

PD-AAX-419

Bolivia
Action Plan FY 1987-1988

USAID/NEPAL
FY 1987/1988 SECTION PLAN

May 1986

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Annexes

- A. "Analysis of the New Economic Program of the Government of Bolivia," USAID/Bolivia, November 7, 1985. "Updated Analysis of the Economic Program of the Government of Bolivia," USAID/Bolivia, February 7, 1986. These reports are available in LAC/SA files and at USAID/Bolivia.

- B. USAID/Bolivia, March 5, 1986, "Selected Bolivian Macroeconomic Indicators."

I. A. MAP OF BOLIVIA

B. List of Acronyms

ADN	-	National Democratic Action Party
BAB	-	Bolivian Agricultural Bank
CAD	-	Eastern Agricultural Chamber
CBF	-	State Conglomerate
CEP	-	Bolivian Confederation of Private Businessmen
COMIBOL	-	State Mining Corporation
CORDECRUZ	-	Regional Development Corporation of Santa Cruz
IBTA	-	Bolivian Institute for Agricultural Technology
ICI	-	Intermediate Credit Institutions
IDEA	-	Institute for Entrepreneurial and Administrative Development
MACA	-	Ministry of Agriculture and Campesino Affairs
MNR	-	National Revolutionary Movement Party
NCDS	-	National Community Development Services
PRODEM	-	Foundation for the Promotion and Development of Microenterprises (a Bolivian PVO)
SDBT	-	Secretariat for the Development of The Bolivian Tropics
UDAPE	-	Economic Policy Analysis and Development Unit
UNFDAC	-	United Nations Fund for Drug Abuse and Control
YPFB-	-	State Petroleum Company

II. Political and Economic Background

A. The Political Setting

After nearly eighteen years of almost uninterrupted military rule, Bolivia returned to constitutional democratic government in October 1982. The country was suffering from a deepening economic crisis, but the mood was hopeful that the new government would be able to resolve the nation's economic and political problems.

The administration of Hernán Siles Zuazo, however, was largely unable to rule the country effectively. The political coalition which brought him to power began to dissolve almost from the moment the democratic government was inaugurated. In an effort to maintain his political support, Siles undertook nine major (and several minor) changes in his ministerial cabinet. His coalition dissolved completely at the end of 1984. The Congress, which seated Siles, was neutralized by the political divisiveness of its members. Consequently, while the country did not suffer a coup during the Siles regime (1982-1985), it was plagued by chronic instability.

In this environment, the nation's economy worsened sharply and dissatisfaction became widespread. Strikes and other types of labor disruptions became commonplace. Finally, in December 1984, faced with a situation that he found threatening and unmanageable, President Siles made the decision to call national and municipal elections for the summer of 1985, one year earlier than originally planned. The transfer of power (the first in Bolivian history between two democratically elected opposition political parties) to the newly elected government of Victor Paz Estenssoro took place on August 6, 1985.

B. The Economic Crisis

The economic crisis that Victor Paz Estenssoro inherited in 1985 had been in progress for more than 10 years. Upon assuming office in October 1982, the Siles government confronted an economic crisis of such magnitude that previous attempts to deal with it had led to widespread strikes and demonstrations and caused the resignation of the military government which preceded Siles. The economic situation resulted, in part, from poorly conceived investments in the public sector and excessive borrowing based on unsound economic and development policies (1971-1978), coupled with large public sector deficits, mounting external debt servicing requirements, and a precariously low level of international reserves. Heavy borrowing from Latin American nations to cover rapidly expanding deficits, largely due to the cut-off of concessional and commercial credit resources following the 1980 Garcia Meza coup, led to the unrestrained printing of money and the initiation of an inflationary spiral which continued through August 1985. Finally, constant political instability limited the Siles government's ability to develop a comprehensive and sustained response to the nation's economic problems.

Since October 1982, Bolivia's economy had been in severe recession, causing human and financial suffering for its people and precluding sustained economic growth and development in the country. The deepening of the crisis was reflected in GDP growth rates of -6.6% in 1982, -7.3% in 1983, -3.1% in 1984, and -2.1% in 1985.

Bolivia's already serious economic situation substantially worsened during 1984. Virtually all sectors of the economy showed declines, with sharp drops occurring in the mining (16.1%) and manufacturing (15.3%) sectors. Export earnings fell by approximately 23.6%, making it even more difficult for the GOB to meet its overdue obligation to foreign banks and other creditors. The nation's debt service ratio as a proportion of exports climbed to 46.3%. The consolidated fiscal deficit of the GOB and its state-owned enterprises rose to an estimated 28.6% of GDP.

The deepening crisis resulted from the Siles government's inability to mount an effective economic stabilization and recovery program. From October 1982 to August 1985, the GOB adopted six separate "packages" of economic reforms. Some of these were more meaningful than others, but strongly negative political reaction to all of the economic packages resulted in vacillation by the Siles administration and a lack of follow-up actions. The net effect of these isolated attempts was to exacerbate the nation's economic difficulties, resulting in a significant increase in the central government deficit for 1984, and an annualized inflation rate of more than 23,000% (October 1984 through September 1985).

A significant factor which further hampered the GOB's economic recovery efforts was the El Nino flood and drought disasters of 1983/84. These natural calamities cost the GOB more than \$600 million in economic losses and unanticipated foreign exchange expenditures. The disasters stimulated political discontent, as the government's inability to respond adequately to the country's economic crisis and to drought conditions became evident. In early 1984, however, the rains returned and the drought conditions on the Bolivian altiplano largely abated. The national food supply situation improved significantly. Although the drought in the highlands ended in 1984, the region's farmers, who were severely decapitalized, continue to require several years of additional recovery assistance.

The economic situation faced by the new Paz government upon taking office in August 1985 called for drastic action to restore public confidence and bring about economic stabilization and recovery. Reform measures were essential to reduce the fiscal deficit, to adjust the official exchange rate to end the destructive disparity that existed with the parallel market, and to expand the productivity of the economy. To be in a position to implement the required economic measures, the Paz government knew that it would have to regain the political power the central government had lost under Siles by asserting its authority over

the union leaders who had gained control of the state enterprises, government ministries and the Central Bank.

Sweeping economic recovery measures were enacted on August 29, 1985*, just three weeks after Paz assumed power. The measures were designed to halt hyperinflation, provide free-market incentives for the reactivation of domestic production, eliminate price distortions in the economy, restructure the state enterprises, and provide the economic basis upon which the government would be able to govern the country. The far-reaching measures (1) devalued the peso by 93.3% and implemented a flexible exchange rate mechanism to allow the peso to be adjusted in accordance with market forces, (2) eliminated all price controls (except those on petroleum products--which were raised to world prices--and utility services), (3) froze public sector salaries, (4) provided for free negotiation of private sector wages, (5) abolished bank interest rate controls, and (6) provided for the decentralization of Bolivia's main state enterprises (COMIBOL, the state mining corporation, YPFB, the state petroleum company, and CBF, the state conglomerate).

The Paz economic program was bold, comprehensive and farther reaching than had been expected or believed politically possible. USAID's analysis indicated that the economic stabilization program of President Paz would achieve a major reduction in the fiscal deficit, reduce the need for large scale monetary emissions, and, consequently, lower the rate of inflation and stimulate balance-of-payments recovery. The program paved the way for a more rational allocation of domestic resources and more equitable growth through the activities of an unencumbered private sector and more efficient public sector enterprises. While its success would reinforce the democratic process in Bolivia, the program did require painful adjustments in an economy which had been long dominated by government intervention.

On October 16, General Hugo Banzer Suárez (former President of Bolivia and head of the nation's second largest political party--the ADN) and President Paz (MNR) signed an historic "Pact For Democracy," under which the ADN and MNR parties, which together hold a significant majority in Congress, agreed to cooperate in areas of mutual interest (most notably economic recovery and coca control), for the benefit of the country.

By early December 1985, it was increasingly clear that the Paz stabilization program was having a positive effect on the economy. The government had just initialed a Letter of Understanding with the IMF,

*(See Annex A (unpublished) for an analysis of the Paz government's New Economic Program).

expecting an agreement in March, and, to stimulate private foreign investment, signed an agreement with the Overseas Private Investment Corporation (OPIC). However, year-end wage bonuses and emergency agricultural production credit disbursements caused a brief and temporary resurgence of hyperinflation. On January 6, the government decreed additional measures which called for a reduction in the government's labor force and laid off 17,000 government workers. On January 22, President Paz reconstituted his 18 member cabinet. The new Ministers of Finance and Planning had been part of the President's task force which had designed the August 29 economic stabilization program. The President formed a stronger cabinet in general and significantly refortified his economic program. A revised Letter of Understanding with the IMF was signed in mid-March with a Standby Agreement expected to be finalized in early May*.

C. Narcotics

In the area of coca eradication and narcotics control, President Paz Estenssoro has made more progress than any previous Bolivian administration; nevertheless, the problems to be overcome are still overwhelming. The government has signed formal agreements with campesino groups to initiate voluntary coca eradication and is surveying coca fields for future licensing or eradication. On November 28, 1985, the Paz government initiated the long awaited coca eradication program in the Chapare. However, as of the end of April 1986, less than 100 hectares of coca had been eradicated of the 4,000 hectares that were to have been eradicated over the period mid-1983 to mid-1985. Notwithstanding, the GOB has had some notable success on the interdiction side of the coca control equation. Between August 1985 and March 1986, the Government destroyed 131 cocaine producing labs, seized 576 kg of cocaine paste, 430 kg. of cocaine base and 2,273 kg. of marijuana, and made 256 drug-related arrests. Despite these notable signs of progress, however, the overall performance of the GOB on enforcing narcotics control cannot be considered to be satisfactory.

* Annex B presents several series of economic indicators which demonstrate the impressive success of the Paz economic recovery program.

III. USAID/Bolivia and LAC Regional Development Strategies

A. USAID/Bolivia Country Development Strategy

USAID/Bolivia's development strategy objective is to promote: (1) short-term economic stabilization, (2) basic structural reforms leading to sustained economic growth and (3) a wider sharing of the benefits of growth through increased farmer production, expanded employment opportunities and higher real income. To achieve this strategy objective, the Mission is guided by three highly interrelated goals: (1) to support democratic and constitutional government, (2) to help Bolivia resolve its economic crisis and to promote self-sustaining economic growth, and (3) to support USG efforts to reduce the production and flow of cocaine into the United States.

The first goal of supporting democratic and constitutional government, while long-term, also reflects the USAID's short-term strategy. With the installation of the democratically elected Paz government and the enactment of a comprehensive economic stabilization program on August 29, 1985 (See Annex A for a description of the economic reform package and an analysis of it by the USAID), the Mission's immediate goal is to support the maintenance and strengthening of democracy in Bolivia. The A.I.D. program seeks to provide quick-disbursing, responsive development assistance and balance-of-payments support to minimize economic hardships and political unrest which will arise as the government shifts from a highly subsidized economy to a free market one. Such assistance will support the institutionalization of the democratic process, contribute to the long term viability of the GOB economic recovery program and strengthen the government's efforts to implement effective narcotics eradication and control programs.

USAID/Bolivia's second goal is to help Bolivia resolve its economic crisis, and to promote sustained economic growth and development once the emergency economic stabilization program has halted the deterioration of the Bolivian economy. The economic growth strategy is to promote growth with equity through active policy dialogue with the GOB designed to result in the adoption of more rational macro-economic and sectoral policies. The program is largely targeted on the needs of the poorest segments of the population, particularly by emphasizing the creation of productive employment opportunities as well as greater access to health care, education, and social services. The USAID strategy will be designed and implemented to allow the private sector to play a larger and more dynamic role as an engine of growth in the economy, particularly in areas in which Bolivia has a comparative advantage: agriculture and agribusiness, artisanry and handicrafts and non-traditional exports. Micro enterprise development in urban and rural areas will also receive strong emphasis in this strategy. To facilitate economic growth through increased labor productivity, this goal also entails enhancing the quality of the nation's human resources base (particularly in productive skills) and improving the health status of the most nutritionally vulnerable populations.

The third goal is to support USG efforts to reduce the production and trafficking of cocaine in Bolivia. The USAID narcotics related strategy is to support coca eradication and control activities with suitable social and economic development programs and narcotics education activities. In confronting Bolivia's coca production and trafficking problems in the Chapare, however, the success of the USAID development strategy is predicated on the implementation of effective coca eradication and control programs by the GOB.

B. Modifications in the USAID Strategy Since the Last Action Plan

Emphasis among the components of USAID/Bolivia's development strategy has been modified periodically to respond to changes in government, new national priorities, and other unexpected matters. The overall strategy, however, has maintained its basic thrusts of support for democracy, economic stabilization and long term economic development, and narcotics control. As a result of the positive events in Bolivia since the July 1985 elections, however, the Mission has placed more emphasis than before on short term macro-economic assistance and sectoral policy reform and on the expansion of the role of the private sector in the economy. The strategy also stresses expansion of private sector involvement in the education and health fields. Program activities in the urban sector have become more important to the Mission's strategy because of the need to generate employment opportunities for the increasing number of urban unemployed who have or will lose their jobs as the government continues to implement its austere economic stabilization program.

The USAID no longer has a discrete disaster recovery component in its development strategy*. Under the Disaster Recovery project, agricultural inputs are being sold, and road and water system rehabilitation subprojects are being completed. These resources are, for the most part, being directed to the populations of Bolivia's 1983/1984 El Nino flood and drought regions in an effort to reverse the economic damage inflicted by the natural disasters.

Another modification has been the diminished emphasis of the La Paz-Cochabamba-Santa Cruz corridor within the USAID's strategy. While most of the development activities which USAID will support in the next few years will, in fact, occur in the corridor region, the primary emphasis will be on doing what is necessary and possible to bring about urgently needed macro-economic recovery rather than on a particular geographic region.

* While the Mission does not have a discreet disaster recovery component, recent severe flooding in the Lake Titicaca region of the country as well as heavy rains in other parts of Bolivia have required emergency assistance through OFDA of shelter materials as well as a supplemental PL 480 Title III food program for flood victims. See Mission's situation reports for details.

Finally, the USAID has undertaken a privatization process of its own. As areas of USAID support have been identified that can be carried out more effectively by the Private Sector, responsibility has been shifted away from public entities. Examples of this can be found in activities such as provision of potable water, primary health care services, child survival initiatives and delivery of agricultural credit.

C. Mission's Application of LAC Regional Development Strategy

The LAC regional development strategy involves two stages: (1) stabilization assistance and (2) macro-economic policy reform and economic growth with equity. The short-term focus of U.S. resources in Latin America is on economic stabilization while strengthening democratic institutions and supporting respect for human rights. This assistance is designed to halt the economic deterioration which has been occurring and to stabilize national economies for long term economic growth. Step two, and the longer-term direction of the strategy, emphasize macro-economic and sectoral adjustments, energizing the private sector, expanding agricultural productivity, promoting exports, increasing employment, providing training, and improving health conditions. These avenues, if pursued effectively and consistently, will increase the pace at which the economic and social benefits of growth will spread throughout society.

The sectoral directions of the LAC strategy include: (1) agricultural developments specifically focussed on small and medium scale commercial farmers, (2) development of exportable products with a comparative advantage, (3) education, with emphasis on technical training, and (4) the delivery of health services, directed toward the control of diseases which limit worker productivity. Private sector organizations in each sector are to be used instead of public institutions whenever possible. The regional strategy also proposes to do more to address urban growth problems. This assistance concentrates on expanding small and medium scale industry to generate urban employment. It promotes offering more and better shelter solutions, which generate additional employment opportunities in the region's urban centers.

D. USAID/Bolivia and the LAC Regional Strategy

Since the last Action Plan, the priorities of the USAID strategy have been slightly modified, based on events in Bolivia over the past year, and conform closely with the Bureau's regional design. The Mission program is also essentially comprised of a two-stage approach--economic stabilization and growth--and places a heavy emphasis on policy dialogue. The USAID's program plan stresses policy dialogue on the macro-economic and sectoral levels. In addition, the USAID will place particular emphasis on agriculture, exports, technical training and health, largely through an enhanced emphasis on the participation of the private sector. Special attention will also be devoted to small

enterprise development and to the improvement of the efficiency of the nation's financial system. Finally, the USAID's increased emphasis on the urban sector, shelter and employment generation is also consistent with the Bureau's Strategic Plan.

E. The USAID/Bolivia Programmatic Strategy

The USAID program strategy will be implemented using the four instruments listed below. It is important to emphasize that, in discussions with the GOB, the Mission combines all four tools to provide a significant package of assistance with which to negotiate policy and structural reform.

1. Development Assistance: The Development Assistance Program will provide technical and capital assistance in key areas (particularly economic policy and private sector development) which are essential to the achievement of the Mission's overall policy objectives.

2. Economic Support Funds: An ESF balance of payments support program is considered to be an essential complement to the economic assistance elements of the Development Assistance Program. At present, ESF support for Bolivia is conditioned by Section 611 of the Foreign Assistance Act, which relates the release of such resources to GOB progress in narcotics control and eradication of coca. Annex A to this Action Plan presents a recent, comprehensive analysis of the GOB economy. When conditions are appropriate to proceed with a FY 87 or 88 ESF program, USAID will prepare a detailed PAAD which will further analyze GOB progress and necessary elements of conditionality.

3. PL-480 Title III: Title III support provides essential leverage to achieve the objectives of a variety of U.S. policy goals in Bolivia -- particularly in economic areas. In addition, local currency generated through this program supports a wide variety of highly effective development programs. A more detailed analysis of Title III requirements is provided in Section VI.A of this paper.

4. PL-480 Title II: The Title II program is the basic component of USAID/Bolivia's humanitarian assistance strategy. Title II resources are producing an increasingly significant development impact and providing important employment opportunities during the period of enhanced austerity which Bolivia faces in attempting to revive its severely eroded economy. A thorough analysis of the USAID/Bolivia PL-480 Title II program is provided in Section VI.B. of this paper.

IV. Goals and Strategies for the FY 1987/88 Action Plan Period

A. Goal: Support for Democratic and Constitutional Government

1. Progress Through May 1986

Since October 1982, Bolivia has been governed by democratically elected constitutional governments. Local, congressional and presidential elections were held in July 1985, despite widely held skepticism that political and economic conditions would not permit them. In August, there was an orderly transition of power from one opposing party to another. This was the first time in the nation's history that a peaceful transfer had taken place between opposing constitutionally elected parties.

Using the leverage of its portfolio, especially PL 480 Title I/III and the Policy Reform and Disaster Recovery projects, the USAID/Bolivia program was used to encourage Bolivian officials to maintain their democratic system and, when elections were called, to carry them out and abide by the results. To the extent that an economic assistance program could be used to encourage a sovereign state to follow its constitutionally established democratic practices, the USAID program made a significant contribution to the achievement of this goal in the past year.

2. Strategy for the Action Plan Period

While support for democratic constitutional government is not a "sector" as traditionally defined by A.I.D., this goal does provide a unifying purpose and a virtually essential precondition for the four most immediate objectives in the Mission's development strategy: (1) to support the nation's economic stabilization program, (2) to create urban employment opportunities, (3) to promote democratic institutions and principles and commitment to a free market economy, and (4) to support GOB efforts to reduce narcotics trafficking. Achievement of these four objectives will contribute to the preservation of democracy in the near term and the strengthening of the nation's democratic institutions and constitutional system in the future. The attainment of the democracy goal also will establish the most hospitable environment for Bolivia's long-term socio-economic development and for overcoming its narcotics problems.

a. Objective: To support for the nation's economic stabilization program

(1) Assumptions, performance indicators, policy dialogue issues, USAID benchmark actions and supporting projects

(a) Assumptions for FY 1987/88:

- GOB will continue its economic stabilization program
- Public will support the GOB economic program
- Enough skilled technicians (or TA provided by donors) to implement the economic reforms
- No major work stoppages or strikes
- No major drops in world prices of Bolivia's most important exports
- No major natural disaster(s) similar to El Nino in 1983/84
- Bilateral and multilateral assistance provided on a timely basis at the levels anticipated
- GOB implements its IMF Standby Agreement
- Paris Club and private bank debt rescheduling agreements

(b) Performance Indicators
(Economic Stabilization)

	(Base) FY 85	(Est.) FY 86	(Est.) FY 87/88
Real GDP growth rate	-2.1%	0%	1.85%
Annual inflation rate	8,016%	90.1%	52.1%
Fiscal deficit % of GDP	15.95%	6.1%	5.56%

Source: IMF and USAID/Bolivia. These figures are projections as of April 1986 and are subject to possible future modifications.

(c) Macro-Economic Policy Dialogue Issues for FY 1986

(Certain sector-specific issues are listed under the appropriate objectives elsewhere in this paper):

- GOB must control monetary emissions and spending
- Promote domestic and foreign private investment
- Preparation of a national budget
- Enactment of a realistic and equitable tax code
- Design and implement an efficient tax collection system
- Conclude debt repayment agreements with the Paris Club and the private international banks

(d) Macro-Economic Policy Dialogue Issues for FY 1987/88:

- Continue discussions on FY 86 issues
- Divestiture of identified public enterprises
- Establish realistic public sector wage policies
- Improve efficiency of public sector institutions

(e) USAID Benchmark Actions for FY 1987/88:

- GOB success in meeting IMF Benchmarks (e.g. in revenue generation)

- Satisfactory renegotiation of GOB public and private debt
- Passage of workable, deficit-reducing budgets by the Bolivian Congress
- Passage and implementation of effective tax reform and collection laws.

(f) Supporting Projects for FY 1987/88:

- Economic Stabilization Program (ESF)
- PL 480 Title III
- Policy Reform

(2) Narrative

The presence of a functioning democratic system is an essential precondition for broad-based, socio-economic development to take place in Bolivia. However, it is unlikely that democracy can survive in this country without a renewal of economic growth, which requires the implementation of an efficient stabilization program. In the absence of an effective stabilization program, economic and, therefore, political deterioration will resume. The result could be the kind of political chaos and uncertainty of the Siles years, with reforms being compromised for political survival. Without political stability, it would be impossible to implement the stabilization program in a coherent and successful fashion. Consequently, the preservation of democracy and the successful implementation of an economic stabilization program cannot be separated from each other.

During the Action Plan years, the Mission proposes to provide ESF balance-of-payments support to the Bolivian government to reduce the fiscal deficit, and PL 480 Title III assistance to help reduce the country's foreign exchange requirements for essential wheat imports. Through the amended Policy Reform project, USAID/Bolivia will provide the policy level and technical expertise necessary to help further develop and implement the economic stabilization program. By 1988, the Mission anticipates that Bolivia's real per capita GDP growth rate will be 2.0% and that the annual inflation rate will have dropped from 8,016% in 1985 to approximately 40%. In providing financial support to the GOB economic recovery program, USAID will be enhancing the political (i.e. democratic) environment which the program both supports and requires.

b. Objective: To generate urban employment opportunities

(1) Assumptions, performance indicators, policy dialogue issues, USAID benchmark actions and supporting projects

(a) Assumptions for FY 1987/88:

- GOB continued commitment to its economic stabilization program
- Reduction in public sector workforce by approximately 60,000 employees

- Private sector cannot absorb 60,000 newly unemployed without external assistance
- Control of urban unrest which could undermine the military's support for the GOB and its economic stabilization program
- Adequate demand for housing and shelter improvement credit

(b) Performance Indicators
(Urban Employment)

	(Base) FY 85	(Est.) FY 86	(Est.) FY 87/88
Jobs Created (USAID funded)	2,500	8,500	15,300
Food for Work Jobs (families reached)	-	23,300	40,800
Unemployment	100,000	125,000	110,000
GOB workforce reductions	-	25,000	25,000

Source: Ministry of Planning and Coordination, Government of Bolivia, February 1986; U. S. Embassy, April 1986.

(c) Policy Dialogue Issues for FY 1986:

- Reduction in the government workforce
- GOB assumption of private sector Housing Guarantee (HG) debt
- Revise public sector labor laws/policies
- Necessity of additional credit for urban enterprises, especially small entrepreneurs

(d) Policy Dialogue Issues for FY 1987/1988:

- Continue discussion of FY 86 issues, as appropriate
- Make parastatal enterprises more efficient, privatize or eliminate those which are not

(e) USAID Benchmark Actions for FY 1987/88:

- Increase active savings accounts in the private savings and loan system by 60,000
- 23,000 new housing starts or improvements
- Establish FFW programs in primary and secondary cities whose unemployment is particularly severe
- Establish revolving credit funds in La Paz, Cochabamba and Santa Cruz for enterprise development

(f) Supporting Projects for FY 1987/88:

- Housing Guaranty
- Low Cost Shelter for the Private Sector (grant)

- Agribusiness and Artisanry
- Strengthening of Financial Markets
- Market Town Capital Formation
- Micro-Enterprise Development
- PL 480 Title III
- PL 480 Title II

(2) Narrative

As the Bolivian government implements its stabilization program and shifts the economy from being highly centralized to one with an essentially free market orientation, social and economic hardships will intensify before benefits can be realized by the majority of the population. Urban dwellers, in particular, will feel the painful implications of economic policy changes, such as the elimination of consumer subsidies on food staples and petroleum products, increases in transportation costs, wage freezes, and layoffs to reduce the federal deficit. The USAID will support the stabilization program by helping to reduce the political unrest which will result from these programs through balance of payments assistance and assistance in the creation of employment opportunities.

During FY 1987/88, the ESF program will provide much needed balance-of-payments support and will utilize the local currency generations in mutually agreed upon high priority areas. USAID will help stimulate employment in and around the cities of La Paz, Cochabamba, and Santa Cruz. A Housing Guaranty (HG) loan to the GOB (originally signed in FY '83, but not implemented due to the economic crisis) will seek to invigorate the cities' construction industries and create approximately 5,000 new jobs in FY 1987 and 1988. Through the Micro-Enterprise Development Project, technical assistance and training for the development of small enterprises will be provided to entrepreneurs, creating more than 2,000 jobs in the cities and semi-urban areas. Credit for new enterprises and expansions of existing enterprises in urban and semi-urban areas will also be available through the USAID's Agribusiness and Artisanry, and Market Town Capital Formation projects, creating more than 6,000 new jobs. Under the PL 480 Title III program, local currency will be available for small business development in semi-urban areas. PL 480 Title II food for work projects will be established where other work opportunities are not available.

c. Objective: To promote democratic institutions and principles and a commitment to a free market oriented economy

(1) Assumptions, performance indicators, policy dialogue issues, USAID benchmark actions, and supporting projects

(a) Assumptions for FY 1987/88:

- Public, GOB, military and labor commitment to democracy is apparent, but weak
- Commitment to a free market oriented economy is tentative

- If economic chaos returns, democracy most likely will collapse
- Leftist and narcotics trafficking interests will be more successful in an ambiance of political chaos

(b) Performance Indicators
(Democratic Institutions)

	(Base) FY 85	(Est.) FY 86	(Est.) FY 87/88
Municipal elections	X	-	X
Congressional elections	X	-	X
Presidential elections	X	-	-

Source: US Embassy, La Paz, March 1986.

(c) Policy Dialogue Issues for FY 1986:

- Closer cooperation between branches of government
- Closer cooperation between the GOB and the private sector
- Cooperation between labor and campesino confederations, private sector leaders, and the GOB
- A more constructive, participatory role in government by the legislative branch

(d) Policy Dialogue Issues for FY 1987/88:

- Continue discussion of FY 86 issues, as appropriate
- Permanent national and departmental electoral courts
- More effective judicial system
- Reduction of corruption in government

(e) USAID Benchmark Actions for FY 1987/88

- 184 people sent to the US for long and short term training
- 28 Bolivian young people (potential rural leaders) sent for observational training to the US
- 2,500 labor leaders trained by AIFLD in Bolivia
- 3,000 Bolivian businessmen and women receive training in free market oriented business practices at a local, independent institute

(f) Supporting Projects for FY 1987/88:

- Training for Development
- Management Training
- LAC Training Initiatives II
- AIFLD

(2) Narrative

Historically, Bolivia has exhibited a weak commitment to democratic institutions and principles and a preference for a heavily subsidized, government-controlled economy. Democratic institutions have been created, but they have not functioned properly, and the commitment to democratic principles has been perfunctory. Consensus building and cooperation between democratic institutions--political parties, congress, the judiciary and the executive branch--have been minimal, a significant factor in the country's instability. Similarly, these democratic principles have been absent from the interactions among the various sectors of society (government, labor, rural communities and the private sector). The inability of these sectors to function in concert for their individual and collective good crippled Bolivian democracy and the effectiveness of the Siles government (1982-1985). At the same time, the growing corruption and lack of respect for law and the country's government institutions by the narcotics traffickers also has undermined Bolivia's democratic progress. These factors have jeopardized the chances for success of the Paz regime and its economic recovery program.

The nation's recent commitment to a free market oriented economy will not be easy to sustain. Since 1952, the Bolivian economy has been increasingly subsidized and government controlled. The structural adjustment embarked upon by the Paz government to a free market economy is proving to be a wrenching experience, as assumptions about government responsibilities and obligations are redefined. With limited experience with the workings, and especially the fluctuations, of a free market system, a resolute commitment to the system may not be forthcoming, thus reducing its chances for success. Moreover, if economic chaos returns, Bolivia's democratic institutions will be in serious danger of collapse.

Throughout FY 1987/88, USAID/Bolivia will offer policy level and technical training to leaders in the government, private sector, labor and rural communities in fields which will facilitate the nation's economic stabilization and growth efforts. Training programs under the Training for Development project and the regional LAC Training Initiatives II activity will take place in the U.S. Training for Development will also offer some seminars in Bolivia which will be conducted by U.S. experts. This training will emphasize the advantages of a free market economy within a democratic society. The Management Training project, which will provide training to all levels of private sector entrepreneurs, will contain these same principles in its course offerings. AIFLD will fund labor-related training in Bolivia. These courses will emphasize the merits of a democratic labor movement.

d. Objective: To support GOB efforts to reduce the influence of narcotics trafficking

(1) Assumptions performance indicators, policy dialogue issues, USAID benchmark actions, and supporting projects

(a) Assumptions for FY 1987/88

- Narcotics trafficking and traffickers are a serious threat to Bolivian democracy and the rule of law in the country
- USG and GOB efforts at interdiction and eradication are increasingly successful
- GOB and public concerned about drugs and narcotics trafficking
- GOB leaders have the political will and honesty to try to resolve Bolivia's drug abuse and narcotics trafficking problems
- The role of narcotics trafficking in Bolivia can be reduced without undermining the country's political stability and economic recovery

(b) Performance Indicators
(Narcotics)

	(Base) FY 85	(Est.) FY 86	(Est.) FY 87/88
Value of coca produced in Bolivia (US\$ billions)	3.0	2.6	2.2
Bolivian coca users	480,000	464,000	462,000
-Traditional	400,000	380,000	375,000
-Drug abusers	80,000	84,000	87,000

Source: US Embassy, La Paz, March 1986.

(c) Policy Dialogue Issues for FY 1986:

USG policy issues not under direct control of USAID

- Identify traditional and non-traditional coca growing areas
- Implement the four control agreements
- Determine legal demand for coca
- Expand the nation's institutional capacity to deal with drug abuse
- Promote other donor participation in GOB control programs
- Expand interdiction actions
- Arrest and prosecution of narcotics traffickers
- Maintain civil control and order in the Chapare
- Determine legal demand for legal coca
- Design a system to register and license legal coca growers
- Develop a system for monitoring the legal transport of coca
- Expand voluntary eradication program
- Initiate involuntary eradicator program

USAID-Specific

- Increase awareness of the political, economic, and health risks, and dangers narcotics trafficking and drug use pose for the country
- Provide assistance only to individuals or communities which cooperate with GOB control programs

(d) Policy Dialogue Issues for FY 1987/88:

- Continue discussion of FY 86 issues, as appropriate
- Not under direct control of USAID
- Expand voluntary and involuntary eradication programs
 - Expand coca control measures into the Yungas
 - Expand other donor control and development assistance in the Yungas and Beni

(e) Benchmark Actions for FY 1987/88:

Not under direct control of USAID

- Arrest and prosecution of narcotics violators
- Maintain civil order in the Chapare
- Control programs supported by other donors initiated in the Yungas and Beni

USAID-Specific

- \$15.0 million in production and capital investment credit to Chapare farmers through public and private banking institutions monitored by IBTA/Chapare (GOB Agriculture research and extension entity)
- 200 kilometers of rural access roads rehabilitated in the Chapare
- New electrical services to 3000 family residences and 360 commercial and institutional establishments
- 3 agro-industrial projects and 10 small-scale agribusiness funded
- 45 agricultural para-technicians trained and operational
- 7 IBTA professionals returned from long-term training in tropical agriculture and on the job.
- Drug education articles and ads placed on TV and radio and in periodicals
- Bolivian opinion makers/leaders sent to the U.S. to observe U.S. drug rehabilitation programs
- Involve influential Bolivian and national organizations in anti-narcotics trafficking and drug abuse programs

(f) Supporting USAID Projects for FY 1987/88:

- Chapare Regional Development
- Chapare Marketing and Agribusiness

- Narcotics Awareness
- ESF

(2) Narrative

One of the most ominous threats to democracy in Bolivia is the growing prominence of narcotics trafficking and traffickers. As the money and corruption pervade the society, the ability of the Bolivian government to retain its sovereignty dissipates. Respect for democracy, its leaders and institutions and the rule of law are being undermined. Narcotics-related corruption in the society is on the increase. The growing use of cocaine by Bolivians, especially young people, is an increasing national concern. (See also Section IV. C. which discusses the GOB narcotics control program in the context of the USAID's third goal which is to support USG efforts to reduce the production and trafficking of cocaine in Bolivia.)

Bolivian government officials are alarmed by the threat of narcotics to their authority and ability to govern. During the Action Plan period, USAID will continue to assist the GOB in its efforts to reduce coca production in Bolivia. In the Chapare region, USAID/Bolivia will implement its development programs in communities which cooperate with the GOB's eradication programs. Under the Narcotics Awareness Project, the Mission will continue to hold seminars and publicize the harmful effects narcotics traffickers and the use of drugs are having on Bolivian society.

B. Goal: Help Bolivia Resolve Its Economic Crisis And To Promote Sustained Economic Growth and Development

1. Progress Through May 1986

From October 1984 through September 1985, Bolivia's annualized inflation rate climbed to more than 23,000%, and virtually every sector of the economy deteriorated dramatically. Subsidies prevented market forces from responding to the needs of the economy and people. The nation's myriad restrictive and contradictory laws and regulations offered no incentives to the private sector, thus limiting its role in the economy.

The Siles government lacked the political will and strength to undertake the necessary, but difficult, reforms the economy urgently required. The Paz administration, which was inaugurated on August 6, 1985, moved quickly to deal with the nation's economic crisis. On August 29, three weeks after assuming power, President Paz announced a comprehensive and austere economic stabilization program. In December, the Paz government renewed Bolivia's dormant agreement with the Overseas Private Investment Corporation (OPIC). Before the end of 1985, the government also initiated discussions with the international banking community concerning the rescheduling of the nation's private debt. In May 1986, the Paz government is expected to sign a Standby Agreement with the IMF (a letter of understanding was initialed in mid-March).

Bolivia's dramatic economic decline has slowed markedly, and, by the end of 1985, it was apparent that the government's August reforms were having a healing effect on the economy. The value of the peso had begun to stabilize. Central government revenues had increased and expenditures declined. Contraband, hoarding and speculation had become much less common. Food shortages had virtually disappeared. In the first quarter of 1986, the nation's annualized inflation rate fell to 43.6 percent. (For a more detailed presentation of the evaluation of Bolivia's macroeconomic indicators, see Annex B.)

Current revenue in the central administration should increase from about 6 percent of GDP in 1985 to about 12 percent of GDP in 1986, primarily as a result of a more than doubling of tax collections on the production and sale of hydrocarbons to about 7-1/2 percent of GDP. The rate of consumer price inflation is projected to fall from over 8,016 percent in 1985 to a forecast of 90 percent in 1986. Total general government spending declined from 29-1/2 percent of GDP in 1983 to an estimated 18-1/2 percent GDP in 1985, partly in response to the freeze on government wages, which is expected to remain in effect until the end of May 1986.

Throughout the last Action Plan period, USAID officials encouraged the government to reform its economic system. Conditions precedent to PL 480 Title I/III agreements encouraged the Siles government to reduce government subsidies on wheat and other commodities. Leverage of the PL 480 Title I program and Disaster Recovery project resources was used as a catalyst to encourage the implementation of essential macro-economic and sectoral reforms. USAID officials and experts provided through the Mission's Policy Reform Project worked with the Siles government and, more recently and successfully, with the Paz administration to design and carry out economic reforms, principally the August economic stabilization program, which has arrested the nation's economic deterioration. Virtually every economic policy benchmark that was established in the last Action Plan was surpassed as a result of the August 1985 economic stabilization program.

In the last Action Plan, USAID's objective was to slow down the rate of the country's economic decline and set the stage for an economic stabilization and recovery program. The Mission also sought to convince the GOB to remove the restrictions placed on the private sector and allow it to assume a larger role in the nation's economy. These objectives were achieved. The rate of economic decline not only has been slowed, it has been halted. A comprehensive economic stabilization program has been designed and is being implemented, and the private sector has been given a more prominent role in the recovery effort than anticipated as possible.

Bolivia still faces severe economic difficulties, however. Given the severity of the country's economic crisis, significantly more than one year will be required to complete economic stabilization objectives. International tin and hydrocarbon prices have suffered precipitous declines, causing unanticipated sharp reductions in the nation's foreign exchange earnings (tin and hydrocarbons had, in the past, provided most of Bolivia's

foreign exchange earnings). Natural disasters (flooding on the altiplano) have again afflicted Bolivia, and, as a result, agriculture production has fallen off. International assistance has been slow in arriving. Narcotics trafficking continues to be disruptive internally, a factor which has reduced some donor resolve to provide development assistance to Bolivia.

2. Strategy for the Action Plan Period

Resolution of the Bolivian economic crisis is a two-step process. The first step is economic stabilization, which was initiated on August 29; the second step is to enable sustained economic growth. To help resolve the economic crisis, the USAID is addressing balance-of-payments, policy, and technical constraints using all modes of assistance available. ESF and Title III will be utilized to address balance-of-payments constraints. At the policy level, through all aspects of its portfolio the Mission is urging the GOB to make macro-economic and sectoral policy changes which will establish an environment conducive to economic growth and, in particular, to offer investment incentives to the private sector, both domestic and international, which will allow it to play a larger role in the nation's economic development than before. Technical assistance will be utilized in seeking to eliminate or lessen specific constraints as they are identified.

Bolivia's economic future and the stimulus for recovery and growth rest on agricultural production, agro-industry, and non-traditional exports (including artisanal products). Private sector led efforts in delivery of health services and education will also be important means of assuring a healthier, more economically active population. Bolivian entrepreneurs, however, face severe technical constraints, in addition to policy issues, such as an inefficient financial system offering only limited access to short and medium-term credit, inadequate research and extension services, deficient marketing techniques and services, and almost no access to new and appropriate design and production technologies. Complicating Bolivia's development efforts are a paucity of skilled policymakers, managers and technicians and a workforce characterized by low productivity.

To (a) maintain the momentum established in the previous Action Plan period, (b) help Bolivia achieve a real and sustainable GDP growth rate of 2.0% by 1988, and (c) carry out the Mission's strategy of increasing incomes and improving the well-being of Bolivians, USAID has identified seven objectives for the FY 1987/88 Action Plan period. These include activities from all of A.I.D.'s functional categories: (a) to support GOB macro-economic and sectoral policy reforms, (b) to expand the role of the private sector in the economy, (c) to increase agricultural and agro-industrial productivity, (d) to expand exports in areas in which Bolivia has a comparative advantage, (e) to redefine and support the achievement of the objectives of the nation's financial system, (f) to expand the nation's policy-making, managerial and technical human resources base, and (g) to improve the health status of Bolivia's most nutritionally vulnerable populations.

The first two objectives, to support macro-economic and sectoral policy reforms and to expand the role of the private sector in the economy, are inter-related concerns and are principal considerations in each of the other's objectives. For these reasons, the two objectives have been listed together and treated as one in terms of assumptions, performance indicators, etc. and in the subsequent narrative.

- a. Objective: To support macro-economic and sectoral policy reforms and programs
- b. Objective: To expand the role of the private sector in the economy
 - (1) Assumptions, performance indicators, policy dialogue issues, USAID benchmark actions, supporting projects
 - (a) Assumptions for FY 1987/88:
 - GOB private sector development priority will not change
 - GOB pro-foreign investment policies continue
 - There will not be a loss of confidence by the public in the economic reform program
 - GOB will continue the vigorous implementation of its New Economic Program
 - There will not be unmanageable inflationary wage pressures
 - There are sufficient numbers of skilled policymakers and technicians to refine and implement essential economic reforms
 - Free trade policies and increased international competition will not cause the collapse of weak Bolivian enterprises
 - Central Bank will not return to its anti-private sector biases

(b) Performance Indicators
(Macro-Economic/Private Sector)

	(Base) FY 85	(Est.) FY 86	(Est.) FY 87/88
Real GDP growth rate	-2.1%	0.0%	1.85%
Annual inflation rate	8,016%	90.1%	52.1%
Fiscal deficit % of GDP	15.95%	6.1%	5.56%
Private sector employment (Number of people)	1,400,000	1,442,000	1,485,000
Number of private businesses	74,000	76,220	78,500

Sources: IMF, March 1986, USAID/Bolivia, March 1986.

(c) Policy Dialogue Issues for FY 1986:

- Design incentives to encourage private foreign investment
- Reduce the government workforce
- Revise the public sector wage and labor laws
- Maintain realistic exchange rate and adjustment mechanism
- Encourage the development of the country's secondary urban centers
- Design and implement an effective tax policy
- Develop, approve and implement an operational national budget
- Increase credit availabilities for the private sector, especially for small-scale industry
- Make available adequate amounts of foreign exchange for imports for the private sector
- Promote savings mobilization programs in the nation's private and public financial institutions
- Reorganize the Ministry of Agriculture and Campesino Affairs
- Improve bank regulatory system
- Initiate discussions on credit allocation system for long-term investment

(d) Policy Dialogue Issues for FY 1987/88:

- Continue discussions of FY 86 issues, as appropriate
- Create a private/public sector entity to assume most of the refinancing functions of the Development Department of the Central Bank
- Make available medium and long term credit for private sector business development and expansion
- Rationalize parastatal credit delivery system

(e) USAID Benchmark Actions for FY 1987/88:

- 13 agribusiness and artisanry loans for \$12.0 million
- Begin exporting approximately 25,000 additional knitwear products each year
- Provide research and extension assistance to 70,000 campesino farmers
- Approve 700 loans to small urban entrepreneurs
- Study and discussions with GOB on role of Central Bank and other credit institutions
- Study and discussions with GOB on bank regulatory mechanism

(f) Supporting Projects 1987/1988:

- Policy Reform
- ESF
- PL 480 Title III
- Agribusiness and Artisanry
- Chapare Regional Development Project

- Strengthening of Financial Markets
- Market Town Capital Formation
- Handicraft Export Development
- Agriculture Marketing and Export
- Private Agriculture Organizations

(2) Narrative

One of the most vexing policy issues in the past years and perhaps the most debilitating to the national economy has been the GOB's lack of enthusiasm for the private sector and the private sector's lack of confidence in the GOB's commitment to supporting the private sector. Government regulations and subsidized competition have strangled private sector initiative and prevented Bolivian entrepreneurs from taking advantage of the country's abundant natural resources. Twentieth century civilian and military governments alike have preferred government-controlled economies. Influential interest groups, like the miners and urban labor confederations, have fostered a heavily subsidized and centralized economy which has prevailed until recently. Under these conditions, the formal private sector has withdrawn from prominence in the Bolivian economy, and, until the Paz government, has played only a minor role in the government's economic recovery efforts.

To achieve economic growth, the GOB must address a series of existing macro-economic and development problems which have traditionally plagued the country and are some of the basic causes for the current economic crisis. For its own solvency, the GOB requires a fair and effective tax code and an effective collection system. A lean, but realistic, national budget must be devised and strictly implemented. To assist medium and small scale commercial farmers, the government must reorganize the Ministry of Agriculture and Campesino Affairs (MACA) and the Bolivian Agricultural Bank (BAB) so they can effectively administer government credit programs and national research and extension services. Revisions in the nation's banking, credit and interest rate procedures are essential for investors and for savings mobilization. Decisive action is required on the part of the Paz administration to simplify Central Bank procedures, reduce its historic inefficiencies and further eliminate the anti-private sector prejudices of the Bank's employees. The GOB must provide investment incentives for small-scale industry in urban and semi-urban areas and promote the development of rural enterprises in secondary cities. To produce broad-based economic development, virtually each of the nation's productive sectors requires policy revisions at the macro and sectoral levels. USAID/B is currently providing such needed technical assistance to the Bolivian Controller General to increase his ability to oversee the activities of public sector institutions and enterprises, in an attempt to streamline GOB operations and to audit para-statal and reduce inefficiencies and corruption.

During the Action Plan years, USAID/Bolivia will continue, as in the past, to use its entire portfolio to engage the GOB in policy dialogue concerning these reforms and other development issues. The most important instruments will be the ESF and PL 480 Title III programs. The Policy Reform project, equally important, will play a critical role in this effort, as its staff of experts, established under the project in the Ministry of Planning and Coordination, provides policy options and analyses to senior government officials, and, under the amended project, provides technical assistance to the ministries charged with implementing the economic reforms adopted by the Paz government.

Special efforts will be made in FY 1987/88 to continue to expand the role of the private sector in the economy. In addition to the projects mentioned above, the Mission will use the resources of the Agribusiness and Artisanry, Strengthening Financial Markets, Micro Enterprise Development, and Market Town Capital Formation projects to urge the GOB to continue to provide incentives for private sector development. This particular policy dialogue matter is of the highest importance to the Mission, because, during the Action Plan years, the private sector will play a pivotal role in the success of the nation's economic recovery. A productive and efficient private sector will provide tax revenues for the government, contributing to a substantial reduction in the fiscal deficit. Private sector expansion will also create employment in rural and urban areas, generating higher incomes for middle and low income families and contributing significantly to an overall increase in the standard of living of many Bolivians. Because of the limited resources at the USAID's disposal, the dialogue with the government will be directed to a general expansion of the private sector in the economy, although USAID assistance will be targeted toward expanding private sector participation, primarily in agriculture and agribusiness, artisanry and handicrafts, and non-traditional exports. Training and health care are also areas in which the USAID will encourage private sector participation.

c. Objective: To increase agricultural and agro-industrial productivity

(1) Assumptions, performance indicators, policy dialogue issues, USAID benchmark actions and supporting projects

(a) Assumptions for FY 1987/88:

- Bolivia's agricultural production is significantly below its potential
- Small and medium scale farmers will increase production if the GOB provides them access to credit and other inputs
- MACA and the BAB, as they presently exist, do not serve the needs of the country's small and medium size farmers
- Bolivian agro-industrialists have not exploited the potential of the domestic or international markets

- With the sharp deterioration of the tin and hydrocarbon markets, agriculture represents the best future opportunity for the Bolivian economy

(b) Performance Indicators
(Agriculture)

	(Base) <u>FY 85</u>	(Est.) <u>FY 86</u>	(Est.) <u>FY 87/88</u>
Productivity (% of GDP)			
-Agriculture	14.3%	14.7%	16.0%
-Agro-industry	5.3%	6.0%	10.0%
Employment (% of total agricultural workforce)			
-Agriculture	92%	92.3%	90.0%
-Agro-industries	8%	9.0%	10.0%
Per capita rural income/annum (US\$)	\$185	\$150	\$180

Source: US Embassy and USAID, La Paz, April 1986.

(c) Policy Dialogue Issues for FY 1986:

- Reduced transportation costs
- Reorganization of MACA and the BAB
- Provide increased levels of medium and long-term credit
- Encourage GOB investments in rural infrastructure
- Make available foreign exchange for agricultural inputs and machinery and spare parts
- Emphasize private lending to small and medium scale farmers
- Improve and expand GOB research and extension programs

(d) Policy Dialogue Issues for FY 1987/88:

- Continue discussing FY 86 issues, as appropriate
- Encourage the GOB to begin a program of natural resource management
- Promote agriculture and agriculture-related employment opportunities outside the major urban regions
- Discourage GOB institutions from selling donated agriculture inputs at subsidized prices

(e) USAID Benchmark Actions for FY 1987/88

- \$12.0 million in sub-loans approved for small, medium and large agribusiness and artisanry enterprises
- Provide 10 rural productive infrastructure loans through PL 480 Title III local currency program totalling at least \$600,000
- Provide 100 small and medium scale commercial farmers loans through Title III local currency programs totalling at least \$2,250,000

- Provide TA to at least three private agricultural organizations to assist them in providing more effective research and extension services to Bolivian agriculturalists
- Provide TA to at least three public and private financial institutions to increase their efficiency, enhance their savings mobilization programs and make them more responsive to the needs of small and medium size borrowers

(f) Supporting Projects for FY 1987/88:

- Agribusiness and Artisanry
- Strengthening Financial Markets
- Private Agriculture Organizations
- Market Town Capital Formation
- Agricultural Marketing and Exports
- PL 480 Title III

(2) Narrative

Two of Bolivia's most promising areas for development are its agriculture and agribusiness sectors. Despite an improved policy environment under the Paz regime, Bolivian entrepreneurs still face major obstacles at the technical level to increasing agricultural productivity. Bolivian businessmen and women lack access to adequate amounts of medium and long-term credit for new investments and expansion programs. Local financial institutions often do not offer the full range of credit and savings services needed by the small and medium-size commercial farmers or the agro-industrialists. These entrepreneurs lack access to research and extension services and to new and appropriate technologies. Natural resource management is virtually non-existent, which is an important concern for the country's future development. Farmers also have not received marketing assistance and do not have training in quality control management. In addition, the agroindustrialists do not have access to information on the international market requirements or the skills for marketing in the international arena. Until these constraints and others are resolved, these promising sectors cannot expand to their potential and contribute to the country's long-term economic growth and development.

During FY 1987/88, a large portion of the Mission's portfolio will be devoted to increasing the efficiency and productivity of small and medium-size commercial farmers. Credit mechanisms will be improved and made more responsive to the needs of these farmers. The Private Agriculture Organizations project will increase the efficiency of rural producer associations and improve their capacity to offer their members better credit, research, extension and marketing services. The project will also improve the management capabilities of the rural organizations themselves. The Market Town Capital Formation project will increase the efficiency and productivity of the agriculture sector by establishing markets and marketing networks in secondary cities, permitting larger numbers of small and medium-size farmers to have easier and less costly access to markets than before. This networking system will also generate more rural and semi-urban employment opportunities and create small retail operations in these areas of the country.

The USAID portfolio during the Action Plan years is also designed to address some of the key constraints limiting agro-industrial expansion. Like the smaller commercial farmers, agro-industrialists have been stymied by a lack of adequate amounts of long term credit. The USAID's Agribusiness and Artisanry and Strengthening Financial Markets projects deal with this constraint and will inject medium and long-term credit into the nation's public and private financial markets, while removing major policy and operational constraints.

The other principal bottleneck facing agro-industrialists is a lack of production and marketing information and services which will enable them to compete successfully in international markets. The FY 1988 Agriculture Marketing and Exports project will provide agro-industrialists with product-specific information on world and domestic market conditions, export requirements, marketing strategies, and current technologies for product processing. The project also will offer assistance in the identification of domestic or international firms which purchase or market products.

Each of these projects is designed to help the various components of the agricultural sector improve their efficiency and productivity, generating higher incomes and improved standards of living as a result of the opportunities offered them under the new economic regime of President Paz. By the end of the Action Plan years in 1988, agriculture production as a percentage of GDP will have increased by 3.7%.

- d. Objective: To expand exports in areas in which Bolivia has a comparative advantage
- (1) Assumptions, performance indicators, policy dialogue issues, USAID benchmark actions and supporting projects
- (a) Assumptions for FY 1987/88:
- Free import policy and increased international competition in domestic markets will not cause the collapse of Bolivia's weak enterprises
 - There will be sufficient foreign exchange and credit for imports for productive, export-oriented enterprises
 - The development of new export areas is essential to Bolivia's economic recovery and structural adjustment objectives
 - For the foreseeable future, the minerals market will not offer competitive possibilities to Bolivia

(b) Performance Indicators
(Export)

	(Base) <u>FY 85</u>	(Est.) <u>FY 86</u>	(Est.) <u>FY 87/88</u>
Exports (% of total Exports)			
-Handicrafts/Artisanry	0.05%	0.07%	0.10%
-Non-traditional	4.5%	5.5%	6.0%

Source: U.S. Embassy, La Paz, March 1986.

(c) Policy Dialogue Issues for FY 1986:

- Maintain foreign exchange regulations which do not discourage exporters
- Revise the nation's export and import regulations
- Increase public sector and encourage private sector financing for export activities
- Maintain realistic positive interest rates

(d) Policy Dialogues Issues for FY 1987/88:

- Continue discussions of FY 86 issues

(e) USAID Benchmark Actions for FY 1987/88:

- Begin exporting approximately 25,000 additional artisan made knitwear products annually
- Provide production, marketing and export promotion assistance to the members of 15 agricultural producers associations
- Provide production credit for small and large exporters

(f) Supporting Projects for FY 1987/88:

- Handicraft Export Promotion
- Agribusiness and Artisanry
- Agriculture Marketing and Exports
- Strengthening Financial Markets
- Private Agriculture Organizations

(2) Narrative

Expanding Bolivia's exports is important to the success of the country's economic recovery. World market prices of tin and hydrocarbons, Bolivia's most important exports and foreign exchange earners in the past, have declined significantly in value. Tin exports, for example, have dropped from \$378.1 million in 1980 to an estimated \$145.3 in 1986. Prospects for recovery are not promising. It is, however, important that Bolivia expand its export sector and generate sorely needed new sources of foreign exchange earnings. Bolivia's export potential for the future appears to reside in agriculture and agribusiness, in non-traditional agricultural products and in artisanry and handicrafts.

Agro-industrial and agricultural exports have remained below their potential. Limited quantities of these products, however, have been exported to neighboring countries. In general, producers have lacked access to marketing information and often have been unaware of the quality control and design requirements of international markets. Contributing to these problems have been counterproductive export laws and foreign exchange regulations, forcing most exporters to operate outside Bolivian law and, therefore, usually on a small scale. High transportation costs have also cut deeply into profit margins and incentives, and adequate amounts of credit have not been available. These impediments have been and are being eliminated by the Paz government. Export promotion is a priority of the USAID because of its potential and the country's desperate need for foreign exchange. As noted above, expanding exports is a key subject of policy dialogue with the GOS.

Bolivia's artisanry and handicraft enterprises also have languished, largely producing for a small domestic market rather than for export. The sector has been characterized by uneven quality, uncompetitive design, and inefficient production techniques.

During the Action Plan years, USAID resources will be used to address the major constraints to increasing Bolivia's exports. Credit resources under the Agribusiness and Artisanry, Strengthening Financial Markets and PL 480 Title III local currency projects will be available to exporters for new enterprises and expansions. Under the Handicraft Export Development project, a private marketing entity has been established to work with some of the larger handicraft and artisanry cooperatives and to provide them design, production, marketing and export assistance for their products so they can compete in international markets.

The Agriculture Marketing and Exports project will provide additional assistance to exporters in a broad range of activities in agriculture-related marketing fields. The project will offer access to information networks which indicate demand and specifications for products which could be produced for export. Once appropriate products are identified, the project will assist the Bolivian entrepreneur in producing and marketing them. By the end of FY 1988, it is expected that non-traditional (i.e. not mineral or hydrocarbon) exports will have expanded by 33%.

e. Objective: To enhance the effectiveness of the nation's financial system

(1) Assumptions, performance indicators, policy dialogue issues, USAID benchmark actions and supporting projects

(a) Assumptions for FY 1987/88:

- With the liberalization of interest rates, commercial banks will maintain realistic deposit rates and provide credit to all size borrowers
- Expansion in the real amount of time and savings deposits should allow for an expansion of credit for the private sector

- There exists a base of savings to be mobilized that can be invested in productive enterprises
- The private banking sector has the ability to perform in a responsible economic setting

(b) Performance Indicators
(Financial System)

	(Base) FY 85	(Est.) FY 86	(Est.) FY 87/88
Increased bank deposits (% of money supply)	5%	15.0%	30.0%

Source: IMF, March 1986; USAID/Bolivia March 1986.

(c) Policy Dialogue Issues for FY 1986:

- Maintain realistic interest rates to expand domestic savings
- Reduce prohibitive collateral requirements
- Continue to revise bank lending procedures and reduce prohibitive collateral requirements
- Expand urban and rural savings mobilization programs
- End private bank speculation practices
- GOB should analyze revision of its public development banking system

(d) Policy Dialogue Issues for FY 87/88:

- Continue discussing FY 86 issues
- The role of the Central Bank as the nation's financial regulatory agency should be qualitatively enhanced
- GOB should revise its public development banking system

(e) USAID Benchmark Actions for FY 1987/88:

- \$12.0 million in approved loans for agribusiness and artisanry enterprises
- Develop a nationwide savings mobilization program which includes at least three private banks
- Provide TA to at least four to six private and public financial institutions in designing savings mobilization programs
- Title III credit for 100 small and medium size rural entrepreneurs
- TA to public and private financial institutions to reduce paperwork and transaction costs and improve efficiency, especially with regard to small and medium size borrowers
- Expansion of credit facilities in at least three secondary cities or their surrounding rural areas
- More efficient and smaller number of a public sector financial institutions

(f) Supporting Projects for FY 1987/88:

- Agribusiness and Artisanry
- Strengthening Financial Markets
- Market Town Capital Formation
- PL 480 Title III

(2) Narrative

One of the principal bottlenecks to private sector development throughout the economy is that the Bolivian financial system has not done an adequate job in mobilizing and allocating credit for private sector investment. The existing system has not and does not provide the financial services required by large and small entrepreneurs.

In the past, there has been political meddling in lending practices, and what loans have been made usually have been concentrated in the hands of a few wealthy, well-connected businessmen. These institutions have offered few savings opportunities and have had high transaction costs for the borrowers. Bolivia's lending institutions have relied on outside funds, usually from bilateral and multilateral donors, for their sustenance and have not sought in any significant way to mobilize savings or to provide the services required by their constituents. As it enters an era of economic growth and private sector expansion, the country's financial system must revise its objectives and play a positive role in the nation's economic growth and development.

During FY 1987/88, the Mission will work, through all of its credit projects (Agribusiness and Artisanry, Strengthening Financial Markets, and the projects with credit components, such as Micro Enterprise Development and Market Town Capital Formation and the PL 480 Title III credit activities) to ensure that all such credit activities are directed toward the achievement of a set of common objectives. These objectives will include increased savings mobilization, increased productive competition in the financial sector, maintenance of real and positive interest rates, and reduced transaction costs. The FY 86 amendment to the Agribusiness and Artisanry Project will provide initial funds for training and assistance to key private sector financial institutions. The A&A project will also provide funds for additional analyses of financial sector problems which will assist the Mission in its design of the new Strengthened Financial Markets project.

f. Objective: To improve Bolivia's policy-making, managerial and technical human resources base

(1) Assumptions, performance indicators, policy dialogue issues, USAID benchmark actions and supporting projects

(a) Assumptions for FY 1987/88:

- Bolivia requires additional policymaking, managerial and technical human resources to manage its economic development over the long term

- Public sector wages are too low to attract many expatriate Bolivian experts to return to their country
- Once trained, Bolivians will be given the opportunity to apply what they have learned

(b) Performance Indicators
(People Trained, USAID-Funded)

	(Base) <u>FY 85</u>	(Est.) <u>FY 86</u>	(Est.) <u>FY 87/88</u>
In-Country	2,000	3,000	6,000
Third Country	21	26	50
US	53	93	184
Enrichment Visits	-	28	28

Source: USAID/Bolivia, March 1986.

(c) Policy Dialogue Issues for FY 1986:

- In the short term, the GOB and other western donors must emphasize policymaking, managerial, and technical training in key economic development areas
- Within its budget constraints, the GOB must develop more realistic wage and labor policies
- Professionalization and employment stability in an apolitical Bolivian civil service

(d) Policy Dialogue Issues for FY 1987/88:

- Continue discussion of FY 86 issues, as appropriate
- GOB must de-politicize its educational system and teachers unions
- Need for increased private sector education efforts

(e) USAID Benchmark Actions for FY 1987/88:

- Self-sufficient management training institute established
- 184 people sent to the US for long and short term training
- 28 Bolivian young people (potential rural leaders) sent to the US to visit counterparts
- 2,500 labor leaders trained by AIFLD
- 3,000 Bolivian businessmen and women trained in Bolivia
- 500 Bolivians trained in Bolivia under other various USAID projects

(f) Supporting Projects for FY 1987/88:

- LAC Training Initiatives II
- Training for Development
- Management Training
- Policy Reform
- AIFLD

(2) Narrative

One factor which has constrained Bolivia's development efforts in past years and will affect Bolivia's ability to sustain its economic recovery is its limited human resources base. Since the late 1970s, Bolivia's ongoing economic crisis and constant political ferment have caused the departure of many of its most skilled policymakers and private sector managers and technicians. The economic situation has made it almost impossible for many Bolivian families to send their children abroad for schooling. Moreover, a sharp decline in the quality of the nation's educational system has limited the possibilities of a good education within the country. In addition, bilateral and multilateral donor training programs have diminished in the face of the country's political uncertainties. Consequently, a major element in Bolivia's current economic difficulties and in its ability to overcome its development constraints has been its small number of skilled policymakers, managers and technicians.

During FY 1987/88, USAID/Bolivia will be implementing three bilateral training projects and utilizing centrally funded and regional resources to attempt to meet a portion of the country's training requirements. The Management Training project, which has established an independent management training institute in Bolivia, will be offering appropriate training to Bolivian entrepreneurs of all levels. Short course offerings will range from basic accounting and cash management to seminars on export strategies for large companies. The Training for Development project offers long and short-term training in the U.S. in areas of importance to the Bolivian economic recovery effort. Fields of study include: economics, public business and health administration, agricultural economics, finance, marketing, export promotion, development banking and labor relations. On-the-job training in the area of economic policy formulation and analysis is provided through the Policy Reform Project. For the medium and small scale farmer, and farm children, the USAID provides in-country training through PL 480 Title III-funded training grants. This program offers technical training to farmers in areas of immediate and practical interest.

Regional and centrally funded training programs will also be utilized by the Mission throughout FY 1987/88. The LAC Training Initiatives II centrally funded project will provide the Mission with additional funds for long and short-term training in areas of importance to the Bolivian economy. The emphasis will be on candidates from the private

sector, although training for public sector policymakers in priority areas will also receive consideration. The Mission will also rely on regional training resources and use the Latin American Training Center in Panama for short-term training in housing and finance-related fields. As USAID/Bolivia and the GOB stress urban and semi-urban housing projects, courses in urban planning and housing construction and in housing credit mechanisms, which are offered at the Training Center, will become increasingly important.

g. Objective: To improve the health status of Bolivia's most nutritionally vulnerable populations

(1) Assumptions, performance indicators, policy dialogue issues, USAID benchmark actions and supporting projects

(a) Assumptions for FY 1987/88:

- GOB will continue its support for private sector involvement in the provision of health services and to improved health care, especially in rural and semi-urban areas
- There will be sufficient continuity in GOB/MOH leadership to maintain momentum of policy dialogue issues
- The effectiveness of the PL 480 Title II Maternal Child Health (MCH) programs will be enhanced by their integration with oral rehydration therapy (ORT) and child growth monitoring services to be offered through mothers' clubs
- Family planning activities will expand as an unstated GOB interest
- PL 480 Title II feeding and food-for-work programs in urban areas will play a significant role in minimizing the political unrest which will result in urban areas due to the GOB economic stabilization program

(b) Performance Indicators
(Health)

	<u>FY 85</u>	<u>FY 86</u>	<u>FY 87/88</u>
Access to potable water (% of rural pop)	5%	6%	9%
Infant mortality rate (per 1,000)	167	165	155
Tuberculosis cases (per 1,000)	330	300	250

Source: USAID/Bolivia, March 1986, PL 480, Title III Executive Secretariat, GOB, March 1986, and UNDP, La Paz, March 1986.

(c) Policy Dialogue Issues for FY 1986:

- Greater GOB emphasis on rural and semi-urban primary health care programs
- Encourage the GOB to allow private organizations to offer family planning services through GOB health facilities
- Improve the cost efficiency of Ministry of Health communicable disease control programs

(d) Policy Dialogue Issues for FY 1987/88:

- Continue discussion of the FY 86 issues, as appropriate
- Encourage greater cost-recovery and financial self-sufficiency of GOB health services
- Increased training for health service providers at all levels

(e) USAID Benchmark Actions for FY 1987/88:

- Integrate more Title II food assistance programs with USAID rural development and health (e.g. ORT) projects (80 projects in FY 87/88)
- Family planning operations research with three private organizations
- MOH collaboration in pilot (private sector) self-financing health care project in Santa Cruz, Cochabamba, and La Paz
- Oral Rehydration Therapy to 2,000 CRS Mothers' Clubs throughout the country
- In-country training for 50 rural health promoters
- Installation of 100 potable water systems in the Departments of La Paz, Oruro, Potosí, Tarija and Chuquisaca
- Title II food rations will be provided to 2,000 mothers' clubs around the country
- With PL 480 Title III local currency resources, 340,000 homes will be sprayed to eliminate mosquitos which carry malaria and yellow fever
- Through PL 480 Title III programs, 560,000 children will receive immunizations for various communicable diseases

(f) Supporting Projects for FY 1987/88:

- Child Survival Initiatives
- Self-Financing Primary Health Care
- Potable Water and Sanitation
- CARE Potable Water and Health Services
- PL 480 Title II
- PL 480 Title III

(2) Narrative

Bolivia's health care services as well as access to potable water and sanitary conditions traditionally have been the worst in South America and have deteriorated in recent years. Moreover, most of the health care services, safe water and sanitary facilities which do exist are found in urban areas. Typically, Bolivian governments have lacked the human and financial resources to extend these services to the rural and semi-urban areas of the country. The result has been high morbidity rates among children and low worker productivity by the inhabitants of these areas of the country.

To support the goal of resolving the nation's economic crisis, USAID programs have been designed to improve the health care of Bolivia's most nutritionally vulnerable populations. These are children up to the age of four and adults in rural and semi-urban areas beyond the reach of the government's health care programs. Expanded private sector health care services along with access to safe water and sanitation facilities will improve the productivity of the Bolivian labor force in the short and long term and are vital to the ultimate success of the nation's economic growth.

During the Action Plan years, the USAID will implement several activities to achieve the objective of improved health status for Bolivia's most nutritionally vulnerable populations. Three projects will address the problems facing Bolivian children under the age of four: the Child Survival Initiative, the PL 480 Title II program and the CARE Potable Water and Health Services project. In addition to the emergency Title II programs in the urban areas, oral rehydration therapy and child growth monitoring services will be introduced into approximately 1,800 Caritas Mothers' Clubs, which receive Title II rations. The CARE Potable Water and Health Services project will install potable water infrastructure and provide training in child health and sanitation procedures in the rural and semi-urban areas of the country not serviced by government programs. In addition, the Savings and Loan Potable Water Sanitation project will be providing additional resources for rural and semi-urban communities to meet their water needs on a self-financing basis. By the end of the Action Plan period, 80%, or 150,000 more people in rural and semi-urban areas will have gained access to potable water and related health services. In the same time span, there will be a 15% increase in the number of children in these areas with access to ORT treatment and child growth monitoring services.

The Self-Financing Primary Health Care, CARE Potable Water and Health Services and Savings and Loan Potable Water and Sanitation projects will also address the inadequate health care services available to adult Bolivians living primarily in the rural and semi-urban areas of the Departments of La Paz, Cochabamba, and Santa Cruz. With access to basic health services as well as safe water and sanitation, the number of gastrointestinal and dysentery-related diseases will decrease and the productivity of the workers in these areas will increase. This will have a significant impact on national productivity, as the government attempts to expand employment opportunities into secondary cities in which there are almost no government health services.

C. Goal: Reduce the Production and Flow of Cocaine into the United States

1. Progress Through May 1986

In the area of coca control, where the U. S. Government as a whole potentially has a more direct effect on Bolivia than in the achievement of the other two goals, there have been some notable successes since the last Action Plan. In May 1985, the GOB enacted a major Narcotics Control Law. This law established the necessary legal basis for the implementation of more effective coca control and interdiction actions. In addition, in 1985, the GOB met all of the initial conditions precedent for disbursement for the Chapare Regional Development project, including passage of a Supreme Decree establishing the Secretariat for the Development of the Bolivian Tropics (SDBT), the central coordination unit of the development project.

Since the installation of the Paz government in August 1985, the Ministers of Interior and Planning, and the National Police have become considerably more forthcoming in addressing the real issues of narcotics control than in the past. There has been an intensive USG briefing program for GOB officials and military leaders, including orientation trips to bring these people to the Chapare to observe ongoing development projects and control activities. USAID/Bolivia, in cooperation with the Embassy and USIS, has initiated a nation-wide narcotics awareness program to inform the Bolivian public of the harmful effects cocaine and drug traffickers are having on their own society. In October 1985, Bolivian narcotics police, with DEA support, destroyed cocaine laboratories capable of producing six tons of pure cocaine per month. As a result of these actions, the price of coca leaves (in 100 pound bags) dropped by two-thirds, from \$700 to \$250 per bag, at the end of 1985. Most significantly, Bolivia's long awaited coca eradication program was initiated on a voluntary basis in the Chapare on November 28, 1985.

Implementation of the USAID coca-related development programs was initiated in August 1984 (once the GOB reestablished a police presence in the Chapare) to demonstrate a visible development presence and to increase US/GOB credibility with the campesinos to gain their collaboration with control programs. Using Title III local currency, the development program financed a total of 28 community works activities (e.g. small irrigation schemes, river defenses, latrines, health posts, schools) throughout the Chapare. Dollar-funded agricultural research and extension activities have progressed, and \$130,000 was provided for agriculture production and marketing activities of small farmers in the Chapare. Two large-scale and 12 small agro-industrial enterprises have been funded, and \$2.5 million has been authorized for a small scale rural electrification programs. The USAID is also financing the repair of five bridges, including the important Cesarzama bridge. Forty kilometers of secondary roads in the Chapare have been improved to aid the marketing of legitimate agricultural products. All U.S.-supported Chapare related development assistance has conditionality requirements. Such assistance is only provided to those individuals or communities cooperating with GOB coca control programs.

Although there has been some significant progress to date, progress on USG narcotics objectives in Bolivia has been far from satisfactory. Control programs are proceeding at a slower pace than expected, particularly in the area of eradication. Despite these temporary setbacks, the GOB resolve to attack the coca problem remains very strong. Control and eradication activities are expected to be strengthened in the near future, and, along with them, expanded USAID development activities in the Chapare.

2. Strategy for the Action Plan Period

The U.S. strategy for reducing the production of illegal coca and halting drug trafficking in Bolivia considers control and development as essential and complementary aspects of the program for it to be successful. It is recognized that no single agricultural crop or combination of crops can provide farmers with the income they can earn producing coca for the illegal market. The development effort in the Chapare can serve only as an important incentive to facilitate the decision of farmers to produce other crops and to lessen their economic dependence on the cultivation of coca.

The strategy stresses that the Chapare development program can only be successful if GOB control efforts are effective. The actual task of reducing the production of coca in the Chapare and halting drug trafficking in Bolivia is the responsibility of the USG-assisted Bolivian government narcotics control program. In support of the GOB programs, development benefits are only made available to individuals and communities that are cooperating with the control and eradication efforts. In this context, it is the Mission's strategy to use the AID program in Bolivia as leverage to induce the GOB to take more aggressive action with regard to control and eradication activities. Moreover, it is also the Mission's belief that other donor involvement in both the development and control elements of the program is important for success and that it is the primary responsibility of the GOB to recruit that support.

The USAID narcotics-related strategy is essentially an economic one. As control efforts are implemented and have their designed impact, market prices for coca leaves will fall as the product is in oversupply. The reduction in demand results from a reduction in trafficking due to effective control efforts (e.g. arrests, seizures, and destruction of cocaine laboratories). In addition, when effective eradication programs are implemented, coca farmers will be at risk of losing their entire primary source of income. Faced with unreliable markets and repressive actions against their primary source of income, economically rational farmers will be increasingly motivated to cooperate with the government's control programs and take advantage of the Chapare development project's resources to diversify their agricultural production away from dependence on coca.

Complementing the USAID's Chapare development program is a highly critical Narcotics Awareness activity. The purpose of this project is to develop higher public awareness of the drug problem in Bolivia and to increase the number of drug education programs in the country. This will be achieved

through providing information to be aimed at a broad spectrum of the Bolivian population. Information activities will focus on the negative implications of illicit narcotics production, trafficking and consumption. The program will seek to generate a broader base of support for the GOB's overall narcotics enforcement efforts. In part, this will be achieved by strengthening the institutional capacity of key public and private sector entities to carry out a public education campaign.

The strategy for achieving the goal of reducing the production and flow of cocaine into the United States includes four objectives: (1) to use the leverage of USAID projects to support effective GOB narcotics eradication and control programs, (2) to carry out social and economic development programs in the Chapare that will facilitate the transition away from coca production, (3) to continue a nationwide narcotics awareness program, and (4) to involve other bilateral and multilateral donors in Bolivia's coca control and eradication programs.

a. Objective: To support effective GOB narcotics eradication and control programs

(1) Assumptions, performance indicators, policy dialogue issues, USAID benchmark actions and supporting projects

(a) Assumptions for FY 1987/88:

- GOB willingness to use police in the Chapare to enforce the laws
- Continued implementation of four 1983 bilateral USG/GOB agreements
- Enhanced enforcement of the National Narcotics Law
- Political unrest in the Chapare will not delay control programs
- US Congress will not cut assistance to Bolivia for insufficient implementation of control programs
- Increase U.S. funding for development activities in the Chapare

(b) Performance Indicators
(Chapare)

	(Base) FY 85	(Est.) FY 86	(Est.) FY 87/88
Has. under cultivation	75,000	79,000	81,500
Has. in coca	31,500	33,000	35,000
Coca eradication targets (Number of Has.)	2,000	2,000	2,000*

Source: US Embassy, La Paz. The FY 85 and FY 86 targets are part of a 1983 Narcotics Agreement between the US and Bolivia.

*Actual targets for FY 87 and FY 88 will be negotiated at the end of 1986.

(c) Policy Dialogue Issues for FY 1986:

USG/Non USAID-Specific

- Identify traditional and non-traditional coca growing areas
- Implement the four control agreements
- Determine legal demand for coca
- Expand interdiction actions
- Expand the narcotics police force
- Design a system to register and licence legal coca growers
- Develop a system for monitoring the legal transport of coca
- Expand voluntary eradication program
- Initiate an involuntary eradication program

USAID Specific

- Closely associate continued implementation of Chapare development activities with GOB progress on control and eradication issues

(d) Policy Dialogue Issues for FY 1987/88:

- Continue discussion of FY 86 issues, as appropriate

USG/Non USAID-Specific

- Expand voluntary and involuntary eradication programs
- Expand coca control measures into the Yungas

(e) Benchmark Actions for FY 1987/88:

USG/Non USAID-Specific

- Arrest and prosecution of narcotics traffickers
- Maintain civil control and order in the Chapare
- Eradicate significant amounts of illegal coca

USAID Specific

- Implementation of the Chapare development projects as control activities permit

(f) Supporting Projects for FY 1987/88:

- Chapare Regional Development
- Chapare Marketing and Agribusiness
- Narcotics Awareness

(2) Narrative

One of the established conditions for an individual or community to receive assistance under the Chapare development program is cooperation with GOB control programs. In the initial meetings with Chapare community leaders and campesino federation officials, the compliance requirement was explained and accepted. Following the start of the voluntary

eradication program in November 1985, however, most of these campesino leaders have been slow to comply with the GOB coca eradication programs. Implementation of infrastructure programs under the Chapare development programs, therefore, has been substantially slowed down.

During the Action Plan period, assuming the compliance issue is resolved, USAID will complete the implementation of the Chapare Regional Development project and initiate the Chapare Marketing and Agribusiness project (see Objective b. for an explanation of these activities). PL 480 Title III local currency resources will be used for credit and community development projects. Nevertheless, without tangible compliance with GOB eradication programs, infrastructure, credit, and community development activities funded under these projects will be held in abeyance.

b. Objective: To carry out social and economic development programs in the Chapare that will facilitate the transition away from coca production

(1) Assumptions, performance indicators, policy dialogue issues, USAID benchmark actions and supporting projects

(a) Assumptions for FY 1987/88:

- Political unrest in the Chapare will not delay implementation of the development program
- GOB will provide the necessary qualified and capable counterparts and counterpart funding
- US Congressional legislative restrictions will not interrupt implementation of the development program
- If the GOB effectively implements its control program, the USAID development program will be effective in stimulating reduced coca production in the Chapare
- Campesino collaboration with control efforts

(b) Performance Indicators
(Chapare)

	(Base) <u>FY 85</u>	(Est.) <u>FY 86</u>	(Est.) <u>FY 87/88</u>
People employed			
-Coca Leaf Production (Directly and indirectly)	100,000	105,000	108,000
-Non Coca related	5,400	5,600	6,000
Per Capita income/annum			
-Coca related	\$ 750	\$ 665	\$ 500
-Non Coca related	\$ 240	\$ 300	\$ 350

Sources: US Embassy, La Paz, March 1986 and USAID/Bolivia, March 1986.

- (c) Policy Dialogue Issues for FY 1986:
 - GOB must increase flow of credit and other production inputs into the Chapare for legal products
 - USAID/Bolivia will only provide assistance to individuals or communities that cooperate with GOB control and eradication programs

- (d) Policy Dialogue Issues for FY 1987/88:
 - Continue discussions of FY 86 issues, as appropriate

- (e) USAID Benchmark Actions for FY 1987/88:
 - Drug education articles and publicity placed on TV and radio and in periodicals
 - \$15.0 million in production and capital investment credit to Chapare farmers through public and private banking institutions monitored by IBTA/Chapare
 - 200 kilometers of rural access roads rehabilitated in the Chapare
 - New electrical services to 3000 family residences and 360 commercial and institutional establishments
 - 3 agro-industrial projects and 10 small-scale agribusiness funded
 - 45 para-technicians trained and operational
 - 7 IBTA professionals returned from long term training in tropical agriculture
 - Develop follow-on Chapare project

- (f) Supporting Projects for FY 1987/88:
 - Chapare Regional Development
 - Chapare Marketing and Agribusiness
 - Narcotics Awareness
 - PL 480 Title III
 - ESF

(2) Narrative

In confronting the coca production and trafficking control issues, the social and economic development programs of USAID/Bolivia provide the companion development pieces to the control effort. This approach recognizes that, given the political and economic conditions in the coca producing zones, the reduction of coca cultivation will depend to a great extent on the farmers' responsiveness to the control program. Effective reduction in coca cultivation will not be accomplished without visible and substantial social and economic development programs.

In FY 1987/88, USAID will continue to apply the strategy devised in 1983 for the Chapare Regional Development project. In the context of an effective coca control program, the Mission will continue supporting agricultural diversification and the provision of more reliable and profitable markets for the legitimate crops produced in the region. This will be done

through credit to private agribusinesses which agree to use large volumes of Chapare agricultural products in their processing facilities (e.g. citrus fruits, hog fattening, wood products). As these markets are enhanced and generate increased production from Chapare farmers, USAID-funded research and extension activities will provide the farmers with the improved production technologies they require to further expand their income earning potential. This is a demand-pull strategy, that is, the increased reliable, remunerative market (demand) for legitimate agricultural products will provide an essential stimulus to farmers to increase their production of such products. The Chapare Marketing and Agribusiness project will strengthen existing, and support the development of new, agribusinesses and marketing facilities in the Chapare, which are needed to provide new outlets for Chapare agriculture products and facilitate the transition away from coca production.

In addition to production and marketing constraints, the Chapare region suffers from very limited social infrastructure. Consequently, the Chapare development program also includes a broad range of health, education and community development programs. Relying primarily on local currency proceeds, small community development activities will be carried out (e.g. schools, health posts, irrigation systems, potable water, latrines). Farm-to market roads will also be maintained and upgraded. The Mission's PL 480 Title II and Child Survival initiatives programs will also reach some of the Mothers' Clubs in the Chapare contributing to improved health standards in the region and increased productivity among the Chapare's farmers and laborers.

c. Objective: To undertake a nation-wide narcotics awareness program

(1) Assumptions, performance indicators, policy dialogue issues, USAID benchmark actions and supporting projects

(a) Assumptions for FY 1987/88:

- GOB and public is concerned about the drug problem
- GOB will continue to support drug education
- US will continue to support drug education
- GOB institutional and technical capacity to carry out the programs

(b) Performance Indicators
(Narcotics Awareness)

	(Base) FY 85	(Est.) FY 86	(Est.) FY 87/88
Drug Abusers	80,000	84,000	87,000
Seminars	5	20	20
Dollar Investment (new AID investment)	250,000	250,000	2,950,000*

Sources: USAID/Bolivia, March 1986.

* Subject to availability of funds over and above current OYB.

- (c) Policy Dialogue Issues for FY 1986:
 - Expand the nation's institutional capacity to deal with drug abuse
 - Increase awareness of the political and economic risks and dangers narcotics trafficking and drug abuse pose for the country
 - Make clear the association between progress on narcotics control and eradication issues and GOB receipt of critical USG economic assistance (i.e. ESF)

- (d) Policy Dialogue Issues for FY 1987/88:
 - Continue discussion of FY 86 issues, as appropriate

- (e) USAID Benchmark Actions for FY 1987/88:
 - Bolivian opinion makers/leaders sent to the U.S. to observe U.S. drug rehabilitation programs
 - Articles and publicity placed on TV and radio stations and in periodicals
 - Seminars on drug abuse held throughout the country
 - Help the GOB design a program to influence and work with local opinion leaders and influential organizations

- (f) Supporting Projects for FY 1987/88:
 - Narcotics Awareness
 - ESF
 - Chapare Regional Development

- (2) Narrative

The use of cocaine and narcotics trafficking has been viewed by many Bolivians, in the past, as solely a U.S. problem. In recent years, however, Bolivia has developed its own narcotics consumption problem. Cocaine use among Bolivians, especially young people, has risen dramatically. The impact of narcotics trafficking in everyday Bolivian life and the criminal brazenness of the narcotics traffickers have alarmed government officials and the Bolivian public.

During the Action Plan period, the USAID, in cooperation with USIS and INM, will continue its narcotics awareness program. This activity complements the overall U.S. control and development effort by strengthening the institutional capabilities of key local and private sector entities to carry out public awareness programs. These programs will raise the level of national awareness and concern over the danger threatening Bolivian society as a result of the presence of narcotics and narcotics traffickers in the country. Once awareness is heightened, there should be a significant improvement in the national environment and receptivity for narcotics control and eradication programs.

d. Objective: To involve other bilateral and multilateral donors in Bolivia's coca control and eradication programs

(1) Assumptions, performance indicators, policy dialogue issues, USAID benchmark actions and supporting projects

(a) Assumptions for FY 1987/88:

- Bolivia's narcotics problem is a broadly based international concern
- Bolivia wishes to generate international interest in the resolution of its economic and political problem and support for its battle with narcotics traffickers
- The need for external economic support will make the GOB more responsive to potential donor reactions to the drug problem

(b) Performance Indicators
(Narcotics Control-Related Assistance)
(\$ millions-New Obligations)

	<u>FY 85</u>	<u>FY 86</u>	<u>FY 87/88</u>
U.S.G.	\$ 6.3	\$ 5.1	\$10.5
Other Bilateral	-	-	-
Multilateral	\$21.5	\$ 5.6	*

Sources: IMF, March 1986, UNDP, Bolivia, March 1986, USAID/Bolivia, March 1986.

* Plans underway for multilateral assistance during this period, but funding amount not available.

(c) Policy Dialogue Issues for FY 1986:

- Unified donor policy
- Other donors apply control and eradication related conditionality to their development assistance programs

(d) Policy Dialogue Issues for FY 1987/88:

- Continue discussions on FY 86 issues, as appropriate
- Expand other donor assistance into the Yungas and the Beni
- UNFDAC heightened interest and financial commitment to control activities

(e) USAID Benchmark Actions for FY 1987/88:

- Regional communication on narcotics established in Latin America
- Control programs supported by other donors in the Yungas and Beni

(f) Supporting Projects for FY 1987/88:

- Chapare Regional Development
- Chapare Agribusiness and Marketing
- PL 480 Title III
- Narcotics Awareness

(2) Narrative

One of the important objectives of the U.S. Mission in Bolivia is the internationalization of dealing with the growing Bolivian narcotics problem. The three principal areas of illegal coca production are the Chapare, Yungas and Beni. The U.S. is active in the Chapare and to a lesser extent in the other areas. The United Nations (based on a grant from the Italian government), through UNFDAC, is working in the Yungas. No donors are active in the Beni.

During the Action Plan period, the Mission will work to involve other donors and governments in narcotics-related control and development activities in Bolivia. The Mission will also encourage such donors to condition their assistance in the coca production areas on compliance with GOB eradication and control programs. The Mission believes, however, that recruitment of other donors support is the principal responsibility of the Bolivians, themselves.

V. NEW PROJECT DESCRIPTIONS AND NEW PROJECT IMPLEMENTATION SCHEDULE

A. New Project Descriptions

1. Narrative

The three projects described in the following pages are proposed to begin in FY 1987 and FY 1988, in addition to the Chapare Marketing Project (FY 1988) which was presented in last year's Action Plan. These four projects will directly support the USAID/Bolivia program strategy and objectives outlined earlier in this Action Plan.

The "Strengthening Financial Markets" Project will finance key elements of a coordinated multi-donor effort to improve the functioning of Bolivia's financial sector, especially as regards its role in mobilizing and allocating financing for private sector investments. A better functioning financial sector is indispensable to Bolivia's economic recovery and growth and the success of all donors' private sector development projects.

The "Micro Enterprise Development" Project will contribute to the attainment of all three of USAID/Bolivia's program objectives. It will help create employment in urban areas and thus contribute to economic recovery. In strengthening private sector initiatives among poorer Bolivians, it will support democratic ideals. Finally, it will help make a modest contribution to the reduction of the production of cocaine by providing underemployed citizens in some urban areas of the country, who might otherwise get involved in coca processing, with the means for gainful employment.

The "Agriculture Marketing and Export" Project will help increase domestic and export sales of agricultural commodities and agro-industrial goods, and thus contribute directly to Bolivia's economic recovery and growth.

Lastly, the "Chapare Marketing" Project will develop markets for agricultural produce cultivated by Chapare region farmers who are cooperating in GOB coca production control programs. As a complement to the control program, the project will contribute to USG efforts in that area. The project will also support economic recovery and growth.

See Section VII for a listing of project priorities and discussion of USAID's current project pipeline and projected "mortgage."

2. Project Descriptions

a. Strengthening Financial Markets - FY 1987
(\$2,700,000 Grant, \$8,500,000 Loan)

(1) Definition of Problem and Strategy Proposed to Address It:

(a) Problem

The success of the GOB's efforts to promote economic recovery and growth through increased private sector activity in a liberalized economy depends significantly upon whether Bolivia's financial sector can function more efficiently. Bolivia is beginning to emerge from a profound economic depression characterized by hyper-inflation and negative real interest rates, during which productive economic activity was severely constrained. The Paz Government's efforts to stabilize the economy initially have resulted in relatively high real interest rates, several bankruptcies, and a dampening of economic activity - as has occurred in other developing countries when their governments have attempted to take the difficult measures normally prescribed to deal with inflation. The situation in Bolivia has been aggravated by the country's poorly functioning financial sector, which has done a very inadequate job in mobilizing and allocating domestic capital for private sector investment and credit needs.

Any country's financial sector should fulfill three main functions: 1) it should provide a means of payment among residents, 2) it should mobilize and allocate capital (domestic and foreign) for investment and short term credit needs, and, 3) it should provide for the transformation and distribution of risk. Bolivia's financial sector is comprised of public and private credit institutions and the central monetary authority (the Central Bank). The functioning of the sector is affected by GOB economic policies and banking laws and the characteristics of each institution in the sector. The efficiency with which Bolivia's financial sector operates significantly affects the pace and direction of the country's development, especially at times, such as now, when the Government is relying more on private sector investment to spur economic recovery. The success of USAID and other donor private sector-oriented projects in support of the Government's economic recovery program also depends substantially upon a better functioning financial sector. For instance, one of the principal factors responsible for the IDB's current \$450 million pipeline is Bolivia's faulty credit delivery system.

The main problems in Bolivia's financial sector can be divided into four areas:

- Policy Environment/Legal Framework. The operations of Bolivia's financial institutions are significantly affected by GOB interest rate and exchange rate policies and banking and investment laws. Also key to the sector's functioning is the attitude of the Government

with regard to the role, if any, of the public sector in allocating credit resources. Bolivia has had a long history of intervening in credit allocation decisions, especially with regard to the provision of long-term investment financing and agricultural credit. The current Government has eliminated resource allocation-distorting negative interest rates, but it still must decide on a policy with regard to the extent and form of the public sector's role in the allocation of credit. GOB banking laws also affect the number and type of financial institutions, the type of lending in which they can engage, the way they mobilize lending capital, and how they are regulated. All of the above areas need to be re-examined by the current Government, and changes need to be made.

- Performance of the Financial Sector in Mobilizing and Allocating Credit Resources for Various Borrowing and Investment Needs. Included in this area is the need for the GOB to decide on the future of the several existing public sector banks (Banco de la Vivienda, Banco Agrícola, Banco Minero, Banco del Estado, etc.), most of which have been severely decapitalized and are operating ineffectively and inefficiently. Related to this is the need for, and Government attitude toward, the creation of private sector rediscount facilities which could mobilize both foreign and domestic resources and allocate them more efficiently than public sector institutions have been able to do. The various types of credit needed within the economy and the roles of both public and private sector financial institutions in providing credit need to be examined. Efforts to mobilize domestic resources for both lending and equity investment also need to be given the highest priority.

- Agricultural Credit Needs and Facilities. Most rural credit requirements in Bolivia are met through informal lenders. Various types of rural credit requirements need to be distinguished and measured. The roles of the Bolivian Agricultural Bank (BAB) and private sector financial institutions operating in rural areas (e.g. credit unions, cooperatives) need to be reviewed. At present, rural credit needs are not being met through the formal financial sector, with the exception of those of a few large farmers.

- Improvement of Private Sector Intermediate Credit Institution (ICI) Operations. Practically all of Bolivia's commercial banks are merchant-type banks which give priority to lending to the companies owned by those who own the banks. The types of credit and financial services offered by these banks and their outreach into semi-urban and rural areas are very limited. Efforts to mobilize deposits are very rudimentary, and, generally speaking, transaction costs are high. Bolivian banks are also overly cautious. They work only with clients able to put up substantial collateral and generally lend only short-term. Work has begun under the Agribusiness and Artisanry (A & A) Project to improve the operations of private sector commercial banks and other ICIs, but much remains to be done. In addition, the Government's performance in the regulation of banks and other ICIs needs to be significantly improved.

(b) Strategy

USAID/Bolivia is currently undertaking a financial sector assessment with the support of the PRE Bureau. This assessment will prioritize recommended actions to deal with the problem areas outlined above. The assessment team is expected to make initial policy recommendations to the GOB. The assessment will also assist the Mission and the GOB to coordinate interventions in the financial sector with other donors. The Mission has recently undertaken an effort to extend the A&A project in order to continue to provide technical assistance in ICI improvement, savings mobilization, and financial sector policy formulation - pending the start-up of this new, more comprehensive financial sector project.

The project's components will be designed to address the main constraints identified in the financial sector assessment. The strategy of the project will be to improve the functioning of Bolivia's financial sector as a whole, with components addressing institution-building requirements and policy improvement.

The project will directly support USAID's efforts to assist Bolivia's economic recovery through private sector interventions. The prospects for the success of USAID's private sector projects, as well as other donor credit programs, will be substantially enhanced with a better functioning financial sector. The project will also provide the means for USAID to assist the GOB to make needed policy and legal changes affecting the financial sector. Thus, the project will support the GOB's highest priority: the success of its New Economic Program. The project will rely on all four AID assistance "pillars": support for private sector based development, institution building, policy dialogue, and technology transfer (in ICI operations).

(2) Project Description

(a) Goal and Purpose

The goal of the project is to promote economic recovery and long-term growth in Bolivia. This is what the GOB's New Economic Program is designed to achieve. The purpose of the project is to restructure and improve the efficiency of Bolivia's financial sector in mobilizing and allocating resources for development. Indicators of the achievement of the project's purpose will include increased domestically financed private sector investment, more efficient provision of agricultural credit, and more successful AID and other donor private sector projects.

(b) Components

While, the project's components will be refined following the financial sector assessment, it appears likely that project interventions will be organized into components addressing the financial sector problem areas outlined above.

A policy/legal component will assist the GOB to modify its banking and investment laws as necessary and to improve its performance in regulating ICIs. Resources will also be provided to implement economic policy decisions affecting the financial sector in areas identified in the financial sector assessment currently being completed.

Another project component will address institutional requirements for long-term investment financing as a result of the financial sector assessment. It is expected that following completion of the financial sector assessment, the GOB will make a decision regarding the future of public sector banks and financing facilities and whether to allow the creation of a private sector rediscount facility. Several alternatives have been discussed for closing or reorganizing public sector banking institutions and the Development Department of the Central Bank. Initial work has also been done by a group of commercial banks to create a second storey bank. The proposed project will provide assistance for the creation of a second storey bank or for reorganized public sector lending institutions, or both, depending on the Government's policy decision. Credit financing for one or more investment financing institutions will be required, and funds have been reserved under the proposed project for this purpose.

A third component of the project will concentrate on assisting a variety of private sector financial institutions to mobilize lending resources. Savings mobilization is perhaps the most important area for improving the functioning of private sector financial institutions. Experience gained under Ohio State University efforts in the Dominican Republic and elsewhere will be used. In addition, commercial banks will be provided with assistance in ways of attracting deposits which have been successful in other countries.

An agricultural credit component will provide technical assistance and training to assist ICIs involved in rural lending. Whether or not the BAB, or a successor bank, will receive technical assistance will be decided following the completion of the financial sector assessment. It is not anticipated that project resources will be budgeted to finance agricultural credit, since other donor resources and domestic savings should be available.

The final component of the project will continue technical assistance and training efforts targeted to improve the efficiency of commercial banks and other private sector ICIs, assuming such assistance continues to be required following termination of the A&A Project.

(c) Outputs and Inputs

The project's outputs will include: new banking laws and regulations, revised GOB financial sector policies, reorganized public sector banks and/or the creation of a private sector second storey bank,

increased savings mobilization, investment loans extended, better functioning commercial banks and ICIs (lower transaction costs, more financial services, wider geographic coverage), and improved systems for the provision of agricultural credit.

The project's inputs will include: 1) technical assistance to implement GOB policy and legal changes and for financial institution building, 2) training for financial institution personnel, 3) financing for long term investment loans, 4) financial institution development support (initial operating costs, etc.), and 5) the hiring of a Bolivian Project Coordinator for USAID/Bolivia.

(d) Implementation Arrangements

A four year project is anticipated. A Project Agreement will be signed with a GOB entity. This could be the Ministry of Planning and Coordination, the Ministry of Finance, or even the Central Bank. A decision will be made prior to completion of the PID. Assistance to financial institutions under the project will be provided by a U.S. firm with experience in banking.

(3) Preliminary Budget

(\$ million)

	<u>A. I. D.</u>		<u>Host Country</u>	<u>Total</u>
	<u>Grant</u>	<u>Loan</u>		
Technical Assistance	2.0	-	-	2.0
Training	0.3	-	0.4	0.7
Institutional Support	0.2	-	0.8	1.0
Credit	-	8.5	8.5	17.0
Project Coordinator	0.2	-	-	0.2
Totals	2.7	8.5	9.7	20.9

(4) Design Strategy

(a) Design questions. The questions which will have to be answered in the course of designing the project include:

- . A final definition of the project components.
- . Identification of technical assistance and training sources.
- . A decision on whether to support both public sector and private sector lending institutions.
- . Determination of the type of institutional support required.
- . A decision on whether or not to support the BAB or a successor institution.

Other issues will arise as a result of the financial sector assessment. That assessment will help to define the parameters of the project.

In order to develop the project, the Mission anticipates the need for assistance in the following areas: bank operations, rural credit, savings mobilization, bank regulation, legal issues, and financial economics. In addition, the Mission would benefit from receiving assistance during the intensive review from AID/W personnel with experience in financial sector projects in other countries.

(b) Design Schedule

The financial sector assessment will be completed by the end of May 1986. Following discussions with the GOB, a PID should be completed by December 1986 and a PP by April 1987. USAID/Bolivia proposes that both the PID and the PP be approved by the Mission Director.

b. Micro-Enterprise Development - FY 1987
(\$1,100,000 Grant)

(1) Definition of Problem and Strategy Proposed to Address It.

(a) Problem

During the previous Bolivian administration, ineffective and often counterproductive economic policies resulted in a collapsed economy with severely reduced productive activity and large increases in unemployment. This was reflected in negative GDP growth rates of -5.7% in 1982, -8.7% in 1983, and -3.5% in 1984. The current Government's generally excellent economic recovery program includes austere economic measures which, unfortunately, are also having a negative impact on production and employment in the short run. The unemployment rate is currently about 20%, and another quarter of the work force is underemployed. Most of this unemployment is in urban areas where the populace tends to exert more political pressure on the Government. It is important for the success of the GOB recovery program that productive economic activity increase soon and that the urban unemployment rate decrease.

The micro-enterprise sector is important in the Bolivian economy, both in terms of the number of people already engaged in micro-enterprise activities and the sector's potential for employment creation. It is estimated that 50% of the poor urban labor force is engaged in micro-enterprise activities. Strengthening the micro-enterprise sector will result in increased production and less unemployment.

Bolivia's micro-enterprises are: 1) labor intensive (there is a higher ratio of employment created per dollar invested than in more sophisticated enterprises); 2) involved mostly in the provision of basic goods and services to poorer segments of the population; 3) run by relatively more economically disadvantaged persons; 4) characterized by the use of simple technologies, and 5) dynamic and changing. Such businesses require relatively little investment capital to initiate. The fact that micro-enterprises are relatively easy to establish accounts for why a high percentage of the poorer urban population is engaged in them. Typical micro-enterprises in Bolivian cities include simple processing activities, repair services, and small volume retail sales.

The chief problems confronting Bolivian small entrepreneurs are 1) poor access to financing for operating expenses due to a lack of collateral and little familiarity with the formal banking sector, 2) the need for training in rudimentary business practices, and 3) an unfavorable regulatory environment which makes it difficult for micro-entrepreneur to function (e.g. registration requirements). In addition, micro-entrepreneurs

need to be better integrated into the "traditional" private sector. These individuals often do not identify with the better-off members of the private sector because they do not see themselves benefitting from the business activities of these other businessmen. This is one of the considerations which has led the Bolivian Confederation of Private Businessmen (CEP) to get involved in the micro-enterprise support activity described below.

(b) Strategy

The CEP and USAID/Bolivia have recently initiated support for a pilot project in the city of La Paz to be run by AITEC (Acción Internacional Técnica). AITEC will employ a strategy that it has successfully used in other countries to address the credit and training needs of micro-enterprises. Briefly, the AITEC model involves setting up a credit agent (who can represent a bank, a FVO, or other entity) in an urban market where artisans and other micro-entrepreneurs operate. The credit agent offers small loans (about \$25) to finance micro-enterprise operating costs. Before extending loans, the agent investigates the business practices followed by the micro-enterprises interested in borrowing money and recommends improved bookkeeping and other simple procedures. The agent monitors the implementation of these recommendations while the loan is still outstanding. Relatively high, but not exorbitant, interest rates are charged to cover initially higher credit delivery costs.

Ten members of the CEP have contributed \$ 10,000 each to create a new FVO called PRODEM (Fundación para la Promoción y Desarrollo de la Microempresa) to work with AITEC in La Paz. Their contributions are being used to finance the start-up costs of PRODEM, technical assistance from AITEC, and seed capital for credit. The credit resources will be augmented by a loan under the PL 480 Title III Program to PRODEM.

Assuming the La Paz pilot effort is successful during its first six months of operation, this new project will employ a two-pronged strategy involving the application of the AITEC model in other Bolivian urban centers (geographic expansion), both for the poorest business people on which AITEC programs are normally focussed, and for lower middle class entrepreneurs engaged in micro-enterprises (expansion of coverage). Credit and training for smaller businessmen may be arranged through commercial banks rather than a FVO such as PRODEM.

The initial CEP/AITEC project in La Paz will be evaluated by the end of 1986, and an assessment will be made of the replicability of the model in other cities and whether the program can be expanded to reach lower middle class entrepreneurs. If found feasible, the proposed project will provide funds to augment seed capital from private sector sources and expand the scope of the pilot project. A.I.D. funds are required to augment the seed capital to be provided by private sector concerns in order to get local credit organizations started in various regions of the country and to pay for AITEC-provided technical assistance. Without AID support, the project's scope would have to be very significantly reduced.

The project will also include measures to remove regulatory constraints which inhibit micro-enterprise growth, and it will support a CEP-sponsored junior achievement program. Historically, Bolivians have not been oriented toward economic activity in the private sector. A junior achievement program, focused on micro-enterprises, will provide Bolivian youths with a hands-on opportunity to learn about and appreciate the potential of private economic initiative.

The proposed project conforms with USAID/Bolivia's program emphasis on economic recovery, employment creation, and long-term growth through support for the private sector. It will address a serious social problem (unemployment) being faced by the GOB, and support its economic recovery program. It will be a high visibility, high impact project which will have a positive effect Bolivia's economic recovery in a short period of time. Finally, it will conform with the Agency's emphasis on private sector development and policy dialogue.

(2) Project Description

(a) Goal and Purpose

The goal of the project will be to promote economic recovery through private sector production and employment. The purpose of the project will be to create more productive and numerous micro-enterprises.

(b) Project Components

The project will have four components:

- . Credit/training activities by AITEC in various urban capitals aimed at both the poorest and relatively poor micro-entrepreneurs.
- . Institutional support for PRODEM and other entities, including banks, administering micro-enterprise credit facilities.
- . Investigation and alleviation of regulatory constraints to micro-enterprise expansion.
- . A junior achievement program. The junior achievement program will be administered by the CEP. Junior achievement activities will be established in high schools in La Paz and other participating cities. Under the program, adult business leaders will give lectures to students on how to form and run businesses. Parents of participating students will be encouraged to purchase "shares of stock" to help establish a business at each high school. The students will elect a board of directors and decide what product to sell and/or produce. An effort will be made to select high schools attended by children of project beneficiaries so that they can benefit both from knowledge of their parent's business development and their experience with the junior achievement program.

(c) Outputs and Inputs

The project's outputs will include:

- . Micro enterprises established/assisted.
- . Project implementation agencies/credit facilities developed in three to four cities.
- . Junior achievement program activities implemented.
- . GOB and municipal government regulations changed.

The project's inputs will include:

- . Technical assistance for both micro-enterprises and project implementation agencies.
- . Training for both micro-enterprises and implementation agencies' staffs.
- . Seed capital for implementation agency establishment and operating costs from the private sector and AID.
- . PL 480, Title III and private sector credit funds.

(d) Implementation Arrangements

Following an evaluation of AITEC activities and further discussions with AITEC and the CEP, a decision will be made on how to implement the project. Two alternatives appear possible:

- . An OPG to AITEC if AITEC is willing and able to undertake a larger scale project.
- . A grant to the CEP which would hire AITEC and other experts to run the program.

(3) Preliminary Budget

	(\$ million)		
	<u>AID Grant</u>	<u>Bolivia</u>	<u>Total</u>
Technical Assistance	0.7	-	0.7
Training	0.2	0.2	0.4
Seed Capital	0.2	0.2	0.4
Credit	-	0.5	0.5
	<hr/>	<hr/>	<hr/>
Totals	1.1	0.9	2.0

(4) Design Plans

(a) Design Questions. The issues which need to be addressed in designing the project include:

- . The choice of a grantee.
- . The choice of implementing agencies (PVOs, banks, etc.) for both levels of the program in each city.
- . Determination of local institutional development requirements.
- . Determination of the magnitude of credit needs and revisions in the design of the credit delivery system, as necessary.
- . Assessment of the feasibility of developing groups of micro-enterprises which would jointly borrow and distribute funds, and perhaps engage in joint retailing activities.
- . Investigation of the possibility of developing courses for micro-entrepreneurs at the Instituto para el Desarrollo Empresarial y Administrativo (IDEA).
- . A decision on how best to design the junior achievement program.

(b) Design Schedule

The evaluation of pilot La Paz effort should be completed in November 1986. A PID will be prepared by February 1987 and a PP by May of that year (if grant to CEP). If an OPG is used, the OPG proposal will be completed by April 1987. USAID/Bolivia proposes that the Mission Director authorize the project.

C. Agriculture Marketing and Exports - FY 1988
(\$1,500,000 Grant)

(1) Definition of Problem and Strategy Proposed to Address It

(a) Problem

The success of the Government of Bolivia's (GOB) economic recovery program depends to a great degree on growth in agricultural production. Increased sales, both domestic and foreign, of agricultural produce will lead to increased agricultural production and employment. Since Bolivia's internal market is small, much of any increase in sales must come from exports.

The Government has declared that it will give priority to the agricultural sector ("agropoder" policy), but more must be done to stimulate additional agricultural economic activity. The Government has eliminated counterproductive agricultural price controls and the chief disincentive to exports - the artificially low official exchange rate, but much more remains to be done if agricultural production and export receipts are to grow.

The chief constraints to agricultural exports - which also limit opportunities for domestic marketing of agricultural products - are:

- Very poor, high cost transportation links between markets.
- Poor information on marketing opportunities and market requirements.
- Limited access to the services of marketing intermediaries/brokers.
- Insufficient trade credit financing.
- Lack of access to services in the fields of quality control, warehousing, and shipping.

Given the severity and extent of these problems, unless ways can be found to address them, it is questionable whether domestic marketing and exports of agricultural products can be increased sufficiently to spur greater agricultural production, employment, and export earnings.

(b) Strategy

Efforts under the proposed project to address constraints to the marketing of agricultural products will be guided by certain principles. Assistance will be provided both to producer associations and agro-industrialists that are attempting to increase domestic sales and/or focus primarily on exports. The project will work directly with agricultural producer organizations and agro-industries to help increase the marketing of both agricultural commodities and manufactured or processed agricultural products. The project will employ a self-supporting, private sector-based approach. The individuals and organizations involved in the project will be chiefly motivated by profit

considerations. Finally, the project will be technical assistance-oriented, although, if needed, trade credit will be financed with local currency resources.

The project will provide assistance for the marketing of pre-selected agricultural commodities and agro-industrial products produced in the Santa Cruz region. Santa Cruz is the most dynamic center of agricultural production and agro-industry in Bolivia. It is anticipated that the key constraints faced in the marketing of the specific agricultural products on which the project will concentrate will be addressed through activities sponsored by a newly formed Santa Cruz Foreign Trade Institute (Instituto de Comercio Exterior). This Institute was recently created under the sponsorship of the Eastern Agricultural Chamber (CAO) - to which the region's agricultural producer organizations belong, the Trade and Industry Chamber - which represents Santa Cruz' agro-industrial enterprises, the Regional Development Corporation of Santa Cruz (CORDECRUZ), and other local associations. The Institute's purpose is to assist the region's agricultural producers and industrialists to increase the volume and value of their exports. The project will not be designed primarily as an institution building effort focused on the Foreign Trade Institute. In fact, it may ultimately be decided that another local group may be a more appropriate vehicle for providing the direct assistance to agricultural producer organizations and agro-industries which the project envisions.

The proposed project will support USAID/Bolivia's program emphasis on economic recovery and growth. It will be in conformance with the GOB's expressed interest in expanding agricultural production and exports. Lastly, the project will include elements in support of AID's emphasis on private sector development, technology transfer, and policy dialogue.

(2) Project Description

(a) Goal and Purpose

The goal of the project will be to increase agricultural production, employment and export earnings in Bolivia. The purpose of the project will be to increase the sales of Bolivian agricultural commodities and agro-industrial products.

(b) Components

- Marketing Information and Brokering Services. The Institute will function as an investigator and repository of information on markets, market standards, raw material sources, etc. It will also actively attempt to set up contacts between its clients (agricultural producer organizations and agro-industries) and trading companies, both foreign and domestic, interested in buying Bolivian products.

- Product Improvement Assistance. Technical assistance tailored specifically to the needs of the Institute's clients in production, quality control, warehousing and shipping will be arranged by the Institute. This assistance will come from recognized industry experts in the specific products concerned, possibly including members of the International Executive Service Corps.

- Export Policies and Regulations. The Institute will sponsor studies of important problems faced by exporters of agricultural products. It will also function as a lobbying group to modify GOB trade regulations as necessary.

- Trade Credit Financing. If it is found that financing for domestic marketing and exportation of agricultural products continues to be in very short supply, PL 480 Title III funds will be used to help finance trade credit. Such financing would be channelled through trust funds in commercial banks.

(c) Outputs and Inputs

The project's outputs will include:

- . Establishment of marketing information systems.
- . Establishment of brokering arrangements and/or contacts set up for the marketing of specific commodities and agro-industrial products.
- . Improvements in the volume and quality of agricultural products and handling and shipping practices.
- . Revised GOB trade policies and regulations.
- . A functioning Santa Cruz Foreign Trade Institute, or other service entity.
- . The establishment of trade credit financing facilities (if needed).

The project's inputs will include:

- . Technical assistance for producer organizations and agro-industries.
- . Technical assistance for the development of marketing information systems.
- . Training for personnel from producer organizations, agro-industries and the Foreign Trade Institute.
- . Limited support for initial operating costs of the Institute.
- . Trade credit financing using PL 480 resources (if needed).

(d) Implementation Arrangements

A grant will be extended under a Cooperative Agreement to the Santa Cruz Foreign Trade Institute (or another appropriate local group) to administer the project. If trade credit financing is required, trust funds will be set up directly by the PL 480 Executive Secretariat with participating commercial banks.

(3) Preliminary Budget

(\$ million)

	<u>AID</u>	<u>Bolivia</u>	<u>Total</u>
Technical Assistance	1.0	0.5	1.5
Training	0.3	0.6	0.9
Institutional Start-up Costs	0.2	0.2	0.4
Credit	-	2.0	2.0
	<hr/>	<hr/>	<hr/>
Totals	1.5	3.3	4.8

(4) Design Plans

(a) Design Questions: Among the questions which will need to be addressed during the projects design are:

- . The identification of the most promising agricultural or agro-industrial product categories for project emphasis and the specific constraints faced by those trying to market them. This will be done through a survey to be completed before the PID.
- . Design of marketing information systems and means of setting up brokering arrangements with trading companies.
- . A determination of whether trade credit financing will continue to be required from external sources.
- . Identification of areas for improvement in GOB policies and regulations affecting marketing and exports.
- . Identification of foreign companies capable of providing technical assistance to the Institute and its clients.
- . Design of methods by which the Institute can be self-supporting.

The design will require expertise in agricultural marketing and exports and trade information systems. The Mission will also request assistance from AID/W personnel with experience in similar projects in other countries.

(b) Design Schedule. The pre-PID survey and assessment of the Santa Cruz Foreign Trade Institute's capabilities will be concluded by October 1986. The PID is scheduled for completion by February 1987 and the PP by November 1987. USAID/Bolivia proposes that both the PID and PP be approved, and the project authorized, by the Mission Director.

B. New Projects Implementation Schedule

<u>Title</u>	<u>PID Approval</u>	<u>PP Approval</u>	<u>Authorization</u>
Strengthening Financial Markets	Dec. 1986	April 1987	May 1987
Micro-Enterprise Development (if OPG:	Feb. 1987 -	May 1987 April 1987 (proposal)	May 1987 May 1987
Agriculture Marketing and Exports	Feb. 1987	Nov. 1987	Dec. 1987
Chapare Marketing	Dec. 1987	May 1988	June 1988

VI. P.L. 480 Program

VI. P.L. 480 Program

A. P.L. 480 TITLES I AND III PROGRAM DESCRIPTION

1. Importance of the Title III Program to USAID

a. Evolution and Size of the Program

The P.L. 480 Title III Program began in 1978 with a five year \$75 million agreement which was extended in 1983 for a sixth year and increased to \$92.5 million as a result of the need to respond quickly to the "El Niño" drought and flood disasters. In 1985, the GOB was unable to meet the conditions precedent for a new Title III Agreement, but did sign a \$20 million Title I Agreement which provided critically needed wheat as well as local currency for a series of projects which were of importance to the GOB/USAID development program. In FY 1986, USAID hoped to sign a new \$75 million three year Title III Program which AID/W had approved in principal, conditional upon the GOB's compliance with economic benchmarks which were met in September 1985. The policy agenda negotiated successfully with the GOB was based on an agreement in principal to provide \$75 million over three years in Title III assistance. Unfortunately, once GOB conditionality had been met, serious delays were encountered in the process of getting Washington's authorization to sign the new agreement. To avoid the serious consequences of further delays, on April 9, 1986, the Mission signed a one year \$20 million Title III Program with the understanding that serious consideration would be given to providing two additional increments of \$25.0 million in FY 87 and FY 88.

The new Title III program builds on several successful development activities from the prior program and also includes a number of new activities which emphasize the use of private sector institutions as vehicles for agricultural, economic and social development projects. The program is fully integrated into the Mission's overall development strategy and policy dialogue as described in the following sections.

USAID has been receiving an average of more than \$20 million per year in P.L. 480 Titles I/III assistance during the past six years. Given the relatively low levels of D.A. funding and the absence of ESF, such P.L. 480 assistance has been a highly critical development assistance and policy leverage tool during this period, a situation which will most likely continue in the future.

b. Policy Leverage

The P.L. 480 Program has been the Mission's single most important policy leverage instrument given its size and the GOB's urgent need for financing imported wheat requirements.

The Title III Program has been particularly useful as a policy instrument due to its concessional nature. It has been used successfully to achieve a number of policy objectives, which have ranged from macro-economic policies such as lifting of consumer food subsidies and price controls, rationalization of bank interest rates—to consideration of reorganization of the Ministry of Agriculture.

c. Relationship to USAID Strategy

USAID/Bolivia priorities for the use of PL 480 local currency form generations will focus primarily on development activities which are integrated with, and complementary to, D.A. - funded projects and consistent with achievement of USAID's overall Country Development Strategy. In this context, local currency generations will be used principally to support activities that have private sector participation, are consistent with the Mission's demand-pull strategy, and which improve income and employment opportunities for Bolivia's poor majority.

USAID's development strategy objectives are to promote: short term economic stabilization, basic structural reforms leading to sustained economic growth and a wider sharing of the benefits of growth through increased farmer production, expanded employment opportunities and higher real incomes, and coca control. The P.L. 480 program supports all of these objectives. The Program encourages short term economic stabilization by providing technical assistance through the Policy Analysis and Technical Assistance to Public Institutions Projects. It supports basic structural reforms leading to sustained economic growth through the Policy Analysis Project, the Credit for Housing and Family Related Needs Project (which includes technical assistance as well as credit), the Land Use Capability Survey, the Wheat Production and Marketing Project, and the Renewable Natural Resource Planning and Management Project. The program sees to bring about a wider sharing of the benefits of growth through the Agro-industrial Credits to Small and Medium Enterprises Project, the Strengthening of Producer's Associations Project, the Small Farmer Agricultural and Livestock Production and Marketing Credit Project, the Support to Research and Extension Systems Project, the Integrated Pest Management Project, and the Productive Infrastructure Projects.

d. Recognized Excellence of the Title III Program

The Title III program has been recognized by outside evaluators in 1980, 1982, and 1984 as being an exceptionally effective development program and has been hailed by evaluators as the most effective Title III program in the world. In recognition of the high quality of the GOB P.L. 480 Program, administrative personnel from the Bolivian PL 480 Executive Secretariat have been invited to assist Costa Rica and Haiti in the organization of their P.L. 480 Programs. The programs' reputation and accomplishments are truly exceptional when one takes into account that it has been carried out during six of the most difficult years in Bolivia's history.

2. Description of the Program

The Bolivian P.L. 480 Title I and Title III Program consists of 27 activities which are described in the Title I and Title III Project Agreements. Some activities, such as the Policy Analysis Unit and the Land Use Capability Survey, receive financing under both the Title I and Title III Programs. Several of the activities, such as Credit for Housing and Family Related Needs, Chapare Regional Development, Rural Infrastructure, Rural Development Projects, and Pre-investment Studies, are essentially predefined financing lines which may be used to provide funds for a variety of subprojects that qualify for assistance under the terms of the activities as described in the program agreements.

a. P.L. 480 Title I and Title III Activities

Tables 1 and 2 below list the projects currently being implemented under the Title I and Title III Programs. Each of these projects is in an area which has been identified by USAID and the GOB as being a priority for development assistance. Twenty-four of the twenty-seven projects listed provide counterpart for, or are directly related to, ongoing D.A.-funded USAID development assistance projects.

TABLE 1. P.L. 480 TITLE I PROJECTS

<u>PROJECTS</u>	<u>FINANCING (\$000)</u>
1. Productive Credit Trust Funds	4,000
2. Credit for Housing and Family-Related Needs	3,000
3. Chapare Regional Development Activities	1,000
4. Economic Policy Analysis Unit Support	1,500
5. Land Use Capability Survey	1,000
6. Oral Rehydration and Child Growth Monitoring	500
7. Rural Infrastructure	3,500
8. FVO Natural Resource Management and Protection Initiatives	1,000
9. Integrated Pest Management	500
10. Support for Private Educational Institutions	1,500
11. Regional Rotating Development Funds	1,500
12. Technical Assistance to Public Institutions	500
13. Program Administration	<u>500</u>
Total	20,000

TABLE 2 P.L. 480 TITLE III PROJECTS

<u>PROJECTS</u>	<u>FINANCING (\$000)</u>
A. <u>Private Sector Strengthening</u>	<u>12,000</u>
1. Agroindustrial Credits to Small and Medium Enterprises	3,000
2. Strengthening of Producer's Associations	1,000
3. Small Farmer Agricultural and Livestock Production and Marketing Credit	5,000
4. Wheat Production and Marketing	1,000
5. Support to Research and Extension Systems	500
6. Private Health and Nutrition Projects	250
7. Preinvestment Studies	250
8. Training	1,000
B. <u>Improvement of Governmental Policy, Institutional Capabilities and Service Functions</u>	<u>8,000</u>
9. Policy Analysis Unit	1,000
10. Productive Infrastructure	2,250
11. Control of Communicable Diseases	2,500
12. Rural Development Projects	1,250
13. Renewable Natural Resource Planning and Management	500
14. Program Administration	<u>500</u>
Total	20,000

e. Private Sector Demand Pull Emphasis

The new Title III program epitomizes USAID/B's private sector demand pull approach to development. USAID/B believes that productive development projects must work with and complement market forces if they are to be successful. Accordingly, high priority activities of the new Title III program will include: feasibility studies related to the expansion of existing agro-industries and the establishment of new ones; loans to cover investment and working capital costs of productive enterprises; activities to develop markets and product lines for artisans; development of farmer marketing associations; construction of agricultural produce bulking/storage and rural collection centers; technology transfer activities to agricultural and artisanry marketing and development of improved export promotion laws. In addition, Title III-generated funds will be made available for infrastructure (e.g. access roads and irrigation systems) and production (e.g. credit, improved seed multiplication and certification) interventions required by farmers and artisans to respond to enhanced marketing opportunities.

3. Policy Commitments

The Policy Commitments in the new Title III Program are an excellent example of the way Title III has been used as policy leverage. The new Title III proposal was developed in 1984 and approved in 1985 subject to the Bolivian Government's compliance with a series of economic conditions precedent to signature these have been carried forward into the new agreement as the GOB policy commitments. The initial measures were very difficult for the GOB to implement, and this delayed the signing of the agreement for approximately one year. They are also, however, extremely important for the recovery of the Bolivian economy.

The Policy Commitments in the new Title III Agreement are as follows:

- To implement a coherent economic program which will stabilize the Bolivian economy. Such a program is recognized to be a necessary condition for sustained agricultural and agroindustrial development.
- To formulate, approve and implement in 1986 improved banking regulations which will improve efficiency, increase competition, and expand private bank coverage of rural areas in order to enhance the availability of agricultural, artisanry credits.
- To formulate, approve and implement in 1986 a plan to decentralize and reorganize agriculture sector support institutions (in such areas as research and extension) so as to improve farmer access to such services. In this

context, the Government of Bolivia will also place increased emphasis on the use of private entities for the delivery of services.

- To formulate and implement for 1987 a program to increase domestic wheat production to ensure that P.L. 480 shipments do not serve as a disincentive to increasing domestic wheat production.

4. Self-Help Measures

The self-help measures that were included in the new Title III Agreement are as follows:

- The Government of Bolivia (GOB) will encourage increased small and medium scale farm productivity by continuing its policy of free market prices for all agricultural products;
- The GOB will encourage efficient use of scarce capital resources by continuing its policy of allowing pending and savings interest rates to be determined by the forces of supply and demand.
- The GOB will facilitate increased agricultural production by continuing to sell foreign exchange to private firms engaged in the importation and sale of fertilizers, seeds, and agricultural chemicals.
- The GOB will promote increased agricultural productivity and production by channeling increasing amounts agricultural credit through Bolivia's private banks.
- The GOB will facilitate the marketing of agricultural crops by expanding and improving its warrant credit program (i.e. credits for commercial purchasers of crops).
- The GOB will promote increased agricultural productivity and production by encouraging development of the private seed industry.

5. Relation Between P.L. 480 Commodities and Local Food Production

Bolivia's consumption of wheat is estimated at 380,000 metric tons per year, which greatly exceeds its estimated domestic commercial production of 64,000 metric tons. Although Title III rice was imported in 1983 as part of the Mission's response to the "El Niño" disaster, this was a one time occurrence as the result of the failure of the Bolivian rice crop. Consequently, barring the possibility of another crop failure, wheat is the only commodity that USAID expects to import under the Title III program.

Title III wheat imports in the past have been extremely important for the GOB which has not had sufficient foreign exchange reserves to meet its basic import requirements.

Wheat production for the 1986-1987 crop year is estimated to be 70,000 metric tons. This means that Bolivia will have to import 310,000 metric tons of wheat. The P.L. 480 Title III shipments programmed for FY 86 and FY 87 are approximately 185,000 metric tons, which means that Bolivia will need commercial imports equivalent to 125,000 metric tons in FY 86 and 87. Given that Bolivia's Usual Marketing Requirement for 1986 is 42,000 metric tons, there is ample room for expansion in local production, Title III and commercial imports for at least the next two years.

In view of the existing and foreseeable imbalances between wheat production and consumption and the need for substantial imports of wheat, Title III imports have not served and will not serve as a disincentive to local wheat production. In fact, the Title III Program is actually helping to increase local wheat production by financing wheat seed multiplication and production programs which are increasing the quality, and yields of local wheat varieties.

6. Use of Commodities

The wheat imported under the Title III program is delivered directly to local millers. The wheat is converted into flour and sold commercially at unsubsidized prices. The millers then deduct their milling, transportation expenses and profit, and deposit the balance into an account in the Central Bank. The GOB then transfers the money to a special account in the Central Bank which is used to finance development activities included in the Title I or Title III programs.

7. USAID/B Implementation Arrangements

All requests for disbursements under the Title I and Title III programs are submitted to the P.L. 480 Executive Secretariat which was created to administer these programs. Secretariat personnel review new projects, monitor implementation of existing projects, and evaluate projects or subprojects which have been completed. The Secretariat maintains financial records and is in charge of producing the monthly, quarterly, and annual reports which are required by the project agreements.

Disbursement requests which are approved by the Secretariat are forwarded to USAID where they are approved by implementation letters. USAID has one full-time local employee and a two thirds-time USDH employee who manage these programs. Recently, USAID has also hired a local currency accountant who is helping to monitor and control the use of Title I and Title III local currency resources. USAID is also in the process of installing a computerized accounting system for all local currency resources which will improve cash flow controls and increase project management capabilities for the Title I, Title III, and other local currency programs.

B. P.L. 480 TITLE II PROGRAM DESCRIPTION

1. OVERVIEW

The P.L. 480 Title II program contributes significantly to the attainment of USAID/Bolivia's long-term rural development and health strategies. Mothers' clubs supported under the Title II Maternal Child Health (MCH) category are viewed as one of the potentially most effective vehicles of reducing rates of infant mortality and morbidity in a country where such rates are among the highest in the world. The effectiveness of these resources will be enhanced in the FY 1986-88 period by their integration with oral rehydration therapy (ORT) and child-growth monitoring services being offered through 1800 mothers' clubs participating in a PRITECH/CRS/Caritas Child Survival project.

USAID/Bolivia also believes that the Food for Work Program can become a more significant instrument in providing poor rural populations with an incentive to undertake infrastructure projects which will lead to increased production and income growth. Under the current Title I Agreement, the GOB, at USAID's encouragement, introduced Self-Help Measure No. 7 allocating the equivalent of \$3.0 million to provide complementary inputs and local technical assistance to food for work projects in such fields as micro-irrigation, soil conservation, reforestation, market roads, potable water and family and community gardens. This program has been operational since January 1986.

The Title II Urban Food for Work Program is playing a vital role in the USG's effort to support the economic stabilization/austerity program announced by the democratically elected Paz Estenssoro government. The Food for Work program, which is mitigating the effects of increasing urban unemployment and supporting the development of urban infrastructure in poor neighborhoods, was expanded in FY 1986, through amendments to the Operational Plans of Catholic Relief Services and the Adventist Development and Relief Agency. In FY 1986, the program will reach approximately 26,000 workers in seven cities of Bolivia and will be continued in FY 1987. Title I resources amounting to approximately \$900,000 of the \$3 million mentioned above have been programmed to support this urban food for work program.

The institutions involved in the implementation of the Title II program in Bolivia are: Catholic Relief Services/Caritas (CRS/CARITAS), Food for the Hungry International (FHI), Adventist Development and Relief Agency (ADRA), and the National Community Development Services (NCDS) (Government to Government). The following table summarizes the actual and proposed level of beneficiaries, food tonnage and dollar value by Cooperating Sponsor for FY 1986, FY 1987 and FY 1988 under the Regular and Emergency Title II Programs.

Cooperating Sponsors	FY 1986			FY 1987			FY 1988		
	No. of Recip.	Food M/T	CCC Value (\$000)	No. of Recip.	Food M/T	CCC Value (\$000)	No. of Recip.	Food M/T	CCC Value (\$000)
CRS									
Regular	371,100	19,060	4,669	413,345*	24,747	5,191	413,345*	24,747	5,191
CRS									
Emerg.	41,667	3,000	663						
CRS FFW	62,028	3,000	658						
Subtotal	474,795	25,060	5,990	413,345	24,747	5,191	413,345	24,747	5,191
ADRA									
Regular	78,500	6,932	1,780	131,720*	11,176	2,432	131,720*	11,176	2,432
ADRA FFW	56,175	3,000	658						
Sub-total	134,675	9,932	2,438	131,720	11,176	2,432	131,720	11,176	2,432
FHI									
Sub-total	67,800	5,941	1,576	56,500	4,724	1,015	56,500	4,724	1,015
G-to-G									
Sub-total	23,050	1,921	504	23,050	1,921	504	23,050	1,921	504
GRAND TOTALS	700,320	42,854	10,508	624,615	42,568	9,142	624,615	42,568	9,142

*Includes continuation of Urban FFW programs initiated by CRS and ADRA in FY86.

The FY 1986 Title II program administered by CRS, FHI, ADRA and WCDS has a value of \$10,508,000, including \$8,529,000 for the regular program, \$1,316,000 for a supplemental, urban-based FFW program and \$663,000 for Lake Titicaca Emergency Assistance. For FY 1987, USAID is proposing a Title II program of \$9,142,000 (CCC value). This is lower than the FY 1986 total, but includes a modest increase of \$755,000 over the FY 1987 approved total of \$8,387,000. This funding level will allow for continuation of the supplemental FFW program approved in FY 1986, which will be made a part of the Regular Program, and will enable CRS, FHI and ADRA to incorporate changes in ration size/composition as recommended in the Title II ration study (March, 1986) prepared by FVA Consultant Judith Apte. (N.B. The final ration mix proposed for FY 1987 reflects the Apte recommendations as adjusted further to suggestions by the Vol Ags, USAID, FVA and LAC/DR/HPN).

In the FY 86 Action Plan, USAID/Bolivia described four innovations to be effected in the Title II program during FY 1986 and FY 1987 as follows:

- A much higher degree of geographic and functional complementary among the activities of the three PVO's and the Government-to-Government program.

This objective has been partially met and should be completed prior to May 1986 when the PVO's submit their multi-year operational plans and FY 1987 AER's. The USAID Food for Peace Office (FFPO) has developed maps depicting geographical areas where duplication of efforts among PVO's exist. The FFPO is in the process of coordinating the assignment of geographical areas to the three PVO's and one GOB agency. Beneficiary contributions are being standardized and ration packages per program category will be uniform in FY 1987. The FY 87 ration packages will be based upon the study conducted by Dr. Judith Apte. Functionally, CRS/CARITAS will remain predominant in the maternal child health and school feeding categories, while FHI, ADRA and NCDS will concentrate on the food for work program.

- Assignment of higher priority to development-oriented programs (e.g. the integration of MCH funding with ORT and growth monitoring services, and a more careful concentration of food for work activities on the development of rural infrastructure).

The PVO's and NCDS are beginning to program and implement development oriented programs under the maternal child health and food for work categories. Under the PRITECH/CRS/Caritas project, ORT and growth surveillance services will be integrated into 600 mothers' clubs in FY 1986, an additional 600 in FY 1987, and the balance of 600 clubs in FY 1988. By agreement among the Cooperating Sponsors, eighty percent of food for work projects in the rural area will emphasize rural infrastructure projects to increase production, and the remaining 20% of the projects will concentrate on social infrastructure such as health posts and schools.

- Upgrading of the management, logistics and evaluation capacity of the participating PVO's.

USAID/Bolivia is continuing to provide the PVO's and NCDS with technical assistance in planning, implementation and monitoring supplementary feeding programs through formal training courses and workshops.

PVO and GOB personnel have been trained in the logical framework methodology which has improved their planning capability in the elaboration of operational plans. A series of seminars on program planning and evaluation has been planned and is being carried out, as well as short courses focusing on food for work, food storage and handling, maternal child health and school feeding. The FFPO is also developing a computerized information and monitoring system which will be fully operational in July 1986.

- The identification and utilization of supplemental resources (e.g. Outreach Grants, monetization of Section 416 food commodities, Title II funding to improve the outreach and development impact of activities).

As stated earlier, USAID/Bolivia obtained the concurrence of the GOB to program the equivalent of \$3 million of Title I resources to assist the four Title II Cooperating Sponsors to undertake urban infrastructure projects, micro-irrigation, market roads, potable water systems, reforestation, soil conservation and community and family gardens in seven departments of Bolivia from January 1986 to September 1988. In addition, the equivalent of \$500,000 of Title I resources has been assigned to assist Caritas implement ORT services and expand growth surveillance through the Caritas mothers' clubs (MCH) program.

During FY 1987 and FY 1988, USAID will continue to emphasize the four activities described above. Additional tasks will include:

- Assisting PVO's develop evaluation plans to measure development and nutritional impact of programs.
- Improve targetting of food commodities provided under Maternal Child Health and Food for Work programs.
- An assessment of the school feeding program to determine whether local foods can be introduced to lessen dependency on Title II donations.
- Assist the GOB improve its capacity to implement a national nutrition policy and coordinate and evaluate supplementary feeding programs.

2. PROGRAM ECONOMIC SUPPORT AND OUTREACH FUNDS.

As noted in the FY 1986 ABS, none of the Cooperating Sponsors, with the exception of Caritas, has been able to obtain adequate local currency financing to meet the operating expenses of its program. Although GOB and private contributions would be preferred sources for this funding, such assistance has not been forthcoming during Bolivia's current economic crisis.

USAID expects that local financing for most of the Volags will remain inadequate for at least the next two or three years, and therefore supports the continuation of Outreach Grant funding for logistical requirements as outlined in State 115649 dated April 17, 1985. USAID is also encouraging PVO's to increase beneficiary contributions to offset program operational costs.

3. USAID TITLE II PROGRAM MANAGEMENT

USAID management responsibility for the PL-480 Title II program described herein is exercised by a Food for Peace Office (FFPO) located within the USAID

Health and Human Resources (HHR) Division. The FFPO staff includes one Program Manager (PSC with a US National), two senior Bolivian administrative and logistics officers (FSN and PSC, respectively), one accountant/bookkeeper (FSN), one field inspector (TCN/PSC), one AID/W-funded technical advisor in PVO planning, management and evaluation (LAC/DP grant to Planning Assistance, Inc.), and one short term (TCN/PSC) systems analyst who is developing a computerized commodity monitoring-and-tracking system.

The management oversight and technical assistance provided by these personnel have been key factors in the shaping of the Bolivia Title II program, and will continue to be needed through FY 1988 to ensure effective implementation of the program innovations described in Section A. above. The computerized commodity monitoring system being developed by the FFPO is a near-term product of this assistance, and will represent a particularly valuable management aid for both USAID and the Cooperating Sponsors. Scheduled for installation in USAID and the four Title II agencies in July 1986, the system will allow continuous tracking of Title II commodities from port of entry to final distribution at over 2000 distribution points throughout the country. USAID believes that the system, once installed and de-bugged, may serve as a model for broader use in Title II programs worldwide.

As implied above, USAID plans to maintain the current FFPO staff largely intact through FY 1988, with the exception of the short-term systems analyst and the regional food inspector, both of whose contracts will end in CY 1986, and the Planning Assistance Consultant, who will continue through FY 1987. (USAID has requested supplemental funding from LAC/DP to continue the latter's assignment through FY 1987.) USAID is sensitive, however, to the need for more permanent FFPO staffing, and would strongly prefer that a permanent, USDH Food for Peace Officer position be established in USAID no later than FY 1988. USAID urges reconsideration of AID/W constraints on personnel ceilings which do not permit the establishment of this new position.

4. TITLE II NARRATIVE ON SPECIFIC PROGRAMS.

Catholic Relief Services (CRS)

As stated earlier, USAID believes that the CRS/CARITAS mothers' clubs have strong potential for improving the health and welfare of Bolivia's pre-school population. Caritas is presently receiving CRS and PRITECH assistance to implement an ORT program to complement growth surveillance and supplementary feeding activities in the mothers' clubs.

USAID continues to conduct field assessments of MCH centers. The assessments confirm that approximately 70% of the 2,000 Caritas mother's clubs provide some type of nutrition and health services which complement their supplementary feeding activities. However, as CRS and Caritas have not instituted an evaluation system, it is not clear whether the feeding program has had a significant impact on child mortality and morbidity. The Division of Nutrition of the Ministry of Health claims that the supplementary feeding program has had negligible results, based upon indications that infant mortality and morbidity rates have increased over the past few years.

Observers report that the impact of the supplementary ration is diluted, as it is consumed by the entire family rather than being consumed solely by the vulnerable pre-school children and lactating or pregnant mothers. The CRS FY 87 ration package has been increased in accordance with Dr. Apte's recommendation to offset this dilution.

CRS proposes to conduct an evaluation of the MCH program during FY 1986-1987 to determine its impact. This evaluation will determine whether the introduction of ORT and growth surveillance, combined with supplementary feeding, actually has had a positive impact on mortality and morbidity rates among pre-school children. In addition, USAID will assist the Ministry of Health/Division of Nutrition to conduct a field survey of mothers' clubs which will focus on beneficiary eligibility, targeting, and the quality of nutrition and health services. The survey will begin to establish baseline data for subsequent evaluation of the program.

With Title I funds, CARITAS will conduct an experiment to determine to what extent the mothers' clubs can produce nutritious local foods through family and community gardens to lessen their dependancy on Title II foods. USAID is concerned that the program lacks a planned approach to phasing out supplementary feeding as the members of the mothers' clubs learn to better utilize local foods, better care for their children and engage in productive activities to increase incomes.

As stated earlier, CRS will continue its urban food for work program in the cities of Oruro, Potosí, Cochabamba, Sucre and Tarija to combat urban unemployment and to develop urban infrastructure to improve the health and sanitation conditions in poor slum neighborhood, FFW in rural areas will also be reinitiated on a small scale.

The field assessment of the CRS/Caritas school feeding program has had mixed results. The assessment showed that the majority of the children served were needy primary school students who are underfed at home. However, given the disruptions in the serving of the school breakfasts because of teachers' strikes, it is doubtful whether the program has achieved more than sporadic success in alleviating hunger among these children. (During calendar year 1985, primary school children attended only 100 days of school out of a programmed 200). Very little effort has been made to utilize Title II resources to build a national school feeding program utilizing local foods.

Despite these shortcomings of the school feeding program, USAID believes that the extreme poverty of the population warrants continuation of the program for humanitarian reasons. In FY 1986-87, USAID will conduct workshops on school feeding to promote a greater development orientation of the activity, especially in terms of introducing local foods.

CRS and Caritas have improved their administrative and logistic capability during FY 1985 and FY 1986. Based upon USAID/Bolivia's recommendation, CRS and the National Caritas offices are concentrating on supporting the weaker Caritas regional offices to improve food handling procedures.

CRS is deficient, however, in adequately complying with reporting requirements. CRS does not have an adequate internal system of program monitoring. During the remainder of FY 1986 and during FY 1987, USAID will assist CRS in developing a monitoring system which will schedule administrative reviews of the Caritas national and regional offices and increase end-use inspections. Once this system is in place, the reporting deficiencies should be corrected.

CRS will present its Operational Plan and FY 1987 AER by late April 1986. The level of beneficiaries for FY 87 will closely resemble the FY 1986 program as shown below:

<u>Program Category</u>	<u>FY 86</u> <u>Beneficiaries</u>	<u>FY 87</u> <u>Beneficiaries</u>
Mother Child Health	235,100	235,125
Other Child Feeding	-.-	10,000
School Feeding	115,000	102,100
Food for Work	68,028	54,120
Food for Work (Emergency)	41,667	-.-
General Relief	<u>15,000</u>	<u>12,000</u>
	474,795	413,345

Food for the Hungry, International (FHI)

FHI has continued to improve its program by concentrating in one or two provinces in the Departments of La Paz, Oruro and Potosi, and developing integrated rural development programs with food as one of its major resources. USAID/FFPO personnel have worked closely with FHI in developing this integrated and concentrated approach. FHI will be one of the major agencies working in the combined Title I/Title II Food for Work program.

During FY 1986-88, FHI will specialize in micro-irrigation, forestation and soil conservation projects. Approximately \$500,000 of Title I resources will be utilized by FHI to undertake the following food for work projects:

- Micro-Irrigation	19
- Forestation, Pasture Improvement, and Soil Conservation	40
- Nutritional Gardens	<u>20</u>
TOTAL PROJECTS	79

These 79 projects will benefit 4,000 rural poor families.

In addition to the food for work program, FHI will continue to sponsor a small maternal child health program. Field visits confirm that FHI is providing nutrition education and growth surveillance services to the mothers' clubs participating in this MCH supplementary feeding activity. However, as in the case of CRS, no attempt has been made to measure the nutritional impact on pre-school age children. During the remainder of FY 1986 and during FY 1987 and FY 1988, USAID will assist FHI implement an evaluation system to assess the impact of the MCH program.

FHI has continued to experience difficulties in food handling and accounting procedures. FFPO staff have worked with FHI to improve its administrative system, and are closely monitoring this aspect of the program to assure that no major losses occur.

FHI is dependent upon Outreach Grant funds for the operation of its Title II programs. These funds, plus beneficiary contributions and monies generated from the sale of containers, should be sufficient to cover operating expenses through FY 1988.

The FY 1987 AER and Multi-year Operational Plan will be submitted by late April 1986. However, no major increment in beneficiary levels is planned for FY 1987. The FY 1986 and FY 1987 AER beneficiary levels are summarized below:

<u>PROGRAM CATEGORY</u>	<u>FY 86</u> <u>Beneficiaries</u>	<u>FY 87</u> <u>Beneficiaries</u>
Maternal Child Health	20,000	23,200
Food for Work	37,000	30,000
Other Child Feeding	7,500	-.-
General Relief	<u>3,300</u>	<u>3,300</u>
	67,800	56,500

Adventist Development and Relief Agency (ADRA)

USAID administrative reviews and field visits in 1984 and 1985 confirmed that ADRA was not properly targeting food for work projects, nor sponsoring meaningful development activities. The majority of projects were scattered throughout various provinces in each region (not necessarily the poorest areas) and usually involved low priority projects (e.g. road cleaning, construction of community cemeteries and school walls).

USAID has continued to work with ADRA to improve targeting and the quality of food for work activities. During FY 1986, field visits have confirmed that ADRA is making a reasonable effort to improve the FFW program by concentrating in fewer provinces and sponsoring more productive activities.

As a consequence of this improvement, ADRA will participate in the combined Title I/Title II program during FY 1986-88. ADRA has been encouraged to specialize in the building of market access roads and potable water systems. Approximately 128 kilometers of access roads, 16 potable water systems and 10 nutritional garden projects benefitting 52 rural communities will be supported by ADRA under this program.

USAID has assisted ADRA in improving its urban food for work program in the city of La Paz by linking the food resource to the mayor's World Bank-supported urban development scheme in the city's poorer barrios.

This program has had positive results in terms of improving sewage and drainage systems, potable water installations and flood control. The food resource has also been significant in alleviating hardship resulting from the deteriorating unemployment situation. The neighborhood committees which undertake the food for work projects have publically acknowledged the importance of the U.S.-donated Title II commodities. This program was expanded in FY 1986 and will be continued in FY 1987.

The small MCH program operated by ADRA is closely coordinated with the Division of Nutrition of the Ministry of Health. Field visits confirm that the women participants receive nutrition and health education. However, as in the case of FHI and CRS, no attempt has been made to evaluate impact. USAID will work with ADRA/OFASA during the remainder of FY 1986 and during FY 1987-1988 to build an evaluation capacity.

ADRA has not presented its FY 1987 AER and Multi-year Operational Plan which are due in late April 1986. FY 1986 and FY 1987 beneficiary levels are compared below:

9. IMPORTS AND EXPORTS *

	<u>IMPORTS—MILLIONS OF DOLLARS</u>	<u>EXPORT—MILLIONS OF DOLLARS</u>
FEB 85	53.6	42.3
MARCH 85	35.6	54.6
APRIL 85	46.3	39.7
MAY 85	41.3	58.3
JUNE 85	37.6	42.3
JULY 85	34.3	58.7
AUG 85	28.6	35.6
SEPT 85	26.1	43.6
OCT 85	42.1	74.6
NOV 85	53.0	83.5
DEC 85	64.1	95.3
JAN 86	62.1	91.3
FEB 86	61.7	89.2
MARCH 86	59.6	85.3

* Real dollars.

10. EMPLOYMENT - MARCH, 1986

	<u>NUMBER OF PEOPLE</u>	<u>PERCENTAGE</u>
A. TOTAL POPULATION	6,429,226	100
B. ECONOMICALLY ACTIVE POPULATION	2,088,153	32
I. UNEMPLOYED	375,868	18 (OF TOTAL WORK FORCE)
II. EMPLOYED	1,712,286	82 (OF TOTAL WORK FORCE)
— PUBLIC SECTOR	357,098	21 (OF EN- PLOYED WORK FORCE)
— PRIVATE SECTOR	1,355,188	79 (OF EN- PLOYED WORK FORCE)

SOURCE: USAID/Bolivia

<u>PROGRAM CATEGORY</u>	<u>FY 86</u> <u>Beneficiaries</u>	<u>FY 87</u> <u>Beneficiaries</u>
Maternal Child Health	15,000	18,000
Food for Work*	101,925	89,720
Pre-School Feeding	6,000	8,000
Other Child Feeding	7,500	8,000
School Feeding	4,000	5,000
General Relief	<u>250</u>	<u>3,000</u>
	134,675	131,720

*Includes 45,750 beneficiaries under the regular program and 56,175 under the urban program.

As in the case of FHI, ADRA is dependant on Outreach Funding to cover the operational costs of the program. USAID recommended a reduced level for the CY 1986 Outreach Grant to encourage ADRA to seek more beneficiary contributions to partially defray costs. ADRA needs to make a more vigorous effort to reduce its reliance on Outreach Funding.

National Community Development Services (NCDS)

NCDS continues to be the only Title II Government-to-Government program sponsor in Bolivia. At present, NCDS is operating under a recently approved transfer authorization (TA) No. 6650 which covers the 1986-1988 time period. This T.A. authorizes the donation of 5763 MTs. of food assistance to be used exclusively for its food for work program. Once the first call forward is received, NCDS will operate in the Cochabamba, Santa Cruz, La Paz, Beni and Pando departments.

Title II assistance will support self-help rural infrastructure projects as well as community training programs. NCDS will also participate in the combined Title I and Title II food for work program, concentrating on micro-irrigation (13), market roads (8), potable water (16) and forestation (30). These projects will benefit a total of 67 communities in selected geographical regions in four departments to reach a total population of about 16,750 people. NCDS has entered into agreements with the German and Swiss governments to provide complementary inputs to these projects.

NCDS administrative deficiencies reported in the FY 1986 Action Plan have been corrected, and USAID believes that NCDS is capable of sponsoring a small, but effective FFW program during FY 1987 and FY 1988.

VII. PROGRAM FUNDING

FY 1987-88 ACTION PLAN
 TABLE I - LONG RANGE PLAN BY APPROPRIATION ACCOUNT

	FY 1986 ACTUAL	--- FY 1987 --- CP	ESTIMATE	PLANNING PERIOD FY 1988	FY 1989	FY 1990	FY 1991
<u>DEVELOPMENT ASSISTANCE</u>							
<u>Agriculture Rural</u>							
<u>Development and Nutrition</u>							
SUB-TOTAL	3,780	4,300	5,400	5,200	10,330	10,330	10,330
Grants	2,780	1,900	3,000	2,200	2,588	2,700	2,700
Loans	1,000	2,400	2,400	3,000	7,742	7,630	7,630
<u>Selected Development</u>							
<u>Activities</u>							
SUB-TOTAL	3,850	2,310	5,050	8,450	3,800	1,700	1,340
Grants	3,850	1,510	4,250	4,450	2,500	500	840
Loans	-	800	800	4,000	1,300	1,200	500
<u>Population Planning</u>							
SUB-TOTAL	30	30	30	30	30	30	30
Grants	30	30	30	30	30	30	30
Loans	-	-	-	-	-	-	-
<u>Health</u>							
SUB-TOTAL	752	600	1,900	2,300	2,500	3,240	3,240
Grants	752	600	1,900	2,300	1,800	1,600	1,600
Loans	-	-	-	-	700	1,640	1,640
<u>Education</u>							
SUB-TOTAL	880	760	2,550	3,290	800	60	60
Grants	880	760	2,550	3,290	800	60	60
Loans	-	-	-	-	-	-	-
<u>TOTAL DA ACCOUNT</u>							
TOTAL	9,292	8,000	14,930	19,270	17,460	15,360	15,000
Grants	8,292	4,800	11,730	12,270	7,718	4,890	5,230
Loans	1,000	3,200	3,200	7,000	9,742	10,470	9,770

FY 1987-88 ACTION PLAN
 TABLE I - LONG RANGE PLAN BY APPROPRIATION ACCOUNT

	FY 1986 ACTUAL	--- FY 1987 --- CP	ESTIMATE	----- PLANNING PERIOD ----- FY 1988	FY 1989	FY 1990	FY 1991
<u>ECONOMIC SUPPORT FUND</u>							
TOTAL	14,355	12,000	20,000	35,000	20,000	20,000	20,000
Grants	14,355	12,000	20,000	35,000	20,000	20,000	20,000
Loans	-	-	-	-	-	-	-
<u>TOTAL DA and ESF</u>							
TOTAL	23,647	20,000	34,930	54,270	37,460	35,360	35,000
Grants	8,292	4,800	11,730	12,270	7,718	4,890	5,230
Loans	15,355	15,200	23,200	42,000	29,742	30,470	29,770
<u>P.L. 480</u>							
TITLE I	-	-	-	-	-	-	-
TITLE II	9,424	9,336	9,142	9,450	12,500	12,500	12,500
TITLE III	20,000	15,000	25,000	25,000	25,000	25,000	25,000
<u>HOUSING GUARANFY</u>							
	15,000	-	-	-	20,000	-	-

FY 1987-88 Action Plan
Table IV-Project Budget Data

Project No.	Project Title	G/L	Initial Obligat. Date (FY)	Final Obligat. Date (FY)	Total Cost Planned (09/30/85)	Oblig. Through (09/30/85)	ESTIMATED U. S. DOLLAR COSTS				FY 1988 - Pipeline 09/30/85	FY 1986 - Oblig.	FY 1987 - Oblig.	FY 1988 - Oblig.
							Cont.	Cont.	Cont.	Cont.				
0000.01	Program Development and Support	G	74	Cont.	Cont.	2,055	70	280	270	200	240	200	200	200
0465	Agriculture Sector II	L	78	11,300	11,300	11,300	947	-	947	-	-	-	-	-
0466	Rural Access Roads II	G	78	300	300	300	262	-	120	-	142	-	-	-
0472	Agribusiness & Artisanry	L	78	9,042	9,042	9,042	6,814	-	3,414	-	3,400	-	-	-
		G	77	1,200	1,200	1,200	482	-	482	-	-	-	-	-
		L	77	16,200	16,200	9,200	3,192	-	3,192	-	-	-	-	-
0511	Departmental Dev. Corp.	L	79	7,000	7,000	7,000	6,864	-	6,864	-	-	-	-	-
0543	Chapare Regional Dev.	G	83	4,400	4,400	2,541	1,920	1,000	900	859	900	-	-	1,979
		L	83	12,500	12,500	12,500	11,630	-	1,200	-	5,500	-	-	4,930
0572	Market Town Capital Formation	G	86	-	2,500	-	-	1,000	100	441	800	500	500	800
		L	86	-	7,500	-	-	1,000	100	2,400	1,100	2,000	2,000	2,200
0576	Chapare Marketing and Agribusiness	G	88	-	2,000	-	-	-	-	-	-	-	-	100
		L	88	-	8,000	-	-	-	-	-	-	-	-	200
0581	Disaster Recovery	G	84	9,000	9,000	9,000	2,357	-	1,210	-	1,147	-	-	-
		L	84	43,500	43,500	43,500	36,256	-	18,000	-	18,256	-	-	-
0589	Private Ag.Organizations	G	86	-	3,000	-	-	500	100	1,500	500	1,000	1,000	1,600
		L	86	-	-	-	-	-	-	-	-	-	-	-
	Sub-Total			114,442	137,442	107,638	70,794	3,780	36,899	5,400	31,985	5,200	12,009	12,009
	Grants			14,900	22,400	15,096	5,091	2,780	3,182	3,000	3,729	2,200	4,679	4,679
	Loans			99,542	115,042	92,542	65,703	1,000	33,717	2,400	28,256	3,000	7,330	7,330

FY 1987-88 Action Plan
Table IV-Project Budget Data

Project No.	Project Title	Q/L	Initial Obligt. Date (FY)	Final Obligt. Date (FY)	Cont.	Total Cost Planned	Oblig. Through 09/30/85	FY 1985 Pipeline 09/30/85	-ESTIMATED U. S. DOLLAR COSTS-		-FY 1987-		-FY 1988-	
									Obligations	Expenditures	Obligations	Expenditures	Obligations	Expenditures
0000.02	Program Development and Support	G	74	Cont.	Cont.	498	69	200	120	200	150	200	150	
0458	Rural Sanitation	G	77	80	310	310	184	-	153	-	31	-	-	
0536	Tiwanacu Rural Health	L	77	80	4,000	4,000	2,666	-	900	-	1,766	-	-	
0569	Radio San Gabriel ONG	G	83	84	300	300	41	-	41	-	-	-	-	
0590	Self-Financing Primary Health Care 2/ Child Survival Initiatives	G	83	88	1,100	990	758	(110)	464	400	500	400	594	
0599	CARE Water and Health Services	G	85	86	436	384	384	52	150	-	150	-	136	
		G	86	89	-	4,500	-	500	50	1,300	1,200	1,700	1,500	
	Sub-Total Grants				6,146	11,446	4,102	752	1,878	1,900	3,797	2,300	2,300	
	Loans				2,146	7,446	1,436	752	978	1,900	2,031	2,300	2,300	
					4,000	4,000	2,666	-	900	-	1,766	-	-	

FY 1987-88 Action Plan
Table IV-Project Budget Data

Project No.	Project Title	G/L	Initial Obligat. Date (FY)	Final Obligat. Date (FY)	-Total Planned (FY) Auth.	Cont.	Cont.	Cont.	ESTIMATED U.S. DOLLAR COSTS														
									Oblig. Through 09/30/85	FY 1985 Pipeline (09/30/85)	- FY 1986 - Obligations	Expenditures	- FY 1987 - Obligations	Expenditures	- FY 1988 - Obligations	Expenditures							
<u>Education and Human Resources</u>																							
0000.03	Program Development and Support	G	74	Cont.	Cont.	Cont.	566	21	70	80	100	100	100	100	100								
0471	Rural Development Planning	G	78	84	3,949	3,949	3,949	947	-	947	-	-	-	-	-	-	-	-	-	-	-		
0482	Rural Education II	G	77	84	2,129	2,129	2,129	120	-	120	-	-	-	-	-	-	-	-	-	-	-		
		L	77	84	10,000	10,000	10,000	2,457	-	2,457	-	-	-	-	-	-	-	-	-	-	-		
0580	Management Training	G	85	88	2,000	2,000	800	800	390	200	200	550	400	260	260	1,200							
0584	Training for Develop.	G	85	88	2,500	2,500	200	200	420	200	400	400	600	600	1,480	1,000							
0588	Narcotics Awareness 2/	G	85	88	250	3,450	250	247	(250) 1/	140	140	1,500	600	1,450	800	800							
	Sub-Total				20,828	24,028	17,894	4,792	880	4,144	2,550	1,700	3,290	3,100	3,100								
	Grants				10,828	14,028	7,894	2,335	880	1,687	2,550	1,700	3,290	3,100	3,100								
	Loans				10,000	10,000	10,000	2,457	-	2,457	-	-	-	-	-	-							

FY 1987-88 Action Plan
Table IV-Project Budget Data

Project No.	Project Title	Q/L	Initial Obligat. Date (FY)	Final Obligat. Date (FY)	Total Cost - Planned	ESTIMATED U.S. DOLLAR COSTS				FY 1988 - Pipeline (09/30/85) actions	FY 1987 - Expen- ditures	FY 1988 - Oblig- ations	Expen- ditures
						Cont.	Cont.	Cont.	Cont.				
0000.04	Program Development and Support	Q	74	Cont.	Cont.	792	94	375	250	200	200	200	225
0412	Special Development Activities	Q	64	Cont.	Cont.	1,217	163	150	120	150	150	150	150
0472	Agribusiness and Artisanry	Q	85	87	2,000	-	-	600	100	1,400	1,000	-	700
0511	Departmental Dev. Corp.	L	79	79	3,000	3,000	2,940	-	2,940	-	-	-	-
0567	Low Cost Shelter Thru the Private Sector	Q	83	88	550	1,650	327	200	250	450	450	450	650
0571	Policy Reform	Q	83	89	1,200	5,000	606	1,750	400	350	1,100	500	1,100
0575	Agricultural Marketing and Exports	Q	88	90	-	1,500	-	-	-	-	-	500	100
0583	Handicraft Export Dev.	Q	85	88	3,000	3,000	875	775	160	400	300	950	600
0596	Micro-Enterprise Dev.	Q	87	89	-	1,100	-	-	-	400	100	400	200
0598	Strengthening Financ. Markets	Q	87	90	-	2,700	-	-	-	900	100	1,300	1,300
		L	87	91	-	8,500	-	-	-	800	200	4,000	4,000
	Sub-Total Grants				7,750	28,450	7,634	3,850	4,220	5,050	3,600	8,450	9,825
	Loans				4,750	16,950	4,634	3,850	1,280	4,250	3,400	4,450	5,825
					3,000	11,500	3,000	-	2,940	800	200	4,000	4,000

Selected Development Activities and Nutrition

FY 1987-88 Action Plan
Table IV-Project Budget Data

----- ESTIMATED U. S. DOLLAR COSTS -----

Project No.	Project Title	G/L	Initial Obligat. Date (FY)	Final Obligat. Date (FY)	Auth.	Planned	Cont.	29	10	30	FY 1986 -		FY 1987 -		FY 1988 -	
											Oblig.	Expend.	Oblig.	Expend.	Oblig.	Expend.

Oblig. Through 09/30/85
Pipeline (09/30/85)

Population

0000.05	Program Development and Support	G	74	Cont.	Cont.	29	10	30	12	30	28	30	35
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Sub-Total
Grants
Loans

29	10	30	12	30	28	30	35
29	10	30	12	30	28	30	35
-	-	-	-	-	-	-	-

Total D.A. for Country
Grants
Loans

149,166	201,366	139,677	84,703	9,292	47,153	14,930	41,110	19,270	26,549
32,624	60,824	30,135	10,937	8,292	7,139	11,730	10,888	12,270	15,219
116,542	140,542	109,542	73,766	1,000	40,014	3,200	30,222	7,000	11,330

FY 1987-88 Action Plan
Table IV-Project Budget Data

Project No.	Project Title	G/L	Initial Obligt. Date (FY)	Final Obligt. Date (FY)	- Total Cost - Planned 09/30/85	Oblig. Through 09/30/85	ESTIMATED U. S. DOLLAR COSTS							
							FY 1985 Pipeline (09/30/85)	- FY 1986 - Oblig. Expend.	- FY 1987 - Oblig. Expend.	- FY 1988 - Oblig. Expend.				
0574	P.L. 480 Title I	L	85	85	20,000	20,000	-	-	-	-	-	-	-	
0523	P.L. 480 Title II	G	55	Cont.	M/A	9,067	9,424	9,424	9,142	9,142	9,450	9,450	-	
0522	P.L. 480 Title III	G	78	Cont.	20,000	-	20,000	20,000	25,000	25,000	25,000	25,000	25,000	
0567	Low Cost Shelter Through the Private Sec. (Guaranty)		83	83	15,000 2/	15,000	15,000	-	-	5,000	-	5,000	-	
Total for Account					55,000	110,000	15,000	29,424	29,424	34,142	39,142	34,450	39,450	
Grants					20,000	75,000	-	29,424	29,414	34,142	34,142	34,450	34,450	-
Loans					35,000	35,000	15,000	-	-	5,000	-	-	5,000	5,000

OTHER (Mon Add)

FY 1987-88 Action Plan
Table IV-Project Budget Data

Project No.	Project Title	G/L	Initial Obligat. Date (FY)	Final Obligat. Date (FY)	- Total Cost - Planned 09/30/85	ESTIMATED U. S. DOLLAR COSTS						
						Oblig. Through 09/30/85	FY 1985 Pipeline (09/30/85)	- FY 1986 - Oblig. Expend.	- FY 1987 - Oblig. Expend.	- FY 1988 - Oblig. Expend.		
0592	Economic Stabli. Prog.	G	86	86	14,355*	-	14,355	14,355	-	-	-	-
0593	Economic Recovery Prog.	G	87	87	20,000	-	-	20,000	20,000	-	-	-
0595	Economic Recovery Prog.	G	88	88	35,000	-	-	-	-	35,000	35,000	35,000
ECONOMIC SUPPORT FUND (Non-Add)												
	Total for Account				69,355	-	-	14,355	20,000	20,000	20,000	35,000
	Grants				69,355	-	-	14,355	20,000	20,000	20,000	35,000
	Loans				-	-	-	-	-	-	-	-
Centrally Funded Projects												
0582	Private Sector Potable Water and Sanit. System	G	84	84	250	250	230	-	230	-	-	-
0622	LAC Training Initiat. I	L	83	83	2,000	2,000	2,000	-	2,000	-	-	-
0640	LAC Training Initiat. II	G	83	85	247	247	90	-	90	-	-	-
0101	American Institute for Free Labor Development (AIFLD) 3/	G	85	87	900	300	261	300	150	300	250	350
	Total for Account				N/A	N/A	352	256	256	256	256	256
	Grants				3,397	3,149	2,581	556	2,726	556	506	606
	Loans				1,397	1,149	581	556	726	556	506	606
	Totals for Account				2,000	2,000	2,000	-	2,000	-	-	-

1/ Central Funds
2/ Requires PACD extension.
3/ Annual funding covers the period 04/1-03/31.

FY 1987-1988 Action Plan
Table V - Proposed Project Ranking

Decision Unit: BOLIVIA

Rank	Project No.	Title	New		FY 87 Program Funding (\$000)		
			Ongoing	L/G	APPROP.	INCR.	CUM.
1	0522	P.L. 480 Title III	0	G	P3	(20,000)	-
2	0571	Policy Reform	0	G	SD	350	350
3	0593	Economic Support Fund	N	G	ES	(20,000)	350
4	0598	Strengthening Financial Markets	N	G/L	SD	1,700	2,050
5	0596	Micro Enterprise Dev.	N	G	SD	400	2,450
6	0543	Chapare Regional Dev.	0	G	FN	859	3,309
7	0572	Market Town Capital Formation	0	G/L	FN	2,841	6,150
8	0589	Private Ag. Organizations	0	G	FN	1,500	7,650
9	0000	Program Development and Support	0	G	-	730	8,380
10	0472	Agribusiness and Artisanry	0	G	SD	1,400	9,780
11	0523	P.L. 480 Title II	0	G	P2	(9,142)	9,780
12	0588	Narcotics Awareness	0	G	EH	1,500	11,280
13	0569	Self-Financing Primary Health Care Systems	0	G	HE	400	11,680
14	0584	Training for Development	0	G	EH	400	12,080
15	0580	Management Training	0	G	EH	550	12,630
16	0599	CARE Water and Health Services	0	G	HE	1,300	13,930
17	0583	Handicraft Export Dev.	0	G	SD	400	14,330
18	0567	Low Cost Shelter Through the Private Sector	0	G	SD	450	14,780
19	0412	Special Development Activities	0	G	SD	150	14,930

D. Pipeline Analysis

As reflected in the attached Financial Summary Table, USAID/B's pipeline totaled \$68.6 million as of March 31, 1986. However, as the accompanying chart indicates, the bulk of this amount is quite new. In fact, nearly half (48.1%) of the pipeline has been incurred since FY 84, and virtually all of it is no more than four years old.

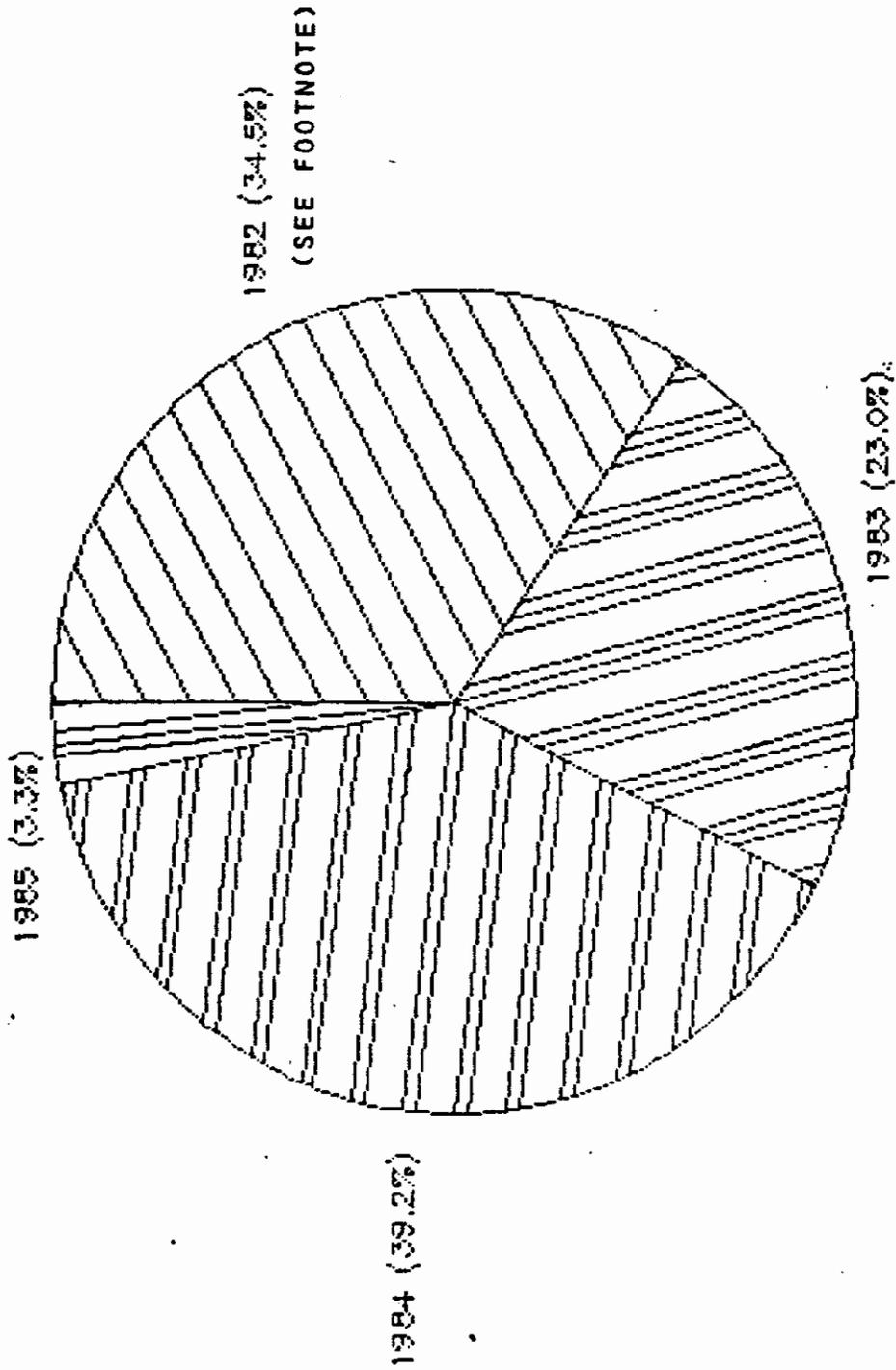
By the same token, USAID has significantly increased its disbursement rate over the past two fiscal years. As demonstrated in Section VIII.A. below, USAID disbursements increased from \$9.8 million in FY 1984 to \$26.2 million in FY 1985. In the first six months of FY 86, USAID has already disbursed \$18.1 million. As such, the pipeline has decreased from \$87.2 million as of 6/30/85 to the current \$68.6 million noted above. By comparison, the pipeline actually increased by nearly \$2.5 million (from \$84.6 million to \$87.2 million) over the period 6/30/84 to 6/30/85. USAID anticipates that by 9/30/86 the pipeline figure will be \$46.8 million.

All things being equal, USAID anticipates that its increased rate of disbursements will continue for the foreseeable future. One reason for this expectation is the continued improvement in the political and economic climate that has been fostered by the Paz Estenssoro Government as compared to its predecessor, as well as the continued high priority of Mission management has placed on strengthening implementation mechanisms. In addition, USAID expects to continue its policy of privatizing its portfolio to the extent possible (See Section VIII.A, below) a practice which has demonstrably added to operational efficiencies and a consequently higher disbursement rate.

FINANCIAL SUMMARY TABLE
(As of 01/11/86)
(\$000s)

Title	No.	Amount Committed				Amount Expended		Funds
		Authorized (1)	Obligated (2)	To 1/31/86 (3)	Cumulative (4)	To 1/31/86 (5)	Cumulative (6)	
ANDAM Projects								
Rural Access Roads II	511-0464 511-7-061	300 9,042	300 9,042	102 710	130 1,922	30 400	30 2,636	30 6,08
Agribusiness & Artisanry	511-0472 511-7-060	1,200 16,200	1,200 9,200	04 113	1,002 6,121	112 113	030 6,121	37 3,07
Agriculture Sector II	511-0481 511-7-059	3,000 11,300	3,000 11,300	0 70	3,000 11,190	212 204	3,057 10,597	70
Village Development	511-0499 511-7-062	199 3,000	199 3,000	0 0	199 3,000	0 (62)	199 2,938	0 6
Chapare Regional Development	511-0543 511-7-067	4,000 12,500	2,541 12,500	904 223	1,629 2,100	577 400	1,190 1,350	1,34 11,14
Market Town Cap. Formation	511-0573 511-7-071	2,500 1,000	0 0	0 0	0 0	0 0	0 0	0 0
Private Agric. Organizations	511-0509	3,000	0	0	0	0	0	0
Child Survival Initiatives	511-0590	000	300	0	300	0	0	30
LAC Training Initiatives	511-0622	179	179	0	179	30	135	4
Total		60,501	52,821	2,214	32,000	2,100	29,165	23,65
Health Projects								
Rural Sanitation I	511-0450 511-0-050	310 4,000	310 4,000	0 034	270 2,611	45 133	202 1,794	10 2720
Tivannon Rural Health	511-0536	300	300	0	300	36	295	0
Self Financing Primary Health Care	511-0569	1,100	1,100	110	1,100	403	725	37
Potable Water & Sanitation	511-0582 511-0-060	250 2,000	250 2,000	13 0	227 0	9 0	20 0	22 2,00
Child Survival Initiatives	511-0590	136	04	0	04	0	0	0
Total		8,096	8,044	957	4,592	716	3,047	4,90
Education Projects								
Rural Development Planning/DOC	511-0471 511-7-064 511-0-065	3,909 7,000 3,000	3,909 7,000 3,000	205 2,150 1,142	3,721 2,303 1,202	187 1,536 517	3,109 1,672 577	70 3,32 2,12
Rural Education II	511-0482 511-0-057	2,129 10,000	2,129 10,000	14 150	2,074 8,090	(2) 631	2,007 8,174	12 1,020
Management Training Training for Development	511-0500 511-0504	2,000 2,500	000 200	0 4	000 4	93 2	93 2	70 10
LAC Training Initiatives	590-0422	60	60	7	60	7	30	0
LAC Training Initiatives II	590-0440	600	300	59	262	77	116	0
Total		11,306	27,406	3,747	19,204	3,000	15,009	11,55
S.D.A. Projects								
Special Development Activities	511-0412	1,307	1,217	36	1,182	15	1,000	10
Low Cost Shelter-Priv. Sector	511-0567	550	550	17	000	100	372	170
Policy Reform	511-0571	5,000	1,200	42	1,100	175	700	001
Handicraft Export Promotion	511-0503	3,000	075	0	075	02	02	701
Total		9,957	3,042	95	3,734	421	2,792	1,304
Disaster Projects								
Disaster Recovery	511-0501	7,250	7,250	323	5,971	455	5,340	1,903
Disaster Recovery - Care	511-0501.1 511-F-069/070	1,750 43,500	1,750 43,500	0 13,635	1,750 27,147	0 11,299	1,750 18,544	0 24,994
Total		9,000	9,000	13,635	27,147	11,299	18,544	24,994
GRAND TOTAL		170,360	144,453	20,971	95,266	10,119	76,835	60,610

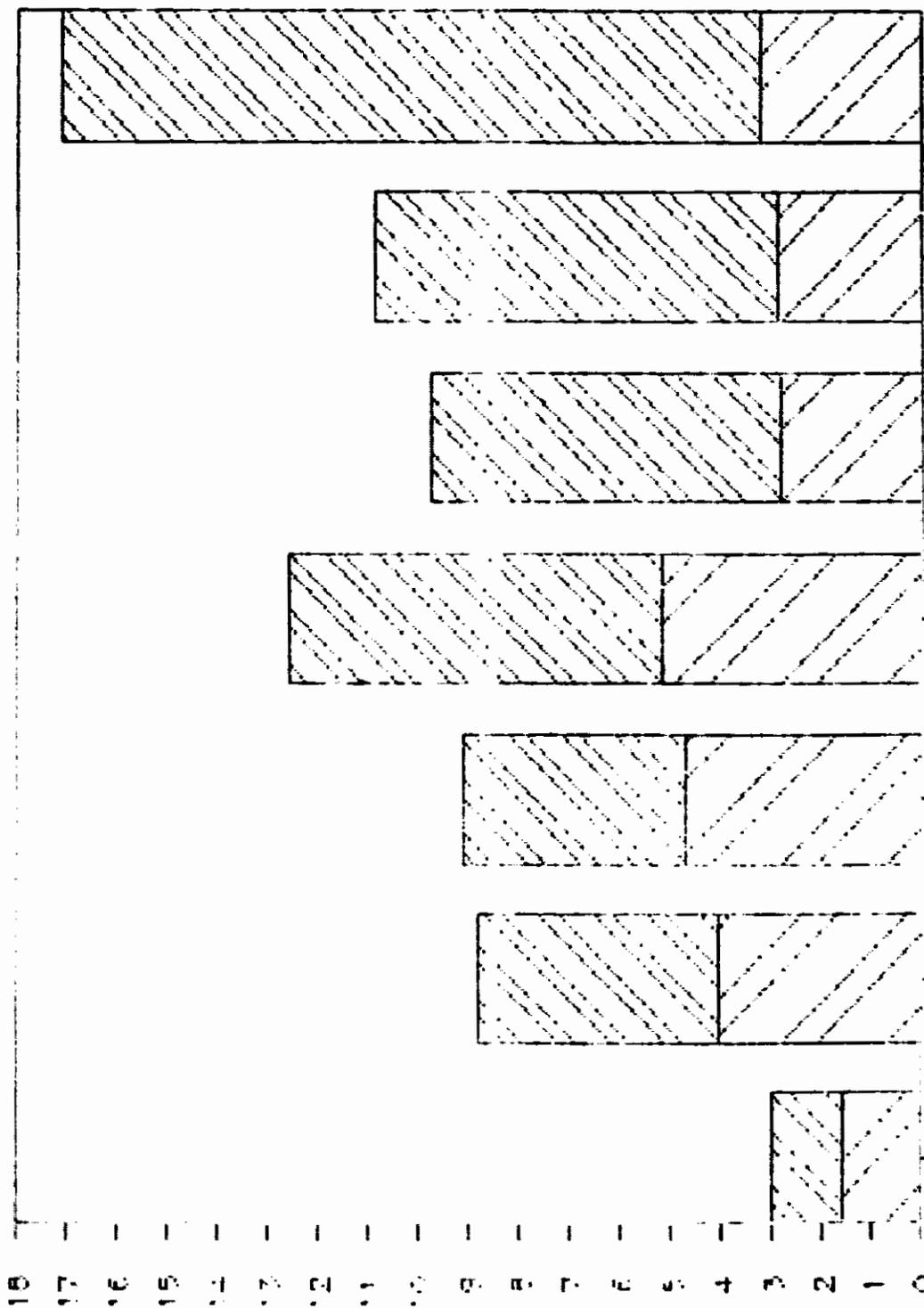
USAID/BOLIVIA: AGE OF PIPELINE BY FISCAL YEAR



FOOTNOTE: THE 1982 PIPELINE REPRESENTS PROJECTS DATING FROM FISCAL YEARS 1977-1979. THESE PROJECTS WERE SUSPENDED UNTIL 1982 WHEN THEY WERE REPROGRAMMED AND REAUTHORIZED.

USAID/BOLIVIA ACCRUED EXPENDITURES

BY QUARTER



GRANTS
 LOANS

(Millions)

F. Mortgage Analysis

While USAID/Bolivia recognizes that its projected mortgage liability may appear high for FY 1987 and FY 1988, this will be a temporary phenomenon brought about by the need to shape the Mission's response to the variety of key program growth opportunities presented by the election of the Paz Estenssoro government. As explained in Section II, the current government is making an extraordinary effort to bring about economic recovery, after years of political and economic chaos. The future stability of the country's democracy very much depends on the success of this effort.

The policies promulgated under the Paz government's economic program are very comprehensive. However, these policies cannot succeed without timely and meaningful assistance from the donor community. USAID, because of its strong position of influence both with the GOB and with the other donors, can play a pivotal role in influencing the success of the program. To do so, however, it must have a development package that provides timely support for the government's new policies. The proposed evolution of the program is a vital element to the achievement of the USG's strategic objectives in Bolivia. While the percentage of the Mission's OYB that is mortgaged in FY 87 and FY 88 may be relatively high, beginning in FY 89, the percentage will drop significantly. Of the current and proposed projects listed on the chart, one will be fully funded in FY 1986, two in FY 1987, seven in FY 1988 and five in FY 1989. We do not believe that extensive mortgaging poses an unmanageable problem for USAID/B. On the contrary, such action is essential if we are to play a meaningful role in the policy dialogue process.

FY 1987-88 Action Plan
Project Budget Data
(MORTGAGE ANALYSIS)

----- ESTIMATED U. S. DOLLAR COSTS -----
Oblig. Through 09/30/85 FY 1986 FY 1987 FY 1988
Oblig- Oblig- Oblig- Oblig-
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Initial Final
Oblig. Oblig.
Date Date
-Total Cost-
Auth. Planned

Project Project Title G/L

Agriculture, Rural Development
and Nutrition

Project No.	Project Title	G/L	Initial Oblig. Date	Final Oblig. Date	-Total Cost- Auth.	Planned	Oblig- ations 09/30/85	FY 1986 Oblig- ations	FY 1987 Oblig- ations	FY 1988 Oblig- ations
0000.01	Program Development and Support	G	74	78	11,300	11,300	2,055	280	200	200
0465	Agriculture Sector II	L	78	79	300	300	300	-	-	-
0466	Rural Access Roads II	Q	78	78	9,042	9,042	9,042	-	-	-
0472	Agribusiness & Artisanry	L	77	85	1,200	1,200	1,200	-	-	-
0511	Departmental Dev. Corp.	L	79	79	7,000	7,000	7,000	-	-	-
0543	Chaparr Regional Dev.	Q	83	87	4,400	4,400	2,541	1,000	859	-
0572	Market Town Capital Formation	L	86	89	2,500	2,500	-	1,000	441	500
0576	Chaparr Marketing and Agribusiness	Q	88	90	2,000	2,000	-	1,000	2,400	2,000
0581	Disaster Recovery	L	84	84	9,000	9,000	9,000	-	-	1,000
0589	Private Ag-Organizations	L	84	85	43,500	43,500	43,500	-	-	-
		Q	86	88	3,000	3,000	-	500	1,500	1,000
	Sub-Total				114,442	137,442	107,638	3,780	5,400	5,200
	Grants				14,900	22,400	15,096	2,780	3,000	2,200
	Loans				99,542	115,042	92,542	1,000	2,400	3,000
	Obligations for Ongoing Projects						(1,000)	(5,200)	(3,500)	
	Obligations for Ongoing Projects as a Percentage of Sub-Total						26.46	96.26	67.36	

FY 1987-88 Action Plan
Project Budget Data
(MORTGAGE ANALYSIS)

--- ESTIMATED U. S. DOLLAR COSTS ---
Oblig. Through 09/30/85 FY 1986 FY 1987 FY 1988
Oblig- ations Oblig- ations Oblig- ations

-Total Cost- Planned Cont.
Auth. ations

Initial Final
Oblig. Date Oblig. Date

G/L

Project Title

Project No.

Project No.	Project Title	G/L	Initial Oblig. Date	Final Oblig. Date	Cont.	Cont.	Cont.	Cont.	Oblig. Through 09/30/85	FY 1986 Oblig- ations	FY 1987 Oblig- ations	FY 1988 Oblig- ations
0000.02	Program Development and Support	G	74	74	74	74	74	74	498	200	200	200
0458	Rural Sanitation	L	77	80	310	310	310	310	310	-	-	-
0536	Tiwanacu Rural Health	G	83	84	300	300	300	300	4,000	-	-	-
0569	Radio San Gabriel ORG Self-Financing Primary Health Care	G	83	88	1,100	1,900	1,900	990	300	-	-	-
0590	Child Survival Initiatives	G	85	86	436	436	436	384	52	(110)	400	400
0599	CARE Water and Health Services	G	86	89	-	4,500	4,500	-	500	1,300	1,300	1,700

Sub-Total	6,146	11,446	6,482	752	1,900	2,300
Grants	2,146	7,446	2,482	752	1,900	2,300
Loans	4,000	4,000	4,000	-	-	-

Obligations for Ongoing Projects (52) (1,700) (2,100)

Obligations for Ongoing Projects as a Percentage of Sub-Total 6.9% 89.4% 91.3%

FY 1987-88 Action Plan
Project Budget Data
(MORTGAGE ANALYSIS)

--- ESTIMATED U. S. DOLLAR COSTS ---
Oblig. FY 1986 FY 1987 FY 1988
Through 09/30/85 Oblig- Oblig- Oblig-
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Initial Final
Oblig. Oblig.
Date Date
-Total Cost-
Planned

Project Title G/L

Project No.	Project Title	G/L	Initial Oblig. Date	Final Oblig. Date	Auth.	-Total Cost- Planned	Oblig- Through 09/30/85 ations	FY 1986 Oblig- ations	FY 1987 Oblig- ations	FY 1988 Oblig- ations
0000.03	Program Development and Support	G	74	Cont.	Cont.	Cont.	566	70	100	100
0471	Rural Development Planning	G	76	84	3,949	3,949	3,949	-	-	-
0482	Rural Education II	G	77	84	2,129	2,129	2,129	-	-	-
		L	77	84	10,000	10,000	10,000	-	-	-
0580	Management Training	G	85	88	2,000	2,000	900	390	550	260
0584	Training for Develop.	G	85	88	2,500	2,500	200	420	400	1,480
0588	Narcotics Awareness	G	85	88	250	3,450	250	(250) ✓	1,500	1,450
	Sub-Total				20,828	24,028	17,994	880	2,550	3,290
	Grants				10,828	14,028	7,894	880	2,550	3,290
	Loans				10,000	10,000	10,000	-	-	-
	Obligations for Ongoing Projects						(810)	(2,450)	(3,190)	
	Obligations for Ongoing Projects as a Percentage of Sub-Total						92.06	96.06	97.06	97.06

FY 1987-88 Action Plan
Project Budget Data
(MORTGAGE ANALYSIS)

Project No.	Project Title	G/L	Initial Oblig. Date	Final Oblig. Date	-Total Cost- Planned	--- ESTIMATED U. S. DOLLAR COSTS ---			
						Oblig. Through 09/30/85	FY 1986 Oblig- ations	FY 1987 Oblig- ations	FY 1988 Oblig- ations
0000.04	Program Development and Support	G	74	Cont.	Cont.	792	375	200	200
0412	Special Development Activities	G	64	Cont.	Cont.	1,217	150	150	150
0472	Agribusiness and Artisanry	G	86	87	2,000	-	600	1,400	-
0511	Departmental Dev. Corp.	L	79	79	3,000	3,000	-	-	-
0567	Low Cost Shelter Thru the Private Sector	G	83	88	1,650	550	200	450	450
0571	Policy Reform	G	83	89	1,200	1,200	1,750	350	500
0575	Agricultural Marketing and Exports	G	88	90	1,500	-	-	-	500
0583	Handicraft Export Dev.	G	85	88	3,000	875	775	400	950
0596	Micro Enterprise Dev.	G	87	89	1,100	-	-	400	400
0598	Strengthening Financ. Markets	G	87	89	2,700	-	-	900	1,300
		L	87	91	8,500	-	-	800	4,000
	Sub-Total				7,750	28,450	7,634	3,850	5,050
	Grants				4,750	16,950	4,634	3,850	4,250
	Loans				3,000	11,500	3,000	-	800
	Obligations for Ongoing Projects						(2,725)	(2,600)	(7,600)
	Obligations for Ongoing Projects as a Percentage of Sub-Total						70.7%	51.4%	90.0%

FY 1987-88 Action Plan
Project Budget Data
(MORTGAGE ANALYSIS)

--- ESTIMATED U. S. DOLLAR COSTS ---
Oblig. Through 09/30/85 FY 1986 FY 1987 FY 1988
Oblig- ations Oblig- Oblig- Oblig-
ations ations ations ations

Initial Final
Oblig. Oblig.
Date Date
-Total Cost-
Auth. Planned

Project No. Project Title G/L

Population

Project No.	Project Title	G/L	Initial Oblig. Date	Final Oblig. Date	-Total Cost- Auth.	Planned	Cont.	29	30	30	30
0000.05	Program Development and Support	G	74	Cont.	Cont.	Cont.	29	30	30	30	30
	Sub-Total						29	30	30	30	30
	Grants						-	-	-	-	-
	Loans										
	Total D.A. for Country				149,166	201,366	139,677	9,292	14,930	19,270	
	Grants				32,624	60,824	30,135	8,292	11,730	12,270	
	Loans				116,542	140,542	109,542	1,000	3,200	7,000	
	Obligations for Ongoing Projects							(4,587)	(11,950)	(16,390)	
	Obligations for Ongoing Projects as a Percentage of Total D.A.							49.43	80.00	85.16	

1/ Central funds.

F. Local Currency Programs

Local currency from several sources constitute a significant element of the USAID/Bolivia strategy and program. Such resources are essential to the achievement of the objectives of this Mission.

Substantial local currency resources are available to USAID/Bolivia for programming. In addition to the local currency funds still available under the FY 1978-1984 \$92.5 million PL 480 Title III Program and the \$20 million FY 1985 PL 480 Title I Agreement, USAID/Bolivia has, or will have, up to the equivalent of \$64.355 million available from the FY 1986 PL480 Title III Program (\$20 million), the Disaster Recovery Project (\$30 million) and FY 1986 ESF (up to \$14,355 million, depending on compliance with coca-related legislation). This Action Plan proposes PL 480 and ESF levels in FY 1987 and FY 1988 which would generate an additional \$105 million in local currency.

Whenever possible, local currency resources are used to finance the local cost components of Development Assistance project activities to maximize the benefit realized from the US dollar input. This is true for the credit components of the Departmental Development Corporations, Agribusiness and Artisanry and Chapare projects, as well as for the Policy Reform and Disaster Recovery projects.

The resources generated under prior PL 480 Titles I and III Agreements are being used to finance rural development projects, agricultural production and marketing projects, health and education services, environmental protection activities, and infrastructure development - much of which is being carried out by private sector entities. The flexibility inherent in the PL 480 Title III Program has allowed the Mission to respond quickly when resources have been required for special policy or program critical situations. Illustrative of this was support for the conduct of a vital Bolivian Controller General audit of the Central Bank. Another example was the relief effort mounted immediately following the El Niño disasters in 1983.

The local currency resources which will be available to the Mission in the near future will be used as follows:

- A. PL 480 Title III (\$20 million): Eight million dollars for agricultural credit, \$3.75 million for rural development and infrastructure programs, \$3.0 million for private sector agricultural development and environmental protection efforts, \$2.75 million for health and nutrition projects, \$1.0 million each, for training and policy reform efforts, and \$500,000 for program administration.

- B. Disaster Recovery Project: Agricultural credit (\$19 million); housing programs through the private sector Savings and Loans System (\$8 million); Chapare community development activities (\$2 million) and disaster recovery program support (\$1 million).
- C. E.S.F.: A portion of ESF proceeds will be used to establish a trust fund for USAID operating expenses. The remainder will be used to provide support for key activities (to be negotiated once the program is approved) connected with the G.O.B's recovery program (counterpart funds, costs associated with reducing the size of the government and improving governmental efficiency, and employment-generating activities.)

The local currency resources generated by the PL 480 and ESF assistance requested for FY 1987 and FY 1988 will be programmed in the same way as in the past and will focus particularly on activities promoting economic recovery and private sector-led growth.

Local currency resources are managed in a coordinated and integrated way with dollar resources. The same criteria are used for determining appropriateness of local currency and Development Assistance expenditures. The Executive Secretariat for the PL 480 Title III Program has proven itself to be an efficient administrator of PL 480-generated local currency since its creation in 1978. It fully analyses proposals for financing under the umbrella projects included in the Title III, Title I and Disaster Recovery programs, obtains Mission approval of each activity, controls disbursements to implementing entities, monitors activities and evaluates progress achieved. One USAID/Bolivia full-time FSN and one part-time USDH American are responsible for coordination with the Secretariat. Other USAID staff members review and monitor specific local currency supported activities as necessary.

VIII. Program Management

A. Management Overview: A Stocktaking

1. Actions Already Taken

a. Focus on Overall Program Management

USAID/Bolivia has made a conscious decision to focus on a group of relatively narrow, well-defined program targets. Accordingly, USAID's present project portfolio and PL 480 programs are organized around three program goals: economic recovery, narcotics control and strengthening Bolivian democracy. This enables USAID's relatively limited staff resources to focus on managing/monitoring project and PL 480 activities which complement and enhance one another. In addition, current plans call for the number of projects (i.e. management units) in USAID's portfolio to decline so as the Mission can use its reduced staff resources more effectively. Between the end of FY's 1986 and 1988, the number of projects in the Mission's portfolio will be reduced from 19 to 14. The focusing of the program on a relatively few specific themes has allowed the Mission to consolidate most project management responsibilities in two technical divisions. Health, education, population and food-supported (PL 480 Title II) activities are managed by the Health and Human Resources Division, while rural development and productive private sector activities (the latter of which tend to be mostly focused on agro-industrial development) are managed by the Private Enterprise and Rural Development Division. Finally, it is important to note that the USAID/B portfolio has been undergoing an overall privatization process. As areas of USAID support have been identified which could be carried out more effectively by the private implementing entities, the Mission has shifted responsibility away from highly ineffective public sector entities. Examples of this can be found in activities such as potable water, primary health care, child survival, and agricultural credit delivery. This shift clearly has been one of the principal reasons for USAID/B's much improved disbursement rate.

b. Managing By Objectives

USAID/Bolivia, in coordination with the U.S. Embassy and other USG agencies in Bolivia, has refined and clarified its goals and objectives, both through previous internal exercises and now through the Action Plan. In the course of doing so, it has more closely linked its program and project activities to goals and objectives. Moreover, as new projects are being conceptualized, they are being designed with reduced complexity. They are less labor-intensive on the part of USAID and focus in particular on the implementing agencies' abilities to provide the necessary human and financial resources. In addition, USAID has improved its program management and evaluation system in order to assess program and project progress and to identify problems and solutions (see below).

c. Management System for Policy and Program Planning

The Mission has in place a comprehensive system for managing the policy and project formulation process which is designed to periodically assess key areas of concern to USAID so as to identify new problems and solutions that arise in the dynamic Bolivian environment. Illustrative of this system are recent or planned activities such as a financial sector assessment, a narcotics review, and a damage assessment of flooding on Lake Titicaca. The system also includes a continuing dialogue designed to encourage and support needed policy reforms and structural adjustments in Bolivia. Mission management uses this tool to identify ways to improve the quality of our assistance and the efficiency of its delivery. Another example of Mission management responding to identified problems has been in the area of helping the GOB to improve its management efficiency and absorptive capacity to implement development projects. Through carefully planned and coordinated technical assistance to the Office of the Bolivian Controller General, USAID is assisting this critical regulatory agency to improve its oversight capacity of public sector and para-statal organizations.

d. Use of Project Committees

USAID/B staff is organized into project committees through which specific project implementation activities are coordinated. Tasks are assigned at committee meetings to the most appropriate members of the team. This enables committee members specialized in areas such as engineering or contracting to handle tasks for which they are best qualified. This procedure also provides for coordinated and timely Mission action on all project-related activities and shared information and decision-making among staff members. Project committee meetings produce "action checklists," which serve as a basis for control and follow-up.

e. Use of Project Coordinating Units

Bolivia's public sector institutions have been characterized by high staff turnover and politicization. In addition, many public sector employees have lacked the skills and motivation to manage projects effectively. This has been one of several factors which has led the Mission to concentrate new activities in the private sector, although even some private sector-oriented activities - such as existing investment financing lines - are still managed through public sector entities. To facilitate project implementation when a poorly performing counterpart agency is a public entity, USAID/B has, with GOB concurrence, encouraged the establishment of dedicated coordinating units to be financed with project funds. These coordinating units are often located in or near relevant ministry offices. Due to stability of staff, professional competence, and close monitoring by USAID, this management practice has resulted in greatly expedited project implementation actions and, therefore, accelerated disbursement rates (e.g. the Departmental Development Corporation and Agriculture Sector II projects).

f. The Pari Pasu Financial Management

At the time the Bolivia program was reactivated in 1982, USAID designed and implemented a pari pasu financial management and disbursement system for providing AID and GOB counterpart funding for projects. The system was designed to provide for regular implementation planning and to ensure that the GOB Treasury made necessary counterpart funds available on time. Annual implementation/disbursement plans are prepared and updated quarterly. Quarterly advances of USAID funds are contingent on the prior deposit of counterpart funds in a project account and submission of accounting reports for the prior quarter. The system has been successful in keeping both project implementation plans and counterpart contributions up to date. Moreover, the system has resulted in a noteworthy increase in the rate of disbursement of USAID's project pipeline (see Section 2, below.)

g. Consolidated Management of Local Currency Resources

The USAID/B program currently generates local currency under PL 480 Titles I/III and the commodity import components of the Disaster Recovery Project. Until a few years ago, local currency was generated only under the PL 480 Title III Program. That Program has been managed very competently by the GOB's PL 480 Title III Secretariat, an entity which, although it officially represents the GOB and is financed out of PL 480 local currency generations, actually functions as a semi-autonomous liaison between GOB and private sector implementing agencies, on one hand, and USAID on the other (i.e. the Title III Secretariat is an example of a project coordinating unit as discussed in Section 1.(e), above). Given the Secretariat's success, before additional local currency resources started to be generated under new programs, the Mission negotiated procedures and staffing changes with the Secretariat so that it could also manage these additional resources. As a result, there has been a continued high quality level of management and no significant delays in initiating activities under new local currency programs. This system also assures that local currency resources are used consistently in support of agreed upon priorities which complement other USAID resources.

h. Service Contracting Procedures

USAID/B's contracting office is one of the most active among USAIDs worldwide. Currently, the office has let and manages 250 contracts, mostly PSCs (some of which are for U.S. Embassy personnel). Project-financed direct AID contracting for technical services has become the norm due to the inadequate contracting capacity of the Bolivian government. To simplify and expedite service contracting procedures for projects, the Mission has established regulations that are to be applied in contracting and has issued local orders which convey these regulations to all staff. Moreover, procedures have been established for expediting the contracting process. In addition, the Regional Contracts Officer (who is resident in Peru) has presented seminars to USAID staff on contracting issues, and detailed PIO/T

preparation instructions which have been issued to all Mission personnel. These actions have greatly facilitated the service contracting process and, hence, project implementation.

i. Reports for Project Managers

USAID/B has developed several reports to assist project managers to manage their projects. The most significant is perhaps the Program Financial Operations Status Report, issued monthly by the USAID Controller's Office. This report includes the status of earmarks, commitments and disbursements by project component and activities within components. The Financial Operations Report has been periodically revised to ensure its maximum utility to project managers. The introduction of the MACS system (see Section 5.a. below) will enable the Mission Controller's Office to provide even more timely and detailed data.

In addition to the Financial Operations Report, project managers and other Mission personnel also receive weekly reports which track the status of PIO/Ts, contract negotiations, and correspondence requiring USAID action. A periodic commodity procurement tracking report is also produced. These reports enable project committee members to keep current on pending actions.

USAID is also making increased use of computers to enhance its project monitoring capabilities. For example, a system is currently being developed to help track P.L. 480 Title II food commodities. Utilizing this system, USAID and the four cooperating country sponsors (Catholic Relief Services, Adventist Development Relief Agency, Food for the Hungry International and the GOB's National Community Development Service) will be able to monitor the disposition of the program's food commodities from their arrival at port to their distribution to beneficiaries. In addition, USAID recently hired a local computer technician to computerize all local currency accounts in order that accounting and management information will be readily available to project managers. USAID expects that both systems will be operational by the end of July 1986.

2. Results

The emphasis USAID/Bolivia has given to program implementation over the past two years has had a significant impact, in terms of both achievement of program level goals and project implementation progress. USAID/B's progress in meeting its program level benchmarks are noted elsewhere in this report. Project level achievements, in terms of specific outputs and purposes, are outlined in the Mission's May 1986 Project Implementation Report. In overall terms, project expenditures from the development assistance account have significantly accelerated, as shown below.

	<u>FY 84</u>	<u>FY 85</u>	<u>FY 86</u>
	(\$ Millions)		
Project Expenditures*	9.8	26.2	18.1**

* expenditures - that is, disbursements plus accruals.

** six months of FY 86

3. Future Plans

a. Commodity Procurement

USAID/Bolivia plans to undertake a full review of project and OE commodity procurement procedures in the near future with a view toward hiring a procurement services agent (PSA), reorganizing the Mission's procurement staff, and revising local procurement procedures. Improvement of project related commodity procurement is viewed as an essential component of developing a better managed, more efficient project implementation system.

b. Decentralization of Authority within Mission

In line with a decision to decentralize responsibilities within the Mission (as much as possible consistent with good USAID management principles), document clearance procedures (e.g. PIO's) are being simplified. Much fewer PILs will be sent. Instead, project managers will correspond directly with their counterparts more frequently, obtaining clearances as appropriate through project committee meetings and phone calls. The clearance process will be streamlined, and Division Chiefs will be delegated increased responsibilities and will be held accountable for results.

A Mission Order defining the responsibilities of each office, as well as USAID contracting, commodity procurement and other procedures will be updated and reissued. This will help newer staff members understand Mission project implementation procedures. To improve overall coordination, staff meetings are held on a more regular basis, though these are not intended to substitute for project committee meetings. Also, more regular meetings are held with other Embassy officials to maintain coordination on progress in achieving USAID's goals and objectives, administrative matters, security arrangements and the narcotics program.

More than twenty new or strengthened procedural issuances have been published as local Mission Manual Orders in the last 18 months. These orders are reviewed on a regular basis and to seek to eliminate non-essential paper work, clearances etc. Simplification of work processes and systems is an ongoing objective. The Controller and Executive Office, as well as other Mission staff, are in frequent dialogue on how to eliminate unnecessary paper and operations requirements.

4. Management of Proposed Program

a. Staff Management

In July 1980, when the USAID/Bolivia program was suspended in the aftermath of the Garcia Meza military coup, 90 direct-hire employees were carrying out the work of this Mission (30 U.S. and 60 FSN). The current direct-hire workforce is 53% lower than that figure. Operating at an even higher program tempo than in 1980 (approximately \$50 million currently vs. \$30 million in FY 80), there are now 48 direct hires (15 U.S. and 33 FSNs). To accomplish this, the USAID has used a variety of labor saving methodologies and mechanisms which have improved its management systems.

During a December 1985 visit, Administrator McPherson emphasized the need for better macro-economic analysis and reporting and authorized the addition to the USAID/Bolivia staff of a USDH Economist. The AA/LAC, during his February 1986 trip to La Paz, noted the need for a Private Sector Officer to design and implement projects in this high priority area. Also, this Mission has supported for several years the assignment to Bolivia of a regional Food for Peace Officer to take on management responsibilities of PL 480 programs in the South American region. This point was underscored during AA/FVA Julia Chang Bloch's visit to Bolivia in April 1986. Finally, IDI's have been provided excellent training opportunities, experience and responsibilities within USAID/Bolivia. Assignment of additional IDI's in the future would be highly beneficial to this USAID and the Agency as a whole.

Staffing Levels

FY 1979-FY 1986

(Ceilings as of End of FY)

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
USDH	27	27	17	17	17	17	16	14
IDI	<u>4</u>	<u>3</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>	<u>1</u>
Sub-Total	31	30	18	18	18	19	18	15
FNDH	<u>60</u>	<u>60</u>	<u>58</u>	<u>58</u>	<u>40</u>	<u>38</u>	<u>33</u>	<u>33</u>
Total	91	90	76	76	58	57	51	48

b. Contractor Use

As a result of the loss of direct hires, the ratio of direct hires to contractors in the USAID workforce has been increased from 1 to 1 in 1980 to roughly 1 to 5 currently. New projects are designed to include financing of contractors to help manage these activities and to coordinate short-term technical assistance resources. New project designs make less use of large resident teams of expatriates and emphasize the

well-planned, lower profile use of short-term expertise. Through the extensive use of competitive practice and careful selection, the quality and dedication of the USAID/Bolivia contractor workforce is very high. Scarce OE funds are being substituted by program funds whenever possible.

5. Plans for Organizing Mission Management and Operations

a. An Information Systems Group Harnesses the Potential of Computers

Since August 1985, the planning, policy, acquisition and distribution of USAID EDP activities and equipment has been vested in a committee of Mission employees. The most significant contribution of this committee has been to: 1) ensure well-informed decisions on Mission computer hardware and software acquisitions, 2) enhance productivity by reducing repetitive and time consuming data management activities, 3) eliminate redundancy, 4) foster training, and 4) formulate longer range planning.

One of the group's recommendations was the installation of a MACS computerized financial management system, which will begin in May 1986. This system will greatly enhance accounting operations and give project managers timely financial data needed to make better decisions and improve project management. The installation of the MACS system will also enable a Management Information System (MIS) to be implemented beginning in FY-87. Automation priorities include: a) transforming labor intensive activities and time consuming work into computerized functions through creative use of existing software programs, b) sharing applications and lessons learned among computer users, and c) continued training in word-processing and data processing.

b. Use Tracking Systems To Eliminate Wasted Time

To manage administrative operations, the Executive Officer (EXO) has prepared five indices covering: 1) contracts - (USAID/B has the numerically (not financially) largest portfolio in the world); 2) documents (cables and letters); 3) motor pool fleet usage; 4) travel; and 5) inventory. EXO has reliable baseline data to oversee administrative management work, as well as assess costs, controls and personnel allocations.

With respect to the handling of paperwork, the expeditious flow of PIO/Ts, contracts, procurements and cables will continue to be improved. This will enable USAID/B to enhance its project implementation process and disbursement rate. The volume of cables and paper increases by an estimated 8% per year, but the incidence of lost documents and missed deadlines has decreased markedly. Another productive tool in this regard has been the delinquent action checklist, which is issued weekly and is reviewed and followed up by the Director and the Deputy Director.

c. Employee Development and Training

USAID/B is fortunate in having a workforce of dedicated and experienced performers. However, most have had only limited opportunity to upgrade professional skills through AID sponsored training programs. Each year, USAID/B prepares an Annual Staff Training Plan, through which it sends as many individuals, both U.S. and nationals, to training activities as funding will permit. This Mission has been willing to absorb short-term absences of the staff in order to gain the long-term advantage of keeping our employees well trained. Training is viewed as a high-priority, ongoing program.

d. Incentive Awards To Boost Morale and Productivity

Employees who make strong contributions receive recognition for them. Supervisors of FSMs and Americans nominate outstanding employees for awards when their annual evaluations reflect extraordinary performances. Persons who act unselfishly to meet Mission development goals (e.g. USAID chauffeurs recently gave yeoman service to the homeless of the 1986 flooding of Lake Titicaca), who save us money or time, or who innovate, suggest or create improvements in operations or systems are those who are rewarded.

USAID/Bolivia has given high priority to the establishment of an Incentive Award System for Personal Services Contractors. The largest segment of our employees fit this category, and we plan to award them for noteworthy work.

6. Trust Funds

As soon as authorization to proceed with an ESF program is received from AID/W, USAID will negotiate a Trust Fund agreement with the GOB to help alleviate pressure on the Operating Expense budget.

USAID/Bolivia is slated for a \$14,355 million FY 1986 ESF program to be provided in two tranches. We expect to establish a Trust Fund account which will receive ESF local currency generations. As of this writing, Congressional holds have been placed on the first tranche of the ESF. In order for the Trust Fund to be useful during this fiscal year, these holds will have to be lifted and the Trust Fund agreement signed shortly (i.e. NLT June 1986).

7. Acquisitions and Construction Policy

Mission motor pool fleet usage has been studied in detail. USAID/B concludes that full services can be provided with the current level of 18 vehicles in the fleet, which has been standardized on Chevrolet products.

Furniture tends to last longer in La Paz than in other posts. Extensive use is also made of reupholstery here. Nonetheless, four replacements sets must be ordered each FY to keep an adequate inventory. Although it would be desirable, because of anticipated financial limitations, we do not plan to purchase housing or office space in the next two fiscal years.

B. Operating Expense Budget

The projected Operating Expense Budgets for FY 1987 and FY 1988 include one new position as discussed in Section VIII.A. above. This position, a Program Economist, is above the FY 1986 level.

Because of the addition of the new position and the anticipated substantial turnover in personnel in FY 1987, we expect our budget to rise by about 16 percent over FY 1986. However, we would hope to cover most of this increase by the yet-to-be established Operating Expense Trust Fund. In this connection, as soon as we receive authorization from AID/W to proceed with an ESF program, USAID/Bolivia will negotiate a Trust Fund agreement with the GOB. This will allow us to transfer some costs from appropriated dollars to trust funds.

USAID/Bolivia is slated for a \$14.3 million FY 1986 ESF program to be provided in two tranches. We expect to establish a Trust Fund account which will receive local currency generations of ten percent of the total grant. Thus, the \$1.4 million local currency equivalent in the Trust Fund should be sufficient to cover most of our local currency costs for FY 1986 and FY 1987.

As requested in the LAC Action Plan guidance, following are a Workforce Table reflecting the various categories of personnel funded from OE, budgets for FY 1987 and 1988 by functional code, and procurement plans for each year setting forth new and replacement, nonexpendable procurement.

C. WORK FORCE TABLE

	<u>FISCAL YEAR 1987</u>				<u>FISCAL YEAR</u>			
	<u>USDH</u>	<u>IDI</u>	<u>FNDH</u>	<u>PSC</u>	<u>USDH</u>	<u>IDI</u>	<u>FNDH</u>	<u>PSC</u>
Office of the Director	2	0	1	1	2	0	1	1
Executive Office	1	0	10	61	1	0	10	61
Office of the Controller	1	0	11	7	1	0	11	7
Development Planning	3	0	2	3	3	0	2	3
Project Development and Planning	3	0	2	9	3	0	2	9
Private Sector and Rural Development	4	0	5	4	4	0	5	4
Health and Human Resources	1	0	2	3	1	0	2	3
T O T A L	15	0	33	88	15	0	33	88

D. PY 1968 ANNUAL BUDGET SUBMISSION
TABLE VIII - FY 1967

<u>EXPENSE CATEGORY</u>	<u>FUNC. CODE</u>	<u>OBJECT CLASS</u>	<u>DOLLARS</u>	<u>TRUST FUNDS</u>	<u>TOTAL</u>	<u>UR</u>
<u>U.S. DIRECT HIRE</u>	U100		1,553.9			
U.S. CITIZENS BASIC PAY	U101	110	886.5			
PT/TEMP U.S. BASIC PAY	U102	112				
DIFFERENTIAL PAY	U103	116	191.0			XXJ
OTHER AID/W FUNDED CODE 11	U104	119				XXJ
OTHER MISSION FUNDED CODE 11	U105	119				XXJ
EDUCATION ALLOWANCES	U106	126	94.0			
RETIREMENT - U.S. DIRECT HIRE	U107	120	62.0			XXX
LIVING ALLOWANCES	U108	128				XXX
OTHER AID/W FUNDED CODE 12	U109	129	38.0			XXX
OTHER MISSION FUNDED CODE 12	U110	129	5.6			XXX
POST ASSIGNMENT - TRAVEL	U111	212	14.0			
POST ASSIGNMENT - FREIGHT	U112	22	100.0			
HOME LEAVE - TRAVEL	U113	212	15.4			
HOME LEAVE - FREIGHT	U114	22	84.0			
EDUCATION TRAVEL	U115	215	7.5			
R AND R TRAVEL	U116	215	30.9			
OTHER CODE 215 TRAVEL	U117	215	25.0			
<u>FOREIGN NATIONAL DIRECT HIRE</u>	U200		596.0			
BASIC PAY	U201	114	440.0			
OVERTIME, HOLIDAY PAY	U202	115	15.0			
ALL OTHER CODE 11 - FN	U203	119	83.0			XXXJ
ALL OTHER CODE 12 - FN	U204	129	53.0			XXXJ
BENEFITS FOREIGN FN PERSONNEL	U205	13	5.0			XXXJ
<u>CONTRACT PERSONNEL</u>	U300		1,300.0			
PASA TECHNICIANS	U301	258				
U.S. PSC - SALARY/BENEFITS	U302	113	80.0			
ALL OTHER U.S. PSC COSTS	U303	255				XXXJ
F.N. PSC - SALARY/BENEFITS	U304	113	1,100.0			E
ALL OTHER F.N. PSC COSTS	U305	255	120.0			XXXJ
MANPOWER CONTRACTS	U306	259				
JCC COSTS PAID BY AID/W	U307	113				
<u>HOUSING</u>	U400		374.6			
RESIDENTIAL RENT	U401	235	220.0			15
RESIDENTIAL UTILITIES	U402	235	35.0			XXXJ
MAINTENANCE AND RENOVATION	U403	259	10.0			XXXJ
QUARTERS ALLOWANCES	U404	127				
RESIDENTIAL FURNITURE/EQUIP.	U405	311	85.4			XXXJ
TRANS./FREIGHT - CODE 311	U406	22	21.4			XXXJ
SECURITY GUARD SERVICES	U407	254				XXXJ
OFFICIAL RESIDENCE ALLOWANCES	U408	254	1.3			XXXJ
REPRESENTATION ALLOWANCES	U409	252	1.5			XXXJ

1/ Includes two (2) spouses under PSC's.

FY 1988 ANNUAL BUDGET SUBMISSION
 TABLE VIII - FY 1987
 (continued)

<u>EXPENSE CATEGORY</u>	<u>FUNC. CODE</u>	<u>OBJECT CLASS</u>	<u>DOLLARS</u>	<u>TRUST FUNDS</u>	<u>TOTAL</u>	<u>UNITS</u>
<u>OFFICE OPERATIONS</u>	U500		1,269.6			XXXXXXXX
OFFICE RENT	U501	234	250.0			XXXXXXXX
OFFICE UTILITIES	U502	234	100.0			XXXXXXXX
BUILDING MAINT./RENOVATION	U503	259	25.0			XXXXXXXX
OFFICE FURNITURE/EQUIPMENT	U504	310	51.3			XXXXXXXX
VEHICLES	U505	312	50.0			XXXXXXXX
OTHER EQUIPMENT	U506	319	7.1			XXXXXXXX
TRANSPORTATION/FREIGHT	U507	22	20.2			XXXXXXXX
FURN/EQUIP/VEHICLE REPAIR/MAINT.	U508	259	60.0			XXXXXXXX
COMMUNICATIONS	U509	230	25.0			XXXXXXXX
SECURITY GUARD SERVICES	U510	259	15.0			XXXXXXXX
PRINTING	U511	24				XXXXXXXX
RIG/II OPERATIONAL TRAVEL	U512	210				
SITE VISITS-MISSION PERSONNEL	U513	210	50.0			321
SITE VISITS-AID/W PERSONNEL	U514	210	8.0			5
INFORMATION MEETING	U515	210	12.0			3
TRAINING ATTENDANCE	U516	210	20.0			8
CONFERENCE ATTENDANCE	U517	210	15.0			3
OTHER OPERATIONAL TRAVEL	U518	210	20.0			15
SUPPLIES AND MATERIALS	U519	26	276.0			XXXXXXXX
FAAS	U520	257	175.0			XXXXXXXX
CONSULTING SVCS. - CONTRACTS	U521	259				XXXXXXXX
MGT./PROP. SVCS. - CONTRACTS	U522	259				XXXXXXXX
SPEC. STUDIES/ANALYSES CONT.	U523	259				XXXXXXXX
ALL OTHER CODE 25	U524	259	90.0			XXXXXXXX
TOTAL O.E. BUDGET			5,094.1			XXXXXXXX
RECONCILIATION			1,352.5			XXXXXXXX
OPERATING BUDGET REQUIREMENTS			3,741.6			XXXXXXXX
636C REQUIREMENTS	U600	32				XXXXXXXX
TOTAL ALLOWANCE REQUIREMENTS	U000		3,741.6			XXXXXXXX

DOLLARS REQUIRED FOR LOCAL CURRENCY EXPENSES
 EXCHANGE RATE USED

750.0
 \$ 1.00 = Pesos Bolivianos 1,900,000.00

FY 1988 ANNUAL BUDGET SUBMISSION
TABLE VIII - FY 1988

<u>EXPENSE CATEGORY</u>	<u>FUNC. CODE</u>	<u>OBJECT CLASS</u>	<u>DOLLARS</u>	<u>TRUST FUNDS</u>	<u>TOTAL</u>	<u>UNITS</u>
<u>U.S. DIRECT HIRE</u>	U100		1,570.6			
U.S. CITIZENS BASIC PAY	U101	110	931.0			15
PT/TEMP U.S. BASIC PAY	U102	112				
DIFFERENTIAL PAY	U103	116	201.0			XXXXXXXX
OTHER AID/W FUNDED CODE 11	U104	119				XXXXXXXX
OTHER MISSION FUNDED CODE 11	U105	119				XXXXXXXX
EDUCATION ALLOWANCES	U106	126	93.0			32
RETIREMENT - U.S. DIRECT HIRE	U107	120	65.5			XXXXXXXXA
LIVING ALLOWANCES	U108	128				XXXXXXXXA
OTHER AID/W FUNDED CODE 12	U109	129	40.0			XXXXXXXXX
OTHER MISSION FUNDED CODE 12	U110	129	5.0			XXXXXXXXX
POST ASSIGNMENT - TRAVEL	U111	212	10.5			3
POST ASSIGNMENT - FREIGHT	U112	22	60.0			3
HOME LEAVE - TRAVEL	U113	212	35.5			16
HOME LEAVE - FREIGHT	U114	22	75.0			16
EDUCATION TRAVEL	U115	215	7.5			10
R AND R TRAVEL	U116	215	21.6			6
OTHER CODE 215 TRAVEL	U117	215	25.0			10
<u>FOREIGN NATIONAL DIRECT HIRE</u>	U200		662.0			
BASIC PAY	U201	114	500.0			33
OVERTIME, HOLIDAY PAY	U202	115	15.0			33
ALL OTHER CODE 11 - FN	U203	119	87.0			XXXXXXXXX
ALL OTHER CODE 12 - FN	U204	129	55.0			XXXXXXXXX
BENEFITS FORMER FN PERSONNEL	U205	13	5.0			XXXXXXXXX
<u>CONTRACT PERSONNEL</u>	U300		1,405.0			
PASA TECHNICIANS	U301	258				
U.S. PSC - SALARY/BENEFITS	U302	113	85.0			3 1/2
ALL OTHER U.S. PSC COSTS	U303	255				XXXXXXXXX
F.N. PSC - SALARY/BENEFITS	U304	113	1,200.0			87
ALL OTHER F.N. PSC COSTS	U305	255	120.0			XXXXXXXXX
MANPOWER CONTRACTS	U306	259				
JCC COSTS PAID BY AID/W	U307	113				
<u>HOUSING</u>	U400		386.6			
RESIDENTIAL RENT	U401	235	235.8			15
RESIDENTIAL UTILITIES	U402	235	38.0			XXXXXXXXX
MAINTENANCE AND RENOVATION	U403	259	10.0			XXXXXXXXX
QUARTERS ALLOWANCES	U404	127				
RESIDENTIAL FURNITURE/EQUIP.	U405	311	80.6			XXXXXXXXX
TRANS./FREIGHT - CODE 311	U406	22	19.4			XXXXXXXXX
SECURITY GUARD SERVICES	U407	254				XXXXXXXXX
OFFICIAL RESIDENCE ALLOWANCES	U408	254	1.3			XXXXXXXXX
REPRESENTATION ALLOWANCES	U409	252	1.5			XXXXXXXXX

1/ Includes two (2) spouses under PSC's.

FY 1988 ANNUAL BUDGET SUBMISSION
TABLE VIII - FY 1988
 (continued)

<u>EXPENSE CATEGORY</u>	<u>FUNC. CODE</u>	<u>OBJECT CLASS</u>	<u>DOLLARS</u>	<u>TRUST FUNDS</u>	<u>TOTAL</u>	<u>UNITS</u>
OFFICE OPERATIONS	U500		1,339.7			
OFFICE RENT	U501	234	265.0			XXXXXXXX
OFFICE UTILITIES	U502	234	100.0			XXXXXXXX
BUILDING MAINT./RENOVATION	U503	259	25.0			XXXXXXXX
OFFICE FURNITURE/EQUIPMENT	U504	310	53.0			XXXXXXXX
VEHICLES	U505	312	65.0			XXXXXXXX
OTHER EQUIPMENT	U506	319	7.2			XXXXXXXX
TRANSPORTATION/FREIGHT	U507	22	26.5			XXXXXXXX
FURN/EQUIP/VEHICLE REPAIR/MAINT.	U508	259	70.0			XXXXXXXX
COMMUNICATIONS	U509	230	30.0			XXXXXXXX
SECURITY GUARD SERVICES	U510	259	15.0			XXXXXXXX
PRINTING	U511	24				XXXXXXXX
RIG/II OPERATIONAL TRAVEL	U512	210				
SITE VISITS-MISSION PERSONNEL	U513	210	63.0			353
SITE VISITS-AID/W PERSONNEL	U514	210	10.0			6
INFORMATION MEETING	U515	210	12.0			4
TRAINING ATTENDANCE	U516	210	25.0			10
CONFERENCE ATTENDANCE	U517	210	15.0			4
OTHER OPERATIONAL TRAVEL	U518	210	25.0			17
SUPPLIES AND MATERIALS	U519	26	288.0			XXXXXXXX
FAAS	U520	257	150.0			XXXXXXXX
CONSULTING SVCS. - CONTRACTS	U521	259				XXXXXXXX
MGT./PROP. SVCS. - CONTRACTS	U522	259				XXXXXXXX
SPEC. STUDIES/ANALYSES CONT.	U523	259				XXXXXXXX
ALL OTHER CODE 25	U524	259	95.0			XXXXXXXX
TOTAL O.E. BUDGET			5,363.9			XXXXXXXX
RECONCILIATION			1,387.5			XXXXXXXX
OPERATING BUDGET REQUIREMENTS			3,976.4			XXXXXXXX
636C REQUIREMENTS	U600	32				XXXXXXXX
TOTAL ALLOWANCE REQUIREMENTS	U000		3,976.4			XXXXXXXX

DOLLARS REQUIRED FOR LOCAL CURRENCY EXPENSES
 EXCHANGE RATE USED

800.0
\$ 1.00 = Pesos Bolivianos 1,900,000.00

O.E. Procurement Plans for FY-1986, 1987 & 1988

<u>260 Supplies and Materials</u>	<u>FY-86</u>	<u>FY-87</u>	<u>FY-88</u>
Pol	\$ 22,000	30,000	35,000
Vehicle Spare Parts	18,000	18,000	18,000
Locally Procured Supplies/Materials	25,000	30,000	30,000
Office Supplies	70,000	70,000	70,000
Maintenance Supplies (Office/houses)	40,000	45,000	50,000
Household Utilities	5,000	6,000	7,000
Drapes	25,000	25,000	25,000
Upholstery Material	10,000	6,000	5,000
	<u>215,000</u>	<u>230,000</u>	<u>240,000</u>
Transportation Charges	43,000	46,000	48,000
	<u>\$ 258,000</u>	<u>276,000</u>	<u>288,000</u>

310-Office Equipment

IBM AT PCS	-	8,000	8,000
4230-V5 Workstation	10,000	10,000	10,000
DW/05-55 Daisy Printer	8,000	8,000	8,000
Copiers	9,000	10,000	12,000
Chair, secretarial	2,000	-	1,000
Cooler, water	2,418	1,200	1,200
Typewriter, manual	2,360	2,360	1,200
Typewriter, IBM	6,660	8,000	8,000
Cabinet, filing, 2 drws.	1,550	3,100	3,000
Duplicator, multilith, offset	9,000	-	-
Copy holders	1,340	600	600
	<u>52,328</u>	<u>51,260</u>	<u>53,000</u>
Transportation Charges	13,000	8,740	10,000
	<u>\$ 65,328</u>	<u>60,000</u>	<u>63,000</u>

311-Residential Furnishings and Equipment

Patio Furniture			
Welcome Kit	-	2,000	2,000
Glassware, uncrested	1,000	-	-
Carpeting	26,000	13,000	26,000
Furniture, household	31,000	50,000	50,000
Chinaware, uncrested	300	-	200
Kitchen aid	220	220	220
Table, card/chairs	980	980	1,100
Table, dinette	2,400	1,200	1,100
6 ea. Washers	-	3,000	-
6 ea. Dryers	-	2,100	-
6 ea. Stove, Cooking	-	3,300	-
6 ea. Refrigerator	-	5,400	-
6 ea. Freezer	-	4,200	-
	<u>61,900</u>	<u>85,400</u>	<u>80,620</u>
Transportation Charges	15,500	21,350	19,380
	<u>\$ 77,400</u>	<u>106,750</u>	<u>100,000</u>

	<u>FY-86</u>	<u>FY-87</u>	<u>FY-88</u>
<u>312-Vehicles</u>			
Van	-	-	15,000
Sedan	-	15,000	-
4x4 Carryalls	50,000	35,000	50,000
	<u>50,000</u>	<u>50,000</u>	<u>65,000</u>
Transportation Charges	10,000	10,000	15,000
	<u>\$ 60,000</u>	<u>60,000</u>	<u>80,000</u>
 <u>319-Equipment</u>			
Water Distillers	-	1,200	1,200
Heater, electric	720	720	720
Humidifier	2,500	1,250	1,250
Pump, Centrif.	800	600	600
Polishers	6,500	3,300	3,300
Drill, electric	300	-	150
	<u>10,820</u>	<u>7,070</u>	<u>7,220</u>
Transportation Charges	2,700	1,400	1,480
	<u>\$ 13,520</u>	<u>8,470</u>	<u>8,700</u>
 Total Procurement	 <u>\$ 474,248</u>	 <u>\$ 511,220</u>	 <u>\$ 539,700</u>

E. Evaluation Plan

The Mission's evaluation plan for FY 87-88 is designed to reflect the major Mission objectives for the period of: (1) continued progress in program implementation; (2) expansion of the institutional and analytical bases for the achievement of USAID goals and the initiation of new programs; and (3) continued policy dialogue.

1. Program Implementation

Project implementation continues to be the highest priority Mission concern. Effective use of evaluations to identify problems and appropriate project modifications has improved and will continue to improve. For example, the findings and recommendations of an evaluation of the Policy Reform project (0571), conducted in June 1985, served as a basis for the Mission to correct weak elements identified in the evaluation report, broaden the scope of the project and provide additional funds.

In December 1985, USAID conducted the final evaluation of the CARE/Bolivia Water Supply and Small Scale Irrigation Program. The project was financed by USAID under the Disaster Recovery Project (0581). Based on evaluation findings, WASH developed a list of recommendations to improve existing and proposed sub-projects, and identified areas of the water supply and sanitation sector that should be supported in the future. Furthermore, the WASH evaluation developed the foundation for a more extensive activity which will combine installation of potable water systems with Child Survival interventions in rural communities. This approach is outlined in the proposed FY 1986 CARE Water and Health Services project (0599).

Evaluations have also been used to bring about more cost efficient and productive allocation of resources through reorientation of objectives in order to adapt project concepts to changing political, economic and/or social conditions. In this context, the Rural Development Planning and Departmental Development Corporations (DDC's) grant and loan projects (0471) which were evaluated in FY 1985, were modified to facilitate and expedite disbursement of funds through mobilization of resources to private productive sectors at the regional level. As recommended in the evaluation report, corrective actions were taken in procedural and administrative aspects, as well as in the fields of training, additional technical assistance and improved information systems. Specifically, more emphasis was placed on intensive work with the four DDC's which, according to the evaluation, had shown the most progress and potential (i.e., La Paz, Santa Cruz, Cochabamba, and Tarija). As a result, each DDC has a full-time (Bolivian national) resident project development and management expert who assists in the establishment and/or operation of a development credit and finance department. These development credit and finance units identify, develop, finance and monitor private sector projects which provide employment and increase incomes of the poor and contribute to the achievement of departmental and national development objectives. The departmental units are supported by a Central Project Coordination Unit which provides training and technical assistance to strengthen the development credit and finance units.

The evaluation findings and lessons learned from the DDC project formed the basis for a better targeted follow-on project entitled Market Town Capital Formation (0572), which is scheduled for FY 1986.

2. Expand Institutional and Analytical Bases for the Initiation of New Programs

Projects in the USAID's active portfolio are addressing high priority development problems. It is, therefore, essential that the impact of these be clearly understood as the Mission develops its new projects. Final evaluations of projects ending during the planning period will therefore document major lessons learned and enable the Mission to design future projects from a solid basis of actual implementation experience. Illustrative of the critical evaluations that the Mission is planning are (1) Policy Reform project to assess the extent to which the project has had an impact on economic policy making/reform in Bolivia, (2) Narcotics Awareness Project to determine if this important activity is producing results among the Bolivian population in sensitizing them to the dangers of narcotics production and consumption, (3) the numerous evaluations of projects in the private sector such as Private Agriculture Organizations and Self-Financing Primary Health Care, to determine the extent to which the private sector continues to be a viable alternative to public sector organizations for channeling assistance to Bolivia.

3. Policy Dialogue

Policy dialogue will continue to be a major Mission priority. The evaluation process itself provides a forum for initiating and supporting policy discussions as the Mission encourages the GOB to take appropriate steps to help overcome economic problems and restructure the economy. Given that all Mission projects contain important policy reform elements, the evaluations, as they are performed and discussed with the GOB, offer opportunities for identifying policy constraints and proposing solutions. The evaluation of the Agribusiness and Artisanry project, for example, will provide an occasion to negotiate reforms for the financial sector, since the project will provide technical assistance designed to work on strengthening the public and private financial systems.

4. Evaluation Planned During the FY 87-88 Action Plan Period

The Mission will conduct twelve evaluations during FY 87 and nine during FY 88. The following table lists a schedule of project evaluations. by quarter.

Table VII - List of Planned Evaluations
FY 1987-88 Action Plan

Project No.	Project Title	FY 1987 -		FY 1988 -		Reasons/Issues	Funding Source	USAID Person Days	Collateral Assistance
		Last Eval. Completed (Qtr.)	Start In AID/W (Qtr.)	Start In AID/W (Qtr.)	Start In AID/W (Qtr.)				
0466	Agriculture Rural Dev. and Nutrition Rural Access Roads	11/80	1st.	1st.		To measure the impact of the project.	Project 20	15	1.5 p/m U.S. contractors
0543	Chapare Regional Dev.	M/A		1st.	2nd.	To measure the impact of the project, assess the effectiveness of the small credit and agroindustrial programs, and to identify problems and issues.	Project 100	20	8 p m U.S. contractors (total)
0581	Disaster Recovery	M/A	2nd.	3rd.		End-of-project evaluation.	Project 50	14	4 p m U.S. Contractors
0472	Agribusiness and Artisanry	1/84	1st.	1st.		Second scheduled evaluation to identify problem areas and consider amending P. P.	O. B.	15	None. In-house
0471	Departmental Dev. Corp. Rural Development Planning	1/86	3rd.	4th.		End-of-project evaluation.	Project 10	7	1 p m U.S. contractors
0572	Market Town Capital Formation	M/A	-	3rd.	4th.	First scheduled review of project elements in order to verify their practicality.	Project 10	7	1 p/m U.S.

Table VII - List of Planned Evaluations
FY 1987-88 Action Plan

Project No.	Project Title	Last Eval. Completed	FY 1987 - Start (Qtr.)	FY 1988 - Start (Qtr.)	In AID/W (Qtr.)	Reasons/Issues	Funding Sources (\$000)	USAID Person Days	Collateral Assistance
0589	Private Ag. Organizations	N/A		2nd.	3rd.	Bi-annual progress evaluations to adjust project activities according to the needs of private agricultural organizations.	Project 50	15	5 p/m U.S. contractors.
<u>Health:</u>									
0569	Self-Financing Primary Health Care	5/86	4th	-	-	To assess the effectiveness of the expanded private sector health services delivery system, using rural organizations in the La Paz, Cochabamba, and Santa Cruz Departments.	Project 10	5	1 p/m U.S. contractor.
0458	Rural Sanitation	12/85	1st.	-	-	Final evaluation.	Project 10	10	3 p/m local contractors
0590	Child Survival Initiatives	N/A		1st.	2nd.	In-house progress evaluations to identify major problems and suggest mid-course corrections.	-	10	None
0599	CARE Water and Health Services	N/A	3rd.	-	-	To measure progress and recommend adjustments/modifications to correct problems, as appropriate.	Project 8	5	1 p/m U.S. contractor

Table VII - List of Planned Evaluations
 FY 1987-88 Action Plan

Project No.	Project Title	FY 1987 -		FY 1988 -		Reasons/Issues	Funding Source	USAID Person (\$000) Days	Collateral Assistance	
		Last Eval. Completed (Qtr.)	Start In AID/W (Qtr.)	Start In AID/W (Qtr.)	End In AID/W (Qtr.)					
0584	Training for Development	N/A	2nd.	3rd.	-	To evaluate the effectiveness of the short-term training, seminars and the youth visits to the U.S. and to suggest modifications in procedures and strategies, as appropriate.	Project	10	5	1 p/m U.S. contractor services
0580	Management Training	N/A	1st.	2nd.	-	To review progress in establishing the training institute in order to recommend modifications, as appropriate.	Project	24	10	3 p/m contractor services.
0588	Narcotics Awareness	N/A	3rd.	4th.	-	First evaluation after project amendment and extension of PACD.	Project	8	5	1 p/m local or third country contractor.

Education and Human Resources

Table VII - List of Planned Evaluations
FY 1987-88 Action Plan

Project No.	Project Title	FY 1987 -		FY 1988 -		Reasons/Issues	Funding Source (\$000)	Project	Days	Collateral Assistance
		Start (Qtr.)	Completed (Qtr.)	Start (Qtr.)	Completed (Qtr.)					
<u>Special Development Activities</u>										
0583	Handicraft Export Dev.	N/A	3rd.	3rd.	-	To assess the effectiveness of the project and to verify that benefits are actually reaching targeted beneficiaries.	Project	20	10	1.5 p/m U.S. contractors
0571	Policy Reform	6/85	1st.	2nd.	2nd.	To examine the efficiency of UNAPPE's expansion, to assess the effectiveness of the Project Analysis Division and to measure progress towards achievement of the project purpose.	Project	8	7	1 p/m U.S. contractors
0567	Low Cost Shelter through the Private Sector	N/A	-	2nd.	3rd.	Interim evaluation to assess progress towards goals and objectives.	Central Funds	12	5	1.5 p/m RHUDO/PSA consultants
0522	P.L. 480 Title I/III	12/85	3rd.	4th.	3rd.	To carry out internal evaluations of the implementation of approved sub-projects. The evaluation will cover both the Title I and Title III programs	GOB	-	7	-
01.01	AIFLD	N/A	4th.	4th.	4th.	Regular progress evaluation.	Central funds	8	7	1 p/m U.S. contractor.

F. Gray Amendment

1. How the Mission is Applying the Gray Amendment

USAID/Bolivia has a good record of achievement on the use of Gray Amendment contractors. In FY 84, four such contractors were used for contracts totalling \$247,000. This equated to 9.2 percent of the total money awarded by USAID/B to U.S. contractors. In FY 85, \$142,000 of \$877,000 in contracts were given to Gray Amendment firms. This equated to 16.2 percent of the total dollar amount. As a Gray Amendment firm recently received a large \$2 million host country contract, the estimated FY 86 Gray Amendment total is 55.0 percent.

On August 30, 1985, USAID/B published a Local Order (11-9) which describes the systems and procedures used by USAID/B for implementing the Gray Amendment. USAID/B also appointed a Gray Amendment coordinator in August 1985.

While USAID/B has clearly made progress in Gray Amendment contracting, we wish to emphasize the point that there is no special authority which allows direct contracting with firms qualifying under the Gray Amendment, except for 8(a) firms. All non-8(a) Gray Amendment qualifying firms must compete for contracts through regular competitive procedures. This may be a significantly limiting factor on future Mission performance regarding the Gray Amendment.

2. Gray Amendment Table for FYs 84/85/86

FY	Total Gray Amendment	Total All U.S. Awards	Gray Amendment Percentage of Total
FY 84	247,753	2,689,940	9.2%
FY 85	142,177	877,000	16.2%
FY 86 (Est)	2,117,137	3,824,000	55.0%

Note that the above table excludes PSC and commodity contracts.

3. List of Contracts by Name of Contractor, Type of Ownership, Date of Contract and Amount

1. Creative Associates	Women Owned Enterprise	FY 84	48,817
2. Development Associates	Minority Business	FY 84	153,420
3. Triton Crop	Minority Business	FY 84	29,516
4. Inter American Mgt. Corp	Minority Business	FY 84	16,000
5. Development Associates	Minority Business	FY 85	43,000
6. Development Associates	Minority Business	FY 85	97,000
7. Development Associates	Minority Business	FY 85	2,177
8. Global Exchange	Minority Owned	FY 86	1,993,137
9. American Man.Export Group	Minority Owned	FY 86	29,000
10.* Tropical Research	Women Owned/Small Bus.	FY 86	95,000

*Projected

ANNEX B

SELECTED BOLIVIAN MACROECONOMIC INDICATORS

1. RATE OF INFLATION PER MONTH

	<u>PERCENTAGE</u>
FEB 85	182.77
MARCH 85	24.94
APRIL 85	11.78
MAY 85	35.66
JUNE 85	78.46
JULY 85	66.30
AUG 85	66.46
SEPT 85	56.51
OCT 85	- 1.87
NOV 85	3.20
DEC 85	16.80
JAN 86	32.96
FEB 86	7.95
MARCH 86	0.07

2. ANNUAL INFLATION RATE*

	<u>PERCENTAGE</u>
FEB 85	7,963.52
MARCH 85	8,216.57
APRIL 85	5,604.40
MAY 85	5,163.96
JUNE 85	8,926.87
JULY 85	14,173.11
AUG 85	20,560.87
SEPT 85	23,447.03
OCT 85	14,421.60
NOV 85	11,291.71
DEC 85	8,170.52
JAN 86	6,416.20
FEB 86	2,387.63
MARCH 86	1,892.36

* Provided for 12-month period ending the date of each line item.

3. DOMESTIC GASOLINE PRICES

	<u>PESOS PER LITER</u>	<u>DOLLARS PER LITER (SEE NOTE)</u>
FEB 85	8,650	.06
MARCH 85	11,815	.05
APRIL 85	12,250	.07
MAY 85	17,636	.06
JUNE 85	22,400	.04
JULY 85	25,200	.03
AUG 85	45,000	.03
SEPT 85	300,000	.28
OCT 85	302,000	.29
NOV 85	320,000	.24
DEC 85	398,333	.24
JAN 86	502,500	.23
FEB 86	500,000	.27
MARCH 86	550,000	.29

NOTE: REAL MARKET EXCHANGE RATE.

4. PUBLIC EMPLOYMENT
(ADMINISTRATIVE AND PRODUCTIVE SECTORS)

	<u>TOTAL EMPLOYEES</u>	<u>LAYOFFS</u>	<u>RATE OF INCREASE (PERCENTAGE)</u>
FEB 85	235,922	00	00
MARCH 85	252,650	00	7.0
APRIL 85	264,599	00	4.7
MAY 85	276,547	00	4.5
JUNE 85	296,461	00	7.2
JULY 85	300,444	00	3.9
AUG 85	312,393	00	3.9
SEPT 85	324,341	00	3.8
OCT 85	336,290	560	3.6
NOV 85	348,238	640	3.5
DEC 85	357,000	2,950	3.4
JAN 86	352,430	3,040	-1.28
FEB 86	347,214	3,500	-1.48
MARCH 86	342,571	4,500	-1.34

5. MINIMUM WAGE SALARIES

	<u>PESOS PER MONTH</u>	<u>DOLLARS PER MONTH (SEE NOTE)</u>
FEB 85	935,000	6.6
MARCH 85	4,035,000	31.5
APRIL 85	4,035,000	24.0
MAY 85	6,240,000	23.0
JUNE 85	6,240,000	13.0
JULY 85	10,171,000	11.5
AUG 85	30,000,000	25.4
SEPT 85	30,000,000	27.6
OCT 85	30,000,000	26.8
NOV 85	30,000,000	22.0
DEC 85	30,000,000	17.5
JAN 86	30,000,000	13.4
FEB 86	30,000,000	15.8
MARCH 86	30,000,000	15.3

NOTE: REAL MARKET EXCHANGE RATE.

6. EXCHANGE RATES - PESOS PER U.S. DOLLAR

	<u>OFFICIAL RATE</u>	<u>PARALLEL RATE</u>
FEB 85	50,000	141,101
MARCH 85	50,000	128,137
APRIL 85	50,000	167,428
MAY 85	75,000	272,375
JUNE 85	75,000	481,756
JULY 85	75,000	885,476
AUG 85	75,000	1,182,303
SEPT 85	1,077,887	1,087,441
OCT 85	1,102,065	1,120,206
NOV 85	1,197,367	1,366,719
DEC 85	1,588,613	1,715,869
JAN 86	2,057,645	2,240,216
FEB 86	1,838,133	1,902,000
MARCH 86	1,886,762	1,902,669

7. MONETARY EMISSIONS

	<u>BILLIONS OF PESOS</u>	<u>U.S. DOLLARS</u>	<u>RATE OF INCREASE(%)</u>
FEB 85	5,926	11,852,000	-
MARCH 85	8,238	16,476,200	39.0
APRIL 85	11,852	23,703,800	43.9
MAY 85	19,800	26,399,333	11.4
JUNE 85	26,227	34,968,800	32.5
JULY 85	38,929	51,905,867	48.4
AUG 85	71,271	95,028,533	83.1
SEPT 85	102,091	9,471,355	-90.0
OCT 85	118,407	10,744,103	13.4
NOV 85	119,554	9,984,750	-7.1
DEC 85	223,590	14,074,548	41.0
JAN 86	163,450	7,943,552	-43.6
FEB 86	168,364	9,171,227	15.5
MARCH 86	158,074	8,378,057	-8.6

8. MONETARY HOLDINGS OF THE COMMERCIAL BANKING SECTOR

	<u>MILLION OF PESOS</u>	<u>U.S. DOLLARS (SEE NOTE)</u>	<u>AS % OF MONEY IN CIRCULATION</u>
FEB 85	1,297,892	9,198,318	70
MARCH 85	1,873,127	14,618,158	73
APRIL 85	3,553,966	21,226,831	68
MAY 85	5,302,981	19,469,411	71
JUNE 85	10,026,324	20,812,037	64
JULY 85	13,611,019	15,371,414	68
AUG 85	24,394,225	20,632,803	67
SEPT 85	35,590,625	32,728,787	64
OCT 85	54,025,139	48,227,860	62
NOV 85	75,371,105	55,147,477	54
DEC 85	82,908,296	48,318,546	67
JAN 86	97,394,103	43,475,318	53
FEB 86	115,974,116	60,974,824	60
MARCH 86	119,357,996	63,260,758	69

NOTE: REAL MARKET EXCHANGE RATE.