the agricultural production component for Tolima at 37%. Some US\$5.6 million under the project (Loan 2174-CO) was earmarked for testing on a pilot basis the new cofinancing concept of the RDIP. This experience has been used in designing the institutional aspects, cofinancing arrangements and promotion programs for implementation of the RDIP.

2.09 Other Bank operations in the rural sector have included the Agricultural Research and Extension Project (Loan 2303-CO for US\$63.4 million in 1983) to help generate technological packages which should benefit, among others, the small farms in the RDIP; the Agricultural Diversification Project (Loan 2453-CO for US\$50.0 million in 1984); the Small-Scale Irrigation Project (Loan 3113-CO for US\$78.2 million in August 1, 1989); Integrated Nutrition Improvement Project (Loan 2611-CO for US\$36.5 million in 1985); the Rural Transport Sector Project (Loan 2668-CO for US\$62 million in 1986); the Second Rural Roads Sector Project (Loan 3157-CO for US\$55.0 million in 1990); a Village Electrification Project (Loan 1999-CO for US\$36 million in 1981); the First and Second Subsector Projects for Primary Education (Loan 2192-CO and Loan 3010-CO for US\$14.0 and US\$100 million in 1982 and 1988 respectively); and Water Supply and Sewerage Sector Project (Loan 2961-CO for US\$150 million in 1988).

2.10 As noted in para. 2.08 (a) and (b) above, the DRI program has been relatively successful in improving the standard of living of the rural poor and it has been sustained throughout several Colombian administrations. The program incorporates a number of the more successful features of rural development efforts identified in the Bank's Report on Experience with Rural Development (Report No. 6883), in that it: (a) uses existing institutions/structures to implement projects; (b) coordinates its assistance with other sectoral programs; and (c) backs its agricultural production projects with extension services and technology.

2.11 The RDIP would introduce further improvements in the management of DRI's program by: strengthening joint bottom-up planning by the municipalities, local communities, and DRI; focusing primarily on improving agricultural productivity instead of also on health, education and power which according to the decentralization reforms would be financed and managed by the municipalities in cooperation with the respective sectoral Ministries instead of DRI; so that DRI could cofinance only projects supporting agricultural production and essential services; and reducing the processing time of DRI's reimbursement submissions to the Bank to about 40 days, down from an average of 103 days under DRI II. Assurances were obtained during negotiations that the shorter processing time would be maintained for the purposes of the RDIP (para. 6.01 (a)).

### III. THE PROJECT

3.01 The RDIP (the Project) was prepared by DRI with support from the Bank and the IDB. Preparation missions visited Colombia during February and May 1989 and the Bank and IDB jointly appraised the RDIP in November 1989. Negotiations took place during May 7-11, 1990, in Washington, and the Government team was led by Dra. D. Young, Ministry of Finance and Public Credit.

#### Rationale for Bank Involvement

3.02 In light of the successful experience with the DRI projects, the Government decided in the late 1980s to expand the program's coverage the whole country and to make the program's content and DRI's responsibilities consistent with the 1986-89 decentralization reforms. The Bank's support for the RDIP fits well with its strategy for helping the Government to alleviate poverty, especially through assisting municipalities to become more self-reliant (Annex 1).

#### Background

3.03 In 1988, the Government requested the Bank and the IDB to help prepare and cofinance the proposed RDIP with a view toward helping it to: (i) sustain the positive results achieved under the DRI projects in 332 municipalities during 1977 to 1990, as noted in para. 2.08 (a) and (b) above; (ii) incorporate 270 new municipalities into the program while continuing to assist the 332 municipalities for a grand total of 602 municipalities encompassing about 9,000 rural communities; and (iii) implement the 1986 to 1989 decentralization reforms whereby, in contrast to the previous DRI projects (under which all funding for rural investment came through central line agencies' budgets without the direct participation of the municipalities), DRI would now cofinance projects with municipalities which would receive 50% funding from the Value Added Tax (IVA) transfers by 1992. Municipalities must earmark 2% of the IVA transfers annually for rural development projects. The projected level of the IVA transfers to the participating municipalities is adequate to cover the cofinancing counterpart funds for the RDIP. The proposed RDIP would encompass rural roads, water supply, sanitation and extension services, as well as rural markets, watershed management and environmental protection, fisheries and rural women's projects, which DRI would cofinance with the municipalities. With respect to extension, the decentralization reforms require that the municipalities provide such services by 1992 either through the establishment of their own Technical Assistance Units (TAU) and/or by hiring specialized organizations in this field, such as, ICA, the Agricultural Industrial and Mining Credit Bank (Caja Agraria), universities, etc. In the meantime, between 1990 and 1992, ICA would continue to provide extension under the RDIP (para. 3.13(b)). By 1992, however, the reforms require that ICA give up extension functions in order to concentrate on research and technology transfer. The Bank is helping the Government to establish a national technology transfer, and extension system, which would strengthen ICA's role in providing technology to municipal extension services through applied research centers (CRECEDs) and also provide a mechanism for the Ministry of Agriculture to monitor and

ensure the quality of municipal extension services. For the past two years, DRI has worked jointly with elected officials and community leaders to establish operational, financial, institutional and a legal framework for the execution of the RDIP. This process has resulted in the introduction of new instruments under the RDIP for grassroots participation in the identification of projects (through preparation of Community Profiles), as well as strengthening DRI's management capabilities through the introduction of a comprehensive Operational Manual and Annual Investment and Operating Plans. These instruments are reviewed in more detail in paras. 3.07, 3.08 and 3.09. Finally, DRI has been restructured and the number of its professional staff has been increased to enable it to carry out its new responsibility under the RDIP. This is reviewed in detail in paras. 4.01 through 4.06.

3.04 Over 4,500 of the approximately 9,000 rural communities have already benefited in some manner from the two previously mentioned Bank-financed DRI projects. DRI would continue to help them as well, and about 4,500 new communities to be phased in under the RDIP during the next five years. The list of the 602 DRI municipalities (9,000 communities) selected to benefit from the RDIP is given in Annex 2. The Government included these communities in the RDIP because of their promising agricultural productivity as well as their needs for roads, market places, water supply and sanitation services. Additional municipalities not listed in Annex 2 could be incorporated in the RDIP and those already in the program could be phased out on the basis of the agreed selection criteria in the Operational Manual after consultation with the Bank. The selection criteria of the 602 municipalities is detailed in Annex 3. Only about 30 DRI communities currently in the National Rehabilitation Program (PNR), would be eligible to receive assistance under the RDIP. The PNR focuses more on alleviating social problems in some 266 of the more remote and sparsely populated municipalities in Colombia.

### Project Objectives

3.05 As noted in para. 3.02 above, the RDIP would support the Bank's strategy for poverty alleviation. To this end, the overall objectives of the proposed RDIP, are to: (a) increase the income of about 280,000 poor farmers and fishermen in approximately 9,000 rural communities mainly in the Andean and coastal areas; (b) improve living standards of the rural communities through provision of potable water and better sanitation systems, roads and marketing facilities; (c) protect and develop watershed areas to safeguard the environment and help ensure sustainable supplies of clean water for drinking and irrigation; (d) promote grassroot involvement of rural communities in the identification of investment needs and the maintenance thereof; and (e) strengthen DRI's capabilities to plan, prepare, appraise and supervise projects and help the municipalities to administer and cofinance development projects to support the decentralization reforms. The RDIP like its predecessor, DRI I and II Projects, would essentially continue to focus on improving production by helping poor farmers and fishermen make more efficient use of resources. The RDIP target group are farmers and fishermen who have the potential to become agricultural entrepreneurs, and except for the fishermen, are defined as those who derive at least 70% of their income from agriculture and whose total farm assets are the equivalent of 300 minimum monthly salaries (presently valued at approximately US\$25,000 equivalent).

### Project Description

3.06 The RDIP Area. The RDIP would concentrate on: (a) the Andean region, which for the purpose of the RDIP accounts for over 800,000 people or 80% of the potential beneficiaries; (b) the coastal plain, accounting for over 100,000 people or 10% of the beneficiaries; and (c) along the Atlantic and Pacific coast, as well as along the Magdalena river, where there are some 120,000 poor fishermen. The Andean region consists of 491 municipalities and 15 departments, while the coastal area includes 111 municipalities and 7 departments.

### Arrangements For Identifying, Preparing, Budgeting, and Cofinancing of Projects under the RDIP

3.07. The Role of DRI and the Communities in Identifying and Processing Projects for Inclusion in the RDIP. The rural communities would identify potential projects for RDIP by preparing detailed community profiles (Ficha Veredal). Already some communities have prepared initial profiles with funds from the DRI II Project (Loan 2174-CO) and the remaining communities would prepare profiles starting in 1990, with financing from the RDIP. DRI plans to repeat the preparation of the community profiles once every four to five years so as to provide the RDIP with an evolving picture of development needs. Many of the projects to be financed under the RDIP in 1990 (see para. 3.25) have been identified through this process. The profiles are essentially snapshots of the social and economic problems and investment needs of each community. Preparation of the community profiles involves consultation with all the families in each community and then taking up specific project proposals with the mayors and members of the Municipal Council, as well as the potential leaders at the departmental level. Typically, in each of the 9,000 rural communities there is a DRI Committee and their selected leaders carry on the dialogue with elected officials from the municipalities and departments, until agreement is reached on priorities between competing demands. The Profiles are then reviewed by the Regional DRI Committees. This interchange leads to a list of project ideas, emanating from the communities, which is then registered in the Municipal Bank of Projects in each of the 602 municipalities for possible funding under the RDIP.

3.08 DRI's operations office in Bogota, in conjunction with regional staff, would review, as it did during the preparation of the 1990 program (para. 3.11), each project profile submitted by the municipalities using the eligibility criteria in the Operational Manual to determine which projects are ready for cofinancing and executing and which require additional studies and preparation. The Bank has appraised the Operational Manual and found it to be satisfactory. The Operational Manual sets out DRI's policies, and technical and economic requirements which projects must meet to be eligible for inclusion in the RDIP. The Manual covers, among other aspects, the following: (a) selection criteria of projects in terms of their overall eligibility and their economic impact; (b) technical, economic and cost parameters, as well as the qualifications of executing agencies for implementation of projects; (c) procurement and administrative guidelines; and (d) maintenance and cost recovery requirements. The eligibility criteria specify which of the projects require detailed technical, financial and economic studies and those requiring only detailed

proposals in order to qualify for cofinancing from DRI. Accordingly, Watershed Management and Environmental Protection, Regional Marketing Service Centers (CESCOS), and Small-scale Fishery Service Centers (CESPAS), Rural Roads and Water Supply and Sanitation projects all require full feasibility studies, and except for the Watershed Management projects also design studies. Projects concerning, Technology Adaptation and Extension, Training and Community Organization; Rural Women; Aquaculture; and Strengthening of DRI and the municipalities, require only submission of detailed proposals, an economic analysis of cost benefits in the case of Technology Adaptation and Extension, and financial analyses for the Aquaculture projects. DRI staff would prepare the terms of reference for carrying out the feasibility and design studies, using the eligibility criteria as guidelines. DRI would select consultants, on the basis of the Bank's guidelines for the studies, and also supervise execution. Financing for such studies is provided under Strengthening of DRI and the Municipalities (Preinvestment Studies, para. 3.24). The Preinvestment Committee referred in para. 4.06 (d) below, would manage the process of preparation of the terms of reference and selection of consultants under the leadership of the RDIP Coordinator. DRI would be responsible for contacting the municipalities and other potential financing partners, once the relevant studies have been completed in order to firm up financing plans for each project in the AOP, as discussed in para. 3.09 and 3.10 below.

**3.09 Preparation of the Budget for the RDIP Projects and the Approval System.** Concurrent with the identification and preparation of projects, as described in paras. 3.07 and 3.08 above, the Government, DRI, the municipalities and other agencies work together in preparing the budgets for these projects so they could be included in the Annual Investment Plan and the Annual Operating Plan (AOP) for cofinancing under the RDIP. The following describes the sequence of events in this process. Further details are given in Annex 4.

- (a) Planning commences in November, 14 months prior to the year for which the Annual Investment and Operating Plans are being prepared on the basis of indicative budget ceilings provided by DNP;
- (b) DRI's Planning Office, in coordination with DRI Regional Offices, screens Community Profiles (Municipal Investment List) and submits an Annual Investment Plan to the Ministry of Agriculture (MOA) for inclusion in the Ministry's budget, which is then submitted to DNP and the National Council for Social and Economic Policy (CONPES) in April;
- (c) by mid-June, CONPES approves the Annual Investment Plan provisionally, and the MOA allots DRI its budget for the next year. DRI then informs the municipalities of the sums it would earmark for cofinancing projects included in the Annual Investment Plan;
- (d) with budgetary information as to their own resources and that from DRI, the municipalities adjust their investment programs for resubmission to their respective Municipal Councils;



- (e) by June 20, the Ministry of Finance (MOF) submits CONPES's provisional budget (including RDIP projects) for approval by Congress (due in November);
- (f) by mid-August, the MOF informs DRI and the municipalities of their provisional budgetary allocations, including their share of tentative IVA taxes;
- (g) by October, DRI submits the AOP to the MOF (which it prepares between March-October) and which expands on the Annual Investment Plans by detailing the individual projects, their cost and implementation aspects; and
- (h) in November, Congress approves the budget and MOF then authorizes the budget for DRI by mid-December.

3.10 Cost Sharing Arrangements for Cofinancing of Projects under the RDIP. The AOP, noted in para. 3.09, would describe briefly the status of preparation of each project and identify tentative sources of financing, be they from DRI, the municipalities, or other Government entities, NGOs, etc. The bulk of the cofinancing for roads, water supply and sanitation projects under the RDIP would be from DRI and the municipalities (IVA). For the other projects in the RDIP, DRI is expected to tap a wide range of potential cofinancing partners, including Government and non-Governmental entities, universities, Coffee Growers Associations, Regional Development Corporations, etc. To make it easier to conclude cofinancing arrangements for each project to be financed under the RDIP, DRI has developed a Cofinancing Matrix (CM) as well as standardized cofinancing contract. The CM lists the percentages of DRI's contribution, in the form of grants, towards the cost of each project (Annex 5). DRI's share of cofinancing with the municipalities under the RDIP would depend on the type of project and the priority needs of the municipalities as identified in the selection criteria mentioned in para. 3.04 above. The cost sharing arrangements for cofinancing each project under the RDIP provide that the municipalities would use 2% of the IVA allocation to cofinance DRI projects in extension, roads, water supply and sanitation. Annex 6 discusses the arrangements already in place for transferring IVA to the municipalities. The criteria used for selecting the municipalities (para. 3.04 and the CM), take into consideration the specific needs of each municipality, and also reflect DRI's policy of being the lender of last resort. As the municipalities become financially stronger, and improve their creditworthiness, levels of funding from DRI would decrease according to a graduation policy to be put into effect under the RDIP. During negotiations, assurances were obtained that the DNP would: (a) undertake a study by August 1991 to develop a graduation policy for phasing out municipalities as they become more economically developed; (b) submit the report and recommendations to the Bank for comments by January 31, 1992; and (c) ensure that DRI shall introduce the Graduation Policy by September 30, 1992 (para. 6.01 (b)).

3.11 Inclusion of RDIP Projects in the AOP. As noted in para. 3.08 above, DRI has already used the consultation process with the communities and municipalities to prepare a pipeline of projects for 1990, and these projects are listed in the 1990 AOP (para. 3.25 and Annex 7). The Bank has appraised DRI's 1990 AOP on the basis of a representative sample of typical

projects and found it satisfactory. Assurances were obtained during negotiations that DRI would submit an AOP to the Bank for review and comment by September 30 of each year, and that inter alia, the AOP would detail the status of preparation, tentative cost of projects and those requiring further studies, as well as identify which projects would require environmental studies. The AOP would include only projects in areas where security considerations would not impede normal Bank supervision of such projects (para. 6.01 (c)).

### Profiles of Projects to be Cofinanced under the RDIP

3.12 Profiles of typical projects to be cofinanced under the RDIP in 1990-1994 are given below and are detailed in the respective working documents (Working Papers No. 1 through 12) listed in Annex 18. Other types of projects not listed below could be included in the RDIP in the future, provided they support agricultural development and that implementation arrangements are satisfactory to the Bank.

3.13 Applied Technology Development and Extension. These would consist of three types of projects supporting improved agricultural practices: (a) technology adaptation to farmers' needs; (b) extension; and (c) training:

- (a) Technology Adaptation Projects. The purpose of these projects would be to adapt the technology generated at ICA's research stations to the agroecological and social/economic conditions of the RDIP farmers on the basis of the Zonal Plans for Technological Development (ZPTD) (Annex 8). This would be done by CRECEDs, 33 of which are currently located in the DRI areas. Another 19 CRECEDs would be established by ICA during the project period. During negotiations, assurances were obtained from the Government, that ICA would: (a) submit by September 30, 1990 a plan of action and timetable, satisfactory to the Bank for establishing the additional 19 CRECEDs; and (b) thereafter implement the action plan (para. 6.01 (d)). A typical CRECED consists of a Board of Directors and an Advisory Committee with representatives from DRI, plus four technical units (Research, Technology Transfer, Agricultural Services and Monitoring and Evaluation), and one Administrative Unit. The CRECED staff would prepare the ZPTD which would identify the main agroeconomic problems in each CRECED area and the technology would be developed and demonstrated to farmers and extension agents through various means (field days, pamphlets etc.). RDIP would cofinance with ICA the CRECED's cost of preparing the ZPTD and for carrying out on-farm trials and demonstrations. The ZPTD would include a costing of each applied technology development project, specifying the number of participating farmers and crop area to be covered. Municipalities would also use the ZPTD information to develop their Municipal Plans which would specify the work program and cost of agricultural extension and supporting investment for each rural community (see (b) below). The Monitoring and Evaluation Unit of the CRECED would evaluate the impact of the new technology on yields and production as the basis for developing further applied technology. For planning purposes it is expected that each CRECED would carry out 30 trials, per year, per community, with an average cost of US\$960 equivalent;

- (b) Agricultural Extension. To ensure availability of extension services, DRI has signed a contract with ICA for provision of technology adaptation, extension and training services during the transition period between 1990 and until 1992. Assurances were obtained during negotiations that the Government would submit for the Bank's comments by September 30, 1991, a plan of action and the timetable for: (a) phasing ICA out of extension by 1992; and (b) maintaining arrangements satisfactory to the Bank for providing extension to RDIP beneficiaries (para. 6.01 (e)). Decree 1946 (1989) has established a National Agricultural Technology Transfer System in the Ministry of Agriculture to rationalize the national extension services and to improve the effectiveness of technology adaptation and transfer in Colombia. The Bank is assisting in the preparation of a project (Technology Transfer and Extension) to support this system, and the arrangements for provision of effective extension services to be supported under the RDIP, including the above-mentioned action plan should be ready well before September 1991. The Bank's support for the national extension and technology system would also ensure that arrangements for provision of extension and technology adaptation would be consistent with the criteria set out in Decree 1946. CRECED<sub>e</sub>/ICA currently have suitable technology packages for extension services to offer farmers to enable them to increase yields in some crops and areas well above those in use by farmers in DRI areas. A sample of the potential yields which could be obtained under the RDIP is provided, for illustrative purposes, in Annex 9. The staffing requirements for provision of extension under the RDIP have been calculated assuming a ratio of farmers to extensionists of 250:1 in 1990 reducing to 150:1 in 1994. The ratio of subject-matter specialists to extensionists would be 1:4 in 1990 decreasing to 1:6 in 1994. For planning purposes, it is estimated that about 280,000 farmers would receive extension under the RDIP. The average cost of providing extension per farmer per year would be around US\$60 equivalent; and
- (c) Training. The RDIP would cofinance with eligible organizations, such as ICA, the National Institute for Renewable Natural Resources (INDERENA), and the National Apprenticeship Services (SENA), training programs for SENA instructors, agricultural subject-matter specialists and some 1,870 extension technicians. Such training would include technology adaptation aspects, extension methodology, watershed management, fisheries development and marketing. These training programs would complement other more general courses for farmers, fishermen, community promoters, rural women, marketing agents and DRI community organizations (para. 3.19 and Annex 10). For planning purposes, some 1,218 subject-matter specialists and 1,870 extensionists are expected to be trained over the five years of the RDIP, and it is tentatively estimated that the specialized training would cost around US\$1,200 per course.

3.14 Watershed Management and Environmental Protection. The RDIP would cofinance watershed management and environmental protection projects with eligible organizations, mainly regional development corporations, coffee

producer committees, and departmental secretariats. These projects, located mainly in the Andean zone, would include investments to: (i) protect soils and vegetation in critical catchment areas to reduce erosion and help ensure that municipalities would have sustainable water for drinking and irrigation; and (ii) increase the sustainability of agricultural production through the application of environmentally sound agroforestry and soil conservation technologies by poor farmers living around catchment areas.

3.15 Typically, watershed management projects would cover an area of about 7,000 ha involving about 1,500 beneficiaries living in the area of immediate influence of the watershed. But over 32,000 people living in contiguous zones would benefit, depending on each watershed area. Eligible items to be cofinanced under such projects would depend on the problems identified, but it is expected that typical investments would include the establishment of agroforestry production systems, management and protection of natural forests, revegetation of deteriorated areas, and small conservation works for water and soil protection together with training and extension. RDIP would cofinance studies to prepare watershed management plans which would identify the problems and the investments and technical assistance needed to solve them. Consulting services would be cofinanced to ensure effective management of these projects along with the establishment of monitoring and evaluation systems by the implementing agencies. For planning purposes, it is estimated that the RDIP would cofinance projects covering about 84,000 ha and benefit directly or indirectly over 380,000 inhabitants in and around the small catchment areas in the Andean zone. Such watershed management projects to be developed over 4 to 5 years, would cost on average about US\$1.0 million equivalent each.

3.16 Fisheries. The RDIP would cofinance two types of fishery projects: (a) Aquaculture; and (b) CESPAS. For the aquaculture projects, the RDIP would contract eligible executing agencies, mainly, the National Fisheries Institute (INP), universities and regional development corporations to supply fingerlings and technology to help RDIP beneficiaries construct and manage their fish ponds efficiently. The cost of such contracts would include: (a) improvements and equipment to ensure sufficient supply of fingerlings from eight existing hatcheries; (b) training of subject-matter specialists and extensionists; (c) technology development, adaptation and research; and (d) technical assistance to farmers in fishpond construction and fish rearing and harvesting. The farmers would pay for all farm expenses, i.e., construction of the ponds, cost of fingerlings, and feed. For planning purposes, the cost of constructing fishponds, plus inputs would be in the range of US\$500 equivalent.

3.17 For the CESPAS projects, the RDIP would cofinance with specialized Government agencies and NGOs, integrated projects consisting of management and technical assistance services, equipment, and civil works. To be eligible for cofinancing from the RDIP, fishermen would need to form themselves into effective associations. To assist in this, training would be provided under the RDIP in marketing, technical aspects and management. To this end, it is expected that the RDIP would cofinance with eligible organizations to promote formation and training of fisherman associations. The most actively involved organizations would be: (i) the National

Association of Artisan Fishermen (ANPAC) to help promote formation of fishermen associations and monitor their progress; (ii) the Corporation Fund Associative Enterprises (CORFAS), an NGO, to organize the fishermen into producer and marketing associations; (iii) INP to help in the management of CESPAS; and (iv) depending on the needs of each CESPAS, the Colombian Company for Perishable Products (ENCOPER) for installing and operating cold storage equipment and provision of technical assistance for marketing. Typical investments for CESPAS would consist of simple facilities for landing, storing and marketing of fish, and technical assistance. Some 13 potential CESPAS projects have been identified by DRI, of which three have started operations in 1989, and two more are currently under construction. Since CESPAS is a part of a national program for helping fishermen, mainly in the Pacific coastal zones, some CESPAS's may not necessarily be located in the 602 DRI municipalities. Because DRI is already financing five CESPAS with funds not earmarked by the Government for the RDIP, it would not need Bank financing for 1990 and 1991. Furthermore, because of the inherent difficulties in organizing these fishermen into producer associations and preparing them to manage CESPAS, assurances were obtained during negotiations that DRI would not include in the AOP new projects until the five CESPAS projects have been evaluated. The evaluation, inter alia, would show the viability of each project and mechanism for recovering the operation and maintenance costs to sustain these projects (para. 6.01 (f)). In order for the assessment to be meaningful, CESPAS projects would need to have been in operation for at least two years. Eligible fishermen would, however, have access in 1990-1991 to training under Training and Community Organization Projects (para. 3.19). For planning purposes, it is estimated that a typical CESPAS would involve training, technical assistance, equipment and civil works costing between US\$0.5-1.0 million.

3.18 CESCOS. Marketing projects would support programs to construct and equip facilities in rural areas for marketing of food produced by poor farmers. Under the DRI I and II Projects, some 452 producers marketing organizations were established, of which 30 are regional entities, and about 180 are farm cooperatives. Furthermore, DRI has been instrumental in promoting the establishment of 22 associations of retail distributors/shopkeeper chains, which include about 253 stores and retail outlets in rural areas. Rural markets are part of a national marketing network consisting of CESCOS which DRI would cofinance under the RDIP. The CESCOS's are typically found in centrally located municipalities, in a rural region comprising 8 to 12 municipalities. Although CESCOS projects may actually be constructed outside the 602 DRI municipalities, they would service RDIP beneficiaries. The RDIP would cofinance CESCOS projects with marketing associations, municipalities and local organizations for the construction of collection centers, store houses and trading areas, processing equipment, as well as milk collection minicenters. Facilities for the CESCOS constructed by the municipalities, under the RDIP, would be contracted out to the private sector to be managed and operated in such a manner as to cover at least full operation and maintenance (O&M) costs. Because the CESCOS program is new and DRI has yet to acquire experience with such projects, assurances were obtained during negotiations that DRI would not include in the AOP, new marketing projects until the CESCOS projects to be financed by DRI in 1990 and 1991 have been evaluated satisfactorily to the Bank. The evaluation, inter alia would show the viability of each project and mechanism for recovering the O&M costs to

sustain each CESCOS project (para. 6.01 (f)). In order for the assessment to be meaningful, the CESCOS projects would need to have been in operation for at least two years. In addition to civil works and equipment, RDIP would also cofinance promotional activities and technical assistance to reduce post harvest losses and improve the quality of products. Technical assistance for this purpose would be obtained from the Research Center for Tropical Agriculture (CIAT) and others, as under earlier DRI projects. Marketing cooperatives and associations, as well as marketing agents, would have access to training related to marketing under the RDIP in 1990 and 1991 (under the Training and Community Organization Projects (para. 3.19). Retailers and wholesalers handling essential staple food under the responsibility of DRI would have access to technical assistance and training under the RDIP. For planning purposes, it is estimated that the average cost of a marketing center would be about US\$0.5 million; constructing a warehouse would be around US\$0.6 million; and a small single plant for storing milk would be about US\$2,000.

**3.19 Training and Community Organization Projects.** DRI would cofinance a range of training programs designed to develop community promoters to help organize DRI committees at the community, municipal and departmental levels, entrepreneurial skills, and courses in support of specific projects. For instance, specific courses would be given on how communities can organize themselves to maintain roads in their jurisdiction, provide agricultural extension, introduce watershed management techniques, protect their environment, manage marketing centers, and form and manage rural cooperatives or producers' associations, and how to bid for civil works in connection with rural roads, water supply and sanitation systems.

**3.20 Rural Women's projects.** The RDIP would cofinance special training and technical assistance programs with agencies such as ICA, SENA, the Colombian Institute for Agrarian Reform (INCORA) and some NGOs to help women groups form viable associations and establish small cottage enterprises, small restaurants, and fruit stalls. The RDIP would finance feasibility studies (para. 3.24) to help women's groups to prepare technically and financially sound income generating proposals so they could apply for credit for equipment, marketing etc., which would be provided through the Revolving Credit Fund for the Association of Rural Women (FRCAMC), the credit arm of CORFAS. Past experience with such programs has been very positive. ICA and INCORA have provided integrated technical assistance to over 17,000 women (approximately 800 groups) during 1984-1988 in DRI municipalities. CORFAS has similarly supported 31 groups with 340 beneficiaries. Overall, approximately 19,000 women (900 women's groups) have been assisted to date. The RDIP would continue these efforts by financing in 1990 training and technical assistance for 370 existing women's groups (part of the above-mentioned 900 women groups). An additional 130 women's groups would be expected to receive assistance through 1994. For planning purposes, it is estimated that the average cost of a training and technical assistance project would be roughly about US\$1,200 per course. The Bank has approved financing of Rural Women's Projects listed in the 1990 AOP. However, in order to ensure that the RDIP would continue to assist only needy groups, and that the women's groups who have already received adequate assistance under previous programs would be phased out of the RDIP, an assurance was obtained during negotiations that DRI would not include such projects in the 1991 AOP, until such time that it would complete a socioeconomic needs assessment survey of the women's

groups already formed, and submit an action plan satisfactory to the Bank, for providing additional assistance and/or for phasing out those groups which have already been helped and therefore could obtain financing from other sources. Terms of reference for this study have been approved and a draft report is expected in October 1990 (para. 6.01 (f)).

3.21 Rural Roads. The RDIP would cofinance with municipalities construction of rural roads, for connecting agricultural production centers with marketing centers. For planning purposes, it is estimated that DRI would cofinance the cost of designing, constructing and supervising some 261 roads with a total length of about 1,825 km. About 131 roads would be new, with a total length of 300 km; 65 roads would require major improvements of 516 km, and 65 roads would need minor improvements of 509 km. It is tentatively estimated that over 70% of all the roads would be less than 10 km. in length, and about 20% would be between 10 km and 25 km. For planning purposes, it is estimated that the average cost of construction of new roads would be roughly US\$49,000 per km, US\$29,000 per km for major road improvements and US\$13,000 per km for minor improvements.

3.22 In order to ensure a consistent approach with the procedures established under the Second Rural Roads Sector Project (Loan 3157-CO), DRI has agreed with the National Fund for Feeder Roads (FNCV) that it would use the same methodology for evaluating roads to be cofinanced under the RDIP (Letter of Agreement, FNCV-DRI dated November 8, 1989). To ensure adequate maintenance of roads, assurances were obtained during negotiations, that DRI would require that municipalities allocate and spend a fixed percentage of the cost of each road, on the basis of a road maintenance program, which would be prepared and costed during the design stage for each road project to be financed under the RDIP. Average estimates of expenditure for maintenances is 4%. The estimate of 4% equivalent has been calculated on the basis of methodology used by FNCV and is spelled out in document No. 33 listed in Annex 18. The procedures for calculating the percentages for road maintenance under the RDIP are spelled out in the Supplemental Letter which is attached as Appendix A. DRI's policy concerning road maintenance has been incorporated in the DRI's Operational Manual and the requirement for earmarking funds for the agreed level of maintenance would be detailed in the cofinancing and execution contracts for each road project under the RDIP. Municipalities which fail to maintain their roads would not be eligible to receive financing for new roads and related agricultural production projects (technology adaptation and extension, including marketing) in subsequent years. Assurances to this effect were obtained during negotiations (para. 6.01) (g)). Municipalities that fail to maintain roads would become eligible to present new projects for cofinancing under the RDIP only after taking corrective actions.

3.23 Water Supply and Sanitation. For planning purposes, it is estimated that the RDIP would cofinance with municipalities the construction of about 300 small water supply systems, and about 160 projects for improvement and expansion of existing water systems and sanitation projects in about 220 localities. Water supply and sanitation projects would be restricted to small rural communities with a maximum of 2,500 inhabitants. Typical water supply systems constructed under the RDIP would serve rural communities with an average of 960 people. Overall the water supply and sanitation projects are expected to benefit about 440,000 people. For planning purposes, the average cost of a typical water supply system serving about 960 people is estimated to cost US\$80,000, a smaller

gravity system serving about 320 people is estimated to cost US\$15,000, and a large new pumping system serving over 4,000 people, is estimated to cost US\$160,000. The sanitation projects would consist mainly of simple pit privies, each costing about US\$120 equivalent. For the same reasons given above, para. 3.22 (roads) DRI signed a Letter of Agreement (February 6, 1990) with the Fund for Financing Urban Development (FFDU), acceptable to the Bank, to ensure that the same technical and economic criteria used under the Water Supply and Sewerage Sector Project (Loan 2961-CO) would be applied in selecting and cofinancing projects for water supply and sanitation under the RDIP. The Letter of Agreement also spells out the institutional arrangements (compatible with the ongoing Water Project), which would be used under the RDIP for organizing the small rural communities for construction, and O&M of water projects. These aspects have been incorporated into the eligibility criteria for water supply and sanitation projects. Because of the planned merger of the FFDU into the Territorial Financing Development Organization (FDT), under the proposed Municipal Sector Development Project, under preparation by the Bank, an assurance was obtained during negotiations from the Government that arrangements stipulated in the above-mentioned Letter of Agreement would be maintained throughout the life of the RDIP (para. 6.01 (h)).

3.24 Strengthening of DRI and the Municipalities. The RDIP would finance consultants to help DRI with the following main activities: install and manage the accounting, budgetary, legal and monitoring systems, along with associated equipment and supporting software, vehicles and training of DRI staff, carry out the baseline and impact evaluation studies, the Graduation Policy, the Program Review, as well as other priority studies to be proposed to the Bank in the future. This technical assistance would strengthen DRI's capacity to coordinate and manage the implementation of the RDIP. Financing under the RDIP would complement extensive funding of consultants and equipment provided under the ongoing DRI II Project. DRI has already appointed consultants to introduce improved systems to enable the Bogota and the regional offices of DRI to plan and supervise the implementation of the RDIP. The bulk of RDIP financing for the municipalities would be for preinvestment studies (preparation of projects for inclusion in the RDIP (1991-1994)), but some limited training and technical assistance could be provided if necessary. The reason why the municipalities are not likely to require special assistance under the RDIP, is that they have already made, since the decentralization reforms have been announced, special arrangements with the Departmental Secretariats, local universities, the Superior School for Public Administration (ESAP), and with private consultants to help strengthen their planning and administrative capacity of investment projects. However, the RDIP has built-in flexibility to provide such assistance, if needed, but this would be done on a case-by-case basis. The training and technical assistance for the municipalities would be coordinated with the above-mentioned Municipal Development Project.

3.25 Status of Preparation: The 1990 Program. The 1990 AOP consists of 5,211 investment projects/technical assistance and training courses for a total of US\$46 million as follows: 279 technology adaptation and extension projects (US\$13.3 million); 3 watershed management and environmental protection projects (US\$1.0 million); 2 aquaculture projects (US\$0.9 million); 4,260 training events for communities officials from the municipalities and local marketing agents (US\$3.3 million); 370 rural



women's projects (US\$1.5 million); training of DRI staff (US\$0.08 million); 208 training courses for professionals in technology adaptation and extension (US\$0.5 million); 42 rural roads projects (US\$12 million); 41 water supply and sanitation projects (US\$10.8 million); and technical assistance and preinvestment studies (US\$3.0 million) for preparation of projects for inclusion in the 1991-1994 RDIP investment program.

3.26 Although agricultural credit would not be financed under the RDIP, the credit system has been reviewed and it has been confirmed that there is an adequate supply of funds in the financial system to meet the demand for RDIP beneficiaries (Annex 11). Estimates indicate that the projected maximum level of 280,000 RDIP beneficiaries would require about Col\$ 28 billion in new loans per year by 1993, representing about 7% of the total rural portfolio available. Therefore, no external financing for credit would be required under the project. DRI would obtain information on the availability of credit for its beneficiaries through the National System for Agricultural Credit (SNCA) which is expected to be operational in 1991.

3.27 Complementary discussions are underway between the Bank and Government in the area of financial sector reform to increase competition and efficiency; increase the ability of the financial system to mobilize resources and channel private savings into productive investment; and to foster the development of long-term credit and capital markets. The strategy for achieving these reforms is to focus on reducing the subsidized directed credit and eliminating the mandatory investments required of financial institutions. The program of reform under discussion with Government involves adjustment of interest rates to market levels, rather than on reductions in the volume of directed credit, since the financial sector distortions arise mainly from dispersion between directed and free market interest rates. Equality of rates is expected to promote the development of private long-term credit markets. More specifically, the strategy for the adjustment of the structure of interest rates on directed credit includes: (i) for the few remaining directed credit lines that still carry fixed interest rates, linking rates to final borrowers to a market reference rate (DTF); (ii) calculation and explicit recognition of the subsidy element inherent in each line of credit and for each of the subsectors; (iii) reduction in the variance of interest rates to final borrowers across lines and across sectors; and (iv) semi-annual or annual adjustments of interest rates to final borrowers over a four-year period to market rates (i.e. to commercial lending rates for loans of similar maturity and risk). Once directed credit rates to final beneficiaries are equal to market rates, the strategy would be to allow financial intermediaries to set their own margins on directed credit according to intermediation costs and risk.

### Project Costs

3.28 Total project costs are estimated at US\$250.0 million equivalent, with a foreign exchange component of US\$122.6 million, or 49% as summarized below (para. 3.29) and detailed in Annex 12. The cost figures shown for each of the projects in Annex 12 are estimates and are provided for planning purposes only. The final allocation would be determined by the annual demand from the rural communities and municipalities. Costs were calculated using January 1990 prices and include physical contingencies of 5% for all components. Because of the cofinancing arrangement for the RDIP

with IDB, Government projections for local and international inflation were used (Annex 13). These projections are very similar to those of the Bank, and provide for price contingencies of US\$26.1 million (10.4% of project cost). Physical and price contingencies together total US\$36.8 million, or 14.7% of total project costs. An estimated US\$12.5 million of local and other taxes are included in project costs.

### Project Financing

3.29 The proposed Bank loan of US\$75.0 million would finance 30% of total project costs, 50% of the project's incremental foreign exchange costs and 11% of local costs. The balance of project costs would be parallel financed by IDB, US\$75.0 million (30%), national Government (DRI's budget), US\$37.6 million (or about 15.1%); and municipalities and participating agencies, US\$62.5 million equivalent (or 25%). The Republic of Colombia would be the Borrower and bear the foreign exchange risk. The Government would make available the proceeds of the loan to DRI as a grant and DRI would pass it on to the municipalities also on a grant basis.

### Procurement

3.30 Procurement of goods, works and contracting of services financed by the Bank under the project would follow Bank procurement guidelines. These guidelines have been incorporated in DRI's Operational Manual, which would be used by municipalities and other implementing agencies as the basis for procurement made under the RDIP, including the cofinancing contracts between DRI and participating municipalities and agencies. Contracts for vehicles and equipment are expected to be individually small, and consequently no ICB operations are foreseen; however, should the situation arise, ICB procedures would be required for contracts exceeding US\$200,000 equivalent and would be subject to ex-ante review according to Bank guidelines. Contracts for equipment and vehicles valued between US\$25,000 and US\$200,000 equivalent, up to an aggregate of US\$0.7 million, would follow LCB procedures satisfactory to the Bank. Minor equipment valued at less than US\$25,000 equivalent, up to an aggregate of US\$0.2 million, would be purchased on the basis of price quotations from at least three eligible suppliers. Civil works, including engineering design, are expected to be individually small, geographically dispersed and spread out over time; they are therefore unlikely to attract international firms. Procurement of civil work contracts estimated to cost individually between US\$50,000 and US\$1.0 million equivalent, up to an aggregate of US\$61.1 million, would be carried out under LCB procedures locally advertised, acceptable to the Bank. Civil works contracts estimated to cost less than US\$50,000, up to an aggregate of US\$5.8 million, would be awarded on the basis of price quotations solicited from at least three qualified local contractors. If any civil works contract should exceed US\$1.0 million equivalent, ICB procedures will be required.

3.31 The selection and appointment of consultants for studies and technical assistance would be consistent with the August 1981 Bank Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency. During negotiations assurances were obtained that: (i) DRI and the municipalities and other eligible agencies would follow the procurement procedures outlined above; (ii) DRI would submit sample bidding documents for ICB and LCB for goods and works for

Bank approval; and (iii) prior to authorization of disbursements, DRI would submit for Bank review all procurement documentation related to ICB, and the documentation for the first two LCB operations for both goods and civil works (para. 6.01 (i)). Customary provisions taking into account discrepancies between local legislation and Bank guidelines for ICB and LCB have been incorporated in the Loan and Project Agreements respectively.

3.32 Given the differences in procurement policies and procedures between the Bank and the IDB, including the thresholds established by type of procurement, DRI would apply the appropriate procedures for each acquisition (i.e., the Bank or IDB's) as spelled out in the DRI's Operational Manual.

3.33 Because contracts, involving about 602 municipalities and various agencies, would be too small and numerous for effective ex-ante review by the Bank, such review would be delegated primarily to DRI, except in the event of ICB operations as stated above and for civil works valued at, or above, US\$0.5 million equivalent. DRI would review all procurement procedures, documents, bid evaluations and contract awards to ensure that the agreed procurement process is properly carried out. However, in order to ensure compliance with the procurement guidelines of the Bank, the Program Review scheduled for 1991 (para. 4.08) would be required to certify that procurement made under the RDIP is in accordance with the Bank guidelines. Furthermore, the Bank would review contracts during supervision on an ex-post basis by sampling.

PROCUREMENT METHOD

Project Elements	Procurement Method				Total Cost
	ICB	LCB	Other	N.A.	
	----- (US\$ million) -----				
Cofinanced Investment Projects		104.5 (61.1)	124.6* (5.8)	-	229.1 (66.9)
Machinery and Equipment	-	1.0 (0.7)	1.5* (0.2)		2.5 (0.9)
Technical Assistance and Training	-	-	18.4* (7.2)		18.4 (7.2)
<b>Total</b>		105.5 (61.8)	144.5 (13.2)		250.0 (75.0)

Note:

Figures in parenthesis are the respective amounts to be financed by the Bank.

\* Includes amounts to be financed by IDB and procured under its own procedures, and the Bank's shopping procedures.

### Disbursements

3.34 The proposed Bank loan of US\$75.0 million would be disbursed over seven and one-half years, based on the standard disbursement profile percentages for the Agricultural Sector in Colombia (except for the first and last semesters due to the existence of the Special Account). The Bank would reimburse DRI for expenses related to the institutional strengthening of DRI and the municipalities (estimated at US\$8.7 million), at a rate of 100% of foreign expenditures for equipment and vehicles, foreign consultants and training; 70% for locally procured vehicles and equipment and 70% for local training and local consultants. DRI's cofinanced investments with municipalities and agencies covering civil works, equipment, technical assistance and training would be reimbursed at a rate of 85% of DRI's share of contract costs (estimated at US\$66.9 million). All disbursements are expected to be made against statements of expenditures, except for equipment contracts valued at US\$200,000 or more equivalent, and all civil works contracts valued at, or above, US\$500,000 equivalent. The Bank and IDB would disburse US\$75.0 million each from their respective loans. During negotiations, an assurance was obtained that DRI would retain the pari passu provision for the duration of the RDIP, and that DRI would review annually, each September, the status of disbursements of both Banks to ensure that both the Bank and IDB loans disburse at the same rate (para. 6.02 (j)). The participating municipalities responsible for the procurement of goods and contracting of services would maintain SOE documentation. Retroactive financing of up to US\$7.5 million for eligible expenditures made after January 1, 1990, would be provided for under the loan. The project is expected to be completed by December 31, 1994. The Closing Date is December 31, 1995.

3.35 The Borrower would establish a Special Account in Banco de la Republica, in US dollars, to cover eligible Bank expenditures under the loan. A condition of effectiveness would be the signing of a Subsidiary Agreement between the Borrower and DRI under terms and conditions acceptable to the Bank (para. 6.02 (a)). The Bank would deposit up to an initial US\$5 million (representing the average expected disbursement for a four-month period in the project) upon receipt of an initial withdrawal application. Subsequent replenishments by the Bank into the Special Account would follow the normal procedures by which Bank funds would be disbursed against actual expenditures.

### Accounting and Auditing

3.36 As noted in para. 3.24, DRI's institutional strengthening provides for developing in DRI an integrated system of accounts and control, incorporating new procedures for financial management of projects (including chart of accounts, accounting forms, consolidation procedures, budgeting and budgetary control).

3.37 DRI would establish and maintain consolidated program accounts as well as other records that are needed to account for RDIP costs and financing. Similar separate accounts and records would be maintained by participating municipalities and agencies. Cofinancing contracts with municipalities and agencies would conform with the accounting and auditing procedures as provided for in DRI's Operational Manual, based on the audit

requirements set out in Annex 14. Such accounting procedures would be closely identified within DRI's accounting system and would be adequate to monitor the financial transactions for the RDIP, including local and Bank financing. The RDIP accounts, the special account, and related financial information, including supporting documentation for SOEs would be audited annually by the Government's Comptroller General in accordance with the Banks' auditing guidelines. In addition, the Comptroller General would carry out an audit of DRI's own accounts. During negotiations, assurances were obtained that certified copies of the audited consolidated RDIP accounts, audited special accounts in the Central Bank, including a separate opinion on the use of SOEs and audited DRI financial statements, would be submitted annually to the Bank not later than six months after the close of the financial year, starting with the audit reports for the fiscal year ending December 31, 1990 (para. 6.01 (k)). An assurance was also obtained during negotiations that if the financial audits identify significant irregularities in any participating municipality or agency, DRI would suspend disbursements to that party, and require special audits to be carried out to ensure that these irregularities have been resolved before disbursements are resumed (para. 6.01 (k)). These rules have been reflected in DRI's Operational Manual.

#### IV. RDIP IMPLEMENTATION

##### The Executing Agency - DRI

4.01 Organizational Structure. DRI is a decentralized agency of the MOA, with its own legal structure, administrative autonomy and assets. Its main office is located in Bogota and it has 21 regional offices throughout Colombia. Under the decentralized reform of 1987 (Decree 77), and under Decree 2428 of October 24, 1989, DRI has been restructured so as to give greater authority and responsibility to its 21 regional offices, consolidate the processing and budgeting system of RDIP regional offices with those of the municipalities, establish and maintain a system to transfer funds efficiently to the regional offices, develop a suitable monitoring system to keep track of RDIP projects, introduce a new project planning, programming and appraisal system and to build in the mechanism for impact evaluation of the RDIP. The restructuring has also involved creation of new functions and reorganization of management and operational arrangements within DRI as noted below (para. 4.06). Currently, DRI has a staff of 321 (102 professionals in Bogota, 105 in the 21 regions, and 114 support staff). During negotiations, assurances were obtained that Government would retain in DRI staff in numbers and positions in Bogota, and the regional offices, satisfactory to the Bank, for the efficient implementation of the RDIP (para. 6.01 (l)).

4.02 DRI's organization in Bogota consists of the Board of Directors (chaired by the Minister of Agriculture), the General Manager, appointed by the President of the Republic; six support offices (Legal, Communications, General Secretariat (including the Administrative Division), Organizational Development Office (responsible for the Personnel and Welfare Division and the Human Resources Development Division) and the Methods and Systems Office; and the three main operational offices (Planning, Operations and Finance). Each of the three operational offices is headed by an Assistant

Manager, who is responsible for the technical and operational aspects. Supporting these offices are eight divisions (Programming, Policy Analysis and Program Evaluation, and Statistics; Technical and Control of Operations; Programming and Analysis, Budgeting and Accounting, and Treasury). The 21 regional offices, are each supported by Administrative Units and Technical, Operational and Finance Units (Annex 15).

4.03 The General Manager would be responsible for overall management of DRI activities, and he/she would be assisted by the Secretary General (General Secretariat). A Management Committee, chaired by the General Manager and consisting of the Secretary General and three Assistant Managers and Chiefs of the four offices meet once a week to review the programming and execution of the annual budget and of the AOP, to assess progress of the investment program. This would continue under the RDIP.

4.04 Operational Procedures. DRI's office in Bogota would be responsible for programming, controlling and managing RDIP financial resources, as well as technical backstopping for the regions. The Bogota office would discharge these responsibilities through the three Assistant Managers' Offices: Planning would be responsible for the overall programming of the investments, controlling, monitoring and evaluation of the RDIP, analysis of DRI policies in rural areas, and for managing the information and statistical systems; Operations would be the key office for the RDIP. It would be responsible for the technical aspects of each of the investment projects and it would oversee and assist the 21 regional offices with the preparation of the AOP; and Finance would be responsible for preparation of the budget, its programming and analysis, processing of disbursements, accounting and auditing. Three divisions support the Operations Office: (a) the Technical Division would have the technical staff to provide the necessary technical backstopping for the regional offices for all the investment projects under the RDIP; (b) the Control Division would provide the overall coordination with the regional offices; and (c) the Administrative Division would act as the secretariat to the Board for bidding and procurement and it would also help the regional offices in the management of procurement. Since DRI's Board of Directors consists of representatives from the decentralized organizations in the agricultural sector, this would make it easier to coordinate RDIP investments. This would be particularly the case for technology adaptation and extension, watershed management, environmental protection, fisheries and rural women's projects where programs are managed by other decentralized entities. DRI would coordinate its investments in roads through the Technical Council for Regional Coordination and with the FFDU in respect of the water supply and sanitation projects.

4.05 DRI's regional offices would interact with the DRI committees and the municipalities in screening projects for inclusion in DRI's Annual Investment Plan. The 21 regional offices would also play the central role in processing projects through the appraisal, approval and supervision stages. Most importantly the regional directors would be responsible for actual approval and signing of cofinancing contracts for investment projects (with a maximum of cofinancing from DRI up to US\$50,000 equivalent), and assisting the municipalities in the identification, preparation and execution of projects. They would also coordinate the execution of the RDIP with other national and local entities. The Program Review (para. 4.08) would among other things, assess if the US\$50,000

equivalent approval authority of the regional offices is adequate for the efficient implementation of the RDIP.

4.06 During the last six months, DRI has introduced a number of significant changes to strengthen its management and information system to help with implementation of the RDIP as follows:

- (a) RDIP Coordination. To further strengthen DRI's capacity, the Assistant Manager for Operations has been appointed as the full-time RDIP Coordinator and two professional staff have been appointed to assist him. Assurances were obtained during negotiations that this group of professionals would be retained, on a full-time basis, for the duration of the RDIP to oversee the implementation of the RDIP (para. 6.01 (m)). The main responsibilities of the Coordinator would be to integrate the planning, operation and financial programming for the RDIP in Bogota, to synchronize these plans with the implementation programs which would be managed by the regional offices, and to screen proposals and any technical documents prior to their submission for Bank's review and approval. The Coordinator's Office would also do trouble-shooting and be responsible for resolving outstanding operational problems.
- (b) Training. An Ad Hoc Training Committee has been established under the chairmanship of the Assistant Manager for Operations and the RDIP Coordinator in order to coordinate the multifacet training programs to be supported under the RDIP. The project provides for a consultant for a three-month assignment to help DRI develop training strategies, negotiate with the national training entities, formulate training programs for DRI staff, prepare the supervision reports and review and coordinate the training of environmental aspects. During negotiations, an assurance was obtained that DRI would hire, by September 30, 1990, a consultant, with qualifications satisfactory to the Bank to assist the Ad Hoc Training Committee of DRI. Such consultant would be employed by DRI for at least a three-month term each year in the period 1990-93 (para. 6.01 (n)). The need for further assistance beyond 1993 would be based on the recommendations of the Program Review (para. 4.08).
- (c) Watershed Management and Environmental Protection. A section has been established within the Special Projects Division of the Operations Office to assist in coordinating within DRI all the environmental aspects of RDIP projects. It would coordinate its activities with the Section for Technology Adjustment within the Division for Agricultural Development. This section would be strengthened with the addition of part-time consultants. DRI has appointed two consultants to assist this section review and to further prepare watershed management projects for 1990 and assurances were obtained during negotiations that these consultants would be retained for one to three months, as necessary, in each of the subsequent years, for the duration of the RDIP (para. 6.01 (o)). Also, an assurance was obtained that DRI would contract a consultant with qualifications and terms of reference satisfactory to the Bank to assist in carrying out

environmental assessments for the watershed management projects (para. 6.01 (p)). It is envisaged that the consultant would work part time for about three months each year for the duration of the RDIP.

- (d) Planning and Programming, a Technical Preinvestment Committee, under the Chairmanship of the Assistant Manager, Operations, has been established to provide technical backup for the regional offices to strengthen their capacity to review and analyze economic aspects of projects. DRI has appointed three economists to the Operations Office of DRI to monitor procedures and to ensure that eligibility criteria are followed in processing the 1991-1994 projects. An assurance was obtained that DRI would retain these professionals for the duration of the RDIP (para. 6.01 (q)).

#### Monitoring, Program Review, Impact and Environmental Evaluations

4.07 DRI would establish a monitoring system to track the processing of projects through the entire project planning, execution and supervision cycle (Annex 16). The monitoring system would permit management to keep tabs on progress and to provide early warning of implementation problems, including environmental aspects. Monitoring reports at the project level will be prepared by the "Interventoria" for civil works projects, and the executing agencies for all the other types of projects. During negotiations, assurances were obtained that as a condition of effectiveness, DRI would have established and put into operation a monitoring system, and provided the Bank with methodologies for the impact evaluation studies and baseline surveys and would have hired consultants to carry out the first baseline survey on the basis of terms of reference and conditions satisfactory to the Bank, (para. 6.02 (b)). An assurance was also obtained that the first baseline survey would be completed by June 30, 1991, and would be followed by a second survey to be done by June, 1995 (para. 6.01 (r)). Both surveys would be used for carrying out the impact evaluation to assess the socioeconomic benefits derived from the RDIP. During negotiations, assurances were obtained that DRI would hire consultants by June 30, 1995, with qualifications and under terms and conditions satisfactory to the Bank to carry out the second baseline survey and the impact evaluation by October 31, 1995 (para. 6.01 (r)). In addition to periodic reviews, the impact evaluation would provide information on which to modify the DRI program as necessary.

4.08 In addition, during negotiations assurances were obtained that DRI would submit annual progress reports to the Bank by September 30 of each year in conjunction with the AOP, and brief progress reports of two to three pages identifying the major issues/problems in the planning and implementation of the RDIP, by August 31 and February 28 of each year (para. 6.01 (s)). The issues/problems to be identified in these reports would cover, inter alia, provision of counterpart funds, including provision of IVA funds, cost recovery, maintenance of roads, environmental problems, the pace of technology adaptation and the effectiveness of research and extension services, preparation of the AOP, and other serious problems with implementation, etc. This information would help the Bank to plan and decide together with DRI and the IDB on the timing and composition of supervision missions. Moreover, in order to enable a timely assessment of progress of the RDIP's implementation and to ensure that corrective



actions are taken, an assurance was obtained during negotiations from Government that the Agricultural Studies Unit in DNP would prepare the terms of reference, identify and contract consultants with qualifications, under terms and conditions satisfactory to the Bank, to undertake the Program Review of the RDIP by August 31, 1992. Thereafter, DNP would submit to the Bank the consultants' report and recommendations by October 15, 1992, and by November 31, 1992, prepare and send to the Bank an action plan based on the report, and thereafter ensure that DRI shall implement the action plan to correct deficiencies (para. 6.01 (t)). The Program Review would inter alia include an assessment of the appropriateness of DRI operational procedures and the efficiency of their application by municipalities and other implementing agencies. Annex 17 provides details of the scope and content of the Program Review and the technical and economic evaluation of specific projects (CESCOS, CESPAS, training and environmental aspects.

4.09 Environmental Impact. An environmental impact evaluation study, financed by IDB, was prepared and its recommendations have been incorporated into RDIP's design. In addition, as noted in para. 4.06 (c), DRI has established a Watershed Management and Environmental Protection Section in the Special Projects Division of the Operational Complex to screen projects for their likely environmental impact and to oversee the implementation of such. The staff in the regional offices would supervise the environmental aspects of each project and the brief progress reports referred in para. 4.11 would spell out issues/problems encountered in respect to the compliance with the environmental criteria for each project. Already in screening the 1990 RDIP projects, DRI removed 10 of the 42 roads projects and 29 of the 31 water supply and sanitation projects, respectively, pending the outcome of a detailed environmental evaluation for each. DRI gives strong emphasis to training programs in environmental aspects for DRI staff, elected municipal officials, staff in the executing agencies (technology adaptation and extension) and DRI communities.

## V. PROJECT BENEFITS AND RISKS

5.01 Benefits. The major benefits of the RDIP would be: first, reduced rural poverty by increasing employment and incomes of about 280,000 poor farmers, fishermen and rural women through access to improved agricultural technological packages, with strong support of extension services and complimentary marketing facilities, as well as training, and technical assistance to promote small-scale enterprises to increase employment and incomes. At full development, the RDIP would utilize annually an estimated incremental labor force of 53,100 man-years equivalent; second, improved living standards of rural poor in 9,000 communities through access to safe drinking water and sanitation services, as well as rural roads to connect their villages with production and marketing centers; third, enhanced sustainability of investments through more active involvement of rural communities in the identification of development projects and their operation and maintenance during implementation; fourth improved soil management practices in strategically located watersheds in the Andean region to safeguard the environment; and fifth strengthened DRI's capacity to plan, prepare, appraise and supervise

rural development projects, and the enhanced capacity of the municipalities to cofinance and administer such projects.

5.02 At full development (Year 7), the annual incremental production generated by the RDIP is estimated as follows:

Products	National Production 1989 ('000 ton)	RDIP Incremental Production and Area at Full Development ('000 ton and '000 ha)		RDIP
				Incremental Production at Full Development as % of the 1989 National Production
<b><u>Agricultural</u></b>				
Rice	1992	18	9	1
Maize	1052	307	154	29
Beans	99	6	30	7
Potatoes	2500	159	-2	6
Plantain	2500	559	37	22
Cassava	1236	355	23	29
Panela (non-centrifugal sugar)	1244	116	2	9
Cocoa	57	3	-	5
Sesame	7	2	5	37
<b><u>Livestock</u></b>				
Milk (m. liters)	3610	142	N.A.	4
Beef (carcass weight)	634	33	N.A.	5
Pork (dressed weight)	119	10	N.A.	9

5.03 At full development and at farmgate prices utilized in the financial analysis, the total value of the annual incremental production generated is estimated at about US\$180 million (in constant January 1990 terms), of which about 60% would be from annual crops, 20% from semi-permanent and permanent crops, and 19% from livestock activities.

5.04 It is estimated that only 7% of the value of production would be consumed on the farm. The rest, which would consist of a wide range of commodities, would be sold in the local markets or outside the project areas. Overall, project incremental production would represent a small proportion of national production, except for corn and cassava. No particular marketing problems are expected.

ILLUSTRATIVE FARM MODELS

Region/Climate	1 Andean Moderate	2 Andean Moderate	3 Andean Moderate	4 Andean Cold	5 Andean Cold	6 Coast Hot	7 Coast Hot
Total Annual Cultivated Area (ha)	6.8	2.4	4.3	3.3	3.7	5.6	28.4
Livestock (ha)	1.7	0.9	2.1	0.7	4.2	4.5	10.9
Woodlot (ha)	0.1	-	1.8	-	0.5	1.1	8.3
Year of Full Development	8	10	12	10	7	14	11
Annual Income After Debt Service <sup>1/</sup>							
(a) Without Project							
- Remuneration Family Labor	200	212	273	190	273	300	390
- Onfarm Consumption	49	127	114	83	79	111	96
- Cash Surplus	361	451	367	350	607	664	970
Total	610	790	754	623	1039	1165	1456
(b) With Project at Full Development							
- Remuneration Family Labor	237	273	254	193	273	300	390
- Onfarm Consumption	49	128	129	110	79	111	96
- Cash Surplus	1684	710	1694	616	1460	1599	3858
Total	1290	1111	1477	919	1812	2100	4344
Income per Capita							
(a) Without Project	59	73	60	57	112	102	159
(b) With Project at Full Development	164	116	179	101	239	262	632

<sup>1/</sup> Income figures in local currency (Col\$ '000) at January 1988 constant prices.

5.05 The projected farm development is based on the assumption that the farmer would phase the start of development of various activities over a period of three to four years. For each activity, yields and associated production costs have been projected to increase progressively to their full development level over a period of seven years. Incremental production will involve an expansion of 258,000 ha plus productivity increases in the same land. For instance, in the case of corn, gross changes on yields were estimated to be three times greater than area increments, while cassava has a tenfold relationship of yield increase to area expansion.

5.06 Improvements in agriculture would not require major investments: (a) for crops, they would involve mostly: (i) intensification of land use through reduction of areas under fallow, increase in areas under multiple cropping, and when permitted by topographic conditions, increase in area cultivated; (ii) increases in yields through the adoption of measures and packages developed by the ZTPD, including better land preparation; optimum crop population; use of certified seed of improved varieties; control of weeds, insects and diseases; rational use of inputs and improved post-harvest handling; and (iii) erosion control through planting of trees and

the adoption of simple soil and water conservation practices and minor soil protection works; and (b) for livestock, this would involve development of family herds of dual-purpose cattle and a whole range of minor species; and the purchase of animals and other inputs necessary to ensure their adequate nutrition, health and management.

5.07 Economic Rate of Return. The economic rate of return for the productive projects of the RDIP, which account for over 30% of total RDIP cost, is estimated at 16%. The economic rate of return of the infrastructure projects cannot be readily quantified, but DRI's screening process (Eligibility Criteria) provides that such projects would not be approved for cofinancing unless they have an economic rate of return higher than 12%. CESCOS and CESPAS projects will have to yield positive financial returns after repayment of outstanding loans, O&M expenses plus allowances for depreciation. The arrangements for cost recovery of O&M in respect of water supply and sanitation projects would be the same as those already practiced under the ongoing Water Supply and Sewerage Sector Project (Loan 2961-CO). The practice under the Water Supply Project is for each community to maintain and operate the completed water supply system.

5.08 Risks. The main risks related to the degree to which some of the benefits mentioned above, may not fully materialize during the first five-years of the RDIP because of the inexperience and limited capacity of DRI and the municipalities to objectively select and implement projects, notwithstanding the screening procedures (Eligibility Criteria). This is particularly relevant to rural roads, water supply and sanitation, CESCOS and CESPAS projects. Also, RDIP's implementation may take longer than planned because procedures, especially the arrangements for cofinancing between the municipalities and DRI are new, and may need a longer gestation to be put into operation effectively. Although there is adequate capacity in Colombia to produce technological packages and to provide extension services, a related risk concerns the capacity of executing agencies to prepare and implement technology adaptation and extension in a coordinated manner and at a satisfactory pace. It is also possible that it may take longer to generate the technological packages than envisaged to bring about the projected production and yield increases, and the improvements for fisheries and watershed management projects. To reduce these risks the following safeguards have been incorporated in the RDIP. DRI would provide the Bank an Operating Plan annually for review of the projects before their implementation. Also, the Government would undertake, before the end of 1992, with the help of outside consultants, an in-depth assessment (Program Review) of the overall effectiveness of DRI's appraisal and supervision of projects, as well as the overall effectiveness of management and coordination of the RDIP including, inter alia, the effectiveness of research and extension services in order to correct weaknesses in implementation. Separate evaluations would be done on CESCOS, CESPAS, training and environmental aspects of the program. The CESCOS and CESPAS projects would not be eligible for financing under the project until shown by the evaluation to be viable and sustainable. To reduce the risks further, DRI's management and operational system have been strengthened prior to the initiation of the RDIP, especially through a major restructuring of functions and through delegating greater authority to regional offices, installing new budgetary, financial controls and information systems, and training of staff. Additional intensive technical assistance and training would be provided to further strengthen planning and implementation capabilities of DRI and the municipalities during execution of the RDIP. This would be complemented by intensive supervision by the Bank and IDB especially during the first two years. IDB's Resident Mission

in Colombia, as part of its operational practice would carry out on-the-spot intensive supervision, on the basis of a supervision plan agreed with the Bank. The Resident Mission would produce a supervision report once every three months for review by the Bank and both Banks would use this report to decide what additional supervision would be required.

## VI. AGREEMENTS REACHED AND RECOMMENDATIONS

6.01 It was agreed that:

- (a) the Government has provided evidence, satisfactory to the Bank, that the processing time of DRI's reimbursement requests have been reduced to 40 days and assurances were obtained that the new procedures would be maintained for the duration of the RDIP (para. 2.11);
- (b) the Government through DNP would: (i) undertake a study not later than August 1991 to develop a graduation policy for phasing out the municipalities from RDIP, as they improve their finances and become more creditworthy; (ii) submit the report and recommendations to the Bank for comments by January 31, 1992; and (iii) the Government shall ensure that DRI shall introduce the Graduation Policy by September 30, 1992 (para. 3.10);
- (c) DRI would submit an AOP to the Bank for review and comment by September 30 of each year, and that inter alia, the Operating Plan would detail the status on preparation and cost of projects, as well as identify those projects requiring environmental studies and it would include only projects in areas where security considerations would not impede the normal Bank supervision (para. 3.11);
- (d) The Government shall cause ICA to: (a) submit by September 30, 1990, an action plan and timetable satisfactory to the Bank for establishing the additional 19 CRECEDS; and (b) thereafter implement the action plan (para. 3.13 (a));
- (e) the Government would: (i) submit for the Bank's comments by September 30, 1991, a plan of action and the timetable for phasing ICA out of extension by 1992; (ii) maintain arrangements satisfactory to the Bank for providing extension to RDIP beneficiaries (para. 3.13 (b));
- (f) DRI would not include in the AOP, CESPAS and CESCOS projects, until such time that it would submit evaluations, satisfactory to the Bank, for each of those projects which it had financed from its own resources. The evaluation, inter alia, would show the viability of each project and mechanism for recovering the O&M costs to sustain these projects; and in respect of rural women projects, until it would carry out a socioeconomic needs assessment survey of the women's groups already formed and submit an action plan, satisfactory to the Bank, for providing additional assistance and for phasing out the groups which could obtain

financing from other sources (paras. 3.17, 3.18 and 3.20 respectively);

- (g) DRI would require that municipalities allocate and spend a fixed percentage per year for maintenance of roads cofinanced under the RDIP on the basis of a road maintenance program for each road project which would be prepared and costed during the design stage for each road to be financed under the RDIP, and DRI would not finance new roads and related agricultural production projects (technology adaptation and extension, including marketing), in subsequent years for municipalities which have not complied. Average estimate of expenditure for maintenance is 4% (para. 3.22);
- (h) arrangements stipulated in the Letter of Agreement between DRI and the FFDU would be maintained for the duration of the RDIP (para. 3.23);
- (i) (i) DRI and the municipalities and other eligible agencies would follow the procurement procedures satisfactory to the Bank; (ii) DRI would submit sample bidding documents for ICB and LCB for goods and works for Bank approval; and (iii) DRI would submit for Bank review all procurement documentation related to ICB and to the first two LCB operations for both goods and civil works prior to authorization of disbursements (para. 3.31); and (iv) the Bank would review civil works valued at the above US\$0.5 million equivalent (para. 3.33);
- (j) DRI would make suitable arrangements to ensure that both the Bank and IDB loans disburse at about the same rate, and review annually, each September with the Bank, the status of disbursements of both Banks (pari passu provision) (para. 3.34);
- (k) certified copies of the audited consolidated RDIP accounts, audited special accounts in the Central Bank, including a separate opinion on the use of SOEs and audited DRI financial statements, would be submitted annually to the Bank not later than six months after the close of the financial year, starting with audit reports for the fiscal year ending December 31, 1990 (para. 3.37); and that if the financial audits identify significant irregularities in any participating municipality or agency, DRI would suspend disbursements to that party, and require special audits to be carried out to ensure that these irregularities have been resolved before disbursements are resumed (para. 3.37);
- (l) the Government would retain in DRI, staff in numbers and positions in Bogota and in the regional offices, satisfactory to the Bank, for the efficient implementation of the RDIP (para. 4.01);
- (m) DRI would retain the Assistant Manager for Operations (RDIP Coordinator) and the two professional staff on a full time basis, for the duration of the project to oversee the implementation of the RDIP (para. 4.06 (a));

- (n) DRI would hire by September 30, 1990, a consultant, with qualifications satisfactory to the Bank to assist the Ad Hoc Training Committee of DRI. Such consultant would be employed by DRI for at least a three-month period each year in the period 1990-1993 (para. 4.06 (b));
- (o) DRI would retain for one to three months as necessary, in each of the subsequent years for the duration of the RDIP, two consultants to help with the preparation of watershed management projects (para. 4.06 (c));
- (p) DRI would contract a consultant to assist in carrying out environmental assessments for the watershed management projects (para. 4.06 (c));
- (q) DRI would retain for the duration of the RDIP the three economists appointed to the Operations Office to monitor procedures and to ensure that eligibility criteria are followed in processing of the 1991-1994 projects (para. 4.06 (d)).
- (r) DRI would complete the first baseline survey by June 30, 1991 and it would hire consultants by June 30, 1995, with qualification and under terms and conditions satisfactory to the Bank, to carry out the second baseline survey and the impact evaluation by October 31, 1995 (para. 4.07);
- (s) DRI would submit annual progress reports to the Bank by September 30 of each year, in conjunction with the Operating Plans, and brief progress reports of two to three pages identifying the major issues/problems in the planning and implementation of the RDIP, by August 31 and February 28 of each year (para. 4.08); and
- (t) the Government through DNP would prepare the terms of reference, identify and contract consultants with qualifications, and under terms and conditions satisfactory to the Bank, to undertake the Program Review of the RDIP by August 31, 1992. Thereafter, DNP would submit to the Bank the consultants' report and recommendations by October 15, 1992, and by November 30, 1992, prepare and send to the Bank an action plan based on the report, and thereafter ensure that DRI shall implement the action plan to correct deficiencies (para. 4.08).

6.02 The following would be Conditions of Effectiveness:

- (a) the Government has signed a Subsidiary Agreement with DRI under terms and conditions acceptable to the Bank (para. 3.35); and
- (b) DRI has established and put the monitoring system into operation; has provided the Bank with a detailed proposal for an impact evaluation methodology and the baseline surveys methodology; and has hired consultants to carry out the first baseline survey, on the basis of terms of reference and conditions satisfactory to the Bank (para. 4.07).

6.03 Subject to the above, the project provides a suitable basis for a Bank loan to the Republic of Colombia for US\$75.0 million equivalent; the terms would be 17 years including a five-year grace period at the standard variable interest rate.



COLOMBIA

RURAL DEVELOPMENT INVESTMENT PROGRAM (RDIP)

The Decentralization Reforms and Their Implication for the RDIP

1. Colombia introduced sweeping decentralization reforms (1986-1989) giving more authority and responsibility to the municipalities and local communities over economic development programs in their jurisdiction. Decree 77, passed in early 1987, was the center piece of the decentralization reforms. It made the municipalities responsible for providing the essential services instead of the Central Government. The main services are: secondary and tertiary rural roads, water supply and sanitation, agricultural extension and marketing. The same Decree provides for the municipalities to prepare a two-year Development Plan and an annual investment program composed of specific projects. Each municipalities has established a Municipal Projects Bank which serves as a registry of all the priority investment projects identified by the communities. Projects must be registered in a Municipal Projects Bank to have access to budgeting resources from the municipalities and the Central Government.

2. Decree 77 provides for the decentralization reforms to be implemented jointly between the Central Government and the municipalities. DRI has been given the main responsibility for jointly financing (cofinancing) with the municipalities projects in agricultural extension, rural roads and water supply and sanitation projects. It has also been given the responsibility for cofinancing marketing, fisheries, watershed investment, rural woman and training projects.

3. Realignment for Rural Roads. As noted above, Decree 77 shifts the responsibility for constructing and maintaining Colombia's secondary and tertiary roads, classified as "municipal", to the local governments. The new regulations requires that the National Fund for Rural Roads (FNCV) cease undertaking construction and maintenance of roads in all urban centers corresponding to departmental capitals, construction, repair and maintenance of local feeder roads only when municipal cofinancing is secured in the same subsector.

4. In practice, FNCV, in addition to offering matching grants, will continue to administer civil works in the feeder roads subsector in all but the major urban centers for the foreseeable future. Nonetheless, local governments are free to finance and manage projects in feeder roads as they see fit. Given that the municipalities have had limited experience in managing rural roads construction, substantial preparatory work needs to be undertaken before they can effectively take over these functions. Hence, it is essential for FNCV to program technical assistance components to prepare local governments for gradually taking over management responsibilities, firstly for maintenance and repairs, and ultimately for construction.

5. Aside from some 25,000 km of road legally defined as the national network, there is no clear definition of which segments of the secondary and tertiary systems belong to departments or to municipal governments. The Central Government is expected to come up with a legal definition of 'municipal' roads after the ongoing exercise in functional-jurisdictional classification of roads is completed. Presently, no such definition exists.

6. The Ministry of Public Works is now also undertaking an inventory of the condition of roads and a functional-jurisdictional road classification for all networks other than national highways. Additionally, under a recent Bank appraised project, FNCV will also carry out a municipality-by-municipality inventory of road maintenance capacity at the local level. This exercise will provide critical information for drawing up an orderly time-bound program for developing local capacity and for shifting full maintenance and management responsibilities to local governments.

7. Realignment for Water Supply and Sanitation. With the promulgation of Decree 77 (1987), local governments have assumed primary responsibility for providing drinking water and sewerage services. The National Institute for Municipal Development (INSFOPAL), a national agency which had been providing these services to 460 municipalities across the country was to be dismantled by December 31, 1989. Likewise, the Basic Rural Sanitation Division (BRSD) of the National Health Institute (INS), in charge of rural water supply and the administration of the National Program for Basic Rural Sanitation (PAS) was to be dissolved by mid-1988. To replace INSFOPAL and BRSD, a Directorate for Water Supply and Basic Sanitation (DWSBS) was to be established in the Ministry of Public Works and Transport to serve as the sectors' primary technical support entity with responsibilities for sectoral planning, setting and enforcing of technical standards, research, and technical assistance to regional operating companies.

8. Marketing. Decree 77 has expanded DRI's responsibility in marketing by directing it to promote and coordinate association of small rural and urban retailers for the implementation of programs to provide staple foods, supply warehouses and coordinate and cofinance food security programs at the national district or local level. DRI is expected to get greater technical support from the Ministry of Agriculture which established the Directorate General of Marketing (expected to begin operations in 1990) to formulate, analyze and monitor sectoral policies and exercise budgetary control over some marketing programs (Decree 501).

9. Finances. Decree 77 is a further development of Law No. 12 (approved in 1986) which provides for transferring to the municipalities about 50% (from 30% in 1985) of the total revenues the Central Government will collect in 1992 from the National Sales Tax (IVA) (Annex 5). A large portion of these resources would be used as counterpart funds for financing projects in the RDIP. In addition, Law 78 of 1986 authorized the election of mayors, once every two years by a popular vote, instead of their being appointed by the Governors. Elections were held in March 1988 and 1990.

10. Complementary to the new yearly investment planning provided under Decree 77, the Government introduced a new national budget system and, to make the agricultural credit system more efficient, as well as more responsive to the needs of small farmers, a new agricultural credit system has been approved. The new budgetary system provides for submission of only one budget to Congress before July 20 each year, including the National Government and the public agencies together. At present, the budget of the National Government and the public agencies are presented separately, before July 20 and before September 10, respectively.

11. The one year advance planning and budgeting program coupled with the requirement that specific provisions be made to earmark counterpart funds for all externally financed projects in the budget should facilitate the programming and provision of counterpart funds for projects to be financed under the RDIP. The counterpart funds from the Central Government budget will be disbursed monthly, and the IVA funds to the municipalities will be released in six annual instalments, beginning in February each year, for approved projects. These arrangements are expected to solve the problems of slow approval and delays in provision of counterpart funds, as encountered under DRI I and DRI II projects.

COLOMBIARURAL DEVELOPMENT INVESTMENT PROGRAM (RDIP)802 DRI Municipalities

DEPARTAMENTO	MUNICIPIO	1 = Already in Program 2 = New	DEPARTAMENTO	MUNICIPIO	1 = Already in Program 2 = new
ANTIOQUIA	ABEJORRAL	1	ANTIOQUIA	ALEJANDRIA	2
	ANGOSTURA	1		ABRIAQUI	2
	BELMIRA	1		ANTIOQUIA-SANTA FE	2
	CARMEN DE VIBORAL	1		ANZA	2
	CISNEROS	1		BRICENO	2
	COCORNA	1		CAICEDO	2
	CONCEPCION	1		CAMPAMENTO	2
	DON MATIAS	1		CANASGORDAS	2
	ENTRERRIOS	1		DABEIBA	2
	GRANADA	1		EBEJICO	2
	QUARNE	1		FRONTINO	2
	GUATAPE	1		GIRALDO	2
	LA UNION	1		GOMEZ PLATA	2
	MARINILLA	1		LIBORINA	2
	PENOL	1		OLAYA	2
	RIONEGRO	1		SABANALARGA	2
	SAN PEDRO	1		SAN RAFAEL	2
	SAN ROQUE	1		SANTUARIO	1
	SAN VICENTE	1		SOPETRAN	2
	SANTA ROSA DE OSOS	1		URAMITA	2
	SANTA DOMINGO	1		URRAO	2
	YARUMAL	1		SONSON	1
	YOLOMBO	1			
ATLANTICO	BARANOA	1	ATLANTICO	CAMPO DE LA CRUZ	1
	CANDELARIA	1		JUAN DE ACOSTA	1
	LURUACO	1		MANATI	1
	PONEDERA	1		REPELON	1
	SABANALARGA	1		SANTA LUCIA	1
	SUAN	1		BARRANQUILLA	2
	MALAMBO	2		PALMAR DE VARELA	2
	PIOJO	2		POLO NUEVO	2
	SABANAGRANDE	2		SANTO TOMAS	2
	TUBARA	2			

DEPARTAMENTO	MUNICIPIO	1 = Already in Program 2 = New	DEPARTAMENTO	MUNICIPIO	1 = Already in Program 2 = new
BOLIVAR	CARMEN DE BOLIVAR	1	BOLIVAR	MAGANGUE	1
	MAHATES	1		MARGARITA	1
	MARIA LA BAJA	1		MONPOS	1
	SAN FERNANDO	1		SAN JACINTO	1
	SAN JUAN NEPONUCENO	1		TALAIGA NUEVO	1
	ARJONA	2		CALAMAR	2
	CARTAGENA	2		CORDOBA	2
	EL GUAMO	2		SAN ESTANISLAO	2
	SANTA CATALINA	2		SANTA ROSA	2
	SOPLAVIENTO	2		TURBACO	2
	TURBANA	2		VILLANUEVA	2
	ZAMBRANO	2			
BOYACA	ALMEIDA	1	BOYACA	BELEN	1
	BOAVITA	1		BOYACA	1
	CALDAS	1		CERINZA	1
	CHINAVITA	1		CHIQUINQUIRA	1
	CHIQUIZA	1		CHISCAS	1
	CHITARAQUE	1		CHIVATA	1
	COCUY	1		COMBITA	1
	CORRALES	1		CUCAITA	1
	DUITAMA	1		EL ESPINO	1
	FIRAVITOBA	1		FLORESTA	1
	FLORESTA	1		GAMEZA	1
	GAMEZA	1		GARAGOA	1
	GUACAMAYAS	1		QUATEQUE	1
	QUAYATA	1		GUICAN	1
	IZA	1		JENEZANO	1
	LA CAPILLA	1		LA UVITA	1
	MACANAL	1		MONIQUIRA	1
	MOTAVITA	1		NUEVO COLON	1
	OCATA	1		PACHAVITA	1
	PAIPA	1		PESCA	1
	RAMIRIQUI	1		SABOYA	1
	SAN JOSE DE PARE	1		SAN MATEO	1
	SAN MIGUEL DE SENA	1		SANTANA	1
	SIACHOQUE	1		SOATA	1
	SOGAMOSO	1		SOMONDOCO	1
	SORACA	1		STA ROSA DE VITERBO	1
	SUSACON	1		SUTATENZA	1
	TENZA	1		TIBANA	1
	TIBASOSA	1		TIPACOQUE	1
	TOCA	1		TOGUI	1
	TUNJA	1		TURMEQUE	1
	TUTASA	1		UMBITA	1
	VENTAQUEMADA	1		AQUITANIA	2
	ARCABUCO	2		BERBEO	2
	BETEITIVA	2		BUSBANZA	2
	CAMPOHERMOSO	2		CHITA	2
	CIENAGA	2		COVARACHIA	2

DEPARTAMENTO	MUNICIPIO	1 = Already in Program 2 = New	DEPARTAMENTO	MUNICIPIO	1 = Already in Program 2 = new
BOYACA	CUITIVA	2	BOYACA	GACHANTIVA	2
	JERICO	2		LABRANZAGRANDE	2
	LEIVA	2		MIRAFLORES	2
	MONGUA	2		MONQUI	2
	NOBSA	2		PAEZ	2
	PAJARITO	2		PANQUEBA	2
	PAYA	2		PAZ DE RIO	2
	PISVA	2		RAQUIRA	2
	RONDON	2		SACHICA	2
	SAMACA	2		SAN EDUARDO	2
	SAN LUIS DE GACENO	2		SANTA MARIA	2
	SANTA SOFIA	2		SATIVANORTE	2
	SATIVASUR	2		SOCHA	2
	SOCOTA	2		SORA	2
	SOTAQUIRA	2		SUTAMARCHAN	2
	TASCO	2		TINJACA	2
	TOPAGA	2		TOTA	2
TUTA	2	VIRACACHA	2		
ZETAQUIRA	2				
CALDAS	AGUADAS	1	CALDAS	ARANZAZU	1
	FILADELFIA	1		MANZANARES	1
	MARMATO	1		PACORA	1
	PENSILVANIA	1		RIOSUCIO	1
	SALAMINA	1		SUPIA	1
	LA MERCED	2		MANIZALES	2
	MARULANDA	2		NEIRA	2
VILLAMARIA	2	VITERBO	2		
CAUCA	ALMAGUER	1	CAUCA	BALBOA	1
	BOLIVAR	1		CALDONO	1
	CALOTO	1		INZA	1
	LA VEGA	1		MERCADERES	1
	PAEZ-BELALGAZAR	1		PATIA (EL BORDO)	1
	SILVIA	1		TOTORO	1
ARGELIA	2				
CESAR	AGUACHICA	2	CESAR	AGUSTIN CODAZZI	2
	GAMARRA	2		GONZALEZ	2
	LA GLORIA	2		MANAURE B CESAR	2
	PAILITAS	2		PELAYA	2
	RIO DE ORO	2		ROBLES-(LA PAZ)	2
	SAN MARTIN	2		TAMALAMEQUE	2
CORDOBA	CHIMA	1	CORDOBA	CIENAGA DE ORO	1
	MONIL	1		MONITOS	1
	PURISIMA	1		S. BERNARD DEL VIENTO	1
	SAHAGUN	1		SAN ANTERO	1
	SAN PELAYO	1		AYAPEL	2
	LORICA	2		LOS CORDOBAS	2
	MONTERIA	2		PLANETA RICA	2
	PUEBLO NUEVO	2		PUERTO ESCONDIDO	2
	CHINU	1		SAN CARLOS	2

DEPARTAMENTO	MUNICIPIO	1 = Already in Program 2 = New	DEPARTAMENTO	MUNICIPIO	1 = Already in Program 2 = new
CUNDINAMARCA	ALBAN	1	CUNDINAMARCA	ARBELAEZ	1
	BITUIMA	1		CAQUEZA	1
	CHIPAQUE	1		CHOACHI	1
	FOMEQUE	1		FOSCA	1
	FUSAGASUGA	1		GUAYABAL DE SIQUIMA	1
	PASCA	1		QUETAME	1
	SAN BERNARDO	1		SILVANIA	1
	UBAQUE	1		UNE	1
	YIANI	1		AGUA DE DIOS	2
	ANAPOIMA	2		BELTRAN	2
	BOJACA	2		CACHIPAY	2
	CARMEN DE CARUPA	2		CHAGUANI	2
	CHOCONTA	2		CUCUNUBA	2
	EL PENON	2		FACATATIVA	2
	FUNZA	2		FUQUENE	2
	GACHALA	2		GACHANCIPA	2
	GACHETA	2		GAMA	2
	GIRARDOT	2		GUACHETA	2
	GUADUAS	2		GUASCA	2
	QUATAQUI	2		QUATAVITA	2
	QUAYABETAL	2		GUTIERREZ	2
	JERUZALEN	2		JUNIN	2
	LA CALERA	2		LA MESA	2
	LA PENA	2		LA VEGA	2
	LENGUAZAQUE	2		MACHETA	2
	MADRID	2		MANTA	2
	MEDINA	2		MOSQUERA	2
	NARINDO	2		NEMOCON	2
	NILO	2		NIMAIMA	2
	NOCAIMA	2		PACHO	2
	PARATEBUENO	2		PULI	2
	QUEBRADA NEGRA	2		QUIPILE	2
	RAFAEL REYES-APULO	2		RICAUARTE	2
	SAN CAYETANO	2		SAN FRANCISCO	2
SAN JUAN DE RIO SECO	2	SASAIMA	2		
SESQUILE	2	SIBATE	2		
SINIJACA	2	SJACHA	2		
SUBACHOQUE	2	SUESCA	2		
SUPATA	2	SUSA	2		
SUTATAUSA	2	TAUSA	2		
TIBACUY	2	TIBIRITA	2		
UBALA	2	UBATE	2		
UTICA	2	VERGARA	2		
VILLAGOMEZ	2	VILLAPINZON	2		
VILLETA	2	ZIPACON	2		
ZIPAQUIRA	2				
GUAJIRA	RIOHACHA	2	GUAJIRA	SAN JUAN DEL CESAR	2
	URUMITA	2		VILLANUEVA	2

DEPARTAMENTO	MUNICIPIO	1 = Already in Program 2 = New	DEPARTAMENTO	MUNICIPIO	1 = Already in Program 2 = new
HUILA	ACEVEDO	1	HUILA	ALGECIRAS	1
	GARZON	1		GIGANTE	1
	QUADALUPE	1		LA ARGENTINA	1
	LA PLATA	1		PITALITO	1
	SAN AGUSTIN	1		SAN JOSE DE ISNOS	1
	SUAZA	1		TARQUI	1
	AGRADO	2		OPORAPA	2
	PAICOL	2		PITAL	2
	SALADOBLANCO	2		TESALIA-CARNICERIAS	2
MAGDALENA	ARACATACA	1	MAGDALENA	CERRO DE SAN ANTONIO	1
	CIENAGA	1		EL BANCO	1
	GUAMAL	1		PEDRAZA	1
	PIVIJAY	1		PUEBLO VIEJO	1
	REMOLINO	1		SALAMINA	1
	SAN SEBASTIAN-BUENA VISTA	1		SAN ZENON	1
	SANTA MARTA	1		SANTANA	1
	SITIO NUEVO	1		ARIGUANI-EL DIFICIL	2
	CHIVOLO	2		EL PINON	2
PLATO	2	TENERIFE	2		
META	ACACIAS	1	META	EL CASTILLO	1
	FUENTE DE ORO	1		GRANADA	1
	GUAMAL	1		LEJANIAS	1
	RESTREPO	1		SAN LUIS DE CUBARRAL	1
	VILLAVICENCIO	1		CABUYARO	2
	CASTILLA LA NUEVA	2		CUMARAL	2
	EL CALVARIO	2		PUERTO LOPEZ	2
	SAN JUANITO	2			
NARIÑO	ALDANA	1	NARIÑO	ANCUYA	1
	ARBOLEDA-BERRUCCOS	1		BELEN	1
	BUESACO	1		COLON-GENOBA	1
	CONTADERO	1		CORDOBA	1
	EL TAMBO	1		FUNES	1
	QUAITARILLA	1		GUALMATAN	1
	ILES	1		IMUES	1
	IPIALES	1		LA CRUZ	1
	LA UNION	1		LINARES	1
	OSPINA	1		PASTO	1
	POTOSI	1		PUERRES	1
	PUPIALES	1		SAMANIEGO	1
	SAN LORENZO	1		SAN PABLO	1
	SANDONA	1		SANTA CRUZ-GUACHAVES	1
	SAPUYES	1		TAMINANGO	1
	TANGUA	1		TUQUERRES	1
	YACUANQUER	1		ALBAN-SAN JOSE	2
	CONSACA	2		LA FLORIDA	2
LOS ANDES-SOTOMAYOR	2	MALLANA-PIEDRA ANCHA	2		
RICOURTE	2				



DEPARTAMENTO	MUNICIPIO	1 = Already in Program 2 = New	DEPARTAMENTO	MUNICIPIO	1 = Already in Program 2 = new
NORTE SANTANDER	ABREGO	1	NORTE SANTANDER	CACOTA	1
	LA PLAYA	1		MUTISCUA	1
	OCANA	1		PAMPLONA	1
	PAMPLONITA	1		SILOS	1
	ARBOLEDAS	2		CUCUTA	2
	CUCUTILLA	2		HERRAN	2
	RAGONVALIA	2		SALAZAR	2
	VILLA ROSARIO	2			
QUINDIO	CORDOBA	1	QUINDIO	FILANDIA	1
	GENOVA	1		PIJAO	1
	SALENTO	1			
RISARALDA	APIA	1	RISARALDA	BALBOA	1
	BELEN DE UMBRIA	1		GUATICA	1
	LA CELIA	1		MISTRATO	1
	PUEBLO RICO	1		QUINCHIA	1
	SANTA ROSA DE CABAL	1		SANTUARIO	1
	DOS QUEBRADAS	2		LA VIRGINIA	2
SAN ANDRES	PROVIDENCIA	2	SAN ANDRES	SAN ANDRES	2
SANTANDER	AGUADA	1	SANTANDER	ARATOCA	1
	BARBOSA	1		BARICHARA	1
	CARCASI	1		CERRITO	1
	CHARALA	1		CHIPATA	1
	CONCEPCION	1		CURITI	1
	ENCINO	1		ENCISO	1
	GALAN	1		GAMBITA	1
	GUACA	1		GUADALUPE	1
	GUAPOTA	1		QUAVATA	1
	GUEPSA	1		HATO	1
	JESUS MARIA	1		MACARAVITA	1
	MALAGA	1		MOGOTES	1
	MOLAGAVITA	1		OCAMONTE	1
	OIBA	1		PALMAS-SOCORRO	1
	ONZAGA	1		PUENTE NACIONAL	1
	SAN ANDRES	1		SAN GIL	1
	SAN JOAQUIN	1		SAN JOSE MIRANDA	1
	SAN MIGUEL	1		SOCORRO	1
	SUAITA	1		SUCRE	1
	VALLE DE SAN JOSE	1		CABRERA	2
	CALIFORNIA	1		CAPITANEJO	2
	CEPITA	2		CHARTA	2
	CHIMA	2		CONFINES	2
	COROMORO	2		EL PLAYON	2
	JORDAN	2		LEBRIJA	2
	LOS SANTOS	2		MATANZA	2
	PALMAR	2		PARAMO	2
	PINCHOTE	2		SANTA BARBARA	2
	SURATA	2		TONA	2
	VETAS	2		ZAPATOCA	2

DEPARTAMENTO	MUNICIPIO	1 = Already in Program	2 = New	DEPARTAMENTO	MUNICIPIO	1 = Already in Program	2 = new
SUCRE	COLOSO-RICAURTE	1		SUCRE	COROZAL	1	
	LOS PALMITOS	1			OVEJAS	1	
	SAUPUES	1			SAN JUAN DE BETULIA	1	
	SAN ONOFRE	1			SINCELEJO	1	
	TOLU VIEJO	1			CHALAN	2	
	MORROA	2			PALMITO	2	
	TOLU	2					
TOLIMA	ANZOATEGUI	1		TOLIMA	ARIERO	1	
	CAJAMARCA	1			COYATIMA	1	
	GUNDAY	1			ESPINAL	1	
	FALAN	1			GUANO	1	
	IBAQUE	1			ICONONZO	1	
	LIBANO	1			MARIQUITA	1	
	ORTEGA	1			PURIFICACION	1	
	SALDANA	1			SAN LUIS	1	
	VALLE DE SAN JUAN	1			ALVARADO	2	
	CASABIANCA	1			COELLO	2	
	HERVEDO	2			LERIDA	2	
	MURILLO	2			PIEDRAS	2	
	ROVIRA	2			SAN ANTONIO	2	
	SANTA ISABEL	2			SUAREZ	2	
	VENADILLO	2			VILLAHERRIOSA	2	
VALLE	BOLIVAR	1		VALLE	DAQUA	1	
	EL DOVIO	1			EL DOVIO	1	
	LA CUMBRE	1			LA UNION	1	
	ROLDANZILLO	1			TORO	1	
	VERSALLES	1			ALCALA	2	
	ARDELIA	2			CALZADA-DARJEN	2	
	CARTAGO	2			EL AGUILA	2	
	EL CAIRO	2			FLORIDA	2	
	GINEBRA	2			OBANDO	2	
	TRUJILLO	2			TULUA	2	
	ULLOA	2			VZJES	2	
	YOTOCO	2			ZARZAL	2	

COLOMBIA

RURAL DEVELOPMENT INVESTMENT PROGRAM (RDIP)

Formula for Selection of 602 Municipalities

The formula for selecting the 602 municipalities is as follows: (a) production potential; and (b) socioeconomic conditions. A maximum of 55 percentage points was given for evaluating agricultural potential which took into account four factors of the rural economy in each community as follows: (i) 65% of each community's inhabitants had to be small farmers; (ii) 70% of their income had to originate from agriculture; (iii) 50% of agricultural production was other than coffee; and (iv) there was a critical mass of farmers in the veredas (community/villages) to ensure that projects to be financed under the RDIP would have an impact on a significant number of people and thus reduce cost per beneficiary. The socioeconomic indicators were given a maximum of 45 points in evaluating deficiencies in infrastructure and services in water supply and sanitation, roads, education and health.

COLOMBIA

RURAL DEVELOPMENT INVESTMENT PROGRAM (RDIP)

Annual Planning, Programming, Appraisal and Execution of Projects  
in the RDIP

Introduction

1. This annex, which should be read in conjunction with DRI's Operational Manual, describes how DRI and the municipalities would plan, identify, prepare, appraise, execute and supervise their jointly cofinanced projects.

Summary

The following summarizes the sequence of events by which the Annual Investment and Operating Plans are prepared, approved and subsequently budgeted for under the RDIP. See Bar Chart attached.

- (i) Planning commences in November, 14 months prior to the year for which the Annual Investment and Operating Plans are being prepared on the basis of indicative budgeting ceilings provided by DNP.
- (ii) DRI's Planning Office in coordination with DRI Regional Offices screen Community Profiles (Municipal Investment List) and submit an Annual Investment Plan to the Ministry of Agriculture (MOA) for inclusion in the Ministry's budget which is then submitted to DNP and National Council for Social and Economic Policy (CONPES) in April;
- (iii) by mid-June, CONPES approves the Annual Investment Plan provisionally and the Ministry allots DRI its budget for the next year. DRI then informs the municipalities of the sums it would earmark for cofinancing projects included in the Annual Investment Plan;
- (iv) with budgetary information as to their own resources and that from DRI, the municipalities adjust their investment programs for resubmission to their respective Municipal Councils;
- (v) by June 20, the Ministry of Finance (MOF) submits CONPES's provisional budget (including RDIP projects) for approval by Congress (due in November);
- (vi) By mid-August, the MOF informs DRI and the municipalities of their provisional budgetary allocations, including their share of tentative IVA taxes;
- (vii) by October, DRI submits to the MOF its Annual Operating Plan (which it prepares between March-October) and which expands on the Annual Investment Plans by detailing the individual projects, their cost and implementation aspects;

- (viii) In November, Congress approves the budget and MOF then authorizes the budget for DRI by mid-December.

DRI Annual Project Planning and Programming

2. DRI uses a rolling plan to select projects for joint cofinancing and implementation with the municipalities under the RDIP. DRI starts planning in September and completes the process about 14 to 18 months later. DRI needs all this time to consult with national and regional authorities and with the governments of the municipalities and representatives of the rural community organizations to formulate its lending strategy and harmonize it with the national and local needs for investments. During the first three months (September to November) DRI consults with the National Planning Department (DNP), the Ministry of Agriculture (MOA) the Regional Planning Council (CORPES) and the Departmental Governments. By the end of November, the DNP gives DRI indicative budgetary ceilings - Techos Indicativos de Programacion (TIP) within which DRI can prepare its lending/cofinancing program with the municipalities for the following year.

3. Concurrently, the municipalities prepare a Two-year Development Plan which is accompanied by a Two-year Investment Program. These programs are project specific and list sources and tentative amounts which would be available to finance the projects in the Investment Program. They are compiled into project profile in the Municipal Investment List by the end of February. The municipal governments identify projects, after close consultation with DRI Committees and the communities at the municipal and departmental level. All projects in the RDIP must be listed in the Municipal Projects Banks in order to qualify for cofinancing with DRI Fund and other decentralized entities and to access to Value Added Tax (IVA) funds.

4. Between January and early March, DRI regional offices screen, on the basis of the eligibility criteria in the Operational Manual (prefeasibility stage) each of the project profiles prepared by the municipalities on the basis of a standard format provided them by DRI. During this first screening stage, DRI is careful to ensure that projects submitted by the municipalities have been approved by the DRI Committees and that all projects meet minimum technical, economic and environmental requirement which are set out in the eligibility criteria. For example, the eligibility criteria provides that DRI would not finance road projects which traverse through nature reserves or protected areas. Similarly, no watershed management and environmental protection projects can be financed without the relevant basic technical studies spelling out the problems and possible solution for each catchment area. DRI also insists that the municipalities issue letters of intent indicating their interest to cofinance jointly approved projects before including projects in its Annual Investment Plan as explained below.

The Annual Investment Plan

5. Once the project has passed the initial screening, DRI's central office in Bogota compiles the project profiles into the Annual Investment Plan between February and March. The Plan lists the projects by sectors and the tentative costs and the proposed financing plan. The Agrarian and Public Investment Units of the DNP review in April the the Annual Investment Plan and the tentative costs of all the projects and recommend to the National Council for Economic and Social Planning (CONPES) how much money to allocate to DRI for the proposed Investment Plan. By mid-June, CONPES decides how much money to allocate for the agricultural sector, and the MOA fixes DRI's share of CONPES's quota. DRI informs the municipalities about MOA's decision so they can prepare their financing plans for the approved projects. DRI's allocations is incorporated into the Government's budget which is submitted to Congress in July for final approval by November. Congress may return the draft budget to the DNP for additional clarification prior to August 31.

6. Following consultation between the Central Government and the Congress, the Ministry of Finance informs, by mid-August, DRI and the municipalities of any changes in their original budgetary allocation forwarded to Congress as well as amounts of IVA resources which the municipalities could expect to receive. On the basis of this information, the mayors adjust their investment programs commensurate with the funds approved by the municipal councils and submit the revised projects for approval of the municipal councils in September. The municipal councils have until November to approve them. DRI and the municipality wait until Congress has formally acted on the budget in November to sign the cofinancing and implementation agreements of these projects.

7. The Planning Sub-Direction of DRI Fund is responsible for coordinating the submission of the Annual Investment Plan, including the tentative allocation of the budgetary resources. It also informs the DRI regional offices and the departmental authorities about the TIP.

8. On the basis of the project profiles, DRI prepares its Annual Operating Plan. This Plan specifies the actions the municipalities and DRI will have to take to bring each project for appraisal and execution, including the time table for this purpose. The Operating Plan makes it possible for DRI Fund to forecast the amount of money it would need for the next year to process each project for preparation of feasibility studies, proposals, appraisal and/or execution. To this end, DRI Fund prepares the Cash Flow Plan (Plan de Caja) identifying its cash flow requirements in order to implement the approved Operating Plan. DRI submits the Plan de Caja to the Ministry of Finance for approval and release of the funds for DRI to cofinance the approved projects with the municipalities. DRI will submit the Annual Operating Plan each September for review by the Bank and IDB. The Bank and the IDB have received in January 1990, DRI's Annual Operating Plan for its 1990 investment program.

Project Appraisal, Execution and Supervision

9. Appraisal. The eligibility criteria specify that all the Watershed Management, Environmental Protection, Marketing, Fisheries

(CESPAS), Rural Roads, Water Supply and Sanitation projects require feasibility and design studies as appropriate to justify their inclusion for financing under the RDIP. The eligibility criteria spell out the technical, economic, financial and institutional aspects which these studies need addressing. The criteria is intended to serve as guidelines for DRI staff in preparing the terms of reference for each study. Each feasibility study would need to be reviewed by experts in each field and to be signed off by DRI staff in the regional/or in Bogota as appropriate before cofinancing and implementation contracts can be concluded.

10. Similarly, the eligibility criteria provides that all Technology Adaptation and Extension; Rural Women; Training and Community Organization; and Strengthening of DRI and the municipalities projects require submission of detailed proposals, statement of objectives, costs, schedules, expected output, and in the case of Technology Adjustment and Extension, an economic analysis of cost benefits, among others, in order to be included for financing under the RDIP. The eligibility criteria serve as guidelines for reviewing each proposal prior to approval.

11. The municipalities would be generally responsible for contracting the feasibility studies for roads, water supply and sanitation projects. They will be assisted by the DRI regional office. The RDIP would finance such studies under the Strengthening of DRI and the Municipalities (Support to Project Preparation, Apoyo a la Preparacion de Proyectos (APP). Projects included in the Annual Investment Plan would need to justify the eligibility for access to financing under the APP as spelled out in the Eligibility Criteria. The municipalities would be responsible for the technical supervision of the studies, however, given their relative technical weakness, DRI is expected to do the bulk of the supervision through its regional offices. DRI would be responsible for contracting entities to help prepare proposals for those projects not requiring feasibility studies as noted in para. 10 above. DRI plans to contract public entities (SENA, ICA) or Universities and Comite Cafeteros who would also cofinance part of the preparation of such proposals/studies.

12. The following arrangement will be in place for supervising studies under RDIP. One official from the relevant regional office will be specifically appointed to follow-up on each study, depending on time availability and capabilities. He or she will oversee and approve the terms of reference of the study and the team hired to carry it out. He or she will keep abreast of the study's proceedings. Once a study has been completed, he or she will prepare a summary of results and conclusions and recommend to DRI management whether to approve the project, redesign and/or drop the project from the RDIP.

13. Project Approval. In line with the decentralization reforms, DRI would shift more authority and responsibility for approval and supervision of projects to its regional offices. To this end, DRI is preparing a specific proposal which would spell out in detail the authority and responsibility of the Regional Directors to approve projects for cofinancing and those projects which would be approved at headquarters. The regional offices will be responsible for the day-to-day supervision of projects and they will have authority to make changes in order to resolve outstanding problems affecting progress of ongoing projects with necessarily having to refer back to Bogota for approval, depending on the

circumstances. DRI has the flexibility of cancelling, adding or changing the implementation of any of the projects in its Annual Operational Plan, without having to request authorization for this from the Central Government. This is possible because the budget for the Annual Operational Plan is approved for the overall program, not for specific projects in the Plan. Thus, DRI can switch funds from one project to another, as long as it stays within the overall approved allocations of the Plan de Caja. The next critical step is for DRI and borrowing municipalities and cofinancing partners to sign the cofinancing and execution contracts for each project.

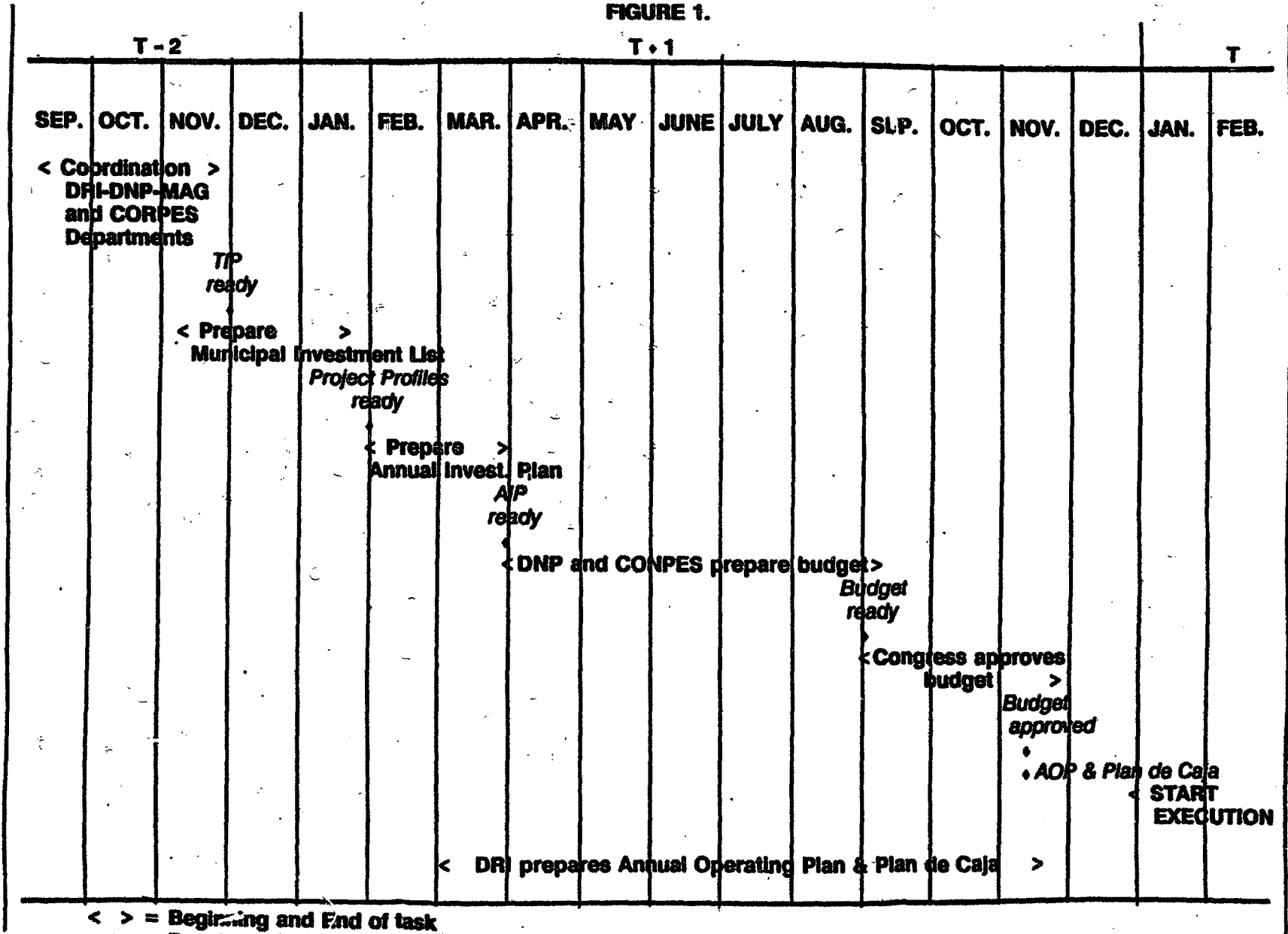
14. Cofinancing and Implementation Contracts. DRI and the municipalities as well as other decentralized entities will pool scarce resources (IVA, in kind contributions, government grants) to jointly finance priority investment projects under the RDIP. The detailed cost sharing of each project under the RDIP would be spelled out in cofinancing contracts. No projects would be financed under the RDIP unless they are accompanied by a specific cofinancing and execution contract. The cofinancing contracts would define all the contractual obligations and privileges among the partners.

#### Project Implementation

15. The municipalities would, in principle, sign contracts for actual implementation of rural roads, water supply and sanitation and extension services projects. These will involve separate contracts for construction and supervision (Interventoria) in case of civil works for roads and water supply and sanitation projects. The municipalities would contract directly with the executing agencies for providing extension services.



FIGURE 1.



< > = Beginning and End of task  
 • = Results of task

COLOMBIARURAL DEVELOPMENT INVESTMENT PROGRAM (RDIP)Summary of DRI's Cofinancing Matrix (Z) (CM)  
with Municipalities/entities<sup>1</sup>DRI Cofinancing Matrix (Z)

	<u>Lowest</u>	<u>Highest</u>
Extension	45	95
Technology Adaptation	42	70
Extension worker training	70	70
Training and community Organization	17	95
Watershed management and environmental protection	20	90
Aquaculture	20	80
CESPAS*	60	90
Rural women	55	95
Rural marketing	60	95
Rural roads	35	95
Water supply and sanitation	40	70
Institution building	90	90

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\* Small Scale Fishing Support Centers

Potential Cofinancing Sources

- (a) Central Government (Decentralized Institutions/Others)
- INCORA (extension); ICA (transfer of technology and training); INDERENA (watershed management, environment); INP (fisheries); SENA (training); Caja Agraria (credit extension), FFDU via credit (water supply and sanitation); and ENCOPER (marketing studies and investments);
- (b) Departments, Municipalities and Localities
- Regional Development Corporations, Departmental Secretariats, NGOs, (CORFAS, FEDERCAFE, (coffee-grower associations), rural cooperatives);
  - Departmental financial institutions (e.g. Antioquia, Valle, Risaralda, Santander, Caldas and Boyaca);
  - In addition DRI municipalities could also contribute: (i) their own funds over and above IVA; and (ii) in kind such as equipment, land, materials and labor

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<sup>1/</sup> DRI proposes to cofinance each project in the RDIP on the basis of the CM. The contributions toward the financing of any project may range from a low of 17% to as high as 95% of total project cost based on the sample of typical projects in the 1990 RDIP. DRI's cofinancing percentage averages 75%.

COLOMBIARURAL DEVELOPMENT INVESTMENT PROGRAM (RDIP)Impuesto al Valor Agregado (IVA) - Value Added TransferBackground

1. The sales tax transfer was created by Law 33 of 1968, and through a series of laws during the 1970s. Basically these resources were devoted to social security pensions (departmental), secondary education and most importantly, the municipalities. In 1983, the sales tax was expanded to a value added tax (IVA). Via decree 232 in the same year, 30% of IVA revenues were allocated as follows: 25% to departmental municipalities, 1.5% for the national territories, and 3.5% for the social security funds for departmental governments.

2. In 1986, Law 12 was passed which was designed to bring about improvements in the finances of smaller municipalities and brought about major changes in the sales tax transfer. Law 12 has three important objectives:

- a. To strengthen the smaller municipalities, both by giving them more resources and by encouraging their own fiscal efforts;
- b. To transfer to municipalities certain national responsibilities equal in amount to the amount of additional revenues transferred; and
- c. To increase the efficiency of the local sector; by reducing the number of agencies working at that level and by increasing the capacity of local institutions.

3. The major changes introduced by Law 12 were: (a) the increase in the proportion shared of the value-added tax from 30% to 50% by 1992 and especially the share going to small municipalities.

	<u>TRANSFER OF VALUE-ADDED TAX</u>				
	(as a percent of total)				
	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>
Municipalities-all	26.4	27.7	27.5	28.0	28.5
Additional to					
Municipalities < 100,000					
population <sup>1</sup>	3.8	6.0	9.0	12.5	16.8
Social Security Funds	3.5	3.8	3.8	3.8	4.0
ESAP	0.1	0.1	0.1	0.1	0.1
IGAC	0.1	0.1	0.1	0.1	0.1
Other	<u>0.6</u>	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>
<b>Total Transfer</b>	<b>34.5</b>	<b>37.5</b>	<b>41.0</b>	<b>45.0</b>	<b>50.0</b>

<sup>1/</sup> In the 1985 Population Census, 983 municipalities (97% of total of 1,009) had less than 100,000 population,

(b) the introduction of an incentive formula for small municipalities to increase property tax (see para. 5); (c) the use of population as reflected in the 1985 census as the sole basis for sharing; (d) the additional funds (3.8% in 1985) for municipalities in excess of the 26.4% (1988 share) will be spent on investments, this will increase from 3.8% in 1988 to 16.8% by 1992; (e) a portion to be transferred to the Public Administration Institute (ESAP) and the National Cadastre Agency (IGAC) agencies which provide training for local level officials and revise property values; and (f) a timetable for the national government to reorganize and transfer functions toward the 1992 deadline.

4. As per Law 12 IVA transfers for investments can be applied to the following types of activities:

- (i) construction, expansion and maintenance of water supply and sewerage systems, ponds, wells, septic tanks and water treatment plants and pipes;
- (ii) construction, paving and remodelling of streets;
- (iii) construction and maintenance of community and country roads, bridges and river ports;
- (iv) construction and maintenance of transportation centers;
- (v) construction and maintenance of primary and secondary schools;
- (vi) construction and maintenance of health dispensaries and retirement homes;
- (vii) construction and maintenance of cultural houses (museums, auditoriums);
- (viii) construction and maintenance of marketing squares and commercial fairs;
- (ix) treatment and disposal of garbage;
- (x) extension of the network of urban and rural power;
- (xi) construction and maintenance of camps, sports facilities and parks;
- (xii) reforestation for the protection of watersheds;
- (xiii) payment of public external or internal debt incurred for investment expenditures;
- (xiv) investment in bonds in FFDU; and
- (xv) other items with the previous authorization of DNP.

5. For the proposed DRI Investment program, the component for technical assistance is not specifically covered in the above list. In resolution number 61 of January 14, 1987, DNP specifically authorized the use of IVA transfers for investments by municipalities in technical assistance programs to small producers who are part of the DRI program.

6. In the calculation of the share of the transfers to the group of municipalities with less than 100,000 population, the formula takes into consideration, first the proportional share based on the population of a municipality versus the total of the group, plus an adjustment based on the average tax rate in a municipality versus the average tax rate for the group. This in affects transfers more funds to municipalities with higher tax rates and reduces transfers to municipalities with lower than average tax rates. This acts as an incentive to municipalities to increase tax rates and generate more internal funds for operations and investment. The formula is stated as follows:

- IVAI =  $\frac{p1}{p2} \times IVAT - MAVRE \times (AVETR - MTR)$
- IVAI = IVA investment funds allocated to municipalities
- p1 = Population of a municipality
- p2 = Total Population of all municipalities with <100,000 population
- IVAT = IVA Rate for transfer of funds for investments to municipalities with population <100,000
- MAVRE = Municipality's total assessment value of private real estate.
- AVETR = Average tax rate all municipalities
- MTR = Average tax rate for a municipality.

Projected Transfers

7. Projections of total IVA collections and transfers have been made by DNP. From this data base DRI has prepared another data base with projected IVA transfers to DRI municipalities for investment.

Projections of IVA Transfers  
(billions of current pesos)

	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
Total IVA collected	446.8	573.3	735.7	944.1	1211.6	1555.1
Transfers to Municipalities	147.4	209.3	298.0	427.7	548.9	704.5
Transfers to						
<100,000 - Max. to operations	58.9	75.6	96.9	124.6	159.7	205.0
- Min. to investment	31.5	59.1	103.7	176.0	225.9	290.0

Transfer to DRI Municipalities

Number of Municipalities	382	454	534	602	602	602
IVA minimum transfer for:						
Investment - (Col\$ 1988)	4.2	7.2	11.6	17.6	18.4	19.2
- Current	5.3	11.3	22.3	41.3	52.6	67.0

Source: DNP and DRI

8. The above table shows the estimated total funds available to DRI municipalities for investment. The municipalities will utilize these funds for cofinancing of DRI project activities but in addition will have to cover their other investments, such as, rural education, health services, and electrification (see para. 4).

Disbursement System

9. Disbursements will be made in 6 bimestre payments throughout the year as follows:

<u>Period</u>	<u>Last day for Payment</u>
January-February	April 29
March-April	June 30
May-June	August 31
July-August	October 31
September-October	December 31
November-December	February 28 (following year)

The first five payments will be based on 90% of the projected transfers for the year. The final payment in February of the following year will include any adjustment necessary to correct the total transfer for the year to actual based on actual IVA collections. In 1987, the actual IVA transfer was 94% of the projected transfer for that year indicating that the projections should be a reasonable basis for planning the expenditure levels in the DRI project based on the expected level of transfers to the municipalities for investment.

10. Decree 2447 of 1987 established the above times and sets out the disbursement process. The Director General's office of the Budget in the Ministry of Finance will prepare the payment request at least 10 days before payment is due and send it to the Accounting Section for signature. The Accounting Section has 2 days to complete and send it to the Administration Section for approval. This section has 2 days to approve and sign and send it on to the Controloria for fiscal control and in 3 days this section has to send it on to the Treasury for payment and the Treasury has 3 days to send the funds to the Banks (accounts of the Municipalities).

## COLOMBIA

## RURAL DEVELOPMENT INVESTMENT PROGRAM (RDIP)

## RDIP A Technical Assistance Projects Programmed for Implementation in 1990

Projects	No. of Projects	Total Cost of Projects (US\$ million)	No. of Projects to be Ready for Implementation by 6/30/90	Total Cost of These Projects (US\$ million)	No. of Projects with Cofinancing Components by 6/30/90
<b>(a) Agricultural Production and Environmental Protection</b>					
1. Technology Adaptation	200	2.8	200	2.8	n.s.
2. Extension	79	11.0	79	11.0	n.s.
3. Watershed Management and Environmental Protection	4	1.1	3	1.0	n.s.
4. Fisheries					
- Small-Scale Fishery Centers (CESPAS) g/	8	2.8	0	0	
- Aquaculture	8	0.9	8	0.9	8
5. Marketing h/				0	0
<b>(b) Training and Community Organization</b>					
1. Community Organization (Training Events)	2690 g/	2.0	2690	2.0	2690
2. Rural Women	370 g/	1.8	370	1.8	370
3. Technology Adaptation and Evaluation	208 g/	0.5	208	0.5	208
Marketing	1450 g/	1.12	1450	1.12	1450
4. DRI Staff	n.s.	0.0 <sup>i</sup>	n.s. d/	0.08	n.s.
5. Municipalities	150 g/	0.19	150	0.19	150
<b>(c) Infrastructure</b>					
1. Roads	42	12.0	42	12.0	42
2. Water Supply and Sanitation	350	21.0	41	10.8	41
<b>(d) Institutional Strengthening of DRI and the Municipalities</b>					
1. Technical Assistance and Preinvestment Studies	-	-	-	3.0	-
<b>Total</b>	<b>5,821</b>	<b>58.0</b>	<b>5,211</b>	<b>49.40</b>	

g/ DRI would finance 5 CESPAS projects with their own resources and depending on outcome of evaluation by end of 1991 of these by outside consultants, decision will be made whether to finance CESPAS under the RDIP in the future.

h/ DRI would finance 8 marketing projects with their own resources and depending on outcome of evaluation by end of 1991 of these by outside consultants, decision will be made whether and under what conditions to finance under the RDIP marketing projects in the future.

g/ Number of courses/events.

d/ Courses and training programs under preparation.

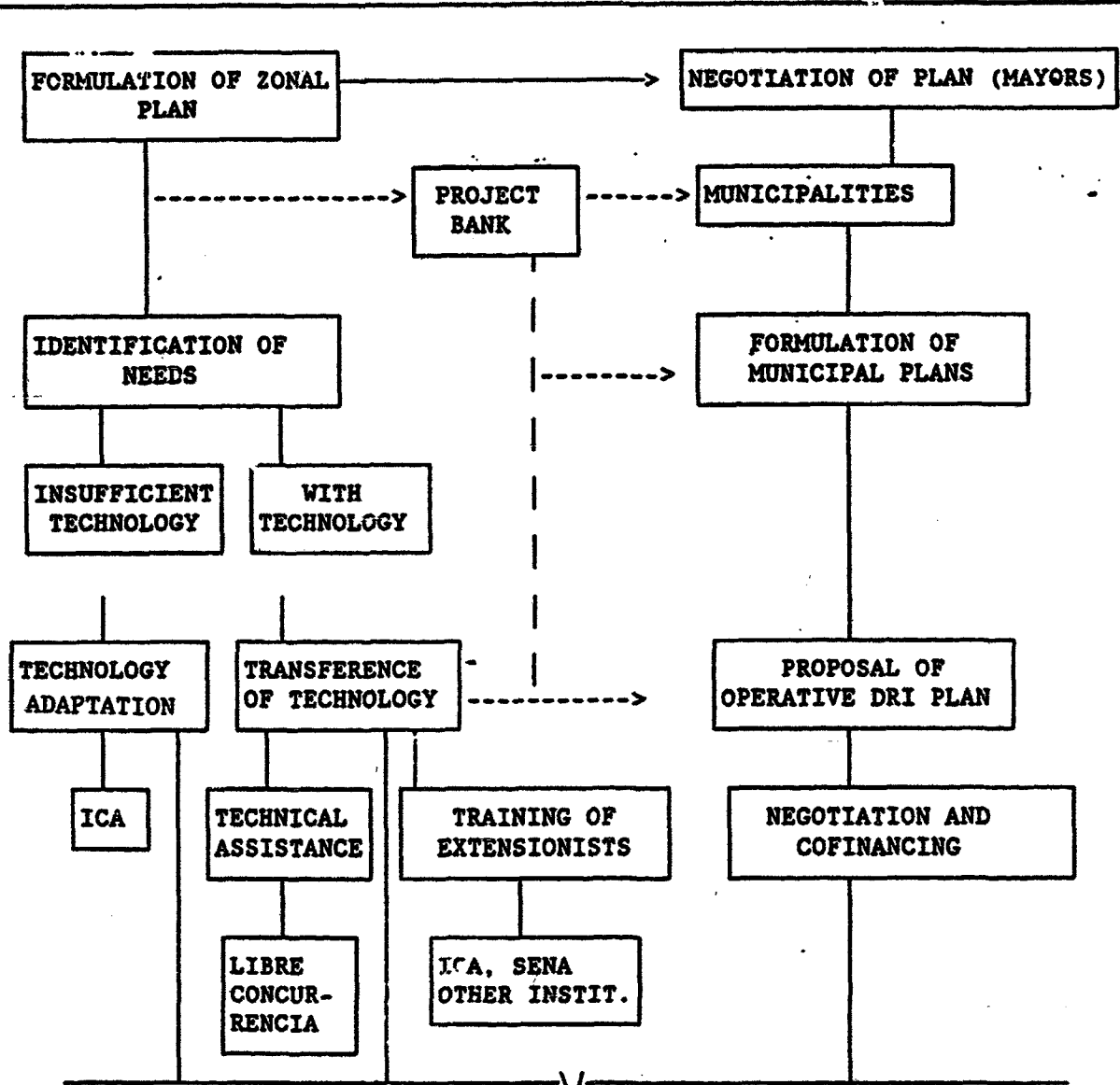
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RURAL INTEGRATED DEVELOPMENT PROGRAM (RDIP)

PREPARATION OF TECHNICAL ADAPTATION PROJECTS  
WITHIN THE CONTEXT OF THE ZONAL PLAN OF TECHNOLOGY DEVELOPMENT

DRI AND ENTITIES

DRI AND MUNICIPALITIES





COLOMBIARURAL DEVELOPMENT INVESTMENT PROGRAM (RDIP)Current and Potential Yields (CRECED)

ICA in its CRECEDs has compared current technology used by farmers with that which was adjusted and recommended by ICA, under farm conditions, for different crops and in different ecological zones. The following table gives a comparison of these two levels of technology for different crops and for different areas. The purpose of the technology component is for the CRECEDs to adjust technology available in ICA to the farm conditions, in order to get higher productivity and yields. These yields have been used as reference for preparing the seven farm models for the RDIP.

<u>District</u>	<u>Crop</u>	<u>Yields (Kg/Ha)</u>	
		<u>Farmer Tech.</u>	<u>Recommended Tech.</u>
Tunja	Cana Panelera	10,000	18,000
	Beans	450	1,000
	Maize	750	1,600
	Potatoes	12,500	15,500
	Wheat	900	2,000
	Yuca	3,750	15,000
	Maize & Beans	700	2,000
Pasto		150	500
	Peas	700	1,200
	Cana Panelera	5,000	12,000
	Beans	750	1,300
	Maize (Hot)	1,700	2,700
	(Medium)	2,000	3,000
Sur Huila	(Cold)	2,300	3,800
	Cana Panelera	5,000	10,000
	Beans	600	1,000
	Maize	1,000	2,200
	Banana	5,000	10,000
Riosucio	Yuca	7,000	10,000
	Cana Panelera	2,500	6,300
	Beans	500	900
	Banana	7,480	24,600
	Yuca	7,000	15,000

COLOMBIA  
RURAL DEVELOPMENT INVESTMENT PROGRAM (RDIP)  
TRAINING

Type of Training Projects	Training Entities	Type of Courses	Beneficiaries	N° of Training Events		N° of Beneficiaries		Unit Cost (000Co\$)		Cost (Col. \$ million)*					DRI Co-financ 1990	
				1990*	91-94*	1990	91-94	1990	91-94	1990	1991	1992	1993	1994		
<b>1. COMMUNITY ORGANIZATION AND TRAINING</b>																
1.1	Promotion and organization of DRI Committees 1/	SENA ANDRI	How to organize communities and to promote participation in economic projects	DRI committees/ DRI committees	1,430	5,200	39,500	95,500	310	310	443	418	379	377	414	75
					1,230	2,830	5,994	26,880	310	310	382	219	219	219	218	100
1.2	Technical/Agriculture training for farmer 2/	SENA DANCOOP ANDRI	Technically Oriented Courses to help farmers increase production	Farmers in rural areas. Producers Association	4,200	13,790	81,875	327,500	310	310	1,300	1,133	1,013	1,013	1,112	36
1.3	Ficha Veredal	ANDRI	Collect information to prepare socioeconomic profile of FIDR areas	Farmers in rural areas. Producers Associations Communities							125					100
<b>2. PROJECTS SPECIFIC TRAINING</b>																
2.1	Technology Adaptation and Technical Assistance (extension)	ICA SENA	Advance Training in Agricultural Technology and Extension Refreshing courses. Introduction to CRECED's	Subject matter specialist  Extensionist Technicians	155	1040	159	1,099	500	500	78	87	125	152	152	53
					160	810	460	4,680	400	400	106	81	81	81	80	30
2.2	Marketing	SENA ANDRI DANCOOP	Technical courses to help farmers resolve their problems/ Farm Assoc. technp/ Legal, social advice	Producers Orgs/ FAS members/ Organizations/ FAS Directors Managers	810	4,050	17,500	105,000	310	310	252	328	394	247	284	53
					230	840	120	888	310	310	71	65	65	65	65	100
					400	1,630	120	888	310	310	126	126	126	126	126	30
2.3	Women in Rural Development	ICA INDORA NCD's	Promote organiz. and women partic. in econ projects. Technic. oriented courses	Women groups in rural areas	650	3,250	370	1800	900	900	582	766	673	721	769	50
2.4	Water supply and Sanitation 3/	SENA	Technically oriented courses. Promote organized particip.	Farmers. Rural women. DRI committees	231	1,270	3,500	19,200	310	310	72	98	98	98	98	75

Type of Training Projects	Training Entities	Type of Courses	Beneficiaries	N° of Training Events		N° of Beneficiaries		Unit Cost (000Co\$)		Cost (Col. \$ million)					Cofin 1990	
				1990	91-94	1990	91-94	1990	91-94	1990	1991	1992	1993	1994		
2.5	Rural Roads <u>4/</u>	SENA	How to organize promote community participation Technically oriented courses	Farmers rural women DRI communities producers Associations	42	235	1,060	9,960	310	310	13	26	26	13	8	50
2.6	Watershed management Environment protection <u>3/</u>	SENA IICA	How to organize Promote community participation Technically oriented courses	Farmers rural women DRI communities producers Associations	4	65	1,060	9,960	310	310	1.2	4.4	5.1	5.1	5.1	75
2.7	Fisheries <u>4/</u>	n.a														
<b>3. INSTITUTIONAL STRENGTHENING</b>																
3.1	Project Planning and administration <u>5/</u>	ESAP	Orientation on DRI programs systems	DRI municipal-ities, Mayors, Secretaries of public work Planning Officers	70	280	300 <u>6/</u>	1,200	360	360	25	25	25	25	25	100
	Environmental protection management	Instituciones Espec.	Instrumentation of E.P. Law	idem	13	67	300 <u>7/</u>	1,200	2500	2500	50 <u>9/</u>	25	25	50 <u>9/</u>	25	100
	Techn. Assist.	IICA	Legislation and norms	idem	52	108	300 <u>8/</u>	1,200	1000	1000	5.2	5.2	5.2	2.6	2.6	100
	Project control	Office of the Presidency	Project monitoring (Interventorias)	DRI Municipalities	21	42	100	400	1000	1000	2.1	2.1	2.1	-	-	100
3.7	Institutional strengthening	Consultants	Project evaluation, fin. eval. and control Organiz. Developmt planning, policies. admt. and supervision	DRI Fund Staff Partic.Insta <sup>4</sup> mangrs., proff. and admt staff	<u>10/</u>	<u>11/</u>	368 <u>12/</u>	1,544	22,000	22,000	32.3	49.5	32.3	32.3	32.3	100

\* Rounding of figures would produce variations in number of events and cost per years

1/ This component includes projects in Watershed management, environment, water supply and sewage

2/ This component includes projects in Fisheries and Rural Roads

3/ Costs of this subcomponent are included in the (1.1) Promotion and Organization of DRI Community

4/ Costs of this subcomponents are included in the (1.2) promotion and consolidation of association and farmers technical and managerial training

5/ These activities for 1990 might be financed with resources of 68 for the DRI II components. For the 1991-94 costs will be applicable to new loans.

6/ 7/ Number of municipalities 100; and number of beneficiaries 300.

8/ Number of municipalities 300; and number of beneficiaries 300.

9/ The cost of these activities during 1990 and 1993 is much higher because of the preparation and revision of environmental guidelines for the municipalities

10/ 11/ Within the DRI Fund Training it would be difficult to determine the number of events because of the diversity of typological events, e.i. a seminar or a course within or outside Fund premises

12/ This figure is derived from the "Plan de Capacitación - 1990"

COLOMBIA

RURAL DEVELOPMENT INVESTMENT PROGRAM (RDIP)

Agricultural Credit Policy in Colombia  
Credit Requirements for Proposed DRI Program

1. The Government of Colombia's policy in agriculture has always been, and still is, to provide a certain degree of protection to agricultural production. One important protection measure is that the agricultural sector has been assigned priority access to credit resources under special conditions and terms. This priority is based on agriculture's importance to production, exports, income and employment; the risks inherent in agricultural production; and the need to compensate for macroeconomic, trade and exchange rate policies, which have often had a negative impact on the agricultural sector. The Government has therefore viewed low-cost agricultural credit as an instrument for promoting production of certain crops and adoption of new technology, for protecting or increasing the incomes of specific sectors of the farm population, and for improving income distribution.

2. The resulting agricultural credit policy has pursued three main objectives:

- (a) to supply institutional credit to the agricultural sector at below market rates;
- (b) to improve the sector's income level, especially that of farmers; and
- (c) to stimulate agricultural production and productivity.

The main policy instruments used to pursue these objectives were forced investments to create the necessary resources for FFAP, subsidized interest rates, and directed credit allocation.

3. Resources. Agricultural credit in Colombia is guided by existing legislation and banking regulations. The Junta Monetaria (Monetary Board) which governs the banking system, is responsible for regulating the implementation of Law 5 of March 1973, which created an agricultural fund, Fondo Financiero Agropecuario (FFAP). FFAP is the major beneficiary of resources collected by the Banco de la República (BOR) from the banking system.

4. The main mechanisms to transfer resources from the banking system to FFAP are the forced investments. Under this mechanism banks and other financial institutions are required to invest in certain types of bonds ("A" bonds) and other financial instruments with interest rates substantially below market. In 1988, these investments totalled Col\$ 121,000 million. The required level of such investment is expressed as a percentage of the institutions' portfolio and/or deposits. Another type of investment--reserve replacement investment (ISE)--involves authorizing commercial banks and financial corporations to earmark a percentage of their reserve requirements for the purchase of certain types of bonds. ISE is also a form of forced investment, in the sense that the

only alternative is to leave funds with the BOR as reserve requirements at zero interest rate. The bonds (most importantly for agriculture, Resolution 39/789 bonds) pay higher interest than "A" bonds but still less than market rates.

5. Forced investments totalled about Col\$ 253,000 million in 1988, and 58% was allocated to FFAP, the agricultural financing fund. To transfer the funds obtained through forced investment into credit flows to the rural sector, FFAP functions as a traditional refinancing mechanism for BOR. The three agriculture-oriented state-owned financial institutions, the Caja Agraria, Banco Cafetero and Banco Ganadero, are the principal users of FFAP funds, with Caja Agraria the largest user of the three. FFAP rediscounting permits the expansion of credit: by rediscounting their loans through FFAP, financial intermediaries (Caja Agraria, banks and financial corporations) can leverage their own funds by four/five times, depending on the rediscount margin (presently ranging between 70% and 95%). FFAP rediscounts mainly loans made to medium and large farmers, but also loans to small farmers (normally made by Caja) who meet FFAP's lending criteria. These funds are available to all banks on a first come, first served basis. Final credit beneficiaries with access to funds mobilized through forced investment pay interest at rates substantially below market.

#### National System for Agricultural Credit (SYSTEM)

6. A law has been recently passed which created a new system for agricultural credit and forced investment funding of agricultural development in Colombia (see working paper re: Agricultural Credit in Colombia). The new system is expected to be operational by June 1990.

7. Objectives. In general terms the system will supply an adequate level of credit with suitable conditions to the sector and prepare, issue and implement credit policies. Specific objectives include: increase agricultural production, increase and strengthen the supply of capital to the sector, increase rural employment, secure the basic food supply, improve income distribution, increase export and improve the farmers social and economic conditions.

8. Structure. The structure will comprise a managing committee, the agricultural credit banks (Caja Agraria, Banco Cafetero, and Banco Ganadero), and a new fund, FINAGRO, to replace Fondo Financiero Agropecuario. The managing committee will comprise the Minister of Agriculture, Chief of the National Planning Department, representative of the Banco de la Republica (BOR), two representatives of the President and one representative from the financial organizations.

9. Main Impact on Agricultural Credit. The new system will be under the control of the Minister of Agriculture instead of BOR. FFAP would be replaced by FINAGRO which will be a mixed corporation with a maximum of 60% of equity contributed by Government and controlled by the Minister of Agriculture who will also control interest rates, directed credit both from the fund and from the agricultural banks as well, and the level of forced investment. The Collateral Agricultural Fund (a loan guarantee fund) would be strengthened and provide the coverage for the small farmers who can now

borrow on their signature for farm credit. While it is too soon to judge the impact of the new system, the amount of credit and forced investments in the present system is not expected to be reduced.

10. Interest Rates. With few exceptions, between 1975 and 1982 the interest rates applied to most credit lines in the rural sector have been negative in real terms and well below effective market-determined interest rates. However, in the 1980s there has been a trend towards a slight increase in most rates. In 1983 and 1984, when the inflation rate dropped to 17-18%, most rates became positive, and the differential vis-a-vis market rates decreased. The rates were, however, quite widely dispersed. The following table shows the progress of interest rates:

Agricultural Credit Interest Rates

Year	Intermediary Institution Effective Interest Rates	Market Rate	Inflation Rates
1975	15-16.5	26.8	23.2
1976	15-16.5	26.8	20.1
1977	15-16.5	26.8	33.9
1978	12-16.5	26.8	17.4
1979	18-21.5	25.6	24.6
1980	21-24	37.8	26.5
1981	21-24	39.2	26.3
1982	21-24	26.8	24.0
1983	21-24	34.2	16.6
1984	21-2.	35.5	18.3
1985	21-24	35.0	22.4
1986	21.5-26.5	32.0	22.0
1987	19.3-29.0 a/	32.0	32.3
1988	22.6-35.1 a/	38.0	28.1
1989	22.6-35.1 a/	38.0	25.0

a/ The low interest rate of 22.6% was applied only for seasonal crop to small farmers which are allocated only about 20% of total FFAP funds.

11. On December 28, 1988, a newly issued resolution of the Junta Monetaria of the Banco de la República reduced the dispersion of interest rates. Starting January 1, 1989, three rates have been set, two of which for small farmers, 21.5% for seasonal crops and other short-term borrowing, and 26.5% for medium and long term, and the third rate, 28%, for all other farmers for seasonal and other short-term borrowing. The rates have also been made variable by tying them to the DTF interest rate (the yield of all Certificates of Deposit--a market-determined cost of funds to the financial intermediaries), with the first rate of 21.5% (nominal) to remain 5.5 points under the DTF rate, the second 26.5% to remain half-a-point under and the third rate of 28% to be at one point above the DTF rate. For medium- and long-term borrowings of farmers other than small farmers, the interest rate will rise two points over the DTF rate. The same increase will apply to marketing loans.

12. Directed Credit Allocation. FFAP's funds are administratively allocated to specific rural activities. The amount of credit provided is in proportion to the costs of production involved in a particular activity. The trend is increasingly for FFAP to finance all agricultural products and activities, including the purchase of land and livestock, and agricultural marketing and processing activities, although this last credit line has just begun operating. The three agricultural banks essentially grant credit for any financially viable agricultural investment, contingent on the availability of funds. However, Caja's credit is to some extent directed to target groups of beneficiaries (based on the level of their assets), to specific areas (after natural disasters), or to specific crops. All credit is tied up to the existence of extension assistance, provided generally by Caja, but also by other development institutions operating in the sector, such as ICA, INCORA and agricultural investment etc. This enables first the presentation by the farmer of a professional investment plan with his credit application, and most importantly, a competent follow-up on his activities. This system has assured that agricultural credit recoveries are satisfactory.

## COLOMBIA

## RURAL DEVELOPMENT INVESTMENT PROGRAM (RDIP)

## LOAN AND PROJECT SUMMARY

	LOCAL (US million)	FOREIGN	TOTAL	%					
Technology Adaptation and Extension	35.7	8.9	44.6	17.8					
Watershed Management and Environmental Protection	3.2	1.4	4.6	1.8					
Fisheries	5.4	3.1	8.5	3.4					
Rural Women	5.9	2.2	8.1	3.2					
Marketing	6.8	4.8	11.6	4.8					
Training and Community Organization	16.7	4.2	20.9	8.3					
Rural Roads	21.4	50.8	72.2	28.6					
Water Supply and Sanitation	12.5	23.3	35.8	14.3					
Strengthening DRI and Municipalities	7.2	1.5	8.7	3.5					
<b>Total Baseline Costs</b>	<b>113.9</b>	<b>99.4</b>	<b>213.3</b>	<b>85.3</b>					
Physical Contingencies	5.7	5.0	10.7	4.3					
Price Contingencies	7.8	10.2	18.0	7.0					
<b>Total Program Costs</b>	<b>127.4</b>	<b>122.6</b>	<b>250.0</b>	<b>100.0</b>					
<b>Financing Plan</b>									
<b>DRI Fund</b>									
-Government Resources	37.6	0.0	37.6	15.0					
-IDB	13.7	61.3	75.0	30.0					
-IDB	13.7	61.3	75.0	30.0					
<b>-Total</b>	<b>64.9</b>	<b>122.6</b>	<b>187.5</b>	<b>75.0</b>					
Municipalities and Other Agencies	62.5	0.0	62.5	25.0					
<b>Total Program Cost</b>	<b>127.4</b>	<b>122.6</b>	<b>250.0</b>	<b>100.0</b>					
<b>Estimated Disbursements:</b>									
	1990	1991	1992	1993	1994	1995	1996	1997	1998
	-----US \$ mill-----								
Annual	3.0	3.0	7.5	12.0	11.2	15.7	14.2	7.7	0.5
Cumulative	3.0	6.0	13.5	25.5	36.7	52.5	66.7	74.5	75.0

Economic Rate of Return:

Map:



	1	2	3	4	5	Total	FEX
	(Col\$ million)						
<b>APPLIED TECHNOLOGY</b>							
-Adaptation Technology	343.0	395.0	400.0	400.0	400.0	1938.0	0.2
-Extension	2845.0	3000.0	3500.0	3500.0	3500.0	16145.0	
-Training Professionals & Instructor	77.5	87.2	124.8	152.1	152.1	593.7	
-Extensionists	81.0	104.1	150.4	150.4	150.4	636.9	
<b>Total</b>	<b>3146.5</b>	<b>3586.3</b>	<b>4175.2</b>	<b>4202.5</b>	<b>4202.5</b>	<b>19318.0</b>	<b>0.2</b>
<b>Contingencies - Physical</b>	<b>157.3</b>	<b>179.3</b>	<b>208.8</b>	<b>210.1</b>	<b>210.1</b>	<b>965.7</b>	
- Price	742.0	2019.1	3926.3	5753.2	7953.3	20393.9	
<b>Total Component</b>	<b>4045.9</b>	<b>5784.7</b>	<b>8310.2</b>	<b>10165.8</b>	<b>12365.9</b>	<b>40672.6</b>	
<b>DRI</b>	<b>3182.9</b>	<b>4550.9</b>	<b>6537.8</b>	<b>7997.6</b>	<b>9720.4</b>	<b>31997.7</b>	
<b>MARKETING</b>							
<b>Rural Projects</b>							
-Physical Investments	800.0	640.0	800.0	800.0	800.0	3040.0	0.5
-Promotional Studies and TA	120.0	80.0	120.0	120.0	120.0	560.0	0.2
-Sub-total	920.0	720.0	920.0	920.0	920.0	4400.0	0.5
<b>Staple Foods</b>							
-Investments - Associations	0.0	0.0	0.0	0.0	0.0	0.0	0.5
- Warehouses	0.0	0.0	0.0	0.0	0.0	0.0	0.5
-Promotional Studies and TA	80.0	80.0	40.0	40.0	40.0	280.0	0.2
-Sub-total	80.0	80.0	40.0	40.0	40.0	280.0	0.2
<b>Total</b>	<b>1000.0</b>	<b>800.0</b>	<b>960.0</b>	<b>960.0</b>	<b>960.0</b>	<b>4680.0</b>	<b>0.4</b>
<b>Contingencies - Physical</b>	<b>50.0</b>	<b>40.0</b>	<b>40.0</b>	<b>40.0</b>	<b>40.0</b>	<b>234.0</b>	
- Price	250.0	487.8	981.7	1445.5	2020.8	5194.3	
<b>Total Component</b>	<b>1300.0</b>	<b>1327.8</b>	<b>1989.7</b>	<b>2453.5</b>	<b>3020.8</b>	<b>10108.3</b>	
<b>DRI</b>	<b>1000.0</b>	<b>1021.7</b>	<b>1530.9</b>	<b>1897.6</b>	<b>2330.4</b>	<b>7777.7</b>	
<b>WATERSHED MANAGEMENT and ENVIRONMENTAL PROTECTION</b>							
-Improvement of cover	60.0	217.0	300.0	300.0	300.0	1185.0	
-Recovery of Areas	13.6	40.8	60.0	74.8	74.8	272.0	
-Plans for Management of Microquencia	156.0	100.0				264.0	
-Studies and Monitoring	2.2	24.4	4.0	4.0	4.0	30.0	
-Training and Technical Assistance	31.3	150.6	23.0	5.0	0.0	210.7	
<b>-Total</b>	<b>271.1</b>	<b>541.4</b>	<b>395.0</b>	<b>384.6</b>	<b>378.8</b>	<b>1970.9</b>	<b>0.3</b>
<b>Contingencies - Physical</b>	<b>13.6</b>	<b>27.1</b>	<b>19.8</b>	<b>19.2</b>	<b>18.9</b>	<b>98.5</b>	
- Price	66.4	315.1	384.6	547.9	651.5	1965.0	
<b>Total Component</b>	<b>351.1</b>	<b>883.6</b>	<b>799.4</b>	<b>951.7</b>	<b>1049.2</b>	<b>4035.0</b>	
<b>DRI</b>	<b>284.9</b>	<b>666.7</b>	<b>603.2</b>	<b>715.1</b>	<b>791.7</b>	<b>3044.6</b>	

	1	2	3	4	5	Total	FEX
<b>RURAL WOMEN</b>			(COLS Million)				
-Investment	194.7	83.2	42.2	25.1	25.1	370.3	0.9
-Shared Cost Technical Assistance	244.1	433.5	400.3	441.3	472.4	1991.6	0.2
-Technical Assistance	143.3	249.8	231.0	254.2	271.7	1150.0	0.2
<b>-Total</b>	<b>582.1</b>	<b>766.5</b>	<b>673.5</b>	<b>720.6</b>	<b>769.2</b>	<b>3511.9</b>	<b>0.3</b>
Contingencies - Physical	29.1	30.3	33.7	30.0	30.5	175.6	
- Price	141.2	442.3	649.9	1010.0	1504.7	3754.3	
<b>Total Component</b>	<b>752.5</b>	<b>1247.1</b>	<b>1357.1</b>	<b>1772.7</b>	<b>2312.4</b>	<b>7441.7</b>	
<b>DRI</b>	<b>510.9</b>	<b>850.6</b>	<b>932.1</b>	<b>1217.5</b>	<b>1500.2</b>	<b>5111.1</b>	
<b>TRAINING AND COMMUNITY ORGANIZATION</b>							
-Producers Training	1300.0	800.0	800.0	800.0	111.0	4011.0	0.2
-Community Organizations	824.3	500.0	500.0	500.0	500.0	2824.3	0.2
-Producers Associations	449.0	438.0	438.0	438.0	438.0	2201.0	0.2
<b>Total</b>	<b>2573.3</b>	<b>1838.0</b>	<b>1838.0</b>	<b>1838.0</b>	<b>1050.0</b>	<b>9039.1</b>	<b>0.2</b>
Contingencies - Physical	120.7	90.3	90.3	90.3	52.5	452.0	
- Price	600.9	1010.3	1097.6	2471.3	1907.5	7779.6	
<b>Total Component</b>	<b>3309.6</b>	<b>2918.6</b>	<b>3593.6</b>	<b>4900.0</b>	<b>3000.0</b>	<b>17270.7</b>	
<b>DRI</b>	<b>2370.0</b>	<b>2098.6</b>	<b>2583.4</b>	<b>3139.7</b>	<b>2221.9</b>	<b>12417.6</b>	
<b>FISHERIES</b>							
<b>Small Scale(Caspa)</b>							
-Investments	100.0	100.0	215.0	215.0	215.0	845.0	0.6
-technical Assistance	222.0	222.0	222.0	222.0	222.0	1118.0	0.3
-Sub-total	322.0	322.0	437.0	437.0	437.0	1963.0	0.4
<b>Aquaculture</b>							
-Hatchery Infrastructure	171.0	107.0	64.0	21.0	0.0	363.0	0.6
-Technical Assistance to Farmers	80.0	90.0	112.0	120.0	144.0	546.0	0.2
-Training Extensionists	89.0	107.0	89.0	89.0	89.0	463.0	0.2
-Technology Dev. and Research	75.0	90.0	45.0	45.0	45.0	300.0	0.2
-Sub-total	415.0	400.0	310.0	295.0	278.0	1686.0	0.3
<b>-Total</b>	<b>737.0</b>	<b>722.0</b>	<b>747.0</b>	<b>732.0</b>	<b>715.0</b>	<b>3649.0</b>	<b>0.4</b>
Contingencies - Physical	30.9	30.1	37.4	30.0	35.0	162.2	
- Price	105.1	429.2	743.0	1051.0	1455.1	3804.9	
<b>Total Component</b>	<b>959.5</b>	<b>1181.3</b>	<b>1527.4</b>	<b>1808.4</b>	<b>2205.4</b>	<b>7691.1</b>	
<b>DRI</b>	<b>787.0</b>	<b>975.3</b>	<b>1255.1</b>	<b>1484.0</b>	<b>1811.5</b>	<b>6314.6</b>	

	1	2	3	4	5	Total	FEM
	(Col\$ million)						
<b>ROADS</b>							
-Studies and Design	148.8	460.0	460.0	252.0		1320.8	
-Road Investments	3132.0	5350.0	8340.0	6788.0	5987.0	29027.0	
<b>-Total</b>	<b>3280.8</b>	<b>5840.0</b>	<b>8800.0</b>	<b>7040.0</b>	<b>5987.0</b>	<b>30947.8</b>	<b>0.7</b>
Contingencies - Physical	164.0	292.0	440.0	352.0	299.4	1547.4	
- Price	925.1	3842.9	9744.5	11592.9	13914.2	40019.6	
<b>Total Component</b>	<b>4309.1</b>	<b>9974.9</b>	<b>18984.5</b>	<b>18984.9</b>	<b>20200.6</b>	<b>72519.9</b>	
<b>DRI</b>	<b>3141.4</b>	<b>7172.0</b>	<b>13849.9</b>	<b>13650.1</b>	<b>14524.2</b>	<b>52137.5</b>	
<b>WATER SUPPLY AND SANITATION</b>							
-Investments	893.6	3076.8	3342.0	3342.0	3342.0	13998.4	0.7
-Studies and Design Assistance	339.2	339.2	339.2	339.2	169.6	1526.4	0.2
<b>-Total</b>	<b>1232.8</b>	<b>3418.0</b>	<b>3681.2</b>	<b>3681.2</b>	<b>3511.6</b>	<b>15524.8</b>	<b>0.7</b>
Contingencies - Physical	61.0	170.9	184.1	184.1	175.6	776.2	
- Price	342.1	2217.2	4015.9	5981.4	8012.2	20548.8	
<b>Total Component</b>	<b>1636.5</b>	<b>5606.1</b>	<b>7881.1</b>	<b>9826.6</b>	<b>11699.4</b>	<b>36849.8</b>	
<b>DRI</b>	<b>1176.7</b>	<b>4174.6</b>	<b>5666.5</b>	<b>7065.3</b>	<b>8411.9</b>	<b>26495.8</b>	
<b>STRENGTHENING DRI AND MUNICIPALITIES</b>							
<b>DRI AGENCY</b>							
-Incremental Staff 1/	153.1	153.1	153.1	153.1	131.4	743.8	0.0
-Technical Assistance	71.0	157.2	35.4	47.4	37.2	348.2	0.2
-Equipment and Vehicles	0.0	345.5	53.1	83.0	69.8	552.2	0.9
-Program Promotion	52.0	65.0	26.0	26.0	26.0	195.0	0.3
-Training	0.0	49.8	32.5	32.5	32.5	147.3	0.3
-Evaluation 2/	120.0	100.0	100.0	0.0	0.0	440.0	0.2
-Sub-Total	396.1	930.6	400.1	342.8	356.9	2420.5	0.3
<b>MUNICIPALITIES</b>							
-Technical Assistance	385.7	337.4	170.0	184.0	112.0	1189.9	0.2
-Training	0.0	51.9	51.9	27.0	27.0	159.4	0.3
-Sub-total	385.7	389.3	221.9	212.0	139.0	1349.3	0.2
<b>Total</b>	<b>781.8</b>	<b>1319.9</b>	<b>622.0</b>	<b>555.4</b>	<b>496.7</b>	<b>3775.8</b>	<b>0.2</b>
Contingencies - Physical	39.1	66.0	31.1	27.8	24.8	188.8	
- Price	182.5	736.6	579.5	752.3	928.9	3179.8	
<b>Total Component</b>	<b>1003.4</b>	<b>2122.5</b>	<b>1232.6</b>	<b>1335.5</b>	<b>1450.4</b>	<b>7144.4</b>	
<b>DRI</b>	<b>1003.4</b>	<b>2122.5</b>	<b>1232.6</b>	<b>1335.5</b>	<b>1450.4</b>	<b>7144.4</b>	

1/ To be contracted by IICA

2/ Funds in Year 1 are for the "Base Line" study

Funds in Year 2 are for a review of RDIP and develop a graduation policy for municipalities.

Funds in Year 5 are for the Impact Evaluation study

PROJECT COST SUMMARY  
(Current Col\$ million)

	1	2	3	4	5	Total	%
Technology Adaptation and Extension	4045.9	5784.7	8310.2	10165.8	12365.9	40672.6	20.0
Watershed and Environment	851.1	883.6	799.4	951.7	1049.2	4035.0	2.0
Fisheries	959.5	1189.0	1528.7	1808.4	2206.4	7691.1	3.8
Rural Women	752.5	1247.1	1857.1	1772.7	2312.4	7441.7	3.7
Marketing	1808.6	1327.8	1989.7	2453.5	3028.8	10108.3	5.0
Roads	4389.1	9974.9	18984.5	18984.9	20200.6	72513.9	35.6
Water Supply and Sanitation	1636.5	5806.1	7861.1	9826.6	11699.4	36949.8	18.1
Training and Community Organization	3308.8	2911.8	3593.0	4366.8	3090.2	17270.7	8.5
Strengthening DRI and Municipalities	1003.4	2122.5	1232.6	1335.5	1450.4	7144.4	3.5
<b>Total Program Costs</b>	<b>17735.3</b>	<b>31246.6</b>	<b>45676.4</b>	<b>51665.9</b>	<b>57403.4</b>	<b>203727.6</b>	<b>100.0</b>

**RURAL DEVELOPMENT INVESTMENT PROGRAM**  
**PROJECT SUMMARY**  
(US\$ million)

	Bank	IDB	DRI	Others	Total
<b>INVESTMENTS</b>					
Technology Adaptation and Extension	14.0	14.0	7.1	9.5	44.6
Watershed and Environment	1.1	1.1	0.0	1.1	4.0
Fisheries	1.5	1.5	0.0	1.5	5.4
Rural Women	1.1	1.1	0.0	2.7	5.5
Marketing	2.5	2.5	1.3	2.5	8.9
Roads	20.5	20.5	10.4	20.1	71.4
Water Supply and Sanitation	10.3	10.3	5.2	10.1	35.8
Training and Community Organization	0.0	0.0	3.0	5.9	20.9
Strengthening DRI and Municipalities	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>57.0</b>	<b>57.0</b>	<b>28.0</b>	<b>53.3</b>	<b>198.3</b>
<b>MACHINERY AND EQUIPMENT</b>					
Technology Adaptation and Extension	0.0	0.0	0.0	0.0	0.0
Watershed and Environment	0.0	0.0	0.0	0.0	0.0
Fisheries	0.0	0.0	0.0	0.0	0.0
Rural Women	0.0	0.0	0.0	0.0	0.0
Marketing	0.0	0.0	0.0	0.0	0.0
Roads	0.0	0.0	0.0	0.0	0.0
Water Supply and Sanitation	0.0	0.0	0.0	0.0	0.0
Training and Community Organization	0.0	0.0	0.0	0.0	0.0
Strengthening DRI and Municipalities	0.5	0.5	0.3	0.0	1.3
<b>Total</b>	<b>0.5</b>	<b>0.5</b>	<b>0.3</b>	<b>0.0</b>	<b>1.3</b>
<b>TECHNICAL ASSISTANCE AND TRAINING</b>					
Technology Adaptation and Extension	0.0	0.0	0.0	0.0	0.0
Watershed and Environment	0.2	0.2	0.1	0.0	0.6
Fisheries	1.2	1.2	0.0	0.0	3.1
Rural Women	1.1	1.1	0.5	0.0	2.7
Marketing	0.0	0.0	0.4	0.0	1.9
Roads	0.0	0.0	0.0	0.0	0.0
Water Supply and Sanitation	0.0	0.0	0.0	0.0	0.0
Training and Community Organization	0.0	0.0	0.0	0.0	0.0
Strengthening DRI and Municipalities	3.0	3.0	1.5	0.0	7.4
<b>Total</b>	<b>6.2</b>	<b>6.2</b>	<b>3.2</b>	<b>0.0</b>	<b>15.7</b>
<b>TOTAL PROJECT</b>					
Technology Adaptation and Extension	14.0	14.0	7.1	9.5	44.6
Watershed and Environment	1.4	1.4	0.7	1.1	4.5
Fisheries	2.0	2.0	1.4	1.5	8.4
Rural Women	2.1	2.1	1.1	2.7	8.1
Marketing	3.3	3.3	1.7	2.5	10.8
Roads	20.5	20.5	10.4	20.1	71.4
Water Supply and Sanitation	10.3	10.3	5.2	10.1	35.8
Training and Community Organization	0.0	0.0	3.0	5.9	20.9
Strengthening DRI and Municipalities	3.5	3.5	1.0	0.0	8.7
<b>Total</b>	<b>63.8</b>	<b>63.8</b>	<b>32.3</b>	<b>53.3</b>	<b>213.3</b>
Contingencies	11.2	11.2	5.3	9.2	36.7
<b>Total Program Costs</b>	<b>75.0</b>	<b>75.0</b>	<b>37.6</b>	<b>62.5</b>	<b>250.0</b>

## DRI COFINANCING MATRIX

Component	BANK FINANCING OF DRI EXPENDITURE	
	LOCAL %	FOREIGN %
<b>APPLIED TECHNOLOGY</b>		
-Adaptation Technology	85.0	
-Extension	85.0	
-Training Professionals & Instructors	85.0	
-Extensionists	85.0	
<b>MARKETING</b>		
Rural Projects		
-Physical Investments	85.0	
-Promotional Studies and TA	70.0	100.0
Staple Foods		
-Investments - Associations - Warehouses		
-Promotional Studies and TA	70.0	100.0
<b>WATERSHED MANAGEMENT and ENVIRONMENTAL PROTECTION</b>		
-Improvement of cover	85.0	
-Recovery of Areas	85.0	
-Plans for Management of Microquencas	85.0	
-Studies and Monitoring	70.0	100.0
-Training and Technical Assistance	70.0	100.0
<b>RURAL WOMEN</b>		
-Investments	85.0	
-Shared Cost Technical Assistance	85.0	
-Technical Assistance	70.0	100.0
<b>TRAINING AND COMMUNITY ORGANIZATION</b>		
-Producers Training	85.0	
-Community Organizations	85.0	
-Producers Associations	85.0	
<b>FISHERIES</b>		
Small Scale(Caspas)		
-Investments	85.0	
-Technical Assistance	85.0	
Aquaculture		
-Hatchery Infrastructure	85.0	
-Technical Assistance to Farmers	70.0	100.0
-Training Extensionists	70.0	100.0
-Technology Dev. and Research	70.0	100.0
<b>ROADS</b>		
-Studies and Design	85.0	
-Road Investments	85.0	

**DRI COFINANCING MATRIX**

<b>Component</b>	<b>BANK FINANCING OF DRI EXPENDITURE</b>	
	<b>LOCAL %</b>	<b>FOREIGN %</b>
<b>WATER SUPPLY AND SANITATION</b>		
-Investments	85.0	
-Studies and Design Assistance	85.0	
<b>STRENGTHENING DRI AND MUNICIPALITIES</b>		
<b>DRI Agency</b>		
-Incremental Staff	0.0	0.0
-Technical Assistance	70.0	100.0
-Equipment and Vehicles	70.0	100.0
-Program Promotion	70.0	100.0
-Training	70.0	100.0
-Evaluation	70.0	100.0
<b>Municipalities</b>		
-Technical Assistance	70.0	100.0
-Training	70.0	100.0

COLOMBIA  
Rural Development Investment Program

Disbursement Schedule

Fiscal Year	Semester	Std. Disb Profile	Cumm. Profile	Disbursement	Cumm. Disb.
		%	%	-----US\$ million-----	
1990	B	0.0	0.0	3.0	3.0
1991	A	2.0	2.0	1.5	4.5
	B	2.0	4.0	1.5	6.0
1992	A	4.0	8.0	3.0	9.0
	B	6.0	14.0	4.5	13.5
1993	A	8.0	22.0	6.0	19.5
	B	8.0	30.0	6.0	25.5
1994	A	8.0	38.0	4.5	30.0
	B	9.0	45.0	6.7	36.7
1995	A	11.0	56.0	8.2	45.0
	B	10.0	66.0	7.5	52.5
1996	A	9.0	75.0	6.7	59.2
	B	10.0	85.0	7.5	66.7
1997	A	8.0	93.0	6.0	72.7
	B	5.0	98.0	1.7	74.5
1998	A	2.0	100.0	0.5	75.0

Latin America, Colombia, Agriculture, Disbursement Profile published April 22, 1988 reduced to 7 1/2 years due to existence of a Special Account. Disbursements will be reduced in FY97 and 98 in order to recover the initial deposit.



COLOMBIA  
RURAL DEVELOPMENT INVESTMENT PROGRAM (RDIP)

Basic Parameters for Price Contingencies

	Inflation Index					Adj. for Inflation		
	Local Inflation Rate (1)	Local Costs in Col \$ (2)	Foreign Inflation Rate (3)	Foreign Costs in US\$ (4)	Exchange Rate (Average) (5)	Index (6)	Foreign Costs in Col \$ (7)	Local Costs in US\$ (8)
(1987)	32.300		3.200		242.800			
(1988)	29.100		3.600		299.200		(4x6)	(2/6)
Year 0 (1989)	26.000	1.000	4.500	1.000	384.800	1.000	1.000	1.000
Year 1 (1990)	24.000	1.120	4.500	1.023	487.200	1.267	1.295	0.884
Year 2 (1991)	22.000	1.378	4.500	1.069	605.100	1.573	1.681	0.875
Year 3 (1992)	20.000	1.684	4.500	1.117	740.500	1.925	2.150	0.884
Year 4 (1993)	20.000	1.997	4.500	1.167	899.000	2.337	2.727	0.854
Year 5 (1994)	20.000	2.396	4.500	1.219	1091.300	2.837	3.460	0.845

Source: Exchange rate and Colombian inflation forecasts from COLOMBIA: Department of Planning, dated November 7, 1989

Columns 2 & 4 are calculated at half the factor for the current year and the full factor for the preceding year

November 28, 1989

COLOMBIA

RURAL DEVELOPMENT INVESTMENT PROGRAM (RDIP)

Audit Requirements

Documentation for Audit of Consolidated Program Accounts

1. DRI and all participating municipalities and agencies would keep separate program accounts. Each participating municipality and agency would submit to DRI's Regional Office a statement of sources and application of project funds within 30 days after the end of the fiscal year. Within the next 30 days, the DRI's Regional Office would prepare and transmit to the central office a regional consolidated statement of sources and application of project funds.
2. In addition to its financial statements as an entity, DRI would submit to the Government's Comptroller General for audit by April 30 of each year the following information on the program accounts:
  - (a) overall consolidated statement of sources and application of funds, with comments on the most significant changes with regard to the previous year;
  - (b) a report on its system of internal control (both financial and operational);
  - (c) a report on the corrective actions taken in response to the opinions and recommendations made by the auditor in the report of the previous period;
  - (d) a report and its comments on the movement of the special account taking into consideration the time intervals between the date of expenditures, approval of disbursements, and transfer to participating municipalities and executing agencies;
  - (e) a report showing and analyzing budget execution during the year, compared with initial appropriations and budget execution during the previous years; and
  - (f) all documentation supporting the statement of expenditures of DRI.

Content of the Audit Reports

3. The auditor's report should give the program amounts and express an opinion on the fairness with which they are presented. The auditor would also report on:
  - (a) compliance by DRI with its obligations under the program: (Program accounts, SOEs and special accounts, the financial statements of DRI);
  - (b) the system of internal control (financial and operations);

- (c) corrective measures taken by DRI Fund in response to observations and recommendations made in the previous report; and
- (d) the accounting system used.

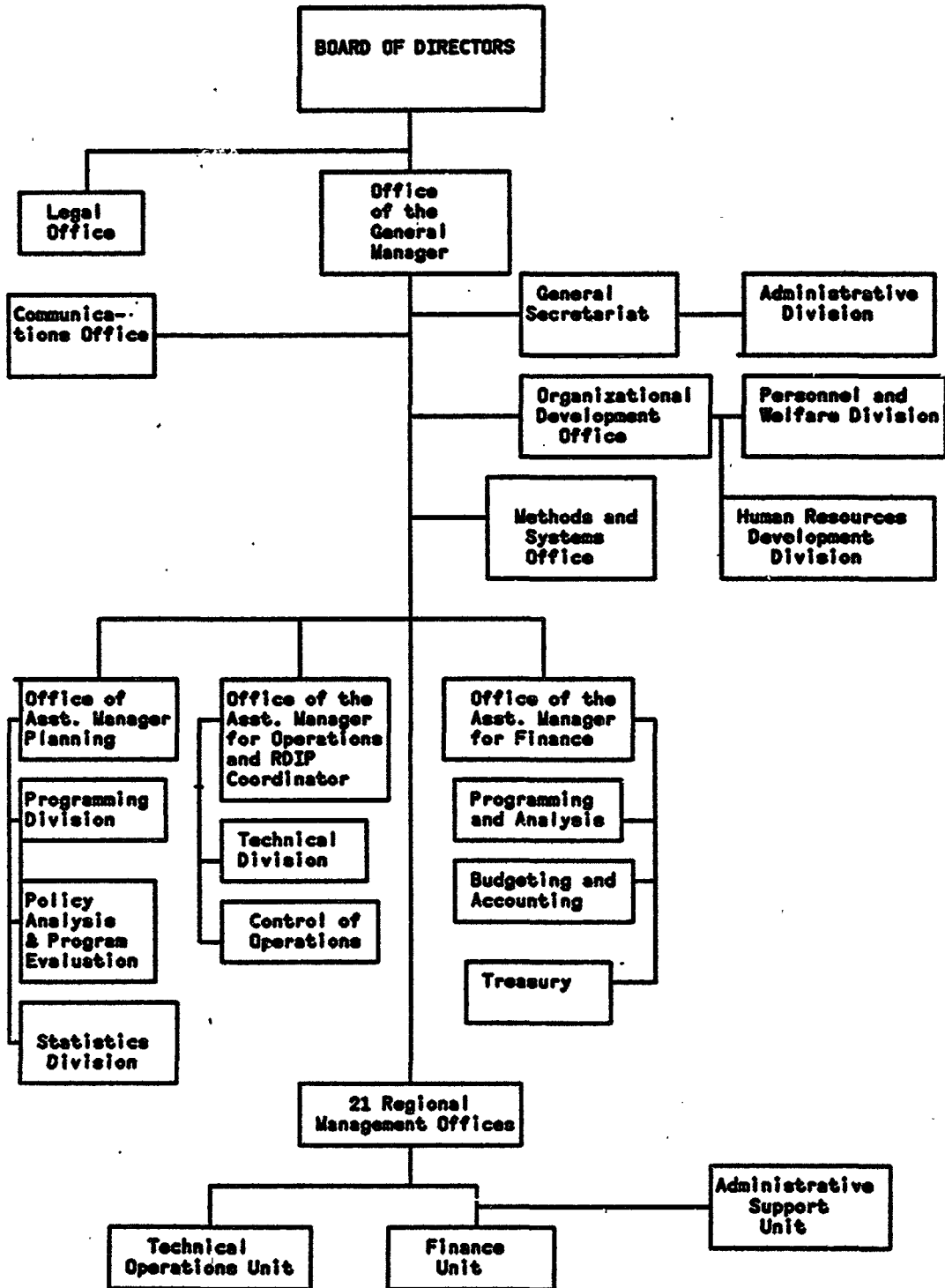
Timing of Submission of Audit Reports

4. The auditor should forward to the Bank its audit reports no later than two months after having received the information from DRI, that is, no later than six months after the end of the Colombian fiscal year.

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RURAL INTEGRATED DEVELOPMENT PROGRAM (RDIP)

DRI Organizational Chart



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RURAL DEVELOPMENT INVESTMENT PROGRAM (RDIP)

Monitoring System

Conceptual Approach

1. The monitoring system is an integral part of the RDIP. Its goal is to keep DRI management, DNP, MOA, other relevant government agencies and the Bank apprised of RDIP progress and to assist in the identification and solution of problems encountered along the way. The monitoring system would focus exclusively on the preparation and execution of projects. Other considerations, such as impact or management efficiency, would be addressed separately in the evaluation component of the program.

2. The basic element of the monitoring system would be the individual projects to be carried out under RDIP. The monitoring would track the two phases necessary to the realization of these projects.

- identification and appraisal; and
- execution and supervision.

3. Project identification and appraisal are all the activities taking place from the moment a project idea is submitted to DRI until either project execution starts or the project is rejected. The start of project execution is the moment a cofinancing contract is signed between DRI, the municipality and/or a cofinancing entity. During this process the monitoring system would assist DRI to ensure that all activities take place in a timely manner and identify bottlenecks and problems early enough to solve them. In addition the monitoring system will keep records on the projects handled by DRI at various stages in the process, thus providing a database for future evaluations of the program.

4. As noted in Annex 4, RDIP requires the preparation of the Annual Investment Plan to be approved by Congress. To be included in this plan, projects need to be identified, i.e., projects at the idea stage (project profiles). All these projects go through the first stage screening on the basis of agreed eligibility criteria. This includes a brief description of the project, cost estimate, and a very preliminary financing plan. Subsequently, DRI prepares the Annual Operating Plan and the Cash Flow Plan. These plans list each project, the steps and actions required to bring them to appraisal and approval stage, the schedule for each event and the money which DRI would need for this purpose. The monitoring system will help DRI regional directors and central management to keep tabs on this process, identify those projects (or regions) which are lagging to promptly remedy the situation where necessary.

5. Once included in the Annual Operating Plan, projects would be appraised on the basis of feasibility studies and rough detailed proposal as defined in the Operational Manual. Appraisal includes feasibility and environmental studies. These need to take place in a timely manner, and the monitoring system would keep track of progress.

6. RDIP execution would be measured according to at least three main indicator groups describing:

- (a) Physical Progress of the Projects. This refers to the degree of completion of the activities to be carried out under projects in the RDIP (see para. 9 below), and the level of effort in the completion of said activities. For example, an agricultural extension project may have been completed (all the farmers targeted have been reached) but the number of person days of extension agents was higher than previously anticipated; or a road may be built but the volume of earth movements turned out lower than previously anticipated. Discrepancies between planned and actual physical execution may indicate future financial problems and/or deficiencies in the planning/design process which should be addressed.
- (b) Cost of Execution of the Projects. This refers to the financial performance of the project as opposed to what was budgeted during the planning stage. Discrepancies between the two can occur because actual level of efforts were not equal to the planned ones, unit prices turned out to be different than those used in the budget, or because there were unforeseen items which had to be paid for by the project.
- (c) Calendar of Execution of the Projects. This refers to the dates at which the physical progress takes place as opposed to the planned calendar. Delays must be identified early since they often indicate financial overruns and execution problems in the making. In addition discrepancies between the planned and the actual calendar of execution also indicate a deficiency in the planning process.

7. Project supervision, findings and recommendation, by DRI would also be incorporated into the monitoring system. It is anticipated that supervision activities by DRI officials will mostly consist of field visits to help resolve outstanding problems. DRI officials are not expected to collect any of the information referred to under para. 6 above. The monitoring system should keep a record of these field visits, verify concordance of field observation with the reports prepared by the municipalities or the contractors, and identify problems. If problems are identified, the system would track what solutions are identified and the progress of their implementation.

8. The monitoring system must apply to all RDIP projects.

- (a) technological adaptation and extension
- (b) watershed management and environmental protection
- (c) fisheries<sup>1</sup>
- (d) rural women

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<sup>1</sup>/ The fisheries component consists of CESPAS and aquaculture projects.

- (e) marketing
- (f) training and community organization
- (g) rural roads
- (h) water supply and sanitation
- (i) strengthening DRI and municipalities.

9. In order for any project to go through the stages described above (identification, appraisal, execution and supervision), a number of activities must be carried out by various agents (municipalities, DRI cooperating entities, contractors, etc.) These activities vary depending upon the project type considered but are homogeneous for each project type. Each project type would be divided into its key activities. The purpose of this division is to ensure a common standard for monitoring projects of a given type. For example, 30% completion of a water supply project could mean very different things according to the definition used by the person reporting on progress. Instead water supply projects could all be divided into:

- (a) Identification (in the sense the project is submitted by a municipality for DRI financing);
- (b) Financing sources (which indicates that the financial structure of the project agrees with the cofinancing matrix);
- (c) Completion of the feasibility study;
- (d) Completion of the environmental study;
- (e) Design (Completion of detailed engineering study);
- (f) Construction, broken down between:
  - excavations (cu m)
  - water lines installation (m)
  - structures (tanks, pumping stations..)(%)
- (g) Supervision.

To the maximum extent possible, measurements of activities would be based on objectively verifiable indicators (meters, number of field visits) rather than subjective ones (percents, scales from good to bad).

10. Because DRI regional offices will not be executing the projects themselves all primary information sources will actually be external to DRI. For example in the case of infrastructure projects, the information included in the supervision reports (Informes de Interventoria) will be used to feed into the monitoring system all the necessary data for these projects. In technology adjustment and extension projects, ICA or Caja

Agraria will provide this information. Many monitoring systems already exist for the tracking progress which are similar to the "Informe de Interventoria" developed by Obras Publicas for infrastructure projects or the systems developed by ICA and SENA in the past to monitor their own activities. The DRI monitoring system would be based on these systems for two reasons:

- (a) they have already been tested and thus will allow DRI to have a functioning system in the shortest possible time;
- (b) many cooperating entities will require the use of their own information gathering system either because of legal requirements or because they are part of their internal operating procedures. It is unlikely that cooperating entities will substantially change their operating procedures only to satisfy DRI monitoring requirements.

#### Work Plan

11. The following tasks would be carried out in order to develop the system described above.

- (a) The terms of reference of the four consultants contracted to develop the monitoring system would be amended to achieve the results described above. The consultants would be transferred from the Planning Subdirection to the Operations Subdirection to achieve better coordination between their activities and those of the other departments of DRI.
- (b) The consultants would collect existing monitoring systems previously developed by the Operations Subdirection of DRI as well as those existing in other government agencies and in the cooperating entities such as:
  - Ministerio de Agricultura
  - Ministerio de Obras Publicas y Transporte
  - Banco Central Hipotecario
  - Division de Saneamiento Basico Rural
  - Caja Agraria
  - Direccion de Agua Potable y Saneamiento Basico
  - FINANCIACOOP
  - Fondo Financiero Agropecuario
  - Fondo Nacional de Caminos Vecinales
  - Instituto Colombiano Agropecuario
  - INCORA
  - INDERENA
  - Servicio Nacional de Aprendizaje

These monitoring systems may serve as a valuable base for development of the system for RDIP. In addition, as described in the previous section, the monitoring systems of the cooperating entities will provide the basic information to the DRI monitoring system.

- (c) Identify, based on the 1990 Investment Plan, each of the project types to be executed under the RDIP.



- (d) For each project type identify the key activities which reflect accurately the progress of the projects. This task should be carried out in close collaboration with all DRI divisions (operations, legal, financial) involved in the process. For example, the legal department has already prepared a system for the control of the contractual process which could be incorporated into or serve as a base for the monitoring system.
- (e) Determine, in collaboration with DRI regional and central managers, what information is necessary to whom, and how often it should be provided.
- (f) Assess whether the monitoring systems of the cooperating entities collected in (b) can provide the necessary information identified in the previous task. If this is not the case, the consultants should first review with DRI management whether this information is really necessary. If yes, the consultant should then review with the cooperating entity how this information could be added to their existing monitoring system.
- (g) Develop the data processing methodology which will lead from information gathered in the field to the reports required by DRI management.
- (h) Define the necessary activities to be conducted for data collection, processing (which forms have to be written, input of information into computers, run of computer programs, print-out of reports, etc.) and establish responsibilities for carrying these out. These may be assigned either to DRI personnel or to the cooperating entities.
- (i) For those responsibilities assigned to the cooperating entities, review with the legal department how these responsibilities can be incorporated into the cofinancing contracts, including annexes describing the format in which information should be provided to DRI.
- (j) Design a verification system to ensure the validity of the information collected and processed by the monitoring system. At a minimum this will include field visits by DRI personnel to the project sites. Checks on the accuracy of the costs reported by the system can be made by using the data included in the records of the financial department.
- (k) Estimate the manpower, equipment and other operating costs required in order to operate the system. The system should be designed so as to provide the information at a minimum cost.
- (l) Prepare an implementation plan for the system to be installed and operating by June 1, 1990. This plan should include the development of the necessary software, the preparation of manuals, the installation of the hard- and software, and the training of personnel.

(m) Prepare a report describing the proposed monitoring system. The reports should use Sections 2.2 to 2.12 as a Table of Contents, each section being the subject of a separate chapter.

COLOMBIA

RURAL DEVELOPMENT INVESTMENT PROGRAM (RDIP)

Program Review

1. Although the proposed RDIP has evolved from the Bank's experience over the past 12 years with two previous Bank-supported DRI projects, the cofinancing arrangements, the planning and programming as well as the entire approval and execution system of projects are different due to the decentralization reforms and DRI's designation as the main cofinancing entity for the 602 municipalities. Also, DRI has had relatively little direct experience in the past financing and appraising the type of marketing, CESPAS, watershed management and environmental protection and technology adaptation and extension projects based on the ZTDP and the municipal plans to be financed under the RDIP.
2. In order to enable a timely assessment of progress, DNP would contract consultants to begin the RDIP Program Review by August 31, 1992 and submit to the Bank the consultants' report and plan of action by November 1992. The Agricultural Studies Unit in DNP would prepare the terms of reference, identify consultants, and submit the terms of reference for comments by the Bank by April 15, 1992. The terms of reference will be prepared by DNP in collaboration with MOA and DRI.
3. The Program Review would consist of: (a) planning, management and implementation of the RDIP; and (b) training and environmental aspects of watershed management, water supply and roads project. The Review will assess the effectiveness of the cofinancing and implementation arrangements, provision of counterpart funds, including IVA, DRI's use of the eligibility criteria for screening and appraising projects, its monitoring and project supervision system, procurement aspects, its internal and external coordination arrangements, the adequacy of its staff and their distribution between the central and regional offices, the effectiveness of DRI's Regional Offices in respect to the authority and responsibility they have for approving US\$50,000 and supervising projects; the watershed management and environmental projects would be reviewed in respect of improved land uses and agroecological practices introduced under the RDIP, and the institutional arrangements to assure inclusion of environmental protection in design and construction of civil works projects.

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RURAL DEVELOPMENT INVESTMENT PROGRAM (RDIP)

Selected Documents and Data Available in the Project File

1. Annex for Technology Development (Working Paper)
2. Anexo Tecnico Componente de Microcuencas (Working Paper)
3. Anexo para Componente de Acuacultura (Working Paper)
4. Anexo para Centros de Servicios (Working Paper)
5. Pesca Artesanal (CESPAS)
6. Annex for Rural Women's Component (Working Paper)
7. Anexo de la Organizacion y Entrenamiento (Working Paper)
8. Ayuda Memoria, Anexo y Cuadros - Componente de Comercializacion (Working Paper)
9. Anexo Subprograma de Agua Potable y Saneamiento Basico (Working Paper)
10. Anexo Subprograma de Caminos Vecinales (Working Paper)
11. Esencia y Anexo Dimension Ambiental del Pider (Working Paper)
12. Anexo: Fortalecimiento Institucional (Working Paper)
13. Annex: The National Budget (Working Paper)
14. Annex for Agricultural Credit in Colombia (Working Paper)
15. DRI Reglamento Operativo (Normas Basicas)
16. Programa de Desarrollo Integral Campesino (1988-1993). Manual for Cofinancing Percentages
17. Programa de Desarrollo Integral Campesino (1988-1993) (Basic Working Document)
18. Informe a los Gerentes Regionales Sobre el Proyecto Ficha Veredal en 1989 y Programacion para 1990 (Working Document)
19. Banco de Proyectos (Working Document)
20. Avances y Experiencias Plan Piloto y Plan de Accion para Obviar en el Desarrollo del RDIP, los Inconvenientes Encontrados en el Proyecto Piloto (Working Paper)
21. Control, Seguimientō y Evaluacion al Credito (Sistema Nacional de Credito Agropecuario (SNCA)) (Working Document)
22. Acta de Acuerdos FNCV-Fondo DRI
23. Carta de Jefe DNP (18 Dic. 1989) con Ayuda Memoria de la Reunion (9 Nov. 1989), Banco Mundial, BID, DRI, DNP, BCH, Acta de Acuerdos FFDU-FONDO-DRI
24. Sistema de Control Operativo del Fondo DRI (Diseno) (Working Paper)
25. Proceso de Evaluacion en el Programa de Desarrollo Integral Campesino (1990-1995) (Working Paper)
26. Comitē Estudios Preinversion (Circular)
27. Plan Zonal (ZTDP) (Working Paper)
28. Componente de Capacitacion Tecnologica (Criterios Generales para la Programacion)
29. Resolucion - Comitē de Capacitacion del PDIC.
30. Memorando Circular - Los Objetivos de la Asignacion de Recursos del Fondo DRI
31. Diseno Manual DRI para Evaluacion
32. Sample of Technology Adaptation Projects for CRECEDs (Working Paper)
33. Costo Promedio Anual del Mantenimiento Rutinario y Periodico de un Camino Vecinal (Working Paper). Methodology for calculating the 4% for road maintenance cost

34. Guia de Planificacion Programacion de Proyectos 1991
35. Proyecto de Reestructuracion (DRI)
36. Plan de Sistemas de Informacion
37. Componente de Comercializacion - Politicas de Comercializacion (Reunion Gerentes Regionales)
38. Bases para la Identificacion, Formulacion y Cofinanciacion de los Proyectos de Desarrollo Tecnologico
39. Programa de Desarrollo Integral Campesino - Proyecto de Endeudamiento Externo
  - (a) Componentes de la Produccion
    1. Desarrollo Tecnologico
    2. Organizacion y Capacitacion
    3. Mujer Campesina
  - (b) Componentes de la Produccion - Anexos
    1. Desarrollo Tecnologico
    2. Organizacion y Capacitacion
    3. Mujer Campesina
  - (c) Componentes Recursos Naturales Renovables
    1. Microcuencas
    2. Acuicultura
    3. Centros de Servicios al Pescador Artesanal - CESPAS
  - (d) Componentes Recursos Naturales Renovables - Anexos
    1. Microcuencas
    2. Acuicultura
    3. Centros de Servicios al Pescador Artesanal - CESPAS
  - (e) Componentes de la Comercializacion
    1. Comercializacion Rural
    2. Abastecimiento de Bienes Basicos (Anexos Incluidos)
  - (f) Componentes de Infraestructura Productiva - Social
    1. Caminos Vecinales
    2. Acueductos Rurales y Saneamiento Basico
  - (g) Componentes de Infraestructura - Anexos Productivo - Social
    1. Caminos Vecinales
    2. Acueductos Rurales y Saneamiento Basico
  - (h) Componente Fortalecimiento Institucional
  - (i) Reglamento Operativo
  - (j) Evaluacion
40. Colombia - Decentralization Reforms: An Assessment of Their Scope, Content, and Implications for Agriculture, September 20, 1988
41. Solicitud Programa Anual de Caja - Vigencia 1990 Inversion (1/23/90) Operating Plan
42. Asi Estamos Cumpliendo Autonomia Municipal. Enero 1987 (Volume III), Presidencia de la Republica (Decreto No. 77, 1987)
43. Decreto No. 2428, October 24, 1989 (Estructura Organizadora del DRI)

44. Decreto No. 501, March 13, 1989 (El Sector Agropecuario estara constituido por el Ministerio de Agricultura y sus Organismos adscritos y vinculados)
45. Decreto No. 1946, August 20, 1989 (Principios Rectores del Sistema Nacional de Transferencia de Tecnología Agropecuaria)
46. Decreto No. 107, January 13, 1989 (por el cual se reglamentan los Comites DRI)
47. Principales Normas de la Descentralizacion Administrativa
48. Acuerdo No. 030, September 7, 1988 (sobre el Plan de Desarrollo Social y Economico del Municipio de Tibacuy - El Concejo Municipal de Tibacuy)
49. Rural Roads Model (Module IV)
50. Estudio de Casos de Microcuencas, October 1989
51. Lineamientos de la Política Agropecuaria para 1989 y su Proyeccion en el Mediano Plazo, Ministerio de Agricultura, March-April 1989
52. La Agricultura Colombiana - Analysis del ESP, October 1988
53. Plan de Oferta Selectiva
54. Plan de Fomento de las Hortalizas
55. Plan de Fomento del Maiz
56. RDI? Economic and Farm Models Working Papers
57. Decentralizing Revenues and the Provision of Services: A Review of Recent Experience - Colombia (10/89)

\_\_\_\_\_, 1990

International Bank for  
Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Re: Loan No: \_\_\_\_\_  
(Rural Development Investment Project)  
Paragraph 3 (b) (i) of Schedule 1 to the Project Agreement

Dear Sirs:

We refer to paragraph 3 (b) (i) of Schedule 1 to the Project Agreement of even date herewith for the above-referenced Project.

The attachment to this letter sets forth the terms and conditions in respect of the obligation of DRI Municipalities for the maintenance of rural roads to be constructed, rehabilitated or improved under the Project. If you are in agreement with such terms and conditions please countersign this letter.

Sincerely yours,

FONDO DE DESARROLLO RURAL INTEGRADO

By \_\_\_\_\_  
Authorized representative

\_\_\_\_\_  
International Bank for  
Reconstruction and Development

COLOMBIA

RURAL DEVELOPMENT INVESTMENT PROGRAM (RDIP)

Road Maintenance

1. Hereby the following are set forth:
  - (a) the procedures for calculating the annual expenditures by the DRI municipalities for routine and periodic maintenance of rural roads cofinanced by DRI and the said municipalities under the RDIP; and
  - (b) the arrangements for applying the formula in respect of each road.
2. It is expected that the first batch of rural roads to be cofinanced by DRI and the DRI municipalities under the Project would be completed by December 1991. Beginning in 1992 the DRI municipalities would have to maintain these roads and to this end, they would make the necessary budgetary provisions by August 1991.
3. The DRI municipalities would use cash and in kind contributions from various sources to finance the routine and periodic maintenance of roads financed under the Project. For planning purposes, the municipalities would be expected to contribute about 4%<sup>1</sup> of the cumulative escalated investment cost of roads in the program for the maintenance of all roads, constructed and/or improved until December 1991 and all those roads to be constructed during the life of the project.
4. The annual percentage may vary depending on the geographic and ecological location of each road. During the construction phase of each road, DRI would establish a percentage for maintenance based on the technical requirements of the road. The applicable percentage would be reflected in the respective Contrato de Cofinanciación for each road and be reviewed annually, at the time the municipalities are preparing their annual plans for road maintenance, by DRI with the municipality to ensure that the respective municipalities apply the required resources for maintenance as specified in the Contrato de Cofinanciación. An example of how to apply, say, a 4% level for maintaining a road of 7.1 km for 25 years is provided in Appendix I.
5. Cumulative investment costs would be adjusted annually on the basis of the price escalation index published by the Ministry of Public Works.

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1/ The formula for calculating the 4% benchmark is based on a study carried out by IIPIT-PIDELTA which is available in the FNCV. DRI would prepare a separate manual for use by the municipalities for calculating the cost of maintenance and the technical aspects of maintenance work. DRI would provide the manual for Bank's comments.



COLOMBIA

RURAL DEVELOPMENT INVESTMENT PROGRAM (RDIP)

Assumptions

1. Example of calculating routine and periodic road maintenance for a road constructed at a cost of US\$33,290 per km, with average length of 7.1 km and a useful life of 25 years. The calculations are based on the assumption that the municipalities would need to earmark and spend the equivalent of 4% of the weighted average of the cost of constructing the said road.

2. Routine and periodic  
Maintenance (%)

Municipalities to spend 2.46% for routine maintenance each year for 3 years and 5.32% every fourth year for periodic maintenance during the useful life of the road (25 years) of the total cost of constructing the 7.1 km road.

3. Overall maintenance cost  
of said 7.1 km road

4% weighted average of the rural cost of constructing as adjusted annually.

4. The following gives a breakdown of the routine and periodic maintenance cost using assumptions 2 and 3 above, respectively, for the 7.1 km road over 25 years:

Year	Total cost of <u>1/</u> constructing said road (7.1 km) (US\$)	Routine Maintenance (US\$)	Periodic Maintenance (US\$)	Cost of Maintenance weighted average (4%) (US\$)
1	236,359			9,454
2		5,814		9,454
3		5,814		9,454
4		5,814		9,454
5			12,574	9,454
6		5,814		9,454
7		5,814		9,454
8		5,814		9,454
9			12,574	9,454
10		5,814		9,454
11		5,814		9,454
12		5,814		9,454
13			12,574	9,454
14		5,814		9,454
15		5,814		9,454
16		5,814		9,454
17			12,574	9,454
18		5,814		9,454
19		5,814		9,454
20		5,814		9,454
21			12,574	9,454
22		5,814		9,454
23		5,814		9,454
24		5,814		9,454
25			12,574	9,454
TOTAL		104,660	75,446	226,905

1/ December 1989 prices. The following are the equivalent values of labor and gasoline in the event that the municipalities would contribute in labor and kind toward the cost of maintenance.

Item	Value in (Col. pesos)	Routine (Col. pesos)	Periodic
Labor	1,085 per day	15,772	34,108
Gasoline	216 per gallon	3,140	6,790

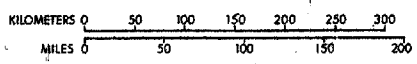
**COLOMBIA**  
**RURAL DEVELOPMENT INVESTMENT PROGRAM (RDIP)**  
 Dri. Municipalities 1990-94 Incorporation



The map has been prepared by the World Bank in cooperation with the Government of Colombia. The boundaries and the locations shown on the map do not imply on the part of The World Bank and the International Finance Corporation any judgment on the legal status of any territory or any endorsement or acceptance of such boundaries.



- CRECED
- YEAR OF INCORPORATION FOR EXTENSION SERVICES:
- PRESENT (ICA PROVIDING EXTENSION SERVICES UNTIL DEC. 1991)
- 1990
- 1991
- 1992 TO 1994
- ⊙ INTENDENCIA OR COMISARIA CAPITALS
- ⊙ DEPARTMENT CAPITALS
- ⊙ NATIONAL CAPITAL
- DEPARTMENT, INTENDENCIA OR COMISARIA BOUNDARIES
- INTERNATIONAL BOUNDARIES



JUNE 1990

BRD 2184/2