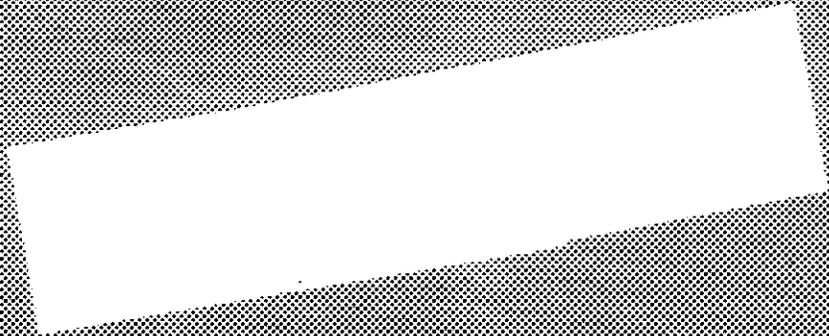


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USAID/Bolivia Action Plan
FY 1992-1993

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A. Introduction

B. New Project Descriptions (NPDs)

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List of Acronyms

BOP	-	Balance of Payments
CONALID	-	Consejo Nacional Contra el Uso Indebido y Tráfico Ilícito de Drogas
DA	-	Development Assistance
DIRECO	-	Dirección de Reconversión Agrícola
ENDE	-	Empresa Nacional de Electricidad
ESF	-	Economic Support Fund
FSN	-	Foreign Service National
FY	-	Fiscal Year
GOB	-	Government of Bolivia
IBRD	-	International Bank for Reconstruction and Development
ILANUD	-	Instituto Latinoamericano de Naciones Unidas para la Prevención del Delito y Tratamiento del Delincuente
IMF	-	International Monetary Fund
INE	-	Instituto Nacional de Estadística
INPEX	-	Instituto Nacional de Promoción de Exportaciones
MOH	-	Ministry of Health
NPD	-	New Project Description
NRHS	-	National Rural Household Survey
OE	-	Operating Expenses
OPG	-	Operational Program Grant
ORS	-	Oral Rehydration Salt
PAAD	-	Program Assistance Approval Document
PROCOSI	-	Programa de Coordinación en Supervivencia Infantil -
ONG	-	Organizaciones no Gubernamentales
PSC	-	Personal Services Contract
PVO	-	Private Voluntary Organization
SUBDESAL	-	Subsecretaría para Desarrollo Alternativo
SNC	-	Servicio Nacional de Caminos
TA	-	Technical Assistance
TF	-	Trust Fund
UDAPE	-	Unidad de Análisis de Políticas Económicas
UNICEF	-	United Nations Children's Fund
USAID	-	Agency for International Development

I. USAID STRATEGY AND PROGRAM PRIORITIES REVIEW

A. Introduction

The United States' overarching goals in Bolivia are to support the democratic process, encourage policies leading to economic stability and growth, and drastically reduce production and trafficking of illegal coca and cocaine. USAID's role in supporting these US goals is manifested by support for five strategic objectives:

- Sound Economic Policies
- Alternative Development
- Export Promotion
- Maternal and Child Health
- Strengthening Democracy

This year's Action Plan sets out, in detail, the clear linkages between LAC/Bureau goals and USAID/Bolivia's development objectives (see Table 1 on page 12). We also take note of the complementarity of our efforts in supporting the broad themes recently advocated by agency management through a strong commitment to developing a durable democratic process, strengthening the linkages necessary for export and investment growth between Bolivia and its hemispheric neighbors, recognition of the family unit as an intrinsic basis for national growth and a clear redirection of USAID efforts and management to meet strategic objectives. In many ways the Action Plan submitted by USAID/Bolivia last year anticipated the directions in which the LAC/Bureau is now moving. We have continued our process of portfolio consolidation and developed a more strategic focus to our efforts. Our objectives since the last Action Plan have been further tightened by eliminating explicit support for financial markets development as an objective. Useful ongoing financial sector activities will be targeted to support sustainable economic growth, Export Promotion, and Alternative Development objectives. At the same time we are putting considerably greater emphasis upon a crosscutting concern for environmental issues in Bolivia.

During the past year, Bolivia's economic performance has continued to be a model of stability in conformance with IMF structural adjustment requirements and the dictates of prudent economic management. Nevertheless, the country's seeming economic stability is still fragile, propped up by significant amounts of illegal cocaine generated foreign exchange and derivative employment. While praiseworthy, Bolivia's economic stabilization is not enough to meet the broader challenges faced by this country. Stabilization without growth induces greater social pressures, which will threaten the integrity of the democratic process and concomitantly, the GOB's political will to continue our mutual counternarcotics efforts. Thus, we are now particularly concerned with emphasizing efforts aimed at accelerating legitimate economic growth.

We recognize that economic growth by expanding exports to earn foreign exchange and by providing needed jobs and increased incomes, as well as improved social services to the poor, must occur if we are to successfully support the processes of Strengthening Democracy and Alternative Development. Thus, there is clearly a strong interrelationship among USAID/Bolivia's strategic concerns: continuing democracy, engendering legitimate economic growth while compensating for the reduction of the illegal coca industry, and the improvement of family well-being in terms of health and employment. All are necessary components to the successful achievements of US objectives and, of course, Bolivia's own future.

Broadly based economic growth and development are necessary for a politically stable society and the consolidation of democracy. All five of USAID/Bolivia's objectives address the need to provide support for the historically disadvantaged, the great majority of the Bolivian population. Examples of such efforts include: empowering Food for Work beneficiaries with service programming responsibilities in support of our Strengthening Democracy objective; delivering effective primary health care in order to avoid costly curative care later on under our Maternal and Child Health program; and constructing basic community infrastructure under the Alternative Development program.

Democratic processes are generally continuing to work well, although occasionally challenged as political factions continue to learn the responsibilities and gain the maturity required to maintain a democratic governmental system. The constant temptation to give in to corruption does pose a continuing challenge to Bolivia's democratic integrity and performance in counternarcotics efforts. These growing pains have slowed the implementation of USAID/Bolivia's support in this area, but we are on the verge of some major gains, particularly with regard to the electoral system. We are also channelling expanded assistance to the municipal level, where we believe much of the basis for solidifying democracy exists.

Bolivia's performance and general cooperation to date in joint efforts to deal with illegal coca have been laudable, both in terms of interdiction and eradication. Criticized in the past, Bolivia has now developed a credible national Alternative Development Strategy which was well received in the November 1990 Paris Meeting of the Donor Consultative Group and which offers scope for including other donor participation in this effort. The relationship between US narcotics concerns and USAID/Bolivia's program is one of clear political priority, although only recently has it been given the primary importance it demands in shaping our program. Prior to the advent of NSD-18 and the prospects of a larger and more important Bolivia assistance program, USAID's treatment of the role of coca had been basically limited to a crop substitution project in the Chapare and the Narcotics Awareness Project. Over the past year, we have reformulated USAID's contribution to overall USG counternarcotics efforts to support the transformation of the Bolivian economy's reliance on illegal coca generated resources. As successful enforcement proceeds, we are helping to create

greater sources of legal foreign exchange earnings as well as income and employment generation, increasing public awareness of the threat narcotics poses to the fabric of society, and strengthening democratic processes, thus sustaining a more durable political will to continue counternarcotics efforts. We have recently sent to Washington (La Paz 3116) an outline of our approach to Alternative Development.

The Mission recognizes that our existing CDSS is out of date. At the same time, we also strongly believe that we have developed a coherent and well thought out strategic approach to our efforts in Bolivia. The process we have followed has produced a program that is clearly defined and well integrated. Our five objectives reinforce each other. Mission management assesses the appropriateness of proposed activities in terms of criteria supporting our objectives. Some of our ongoing activities reflect earlier priorities being phased out. Other activities, although of long standing, are consonant with our future plans. These include support for Policy Reform, Export Promotion, efforts in the coca growing Chapare region as well as Child Survival and Family Planning. We will ensure that the Mission's program supports a few strategic and durable US economic assistance objectives rather than a portfolio of disparate projects.

The introduction of and emphasis upon program indicators, rather than just project outputs, has already been institutionalized in the Mission through frequent use by Mission management in measuring our progress, determining the need for operational redirection and assessing the appropriateness of prospective activities. Operationally, we see projects as just one tool in pursuing our strategic objectives. We intend to vigorously advance policy dialogue approaches, increase our influence with other donors, creatively utilize non-project assistance, and take advantage of new USG initiatives, such as the Enterprise for the Americas Initiatives, for improving our relations in this hemisphere.

Similarly, we continue to make every effort to ensure that this Mission is run on a tight, cost effective basis which maximizes the efficient utilization of scarce OE resources. Although program levels will have tripled since 1989, we have restrained staff growth through internal efficiencies.

B. Policy Dialogue

We are striving to improve the general framework for pursuing policy dialogue and are developing a more structured approach with the Government of Bolivia which pursues annual objectives on important policy reforms and actions needed to support success in each of our five programs. Our strategic objectives in the area of Sound Economic Policy, Export Promotion, Strengthening Democracy and Alternative Development are specifically interrelated in that they help reactivate the Bolivian economy by providing legitimate sources of income and employment as well as generating legitimate sources of foreign exchange as the illegal coca industry is eliminated. Efforts to improve the economic environment are closely linked to our Strengthening Democracy objective, which is premised

on supporting a more resilient democratic government, which has respect for individual rights, transparency, and for the rule of law. Thus, policy dialogue concerns among our objectives reflect these interrelationships.

A particularly important approach is the establishment of Conditions Precedent and Covenants in our balance of payments assistance program, which outlines concrete measures to meet counternarcotics objectives and to ensure compliance with key macroeconomic targets in the areas of reducing the deficit of the consolidated public sector, limiting the expansion of credit both to the public sector and to the economy as a whole, and maintaining a flexible exchange rate so as to prevent a real appreciation of the boliviano in relation to the US dollar. Other covenants list specific measures to promote the continuing growth of non-traditional exports and to improve the structure and mode of operation of the banking system as well as performance on narcotics issues (including extradition, coca eradication, Kerry amendment, and anti-terrorism commitments).

Reinforce and Support the GOB's Ability to Formulate and Maintain Sound Economic Policy

The GOB has achieved relative economic stability since 1986. The government has adopted a number of measures to stimulate economic reactivation, including the liberalization of the economy from all controls, promulgation of a reactivation decree in 1987, and the drafting of a number of decrees and codes designed to promote investment. However, there are still a number of actions which need to be taken in order to have a more vigorous economic recovery. We have identified several factors that are impeding economic growth, especially in the area of investment and private economic activity, and we will continue to pursue reforms in various fora.

One important impediment is the lack of government dialogue with the private sector. According to private sector leaders, the rules of the game are undefined, or at least not implemented in a consistent manner. The signals given by the government to the private sector are confusing and contradictory. Another negative factor is the size of the government and the need to restructure it. The GOB needs to reduce public sector employment, divest itself of enterprises that can be operated more efficiently by the private sector and pass the privatization law. In addition, measures should be taken to reduce corruption, improve tax (especially import duty) collections, increase the pay of public servants, and create a depoliticized civil service.

Taking into consideration the above general constraints, our policy dialogue efforts will emphasize the observance of policies considered essential to maintain, and if possible improve the stabilization of the price level and the exchange rate, as well as the adoption of measures to assure continuing progress in the area of improving the investment climate for the private sector.

Specifically, the Mission will continue to urge implementation of the mining and hydrocarbons laws and will persistently advocate privatization actions of parastatal enterprises, as well as the provision of technical assistance for the adoption of measures to provide a sound basis for an efficient financial system and the passing of a banking law. In an effort to contribute to restoring public confidence in the GOB, we have been providing local currency financing for the initial phase of the public administration control law (SAFCO), financed by the World Bank, which will strengthen public sector financial control. A second phase of this project will start late this year. We are also contributing local currency to the World Bank EMSO project, which focuses on creating an adequately trained and paid civil service. The Mission is persistently advocating streamlining of the GOB. One direct action in this regard is the sponsoring of a national level seminar to be conducted by Harvard Institute for International Development in May 1991 where an outline of the Bolivian national development strategy will be discussed among members of the Economic Cabinet, high level academics from various US universities, and USAID.

Alternative Development

Over the past year, the GOB has worked diligently to articulate an Alternative Development Strategy that comprehensively addresses a program of replacing the role of cocaine production and export in the economy through a proposed multiyear plan of increased private investment, public infrastructure and supporting social investment to be carried out with a broader geographical perspective. The GOB Alternative Development Strategy, prepared by a newly established interministerial coordinating unit (CONALID), is premised on recognition of the long-run deleterious distortions to Bolivia's economy and democratic system caused by dependency on cocaine production and export, and recognition that any program of Alternative Development has to take place within the context of law enforcement efforts and other actions envisioned under Cartagena agreements. The strategy contemplates the eradication of all coca currently used for illicit production of cocaine between 1990 and 1995.

The GOB strategy is the result of intense USAID efforts to ensure a congruency with USG views and planning on how to approach the problem of Alternative Development within the context of NSD-18. The attractiveness of this strategy resulted in an additional \$200 million in donor pledges at the 1990 Paris Donors Meeting. We intend to work with the GOB and other donors to identify and develop a package of policy reforms and sectorial administrative actions which the GOB could sponsor in order to spur private sector investment and export promotion. While giving credit to the GOB for recent liberalizing measures, we believe that we and other donors will need to continue to press the GOB to adopt a reform package that is critical for moving the economy towards policies emphasizing growth through legitimate alternative sources of foreign exchange, income and jobs.

We will continue to work with the GOB to clarify, simplify and formalize its organization of Alternative Development efforts in order to ensure efficient program implementation and the encouragement of additional donor assistance. Special attention will be given to rationalizing the interrelationship and roles of various GOB implementing organizations, such as the Social Investment Fund, the Social Compensation Fund and other organizations in order that the program not become unwieldy and confusing. Similarly, the role and relationship of CONALID, SUBDESAL and the Planning Ministry in articulating policies essential to Alternative Development needs to be clearly articulated.

We continue to press the GOB to maintain its effective counternarcotics efforts through our BOP programs. In 1990, the GOB successfully eradicated 7,900 hectares, a dramatic increase over the target stipulated in the 1990 PAAD. For FY 1991, we expect continued eradication performance of 7,000 hectares, as well as a continued rigorous law enforcement campaign.

Export Policy

Bolivia's efforts to boost its exports are situated in the context of a policy regime of unusual openness to foreign trade and investment. The three most crucial reforms have already been implemented: tariff barriers have been reduced to a level which is one of the lowest in Latin America, the exchange rate is being kept competitive, and exchange controls have been practically eliminated. These steps, and others highlighted below, will position Bolivia to be an active participant in the Enterprise for the Americas initiative.

The export regime is moving rapidly toward consistency with the principles of the GATT, which Bolivia joined last year. The CRA, a non-traditional export incentive equivalent to 10 percent of the value of shipments, was reduced to six percent last year (with the encouragement of international agencies) and is scheduled to be phased out completely in the near future. The GOB has adopted a bid system for allocating donor and Central Bank credit, effectively eliminating interest rate subsidies to exporters.

Bolivia's participation in the GATT has been relatively passive so far, but the Mission is working with the Trade Ministry to establish an institutional capacity for more active GATT participation. This effort stems from an initiative developed at last year's bilateral trade and investment talks in Washington. Despite some disappointing signals sent by the GOB's handling of negotiations with foreign investors for lithium exploitation in the country, there have been substantial achievements in opening the country to foreign investment. The investment law approved by the Congress last year is very progressive. It guarantees equal tax and legal treatment for foreign and domestic investment, and unrestricted repatriation of capital. An adequate legal regime has been established for development of free trade zones; the GOB has wisely left this area to the private sector, and local investors are already responding enthusiastically.

The Mission is taking advantage of this new opening to develop a foreign investment promotion program. Experience in other countries has shown that, in the course of implementing such promotional efforts, new light is shed on policy and institutional constraints which need to be addressed. An important element of the Mission's new program will be a committee of top level Bolivian business and political leaders (already recruited), whose principal commitment will be to take on such policy and institutional problems as they emerge.

There are a few bilateral investment problems which are being addressed at present, in concert with our colleagues in the Embassy. The draft hydrocarbon and mining laws prohibit foreign investment within 50 km. of Bolivia's borders (a concern which is explained by a glance at Bolivia's history). The investment law's guarantee of access to international arbitration needs to be clarified. Resolution of these issues will pave the way for signing of the US-Bolivia Bilateral Investment Treaty whose main terms have already been negotiated.

On the export front, several policy issues need attention right now, though their impact is relatively minor in comparison with the steps already taken. Bureaucratic procedures in the export sector are still cumbersome. While this is more of an annoyance than a major hindrance, the Mission is responding to GOB requests for advice in streamlining procedures. Progress has been slow in defining a GATT-consistent duty drawback scheme for exporters, to replace the flat-rate CRA incentive which is being phased out; technical assistance on this front is being provided by USAID and other donors.

Maternal and Child Health

Our health portfolio has been used to encourage the GOB to undertake measures that will lead to more concentration of resources in primary health care services delivery, as well as to strengthen administrative and planning procedures under a decentralized scheme.

Although our efforts address principally the needs of mothers and children under five years of age, increased emphasis will be placed on the participation of families in the improvement of socio-economic conditions of the Bolivian population. We are already promoting this theme through efforts to decentralize health services and through increased social marketing of commodities.

The GOB has made great progress in undertaking measures to improve its accounting and planning procedures and to test a pilot project approach that would permit the partial recovery of the cost of services and medicines provided on the basis of patients' ability to pay. Most curative services provided by the Ministry of Health are now provided at a minimal fee to the patient in an effort to recover some of the costs. However, local administration of these funds continues to be a problem. The Self-Financing Primary Health Project in Santa Cruz, managed by PROSALUD,

has shown the GOB that proper accounting and administration can allow health services to pay for themselves even in poverty stricken peri-urban and rural communities. The GOB has requested USAID to expand this concept into underserved peri-urban areas of La Paz and El Alto, and is converting three entire health districts and parts of at least three other districts to our model approach.

We have been advocating that the GOB shift some of its resources from the provision of secondary/tertiary services to primary health care. At present, some 80 percent of its resources go to large hospitals to cover treatment where they benefit, at most, only 20 percent of the population. This is a difficult policy area. Currently, much of the child survival and primary health care activities of the MOH are financed by donors such as USAID, UNICEF and the World Bank, allowing the MOH to concentrate its resources on secondary and tertiary services. Paradoxically, perhaps the only way to encourage the MOH to dedicate a larger share of its own limited resources to primary health care and child survival would be to reduce donor expenditures in these areas, which would result in a net decrease in the desired activities. The MOH is currently restructuring itself to transfer personnel from the central level to the Departmental Health Units and Health districts to improve service delivery. The MOH is also in the process of strengthening the Local Health Systems (SILOS) which will provide more emphasis on primary health care. USAID is continuing to coordinate with other donors in persuading the MOH to improve in this area.

Regarding our concern that the GOB allocate more resources into child survival and maternal care, including maternal education and nutrition, and expand its oral rehydration and immunization programs, the President of Bolivia approved a National Child Survival and Maternal Health Plan in November 1990, which allocates more resources to these areas. USAID is assisting with the implementation of the plan through all of its Child Survival, Health and Population programs.

Strengthening Democracy

In line with the Agency's objective of fostering democracy, our policy dialogue efforts in this sector aim to build effective democratic and pluralistic institutions, contribute to the accountability of the GOB and foster democratic practices and values. The overall objective of this diversified dialogue is to enhance the effectiveness and relative weight of the non-executive branches of government and the Electoral Courts with respect to the traditional monopoly on power held by the Executive Branch. Our approach to policy dialogue in this sector takes into account the close linkage between democracy and economic development.

Three major policy actions have been planned for FY 1991-1992: GOB budget increases for the judicial system; GOB provision of equal opportunity access to citizen documentation required for voter registration purposes; and Supreme Court establishment of a pilot case tracking system in the criminal courts. The balance of payments program agreement with the GOB for FY 1991 contains a covenant committing the GOB to increase resources for the judicial sector, and USAID officials have pressed the subject with the Minister of Finance and Treasury officials.

During the Action Plan period, we intend to continue to assist the structuring of electoral courts recomposed with non-partisan membership so as to lessen political manipulation of voter registration and the vote count.

We are strongly advocating an improvement in the quality of public officials within the justice system. Thus, should there be vacancies in the Supreme Court, they should be filled with persons of recognized standing both for their professional competence and ethical record.

We are pressing the GOB to issue regulations for the 1990 Fiscal Control Law (SAFCO), as well as passage by Congress of a public prosecutor draft law, local government (administrative decentralization) law and amendments to the 1986 electoral law.

II. PAST PERFORMANCE AND FUTURE TARGETS

A. Introduction

Last year was the first year that the Mission adopted a set of measurable program indicators and outputs. This year we undertook a further review and refinement of indicators and outputs to improve measurement of Bolivia's performance and USAID's specific contribution to the country's economic and social development.

We have initiated several efforts to improve the collection and analysis of performance data. USAID is supporting two important instruments for developing national level statistics. The National Rural Household Survey (NRHS), to be run in June-July 1991, will establish baseline data on rural incomes. The last nationwide survey was in 1976. The Demographic Health Survey, run in 1988, is currently being analyzed in-depth and is providing reliable quantitative and qualitative data on women's and children's health status in Bolivia. Our intention is to build the National Statistical Institute's capacity to run these critical surveys on a regular basis. Prior to USAID's support of these two initiatives, income and health statistics were gathered sporadically and rarely analyzed.

Improving the measurement of project performance has also been a major Mission concern in FY 1991 and will continue throughout FY 1992-1993. We have begun to design monitoring and evaluation systems for several of our key projects in the Alternative Development and Export Promotion Program areas. All of the new projects designed or amended in the past year have included specific guidelines for developing monitoring and evaluation systems.

We have increasingly required evaluations to provide quantitative data on the progress and impact of our projects. When baseline data has been lacking, we have requested evaluators to establish baselines which we will use to measure subsequent achievements.

This year we have gender-disaggregated our indicators where information is available and relevant. Where information is currently lacking, we will begin to change our collection systems in order to disaggregate the data in the future. Along with increased attention in our program to the environment we will also develop output indicators for measuring our performance on environmental issues under our five program areas for next year.

During the previous year, USAID/Bolivia increased its efforts to attain a fuller participation of women in its program and institutionalized gender issues in the design, implementation, monitoring and evaluation of projects. A Mission Order on WID has been issued which emphasizes the importance of gender considerations in all aspects of the program, describes staff roles and establishes a WID Committee.

USAID/Bolivia makes extensive use of short-term consultants who are contracted for the purpose of ensuring that WID concerns are addressed in Mission activities through data gathering, technical assistance and evaluation activities. Among the actions taken by the Mission in this regard are: (a) the design of a Rural Household Survey including questionnaire development, testing and surveyors training; (b) a workshop to develop a PL 480 Title II strategy which has resulted in a recommendation to streamline the food for work program and the reorientation of the mothers clubs programs; (c) the design of the Cochabamba Regional Development project and (d) the development of gender disaggregated program indicators and monitoring and evaluation plans, which will enable the Mission to measure the impact of specific activities involving women.

Table 2 reflects our assessment of Bolivia's country performance. We are in general agreement with LAC Bureau ratings, although we have upgraded several categories relating to the macroeconomic environment. Bolivia has done what has been necessary to stabilize its economy; still, more has to be done to promote growth.

The grades given to Bolivia by AID/W in environment and democracy are somewhat inflated. Environmental problems are discussed in Appendix C. This is a developmental area new to Bolivia, but to which we believe the GOB is prepared to devote more attention and resources in the future. Given growing pains being experienced in the area of democracy and human rights, many of which we are addressing in our projects, it is overly generous to assign Bolivia an almost perfect score.

Table 3 and the accompanying narratives discuss past performance and future targets of our five strategic program objectives. Considerable improvements have been made in the indicators and outputs, and the reliability of the data reported.

TABLE 1
STRATEGIC LINKAGES: USAID/BOLIVIA - LAC BUREAU

LAC OBJECTIVES:	SUPPORT THE ACHIEVEMENT OF BROADLY-BASED, SUSTAINABLE ECONOMIC GROWTH		SUPPORT THE EVOLUTION OF STABLE, DEMOCRATIC SOCIETIES	RESPOND TO NEEDS FOR INTERNATIONAL COOPERATION IN ADDRESSING SPECIFIC CHALLENGES
	ENCOURAGE THE ADOPTION OF AND ADHERENCE CONTINUED TO ECONOMIC POLICIES THAT PROMOTE INVESTMENT, PRODUCTIVE EMPLOYMENT AND EXPORT-LED DIVERSIFICATION.	INCREASE INVESTMENT OPPORTUNITIES FOR THE DISADVANTAGED		
LAC SUB-OBJECTIVES:	ENCOURAGE THE ADOPTION OF AND ADHERENCE CONTINUED TO ECONOMIC POLICIES THAT PROMOTE INVESTMENT, PRODUCTIVE EMPLOYMENT AND EXPORT-LED DIVERSIFICATION.	INCREASE INVESTMENT OPPORTUNITIES FOR THE DISADVANTAGED	ENCOURAGE THE STRENGTHENING OF COMPETENT CIVILIAN GOVERNMENT INSTITUTIONS.	CONTRIBUTE TO THE FORMULATION AND IMPLEMENTATION OF USG STRATEGIES FOR DEALING WITH ISSUES OF PARTICULAR CONCERN, SUCH AS DRUGS, TERRORISM, AND ENVIRONMENTAL DEGRADATION.
MISSION OBJECTIVES:	SOUND ECONOMIC POLICIES	CHILD AND MATERNAL HEALTH	STRENGTHENING DEMOCRACY	ALTERNATIVE DEVELOPMENT
MISSION PROJECTS:	EXPORT PROMOTION	SELF FINANCING PRIMARY HEALTH I & II	JUSTICE SECTOR	CHAPARE REGIONAL DEVELOPMENT
	POLICY REFORM	COMMUNITY AND CHILD HEALTH	DEMOCRATIC INSTITUTIONS	COCHABAMBA REGIONAL DEVELOPMENT
	POLICY REFORM AND TECHNICAL SUPPORT	CARE COMMUNITY DEVELOPMENT	STRENGTHENING DEMOCRACY	POLICY REFORM AND TECHNICAL SUPPORT
	TRAINING FOR DEVELOPMENT	RADIO HEALTH		CARE COMMUNITY DEVELOPMENT
	BALANCE OF PAYMENTS SUPPORT	PVO CHILD SURVIVAL II		PRIVATE AGRICULTURAL ORGANIZATION
	INDUSTRIAL TRANSITION	AIDS/STD PREVENTION AND CONTROL		PL 480 TITLE III
	STRENGTHENING FINANCIAL MARKETS	REPRODUCTIVE HEALTH		RURAL HOUSEHOLD SURVEY
	MARKET TOWN CAPITAL FORMATION			NATURAL RESOURCES MANAGEMENT
	PL 480 TITLE III			FORESTRY MANAGEMENT
				RURAL ELECTRIFICATION FOR ALTERNATIVE DEVELOPMENT
				DRUG AWARENESS
				RURAL ROADS FOR ALTERNATIVE DEVELOPMENT
				MICRO ENTERPRISE DEVELOPMENT
				EXPORT PROMOTION

TABLE 2

BOLIVIA PERFORMANCE INDICATORS

<u>Indicator</u>	<u>LAC Bureau Rating or Indicator</u>	<u>USAID Input Data</u>	<u>Comment</u>
1. Macro Reform	9	9	While Bolivia has managed to preserve economic stability and realize a considerable gain of \$114 million in net international reserves, the excessive expansion of net domestic credit in recent years is cause for concern.
2. Domestic Financing of Deficit	2%	2.4%	Official estimates of the fiscal deficit of the consolidated public sector is 3.3% of GDP.
3. Exchange Rate (scale: 1-10)	9	10	Over the last four to five years, the gap between the official and the parallel exchange rate has been less than one percent.
4. Business Regulatory Environment (scale: 1-5)	3	3	With the congressional approval of the investment code and imminent passage of the mining and hydrocarbons laws, the contracts recently signed with foreign oil companies, and international bids for joint venture operations with the state mining enterprise, the business environment has improved over the past few years.

<u>Indicator</u>	<u>LAC Bureau Rating or Indicator</u>	<u>USAID Input Data</u>	<u>Comment</u>
5. Trade Regime (scale: 1-10)	9	10	Bolivia has one of the most liberal trade regimes in the world. Bolivia has adopted a uniform tariff rate of 10 percent for all imported goods except capital equipment, which is 5 percent. Furthermore, export tariff incentives have been lowered from 10 percent to 6 percent and will soon be substituted with a more equitable "draw back" mechanism.
6. Market Pricing (scale: 1-10)	9	10	Virtually all pricing in the product, labor and financial markets is free. Even prices of government produced goods and services, such as gasoline and utilities, are being revised on an ongoing basis to maintain the real price to international standards.
7. Elementary School Enrollment	85,91	-	Data in Bolivia are generally unreliable for this indicator.
8. Infant vaccination (%)	44.8%	38%	UNICEF; World State of the Child-1990.
9. Contraceptive Prevalence (%)	12	12	1989 Demographic and Health survey.
10. Environmental Management (scale: 1-10)	5	2.5	See Appendix C.
11. Democracy and Human Rights (scale: 2-14, 2 being most free)	3	4	A recent State Department report on human rights to Congress found selected human rights abuses and faults in the penal and judicial systems.

D. Program Objectives and Impact

1. Sound Economic Policy

USAID's first objective is to reinforce and support the GOB's ability to formulate and maintain sound macroeconomic policy.

The principal USAID tool to formulate sound policies is the Policy Reform Project which has established, and provides continuing support, to an economic policy study group within the Ministry of Planning. Its task is to produce relevant studies designed to assist policy makers in arriving at sound economic policy decisions, including consideration of alternative policies and their impact on the economy. The unit ("UDAPE") also has been instrumental in assisting the government in its negotiations with the IMF, the IBRD and other international donors.

Examples of studies undertaken by UDAPE that have had a significant impact on policy-makers' decisions include the following: (1) National Strategy for Alternative Development, February 1990, which provides guidelines for the Alternative Development Program in order to replace losses in income, foreign exchange earnings and employment resulting from the gradual elimination of coca and coca related activities; (2) Macroeconomic Evaluation of the Investment Program (March 1990), a study designed to evaluate a major \$600 million project to provide power to Brazil; (3) Bolivia's Debt Contracting Capacity; and (4) Policies to Promote Bolivia's Exports of Non-Traditional Products (August 1990), which includes concrete policy recommendations to develop the export sector over both the short and long term.

Accomplishments in the area of economic stabilization have been impressive. From an annual rate of increase of nearly 12,000 percent in 1985, the rate of increase of the consumer price index was reduced to 16 percent in 1988 and 15.2 percent in 1989. During 1990, inflation reached an estimated 17 to 18 percent. The rate of increase in the dollar/boliviano exchange rate was brought down from some 21,000 percent in 1985 to 20 percent in 1989 and to an estimated 15 percent in 1990. The deficit of the consolidated public sector in relation to the GDP declined from 26 percent in 1984 to 5.4 percent in 1989 and is projected at 3.2 percent in 1990. The rate of increase of money supply (M1) declined from nearly 6,000 percent in 1985 to about 33 percent in 1990. Thus, the GOB has succeeded in achieving relative economic stability.

Less success can be claimed in the area of economic growth. While the five-year downward trend in the real GDP was arrested and reversed in 1987, real GDP growth over the 1987-1990 period has been in the range of 2.1 to 2.8 percent annually, roughly equal to the growth rate of the population. Thus, there has been no recovery in real per capita GDP, which had declined by some 25 percent over 1981-86.

USAID's contribution to the stabilization/recovery programs is twofold: (1) to supply a significant amount of economic resources, and (2) to help improve the institutional and policy framework. In terms of resources, USAID supported activities contribute to economic stabilization and growth by facilitating the import of raw materials, capital goods and spare parts and essential consumer goods (e.g. wheat). Our balance of payments assistance also serves to expand GOB resources to help meet the non-reschedulable debt service charges to the multilateral organizations. Both uses relieve the country's serious foreign exchange constraint. Relief of this constraint has a direct impact on the total supply of goods and services available to the economy, and hence has a stabilizing impact on the price level. Projects that most directly affect the available supply of goods and services include our Balance of Payments Support and our PL-480 Programs.

USAID supports the economy's long-term productive capacity with several mechanisms for credit and technical assistance. In FY 1990 USAID provided \$2.5 million in credit through the Market Town Capital Formation and Microenterprise Development projects. The Market Town project's functions and credit line are now in the process of being privatized, which will institutionalize the agro-industrial financing facility and permit participation of private capital. The outstanding success of the Microenterprise project has attracted donors to invest in the transformation of PRODEM to a private, for-profit lending bank which should lead to an expansion of microenterprise credit availability.

The macroeconomic objective is also promoted through the Strengthening Financial Markets and Industrial Transition projects. The former made significant progress in FY 1990 by improving the policy analysis capabilities of a central private sector association unit and of nine departmental private sector associations. Through such programs, we are encouraging the private sector to take advantage of a more favorable policy environment. In January, 1991 a private company issued one million in securities through the USAID supported securities exchange, the first public offering of this kind in Bolivia's history.

Although privatization efforts have lagged over recent years, USAID has in early 1991 received a modest wave of requests from public organizations, including municipalities and the National Mining Company, to evaluate the feasibility of privatizing services.

While the contribution that USAID has made, and is continuing to make, to the country's successful stabilization program and to economic reactivation and growth is impossible to quantify, indications are that it is significant, both owing to the contribution of foreign exchange resources and to the assistance we are providing to the formulation and implementation of sound economic policies through UDAPE, and specific projects designed to improve the institutional framework.

PERFORMANCE TABLE: SOUND ECONOMIC POLICY

PROGRAM	RESPONSIBLE DIVISION	NARRATIVE OF OBJECTIVES	RASFINF	1990 TARGETS	1990 ACTUAL	1991 TARGETS	1992 TARGETS	SOURCE OF INFORMATION	
SOUND ECONOMIC POLICY	ECON	Objective: Reinforce and support GOB ability to formulate and maintain sound macroeconomic policy							
		Indicators							
		1. Gap betw official and free mkt exch. rates	<1%	<1%	+50	+65	<1%	Central Bank	
		2. Change in net international reserves (millions of dollars)	-142		+50	+114	+50	Central Bank	
		3. Significant improvements in economic policy environment	---		Compliance with IMF struc. adj. Passage of investment code and mining and hydrocarbons laws	Compliance with IMF struc. adj. Passage of the investment Code	Continued Compliance Approval of the mining and hydrocarbons laws	Continued Compliance 10% increase in real private investment	Central Bank
		4. Reduction in the rate of increase in consumer price index	15.2%	12%	15%	18%	15%	10-12%	National Institute of Statistics
		5. Reduction in the rate of expansion of total Credit available	75%	15%	15%	30% (#)	15%	10-12%	Central Bank
		6. Increase in Money Supply (M1)	3.1%	15%	15%	35%	20%	15%	Central Bank
		7. Fiscal Deficit as percent of GDP	5.4%	3.5%	3.5%	3.2%	2.8%	2.8%	Ministry of Finance
8. Real rate of growth of GDP	2.4%	3.5%	3.5%	2.6%	3.0%	3.0%	National Institute of Statistics		

PERFORMANCE TABLE: SOUND ECONOMIC POLICY

PROGRAM	RESPONS. DIVISION	NARRATIVE OF OBJECTIVES	BASELINE	1990 TARGETS	1990 ACTUAL	1991 TARGETS	1992 TARGETS	SOURCE OF INFORMATION
SOUND ECONOMIC POLICY								
Outputs	DP	1. Magnitude of US balance of payments supports (millions \$)	11.75	23.5	18	66	91.3	USAID
	DP ECON	2. List of other econ. policy and regulatory changes directly affected by USAID supported activities*	---	GOB action on UDAPE recommendations	See Est*	GOB action on UDAPE recommendations		UDAPE

	1990 TARGETS	1990 ACTUAL	1992 TARGETS
* MAIN STRUCTURAL REFORMS	DETERMINED BY MARKET AND DEMAND	ENFORCED, ALSO EXTENDED TO REFINANCED CREDITS AS OF 1990.	
INTEREST RATES			
REGULATIONS OF THE BANKING SYSTEM	ENACTING OF THE BANKING LAW	IN PROCESS	TO BE CONCLUDED
PUBLIC BANKS	REGORGANIZATION OF BANEST, BAB AND BAMIN.	IN PROCESS	TO BE CONCLUDED
REGULATION OF INVESTMENT ACTIVITIES	ENACTING OF THE INVESTMENT LAW	APPROVED BY THE CONGRESS	
MODERNIZATION OF THE STATE	ENACTING OF THE LAW CONCERNING THE ORGANIZATION OR REGIONAL GOVTS.	POLITICAL-ADMINISTRATIVE DECENTRALIZATION IN PROGRESS	CONTINUE WITH THE PROCESS
REVENUES OF THE CENTRAL GOVERNMENT	IMPROVEMENT OF FISCAL REVENUES SYSTEMS	THE SIMPLIFIED TRIBUTARY REGIME (STR) WAS EXTENDED STARTING 1991	MODIFY THE TAX CODE
PUBLIC FINANCES	ADMINISTRATION AND CONTROL OF PUBLIC FINANCES	SAFCO LAW APPROVED	INITIATE IMPLEMENTATION
PRIVATIZATION	EVALUATION OF PUBLIC ENTERPRISES ECONOMIC SITUATION	INITIATED WITH LLOYD AEREO BOLIVIANO (LAB)	CONTINUE WITH THE PROCESS
CUSTOMS DUTIES AND EXPORT INCENTIVES	REDUCTION OF CUSTOM DUTIES RATE; CRA RATES REDUCED TO 6% AND ITS ELIMINATION STARTING 1991	STARTING AUGUST 1990 CUSTOMS DUTIES ON CAPITAL GOODS WAS REDUCED TO 5% AND 10% FOR THE REST OF THE GOODS	REPLACE CRA WITH A DRAWBACK SYSTEM
MINING CODE	ENACTING OF THE MINING CODE	IN CONGRESS FOR APPROVAL	REGULATE THE MINING CODE
FREE TRADE ZONES	APPROVAL OF TRADE ZONES	FREE TRADE ZONES APPROVED FOR ORURO, SANTA CRUZ, EL ALTO AND PUERTO SUAREZ	
JOINT VENTURES	SUBSCRIPTION OF JOINT VENTURE CONTRACTORS	IN PROCESS. UP TO DATE 26 PRELIMINARY CONTRACTS WERE SIGNED IN MINING, AGROINDUSTRY AND MANUFACTURING SECTORS	CONTINUE WITH THE PROCESS
HYDROCARBONS LAW	APPROVAL OF THE HYDROCARBONS LAW	IN CONGRESS FOR APPROVAL. CONTRACTS WERE SUSCRIBED WITH PLUSPETROL, SANTA FE, CHEVRON AND EUROCAN ENTERPRISES	PLACE IN EXECUTION

2. Alternative Development

As stated in last year's Action Plan, the Mission's strategic objective of Alternative Development continues to be the transformation of the Bolivian economy to increase investment, productivity, and employment in non-coca activities. The objective reflects a reorientation in emphasis from a couple of projects focusing primarily on drug awareness and crop substitution to one which aims to more widely promote economic growth and the transformation needed to provide an alternative to dependency on the illegal coca economy.

To reflect the program's emphasis on economic development, two indicators (decreased unemployment rate and increased rural incomes) will be measured once the National Rural Household Survey (Project 511-0612) is undertaken. The coca eradication indicator is provided to illustrate the relationship between intervention efforts and economic development.

Real advances have been made during 1990 in the improvement of roads, bridges and electrical systems in portions of the Department of Cochabamba. In addition, high impact, quickly implemented small-scale gravity fed irrigation systems have provided the potential for year-round cropping in the same areas of Cochabamba, thus reducing the need for farmers to undertake seasonal work elsewhere during the dry season.

In the Chapare itself, numerous alternative crops such as bananas, pineapples and others have found their way into regional domestic markets in both Cochabamba and Santa Cruz. It now appears that there is a significant domestic market for future Chapare-grown produce. In addition, 1990 witnessed the sale of pineapples grown in the Chapare to buyers in Argentina. This is the first time that a crop other than coca has directly provided foreign exchange earnings to Chapare farmers. While the initial volume of sales may have been limited, contacts have been made and the trading procedures learned which will facilitate future international sales.

The Mission has developed an integrated approach with multiple interventions in order to pursue a successful Alternative Development Program. Through PL 480, approximately 16,500 people have benefitted with improved access to credit. In addition, in 1990 over 16,000 women benefitted from the Alternative Development Program (or about 17 percent of all beneficiaries). Through increases in USAID funding, national drug awareness programs will continue to increase the Bolivian public's awareness of the need to reduce both production and abuse of drugs.

Much of the area targeted for implementing the Alternative Development Program is very susceptible to environmental degradation which would undermine the sustainability of our efforts. Improved farm practices, such as terracing, reforestation, and soil conservation have improved the environment in the highland valleys of the Department of Cochabamba. Cropping systems which enhance continuous ground cover, thereby reducing

erosion due to runoff, have been developed at the IBTA/Chapare research station. This information is being disseminated to area farmers. Prior to the construction of USAID financed road improvements, electrical generation facilities and irrigation systems, environmental assessments have been undertaken to ensure appropriate environmental protection.

Additional attention will be given to the role of other agricultural and non-agricultural activities in environmental degradation. Timber extraction, small-scale mining, industrial processing, etc., all play a significant part in the sustainability of Bolivia's natural resource base. Two new project initiatives are planned to improve the management of Bolivia's forestry and watershed resources, as well as its biological diversity.

As the Mission's concept of Alternative Development has expanded, a broader approach has been taken by USAID which calls for the increased participation of Embassy and other agency officials. At a recent two day workshop held outside of La Paz, a group of Embassy and USAID members analyzed the Chapare Project evaluation and current projects and provided guidelines and recommendations for future Mission funded activities. In addition, a steering committee has been formed which meets weekly under the direction of the Mission Deputy Director to monitor activities related to the Alternative Development Program.

Beginning in FY 1991, a follow-on to the ongoing Chapare Regional Development project will be initiated. The Cochabamba Regional Development project will continue the implementation of development activities in the Chapare and High Valleys regions of Cochabamba, as well as in adjacent areas of influence, including Upper Yapacani in the Santa Cruz Department. The project will also support infrastructure activities such as rural roads and electrification, which will provide alternative sources of income and employment to farmers. In the same manner, an expanded Drug Awareness project has been designed to develop greater recognition among Bolivians of the serious consequences of cocaine use on the social and economic fabric of Bolivian society.

PROGRAM ALTERNATIVE DEVELOPMENT	RESPONS. DIVISION	NARRATIVE OF OBJECTIVES	PERFORMANCE TABLE: ALTERNATIVE DEVELOPMENT					SOURCE OF INFORMATION
			BASELINE	1990 TARGETS	1990 ACTUAL	1991 TARGETS	1992 TARGETS	
Objective	ECON	To increase investment, productivity, and employment from non-cocoa activities	---	---	\$23 per 100 pounds	\$20 to \$25	\$20 to \$25	DIRECO AND IBTA
	ARD	1. Average market price of cocoa leaf	---	---	8000	7000	7000	USG/GOB
	ECON	2. Hectares under cocoa established	5000 (1989)	---	---	---	---	---
	ARD	3. Decrease national unemployment rate ⁴	7.8% (1988)	---	---	---	---	---
Outputs	ARD	4. Increased rural incomes	not available	---	---	---	---	---
	ARD/ PDM	1. Kms of improved rural roads financed by USAID	245	130	84	245	245	SNC PL 480
	ARD/ PDM	2. Number of rural extension systems rehabilitated by USAID	---	---	70	100	125	---
	ARD/ PRIV SEC.	3. No. of permanent jobs created each period by firms/finders receiving USAID supported services finance prog.	not available	2	2	5	10	ENDE REGIONAL
Indicators	ARD/ PRIV SEC.	3. No. of permanent jobs created each period by firms/finders receiving USAID supported services finance prog.	---	M:120 F:180	M:138 F:350	M:240 F:---	M:600 F:---	EXP PRO
	ARD		M:---	M:528	M:474	M:0	M:0	FOCAS
	ARD		F:---	F:141	F:126	F:0	F:0	PAO
	ARD		M:184	M:184	M:189	M:199	M:199	MBB ENT.
Subtotals	ARD	4. Increased % of pop. with req. operations about drug prod./use	---	F:87	F:89	F:89	F:92	CRDP
	ARD		M:---	M:580	M:900	M:1520	M:1520	---
	ARD		F:---	F:250	F:250	F:500	F:500	---
	ARD		M:---	M:371	M:601	M:2822	M:2822	---
Totals	ARD	F:---	F:103	F:103	F:230	F:825	---	
	ARD	RI/TOTAL R M: F:NA TOTALS T	M:NA F:NA T:NA	M:1801 F:790 T:2591	M:2404 F:695 T:3794	M:5141 F:1417 T:6558	---	
Totals	ARD	60% of urban pop.	70%	70%	80%	85%	---	
	ARD	NARCOTICS AWARENESS PROJECT	---	---	---	---	---	

PERFORMANCE TABLE: ALTERNATIVE DEVELOPMENT

PROGRAM	RESPONS. DIVISION	NARRATIVE OF OBJECTIVES	BASELINE	1990 TARGETS	1990 ACTUAL	1991 TARGETS	1992 TARGETS	SOURCE OF INFORMATION	
ALTERNATIVE DEVELOPMENT	AFD	5. Temporary jobs generated with USAID resources in the Dept. of Cochabamba***	---	M: 850 F: 80 M: 60 F: 0	M: 850 F: 80 M: 60 F: 0	M: 1000 F: 200 M: -- F: --	M: 1200 F: 300 M: -- F: --	SNC	
			---	M: -- F: --	M: 2531 F: 2454 M: 3277 F: 2184	M: 8873 F: 3218 M: 3600 F: 2400	M: 12997 F: 4013 M: 4800 F: 3200	ENDE	
			---	M: -- F: --	M: 5718 F: 4718 T: 11436	M: 13473 F: 5818 T: 19291	M: 18997 F: 7513 T: 26510	CRDP	
			---	M: 910 F: 80 T: 990	M: 6718 F: 4718 T: 11436	M: 13473 F: 5818 T: 19291	M: 18997 F: 7513 T: 26510	PL 480	
	AFD	6. Short-term jobs generated with USAID resources in Bolivia outside of the Department of Cochabamba**	SUBTOTALS	M: NA F: NA T: NA	M: 910 F: 80 T: 990	M: 6718 F: 4718 T: 11436	M: 13473 F: 5818 T: 19291	M: 18997 F: 7513 T: 26510	SUBTOTALS SUBTOTALS TOTALS
			TOTALS	---	M: -- F: -- M: 57000 F: 3000 M: -- F: --	M: 19653 F: 13102 M: 76653 F: 3000 M: -- F: --	M: 19200 F: 12800 M: 104200 F: 4500 M: -- F: --	M: 19680 F: 13120 M: 85000 F: 4500 M: -- F: --	PL 480 PAO
			SUBTOTALS	---	M: 57000 F: 3000 T: 60000	M: 76653 F: 16102 T: 92755	M: 104200 F: 17300 T: 121500	M: 104680 F: 17620 T: 122300	OTHER PROJECTS SUBTOTALS SUBTOTALS TOTALS
			TOTALS	---	---	7,037	11,676	13,434	IBTAICHAPARE

* There are no reliable unemployment statistics in Bolivia. Under the Technical Support for Policy Reform project Technical Assistance to INE and help them to identify sources of funding for ongoing collection of employment statistics.
 ** In the future temporary employment will be reported in person months. We are currently adjusting the reporting methodology.

3. Export Promotion

The Mission's objective in this area is to increase the volume, value, and range of non-coca exports. It is important that means employed in this effort be non-distortionary and consistent with GATT principles.

Certain measures of export progress in last year's performance table have been readjusted this year, in some cases because national data turned out to be unavailable, and in other cases for the sake of clarity. We are still improving data collection and analysis at the project and program levels.

As indicated in the performance table, the expansion of Bolivia's non-traditional exports in 1990 appears encouraging. However, some of this increase was due to non-structural factors (price fluctuations, Peruvian economic conditions, etc). Accordingly, the increases projected for 1991 and 1992 are smaller.

At the project level, much of USAID's assistance to exporters is still in a start-up phase. Technical assistance under the Export Promotion project yielded \$3 million in new exports, a very satisfactory result for its startup year; projections for next year are much larger. The Private Agricultural Organizations project has also contributed to exports; notably, 25 flower producers are now exporting to the US in amounts that are growing monthly.

The new export credit line through the Central Bank has failed to move so far, due to a combination of market and bureaucratic circumstances. The Mission will redesign this line, because there is no doubt that a substantial unmet demand exists for export credit (an older credit project, FOCAS, has generated \$9 million of new exports through \$4.4 million of loans to exporters).

The design of a new program to promote foreign investment in export operations in Bolivia is well advanced. An experienced manager has been identified to implement an investment promotion model which has proved successful in Ireland, Costa Rica, and Honduras. Actual promotional operations should begin early in the second half of 1991. As part of this effort, the Mission is assisting with the establishment of Bolivia's first industrial free trade zone.

Based on experience in other countries, it is expected that the businesses attracted by the foreign investment promotion program will employ unusually high percentages of lower-income women. When a business receiving technical assistance presents substantial environmental issues, an environmental review is part of the assistance. A Cochabamba plywood factory was a recent case in point. In conjunction with AID/W and our colleagues in State and Agriculture, the Mission is analyzing ways to implement the recommendations of the recent Corr report on agricultural exports. Other aspects of our export assistance have been highlighted in the policy dialogue section.

In line with the Agency's new emphasis on partnership with US business, the Mission is establishing systems to improve its coordination with the Embassy commercial section in bringing Bolivian commercial possibilities to the attention of US businesses. Regular staff meetings are held on this subject. Approximately every three weeks, USAID forwards to the Commercial Section a report on commercial opportunities uncovered in connection with USAID-assisted activities or through other USAID contacts. Several of these contacts have already led to actual US export deals, as reported to AID/W through other channels. These contacts and deals all pertain to privately funded procurement, and thus are additional to the US exports generated under the Buy America policy applying to AID-funded procurement. Finally, of course, the Mission's new investment promotion program will be putting many US businesses in touch with investment opportunities in Bolivia.

PERFORMANCE TABLE: EXPORT PROMOTION

PROGRAM	RESPONS. DIVISION	NARRATIVE OF OBJECTIVES	BASELINE (1967)	1950 TARGETS	1950 ACTUAL	1951 TARGETS	1952 TARGETS	SOURCE OF INFORMATION
EXPORT PROMOTION								
Objective		Increase the volume, value, and range of non-coal exports						
Indicators	ECON	1. Total value of non-traditional exports (excluding minerals and hydrocarbons). Percentage increase over last year.	\$ 204 m	\$ 236 m	\$ 264 m	\$ 286 m	\$ 306 m	DICOME/AMN. OF INDUST. & COMMERCE
Outputs	PS AND	1. Non-traditional export sales attributable to USIARD-assistance each period.	---	\$ 2.0 m ; \$ 5.0 m ; \$ 11.0 m	(\$000) \$ 2.5 m \$ 9.0 m \$ 11.5 m	\$ 5.0 m \$ 5.0 m \$ 10.0 m	\$ 13.0 m PACD 1992 \$ 13.0 m	EXPORT FROM. PROJ FOCAS PROJ. TOTAL
	PS	2. Annual dollar volume of foreign investments attributable to USIARD efforts (cumulative)	---	0	0	0*	\$ 8.0 m	EXPORT FROM. PROJ
	PS	3. Number of new foreign investments attributable to USIARD assistance each period	---	0	0	0*	0	EXPORT FROM. PROJ
	PS AND	4. Total value of export loans outstanding under USIARD projects at year end		\$ 0.0 m \$ 4.4 m \$ 4.4 m	\$ 0.0 m \$ 4.4 m \$ 4.4 m	\$ 2.0 m \$ 2.0 m \$ 5.0 m	\$ 3.0 m PACD 1992 \$ 3.0	EXPORT FROM. PROJ FOCAS PROJ. TOTAL

*Investments are not expected until 1992

4. Maternal and Child Health

As indicated in the performance table, Bolivia's extremely high rates of maternal and child mortality, high fertility levels, low contraceptive use, and short birth intervals indicate the pressing need for expanded child survival and reproductive health activities. Our objective is to improve the health of mothers and of children under five via several different initiatives.

Child and maternal mortality are taken as useful, if imperfect, indicators of the health status of mothers and children, while contraceptive prevalence is taken as an indicator of service coverage. These indicators are intended only as estimates, and must be viewed in light of high levels of underreporting in vital registration systems. In addition, demographic indicators are slow to change, and the program inputs which influence them involve years of effort at implementation.

We have had a long standing involvement in general health activities through our support of PVOs working locally. Such activities include distribution of ORS, immunization campaigns, health education, reproductive health, supplementary feeding of mothers and children, and rural potable water and sanitation.

Of the several Mission projects designed to improve maternal and child health, two stand out. PROSALUD Santa Cruz, a self-financing primary health care demonstration project, has received a very favorable evaluation with respect to sustainability, service quality, and affordability and is steadily expanding its network of clinics. As a result, PROSALUD II (SFHC) will support a reference hospital in Santa Cruz and replicate its health care system in the La Paz area. The Community and Child Health (CCH) project, initiated in July 1988, will continue to strengthen and integrate existing child survival services in 11 rural districts with an emphasis on both training of MOH personnel and encouraging community participation in health activities. The CCH project is seen as a demonstration activity, incorporating operations research, and will serve as the basis for expansion to other districts. Emphasis is being placed on immunization and Chagas' disease control, child survival interventions, and district level health management planning.

We are also increasingly incorporating environmental concerns into this area, particularly related to the role of potable water in improved health. All site and physical infrastructure selections are being done with the objective of avoiding contaminating the water supply either through bacterial or chemical agents. Attention is being given to avoiding runoff or infiltration from areas used for animal grazing, crop production, or human or industrial waste disposal.

The most significant future targets of our program will be expansion of self-financed primary health care coverage, and increased coverage of the integrated package of child survival and reproductive health interventions. These interventions should result in a decrease in maternal and child mortality, and an increase in contraceptive prevalence rates, in the absence of intervening factors, such as drought or worsening economic conditions.

Implementation of all projects, and the establishment of national systems for collection and analysis of demographic, health, and contraceptive prevalence data will advance the Mission's ability to track its progress in maternal and child health and, in turn, formulate realistic strategies. In addition, the Demographic and Health Survey (1989) provides sound current information for future comparisons. Presently, secondary analysis of this DHS will include the family planning situation in Bolivia, elaboration of an infant and maternal immunization model, population distribution model, etc. Additionally, a DHS will be conducted in 1993 to assist us on developing program directions for population planning, family planning and child survival projects.

The continuing USAID health policy dialogue with the GOB has brought major, tangible results. Notable is the establishment of national coordinating mechanisms for Chagas' disease control, immunization, and reproductive health services. The Ministry of Health has included a comprehensive reproductive health agenda within its 1989-93 National Plan for Child Survival Development and Maternal Health and is focusing on specific activities to implement the plan. The \$9.3 million Reproductive Health project brings together representatives of the public, private and PVO sectors, and international health and development organizations and firms to coordinate provision of reproductive health services, information, education and communication, training, research and evaluation and policy reform. Most importantly, it will create institutional capacity and sustainability for expansion of overall reproductive health services.

PERFORMANCE TABLE: MATERNAL AND CHILD HEALTH

PROGRAM	RESPONS. DIVISION	NARRATIVE OF OBJECTIVES	BASELINE	1990 TARGETS	1990 ACTUAL	1991 TARGETS	1992 TARGETS	SOURCE OF INFORMATION
MATERNAL AND CHILD HEALTH Objectives		Improved health of mothers and of children under 5 years						
Indicators	H-R	1. Infant Mortality rate	151 (1972**)	99 (1985***)	93	91	89	Unofficial Projections
	H-R	2. Child mortality rate	252 (1972**)	142 (1985***)	132	128	125	Unofficial Projections
		3. Life expectancy at birth	N/A	N/A	60.2	60.7	61.1	Unofficial Projections
	H-R	4. Contraceptive use (TOTAL) (Modern) (Traditional)	23.6% 9.9% 13.7% (1983)***	30.3% 12.2% 18.1% (1989)***	31.1% 12.4% 18.7%	31.9% 12.7% 19.2%	32.7% 12.9% 19.8%	Unofficial Projections
Outputs	H-R	5. Maternal mortality rate	5,000/100,000	4,800/100,000	4,800/100,000	4,700/100,000	4,600/100,000	UNICEF
	H-R	1. % of diarrheal disease appropriately treated by ORT	23.4%	28%	32.1%	35%	38%	DHS 1989
	H-R	2. % of 1 yr. old children immunized against Polio	15%	42%	57.1%	60%	65%	DHS 1989
		DPT	13%	41%	51.2%	60%	65%	DHS 1989
		Measles	17%	46%	72.5%	79%	79%	DHS 1989
		TB and women immunized against TT	30%	30%	62.3%	69%	69%	DHS 1989
	H-R	3. \$ of communities served w/USAID-supplied potable water and sanitation systems	---	27%	20.1%	25%	30%	DHS 1989
		4. Coverage by USAID self-financed health care (by gender)	---	255	255	275	335	CARE
	H-R		Female: 0 Male: 0	70,000 70,000	85,000 85,000	100,000 100,000	125,000 125,000	PROSALUD

PERFORMANCE TABLE: MATERNAL AND CHILD HEALTH

PROGRAM	RESPONS. DIVISION	NARRATIVE OF OBJECTIVES	BASELINE	1970 TARGETS	1970 ACTUAL	1971 TARGETS	1972 TARGETS	INFO SOURCE
MATERNAL AND CHILD HEALTH								
Outputs	HHR	5. # of people receiving family planning services under USAMH activities	27,000 (1969)	40,000	40,000	50,000	55,000	DH-48 (1969)
	HHR	6. Establishment of a national system for collection and analysis of demographic, survival and contraceptive prevalence data	---	Periodic DH-48 surveys	1969 DH-48	1969 DH-48	1973 DH-48	INE

*Plan to obtain gender disaggregated data through secondary analysis of 1969 DH-48 and plan to conduct a DH-48 in 1970.
 ** 1976 Census. In all cases, the estimates from a census or survey DO NOT correspond to the year the census was taken.
 The estimates are always retrospective and refer to several years back. Thus the estimate from the 1976 census applies to 1972.
 *** 1969 Demographic Health Survey (DH-48)
 **** Estimated based on unofficial projections.

5. Strengthening Democracy

In order to support and strengthen current trends in Bolivia towards a stable, democratic society, the Mission has adopted as one of its major objectives improving the independence, accountability, fairness, efficiency, and accessibility of the courts of law, the legislature, and the electoral courts. In addition, our program will work at the output level to support local government, strengthen civic and community organizations, improve political parties, encourage non-partisan labor, and foster responsible journalism.

The indicators, to be taken as imperfect measures of progress and allowing for rough estimates, are increases in the proportion of cases considered by the courts that are resolved each year and increases in the number of valid registered voters (men and women) in comparable elections.

Among our numerous activities designed to support political stability and democratic government, two stand out: 1) the Automated Voter Registry/Screening System (RJV) will be first tested in the December 1991 municipal elections. When fully operational for the 1993 National Elections, the system will significantly reduce opportunities for multiple registration and help improve public confidence in the electoral system. In a parallel development, the government and the opposition have agreed to form non-partisan electoral courts, and (if this agreement is kept) at least one expert who has collaborated in the project may be appointed to the five-member National Electoral Court, and 2) the constitutionally mandated public prosecutor law has been drafted by an expert commission financed by the project and supported by ILANUD/Bolivia and is expected to be sent to Congress in August 1991.

The Democratic Initiatives Program has four main beneficiary institutions: the Supreme Court, the Office of the Attorney General, the National Electoral Court, and Congress. Since the beginning of implementation in 1988, each of these institutions has changed its chief officer as a result of political pressures and deals of various sorts, while some changes are still dependent on an overall political agreement currently being negotiated between the government and the opposition.

As of this writing, the democratic institutions in Bolivia are undergoing severe stress. The President of the Supreme Court and seven other Justices (out of 12) are under impeachment in Congress. At least 60 cases stand unattended before the Supreme Court, including the impeachment trial of former military dictator Luis Garcia Mesa and his collaborators. The Attorney General resigned under pressure in January 1991, and so far no replacement has been appointed. By the most generous interpretation, the four-year mandate of the National Electoral Court ended on January 2, 1991, and so far it has not been replaced, although nationwide municipal elections are scheduled to be held in December 1991. Its former president also resigned during January 1991, while the remaining six members await replacement and have elected a temporary president. The 1989 general elections led to an unusual political

deal that joined the presidential candidate of one ticket with the vice presidential candidate of another ticket. As a result, the latter became Vice President and President of Congress.

Many of these problems far exceed the capacity of the program to remedy. Thus, given the imminent recomposition of the Supreme Court, the Office of the Attorney General, and the Electoral Courts as a result of probable government/opposition agreements, the most significant targets of our program over the mid-term will be expansion of valid voter registration, increase in citizen confidence in the electoral system, institutionalization of an independent public prosecutor system, determination of the main causes of judicial delay in the criminal process, implementation of legally mandated fiscal controls in the judicial treasury, and establishment of joint technical support services for both houses of Congress.

Program output indicators for this objective include increased government budgetary allocations to the judiciary system, which we hope to accomplish through policy dialogue. USAID/Bolivia will also support specific technical and management improvements in the judicial system and the legislature and automation of the voter registry. The new citizen identification system (RUN), with financing from the Spanish Government, will have the effect of simplifying and validating requirements for registration and expanding the franchise to a greater proportion of Bolivia's citizens, especially rural inhabitants and women. Further outputs of our program directed toward this objective are training to promote leadership and technical capabilities for development, including training through the Andean Peace Scholarship Program.

At present, less than one percent of the government budget is devoted to the judicial system; our target is to raise this percentage to at least 1.5 percent by the end of 1992. We expect to provide training in support of this objective to 1000 trainers for voting table counting procedures and, through them, training sessions for 30,000 citizen jurors for the voting tables for the 1991 municipal elections (with a target of 50 percent women). We will also train officials from the judicial system and the electoral courts and legislators and their staff.

In addition, the Mission is setting new targets in the areas of responsible journalism, municipal government, and civic/community organization. Journalistic standards are uneven and often reflect partisan reporting, as well as factual inaccuracies (e.g. no use of the two-source rule). Responsible journalistic reporting fosters transparency in the operations of democracy, improves public opinion, engenders informed public debate, and helps voters exercise a well informed choice. During FY 1991, USAID/Bolivia will design activities and organize the implementing of this new element under an amendment to the Democratic Institutions project (511-0610).

The 1988 Urban Development Assessment by the Urban Institute pointed out that Bolivia is experiencing urbanization without industrialization. One result of the GOB Alternative Development Strategy will likely be an increased migration

flow to Bolivia's cities. During FY 1991, program activities will be reoriented to increase citizen participation in decisions related to the allocation of land, public services and facilities by selected municipal governments. In addition, to reinforce local democratic institutions, collaborative processes will be fostered among selected municipal governments with local civic groups, private enterprise, and other nongovernmental organizations. These activities will use the current local currency funded food for work mechanism as well as the experience in community and municipal organization gained through our urban pilot project being implemented in the low-income, low services city of El Alto.

PERFORMANCE TABLE: STRENGTHENING DEMOCRACY

PROGRAM	RESPONS. DIVISION	NARRATIVE OF OBJECTIVES	BASELINE	1990 TARGETS	1990 ACTUAL	1991 TARGETS	1992 TARGETS	SOURCE OF INFORMATION
STRENGTHENING DEMOCRACY								
Objective		Improve the independence, accountability, efficiency, fairness, and accessibility of key democratic institutions at the national and local levels.						
Indicators *	PDM	1. Judiciary: Ratio of cases to total cases considered in the year. **	41% (1987)	40%	25%	30%	30%	Judicial Treasury
	PDM	2. Electoral System: % of valid registered voters for the 1993 general elections (by gender). ***	2.37 million	No elections	No elections	1.25 MILLION	No Elections	Electoral Court
Outputs****	PDM	1. Proportion of gov't budget allocated to judiciary system	under 1%	under 1%	under 1%	1.3%	1.5%	GOB Budget Congress
	PDM	2. Automation of voter registry and citizen identification systems.	---	sign contract	contract signed	System plan tested in municipal elections (December 1991)	Continuous registration capacity established	SDI Project
	PDM	3. Establishment of juror training programs and voter education/higher voter education/registration campaign capabilities.	2 training programs 2 elec. campaigns	No Elections	No Elections	1 training program 1 election campaign	No Elections	SDI Project
	DP PDM	4. % of people receiving training in support of democratization by gender (e.g. Andean Peace Scholarships, Training for Development, and training under Strengthening Democracies Institutions Project.	men: 102 women: 37 total: 139	112 60 180	m: 112 f: 45 t: 157	(D)16,709 (D)14,403 (D)31,192 APSP/TFD 186	(D) 500 APSP/TFD 118	DI, APSP, TFD DI, APSP, TFD DI, APSP, TFD

PERFORMANCE TABLE: STRENGTHENING DEMOCRACY

PROGRAM	RESPONS. DIVISION	NARRATIVE OF OBJECTIVES	BASELINE	1990 TARGETS	1990 ACTUAL	1991 TARGETS	1992 TARGETS	SOURCE OF INFORMATION
STRENGTHENING DEMOCRACY	I-H-R PS PB-HUDO	5. Selected municipalities carrying out improved annual programming and budgeting to reach poorer neighborhoods.	2 (1990)	N/A	2	3	4	PROA
	I-H-R PS PB-HUDO	6. Cities with an operational non-profit, national organization for the protection of consumers/citizens.	1 (1990)	N/A	1	2	3	PROA

Notes:

- * Values of baseline indicators and output measures are for 1989 unless otherwise noted.
- ** Estimated data supplied by the Judicial Treasury for the 3 largest districts (La Paz, Santa Cruz, and Cochabamba) only; these districts account for approximately 65% of the caseload.
- *** Currently it is not possible to determine registered voters as % of total eligible population because of inaccuracies in age profiles and demographic statistics. When data collections are improved, the indicator will be revised.
- Next municipal elections are scheduled for December 1991; next national election will be in 1993.
- **** Outputs are rough estimates. They will be reviewed and revised for the next action plan.

III. RESOURCE REQUIREMENTS

A. Mortgage Analysis

Several factors make budgeting, both in the DA and ESF accounts, a considerably more inexact science in FYs 1992 and 1993 than before. The total funding for these two accounts barely exceeded \$30 million in FY 1989. We expect a five-fold increase by FY 1992 due mainly to USAID/Bolivia's central role in carrying out the USG counternarcotics program in Bolivia. Needless to say, during these three years a rapid and radical project design and implementation build-up must take place.

At the same time, AID as an agency is suffering global budget cuts. Despite USAID/Bolivia's status as a high priority program, recent funding levels allocated by AID/W prove that Bolivia is not exempt from the chopping block. In FY 1991 we received a \$18 million cut in core ESF funding, and our DA budget for FY 1992 has been slashed from the request level of \$30 to \$22.5 million (after an initial threat of a \$15 million cut).

The abolishment of functional accounts and concomitant expansion of earmarks in environment, child survival, AIDS, and population planned to begin in FY 1992 adds a final element of funding uncertainty. While USAID/Bolivia, in line with LAC Bureau goals, is attempting to step up its program in Alternative Development, Democratic Initiatives and Export Promotion, AID/W assigned in the FY 1992 Congressional Presentation (CP) two thirds of our DA budget to the four earmarked categories listed above. This leaves only \$7.5 million to fund three of our five primary objectives. (See Cable La Paz 1272).

The Mission has responded through a necessary reordering of the budget. In FY 1991 we postponed projects or project funding in the ESF account because of the reduction in the core amount. FY 1992 DA constraints have forced us to further increase already significant ESF project funding, thereby reducing further the amount available for BOP. We take this last measure reluctantly as we receive signals from AID/W that Bolivia's core DA program may actually diminish.

All this said, our FY 1992 DA mortgage as currently planned stands at about \$60 million, about 40 percent of total portfolio life of project funding, or 2.7 times the DA level proposed in FY 1992. If funding levels for the Action Plan years (FYs 1992 and 1993) are in the area of \$25 million, and if earmarks are reduced to a reasonable level of less than 50 percent of budget, we will not encounter any mortgage problems. We emphasize here the need to receive frequent guidance, if not assurances, from AID/W regarding funding levels. FY 1991 and FY 1992 are crucial periods when the Mission will be developing several new projects to carry out our mandate, especially with regard to Alternative Development. Because of these commitments, a year from now we will no longer have the luxury of being able to so freely manipulate our budget.

B. O.E. and Staffing

Last year's Action Plan put into perspective the difficulties the Mission had in funding the required staffing levels to manage and monitor the expanding program levels under NSD-18. It is important to note that the level of work has increased dramatically for the Mission's administrative support offices as a result of the rapid expansion of our program portfolio.

Funding for Mission positions has been provided by the combined use of trust funds and dollars for all FSN and local national PSCs who perform essentially management or service type functions. The Mission has project funded a number of local national and US PSC personnel whose functions are exclusively project related, such as management of the Mission participant training programs. The table below shows a breakdown of Mission staffing levels and sources of funding for a total staff of 221 personnel. Since last year, we have established the USAID Regional Support Field Office in Cochabamba that is responsible for monitoring and implementing the Chapare Regional Development project and the \$60 million follow-on Cochabamba Regional Development project, as well as supervising locally funded infrastructure development projects. Currents staffing for FY 1991 is summarized in the table below:

	<u>Operating Expenses</u> (OE)	<u>Program Funds</u> (PF)
USDH	23	
FNDH	33	
USPSC	8	8
FNPSC	114	34
PASA	<u> </u>	<u>1</u>
Total	178	43

USAID/Bolivia plans on maintaining current staffing levels, adding only already approved, unencumbered positions. To do so, and still manage an effective development program of increased USG priority and increased funding, is a challenge we are confronting head-on. Our strategic objectives require a strong field presence. Although management improvements are being made within some of our counterpart organizations, most of our programs require close monitoring and vigilance. Any reduction in staffing would certainly compromise the implementation of US foreign policy and development objectives in Bolivia.

Some of the measures we are taking to alleviate the pressures on our staff include consolidation of the program portfolio, giving technical offices full implementation responsibility, and streamlining local procurement practices wherever possible. Cooperation and assistance from AID/W will be essential to this effort. First, we need to fill two key vacancies, an Environmental Officer and a Democratic Initiatives Officer, as soon as possible. Our

expanding involvement in these areas require the full time attention of professionals in these fields. Second, the need to reorganize and reduce paperwork must also be addressed. In response to the Assistant Administrator's

request for suggestions on this front, USAID/Bolivia is preparing a cable with a number of serious and practical recommendations.

The OE budget level for FY 1991 has been approved at 4.915 million dollars, of which 3.0 million dollars are from the trust fund. (See La Paz 1771 for Mission request to reduce this level). In addition to the PSN salaries noted above, the majority of recurring local currency costs have been funded with trust funds. We expect funding requirements in fiscal years 1992 and 1993 of 12.660 and 5.205 million dollars, respectively. The 1992 figure includes trust fund requirements, already negotiated with the GOB, for the approved new office building (NOB).

The Mission trust fund availabilities are directly related to the resources needed for the NOB. The following are our actual estimated end of fiscal year balances:

FY 1990	\$3.0 million	
FY 1991	\$7.6 million	(Using trust fund spending level approved by AID/Washington)
FY 1992	\$2.5 million	

The Mission expects to continue to negotiate adequate trust fund levels in FY 1992 and FY 1993 to maintain an 18 month reserve.

The key issue that will have the greatest effect on our budget levels, and is one of the most important management issues for this Mission, is the USAID/Bolivia NOB. The Mission has received the necessary approvals from AID/W and LAC to proceed with the purchase of land and the construction of a NOB. Our office rental payment will soon be in excess of 500,000 dollars per year and will continue to increase in the future. The present office building meets few security standards and presents serious operational problems. It is essential that trust fund levels negotiated at post be made available during fiscal year 1992 totalling a minimum of \$7.6 million to ensure that we are able to see this project through to a successful conclusion, thereby saving millions of dollars of scarce OE resources in fiscal years 1994 and beyond. Although the Mission has been granted the authority by AID/W to negotiate the purchase of a five acre plot of land, we are making one more effort to identify a plot or building that would both meet acceptable security and functional requirements and be closer to the city center. This decision will be finalized by May 1, 1991. A NOB will require a number of capital improvements such as the installation of a telephone exchange system and required security enhancements for the building that cannot be trust funded.

A second issue that will seriously affect OE budget levels in FY 1992 and beyond is the AID Information Resource Management's decision to convert from the Wang VS to LAN Personal Computer Networking. This decision will cost the

Mission a minimum of 150,000 dollars. It is essential that adequate funding levels be provided to maintain basic data management services for MACS and other information management programs. Approximately 70 percent of our ADP hardware will be at least five years old by FY 1993 and should be replaced when we occupy the NOB.

A significant and unforeseen cost may arise if a longstanding issue of a mandated retirement plan is placed into effect as part of a revised Foreign Service National compensation plan. Since 1983 there has been no retirement plan in place for our FSNs at post. This issue has been discussed at length and may carry serious fiscal consequences for the Agency, if adopted. One plan, the local social security system supported by PER/FSN, would have a yet undefined cost reaching millions of dollars, if the Mission is required to effect back payments to 1983. The Mission is advocating in the strongest terms with the Department of State and PER/FSN, an alternative private plan, less costly to the US Government and of greater benefit to the local employees. This is an issue that will need close monitoring to avoid excessive cost and to ensure a credible, viable plan for our FSN employees.

One last, yet important matter, is the level of FSN direct hires authorized for the Mission. In FY 1988, AID/Washington provided the Mission a full-time employee (FTE) ceiling of 34 FSN direct hires. In May of 1990 this level was reduced to 32. The Mission questioned this reduction (see La Paz 6816 and La Paz 12558) and received no direct response. Given the Mission's expanding program and the requirements of HB 31, Section 926.2, it is imperative that we be authorized a FSN FTE level of 34 FSN direct hires. This will allow the Mission to exercise proper supervision of its program and to enhance internal controls. There will not be an increase in total FSN positions in the Mission if this increase is authorized, rather there will be a corresponding reduction of OE PSCs.

C. Local Currency Program

Introduction

USAID/Bolivia generates local currency from ESP funds, as well as PL 480 Title II and Title III. Total local currency monies available in FY 1991 will increase to over \$70 million, including \$50 million in ESP. This jump is a result of the initiation of the NSD-18 program in FY 1991, alone accounting for \$65 million in ESP. We expect NSD-18 funding in support of the counternarcotics program to continue at least through FY 1994 at an average yearly level of \$100 million beginning in FY 1992.

We have begun in FY 1991 to redirect local currency resources to support the Mission's key thrusts while maintaining enough flexibility to meet special requirements and other initiatives with high potential. The majority of funding increases will be devoted to counterpart requirements of USAID, World Bank and IDB projects and to reinforce the GOB's and USAID's Alternative Development efforts, especially through short-term labor generating projects. We have also begun to consolidate activities funded by local currency. The PL 480 III program will have reduced its number of activities by 10-15 percent by FY 1992, resulting in a more efficiently managed program requiring less USAID/Bolivia staff time. The ESP program, as well, will begin to focus on fewer activities.

1. ESP

The ESP Balance of Payments (BOP) program for FY 1991 increased from the previous year's \$18 million to \$66 million. This increase and projected levels of BOP assistance for FY 1992 and FY 1993 of \$91 million and \$96 million, respectively, will significantly increase jointly programmed local currency resources available to support the GOB's development program and its public sector investment program and counterpart requirements for USAID and multilateral donor projects. A large portion of the increase will fund infrastructure programs in support of Alternative Development. In FY 1991 alone the amount will exceed \$20 million.

Under the FY 1991 program the dollars will be used for payment of multilateral debt and reimbursement to the GOB for eligible imports. Subsequent to authorization of the FY 1990 PAAD, the GOB also requested that up to \$6 million of these dollar resources be made available for commercial debt buy-back in conjunction with funds to be provided by the World Bank (\$10 million) and various European governments. The approximately \$23 million fund would be managed by the IMF and be used to repurchase all of the outstanding commercial debt. This option is also included for the FY 1991 program.

While the OE Trust Fund (TF) requirements for FY 1991 are at \$7.6 million, they are projected to decline to \$4 million in FY 1992 and \$3 million in FY 1993. The TF amounts will decrease since the rather large requirement in FY 1991 covers the land purchase and building construction for the new USAID office building. Thereafter, in addition to the currently approved OE uses,

we project only requirements for moving and outfitting the new building. These declining levels also reflect the Mission's attempt to begin to implement the Agency's policy to reduce our dependence on TF resources to cover OE expenses. Should the Bureau be able to provide additional OE dollar resources, then the TF levels for FY 1992 and FY 1993 could be reduced still further.

Non-monetized amounts (listed on the local currency tables) provide additional flexibility to the GOB to meet its general budgetary requirements. The GOB believes that this is an important budgetary aspect of our program and has consistently pushed for increases in this area. Overall increases in BOP assistance combined with declining TF requirements should significantly increase the local currency resources available to the GOB and, therefore, also increase the leverage of the BOP. The increased conditionality associated with the FY 1991 program demonstrated this.

The local currency arrearages experienced under prior year programs through FY 1990 have been completely eliminated as of January 1991. This is due to the revised procedures adopted by the Mission and the GOB's seriousness in dealing with what was basically a problem inherited from the previous government.

The Mission and the GOB have also restructured the uses of the local currency. Starting in FY 1991 the uses are grouped under two broad headings: 1) USAID, grouped under the categories of the OE Trust Fund and counterpart to USAID projects, and 2) Counterpart to Multilateral Development Organizations' Projects, grouped under the categories of Administrative Improvement, Social Infrastructure, Road Infrastructure, Health, Mining and Integrated Alternative Development.

Local currency, in addition to facilitating provision of all of the GOB counterpart contribution for the USAID funded projects, provides the counterpart requirement for a significant portion of the multilateral donor financed projects. The GOB has estimated that for each \$1 of counterpart provided for these projects, approximately \$3 to \$4 of donor projectized foreign exchange assistance is released for Bolivia. Thus, given the severe budgetary constraints faced by the GOB, GOB Treasury resources are not available for this purpose, and the ESF local currency is critical to supporting the GOB's development budget.

2. PL 480 Title II

The PL 480 Title II program resource requirements in commodities are approximately \$14.9 million in FY 1991 and \$14.5 million in FYs 1992 and 1993. In 1990, the Mission developed a new Title II strategy which primarily supports the Mission's objectives of Promoting Sound Economic Policy, Alternative development and Strengthening Democracy through the food for work Program. Under this program, both rural and urban municipalities will be strengthened through the food for work program by providing food resources and monetization funds to permit the cities and towns to improve or develop the institutional capacity to serve poor neighborhoods. Approximately 16,000

person years of employment will be generated in eight major cities and 20 rural municipalities benefitting about 500,000 families through improved infrastructure, especially potable water and sewage systems. This program has provided the cities and towns with resources which allow them to organize community action departments within the municipality and assign a greater quantity of resources to the poor. It also reinforces the poor's ability to associate and have a voice in obtaining municipal services. This program also has been particularly important in supporting the Mission's objective of reinforcing and supporting the GOB's ability to Maintain Sound Macroeconomic Policies by providing a safety net for the chronically unemployed populations in Bolivia. By generating productive physical assets and conveying transferable job skills, the program also contributes to Alternative Development.

During FY 1991, the equivalent of approximately \$4.3 million of local currency will be generated to support child survival interventions, purchase local products, and improve agricultural production. During FY 1992 less emphasis will be placed on the maternal and child health program, but the poorest of the most vulnerable groups will continue to be served either through humanitarian assistance or the mother/child food program. In FY 1991, under the new strategy, about \$5.0 million dollars of local currency will be generated and managed by the Inter-agency Committee to support a Women's Development Fund for training and credit and a Rural Development Fund to support infrastructure and production projects. Additionally, local foods will be purchased for the regular Title II Program in accordance with GOB and USAID policy.

3. PL 480 Title III

The requirements for the Title III program are \$20.0 million for each of the next three fiscal years. This program provides, important counterpart financing of local costs for DA funded projects in rural development, complementary assistance to the Title II food program in Alternative Development, and joint USAID/Executive Secretariat initiatives in such areas as food production, rural infrastructure and natural resource management. The Title III program has had a substantial development impact in a wide range of rural sectors. By complementing the regular budget resources of PVOs, implementing entities and other GOB organizations, local cost financing from Title III has provided the essential support to move important programs forward. Some examples from internal and external evaluations in 1990 are discussed below.

Sustained assistance to wheat producers under this program has increased national wheat production by more than 50 percent since its inception in 1978, thereby reducing Bolivia's annual wheat import bill in 1990 by about 40,000 metric tons or fifteen percent. This represents considerable progress towards the central USG policy objective of the PL 480 Title III program, which is food self-sufficiency.

Counterpart loan monies provided under the Microenterprise Development project have permitted some 3,000 small merchants and producers (30 percent women) to significantly increase their incomes. Other small enterprise loan programs using Title III monies have had similar impact.

Resources have been utilized to develop a master action plan for the country's environmental PVOs, environmental impact studies, an ecological map of Bolivia, and park management programs. GOB self-help progress in this area has also been good, with the establishment of a new office for the environment in the Ministry of Agriculture, commitment to designate national parks, progress towards the country's first environmental law, and a five year moratorium on concessions for developing new lands.

Education programs, such as campesino scholarships and radio learning, have also had considerable impact. The former program provides educational opportunities to over 1,000 campesino youth per year, of which a significant percentage are women. The drop-out rate is virtually nil, and youth in the program achieve 50 percent higher grades than the national average.

Public and private sector health programs financed by Title III show impact at all levels, particularly improvement of the quality of health care of mothers and children under five years old, and the successful national immunization programs would not take place without Title III funding.

The flexibility of the new Title III legislation has permitted USAID and the Executive Secretariat to begin exploring ways to set up an institution independent of government control which would fund important agribusiness and other private sector investment initiatives, perhaps taking advantage of the experience of similar institutions in Chile, Costa Rica and Colombia. USAID and the Executive Secretariat are also seeking ways to provide substantial amounts of local currency for on-lending by the Latin American Agribusiness Development Corporation (LAAD). Meanwhile, resolution of major issues relating to close-out of the 1978 and 1986 agreements remains blocked due to the DCC's failure to act.

511 BOLIVIA
1990

4. LOCAL CURRENCY UTILIZATION
(\$0000)

SOURCES

USES	ESF	PL 480 I	PL 480 II	PL 480 III	SEC 416	OTHER	TOTAL
HG BUDGET GENERAL							
HG BUDGET ATTRIBUTED							
HG CONTRIBUTION TO AID PROJECTS	2,500			9,100			11,600
HG CONTRIBUTION TO OTHER DONOR PROJECTS	2,000						2,000
HG MANAGED L/C PROJECT				10,900			10,900
AID MANAGED L/C PROJECT							
AID OE TRUST FUND	2,000						2,000
AID PROJECT TRUST FUND							
SECTION 108							
OTHER *	11,500		3,200				14,700
TOTAL	18,000		3,200	20,000			41,200
CHANNEL FOR ASSISTANCE							
PUBLIC SECTOR	3,500			6,700			10,200
PRIVATE SECTOR	3,000		3,200	13,300			19,500
TOTAL	6,500		3,200	20,000			29,700

* TITLE II MONETIZATION
ESF NOT MONETIZED

SOURCES

USES	ESF	PL 480 I	PL 480 II	PL 480 III	SEC 416	OTHER	TOTAL
HG BUDGET GENERAL							
HG BUDGET ATTRIBUTED							
HG CONTRIBUTION TO AID PROJECTS	12,000			11,600			23,600
HG CONTRIBUTION TO OTHER DONOR PROJECTS	30,400						30,400
HG MANAGED L/C PROJECT				8,400			8,400
AID MANAGED L/C PROJECT							
AID OE TRUST FUND	7,600						7,600
AID PROJECT TRUST FUND							
SECTION 108							
OTHER *	16,000		4,500				20,500
TOTAL	66,000		4,500	20,000			90,500
CHANNEL FOR ASSISTANCE							
PUBLIC SECTOR	44,200		4,500	7,700			56,400
PRIVATE SECTOR	5,800			12,300			18,100
TOTAL	50,000		4,500	20,000			74,500

* TITLE II MONETIZATION
ESF NOT MONETIZED

4. LOCAL CURRENCY UTILIZATION
(\$000)

511 BOLIVIA
1992

SOURCES

USES	ESF					TOTAL
	PL 480 I	PL 480 II	PL 480 III	SEC 416	OTHER	
HG BUDGET GENERAL						
HG BUDGET ATTRIBUTED						
HG CONTRIBUTION TO AID PROJECTS	21,000		11,000			32,000
HG CONTRIBUTION TO OTHER DONOR PROJECTS	40,000		9,000			49,000
HG MANAGED L/C PROJECT						
AID MANAGED L/C PROJECT						
AID OE TRUST FUND	4,000					4,000
AID PROJECT TRUST FUND						
SECTION 108						
OTHER *	26,000	4,900				30,900
TOTAL	91,000	4,900	20,000			115,900
CHANNEL FOR ASSISTANCE						
PUBLIC SECTOR	55,000		7,000			62,000
PRIVATE SECTOR	10,000	4,900	13,000			27,900
TOTAL	65,000	4,900	20,000			89,900

* TITLE II MONETIZATION
ESF NOT MONETIZED

4. LOCAL CURRENCY UTILIZATION
(\$000)

511 BOLIVIA
1993

SOURCES

	CCC L. L. TUV I	DN ADA I I. L. TUV I	DN ADA II I. L. TUV II	DN ADA III I. L. TUV III	SEC 41C L. L. TUV	OTHER L. L. TUV	TOTAL L. L. TUV
HG BUDGET GENERAL							
HG BUDGET ATTRIBUTED							
HG CONTRIBUTION TO AID PROJECTS	21,000		8,000				29,000
HG CONTRIBUTION TO OTHER DONOR PROJECTS	40,000		12,000				40,000
HG MANAGED LJC PROJECT							12,000
AID MANAGED LJC PROJECT							3,000
AID CE TRUST FUND	3,000						
AID PROJECT TRUST FUND							
SECTION 108							
OTHER *	32,000		4,900				36,900
TOTAL	96,000		20,000				120,900
CHANNEL FOR ASSISTANCE							
PUBLIC SECTOR	54,000		7,000				61,000
PRIVATE SECTOR	10,000		13,000				27,900
TOTAL	64,000		20,000				88,900

* TITLE II MONETIZATION
ESF NOT MONETIZED

**TABLE 4
SUMMARY PROGRAM FUNDING TABLE
DOLLAR PROGRAM BY FUNCTIONAL ACCOUNT**

PROJECT TITLE AND NO.	FY 91	FY 92	FY 93
DEVELOPMENT ASSISTANCE			
 ARDN			
 SUBTOTAL	8,108	5,900	5,500
 POPULATION			
 SUBTOTAL	1,046	4,400	1,625
 HEALTH			
 SUBTOTAL	354	0	0
 CHILD SURVIVAL			
 SUBTOTAL	6,269	7,500	6,385
 AIDS			
 SUBTOTAL	400	1,000	1,000
 EDUCATION			
 SUBTOTAL	2,080	1,696	2,550
 ENVIRONMENT & ENERGY			
 SUBTOTAL	0	2,050	4,000
 SPECIAL DEVELOPMENT ACTIVITIES			
 SUBTOTAL	4,299	3,454	4,766
 SUBTOTAL DA	22,556	26,000	25,826
ECONOMIC SUPPORT FUND			
 BALANCE OF PAYMENTS	66,000	91,000	96,000
 PROJECTS	11,000	39,000	34,000
 SUBTOTAL ESF	77,000	130,000	130,000
P.L. 480			
 TITLE II	14,900	14,500	14,500
 TITLE III	20,000	20,000	20,000
PROGRAM TOTAL	134,456	190,500	190,326

IV. ISSUES

1. Constancy of Funding: Can the Mission expect to receive the amounts and categories of funding required to carry out its program?

USAID/Bolivia has already been cut in FY 1991 and FY 1992 - the first two years of NSD-18 - by \$18 million in ESF and \$7.5 million in DA, respectively. This has necessitated extensive reprogramming and laid the basis for possible negative interpretations by the GOB of the USG commitment to move ahead on our objectives.

2. OE constraints: We endorse recent efforts to streamline Agency operations and would like AID/W's approval to simplify what we consider to be unnecessary paperwork, e.g. project design documentation for follow-on projects as well as consideration that the necessity for a new CDSS be dropped.

We intend to develop strategy statements for all five of our objectives. Our program has expanded dramatically with attendant design, implementation and evaluation requirements. At the same time, our staff has not expanded to any significant extent. As mentioned in our cable in March responding to AA/LAC Michel's concerns, we are already taking strong internal efficiency measures and would like some measure of relief from AID/W, also.

3. Closing out old PL 480 Title III Accounts: USAID/Bolivia considers that the GOB has made all required deposits and has duly disbursed all local currency under the 1978 Title III Agreement. We need a timely resolution of the Agreement's status. USDA/CCC has not yet authorized USAID to formally advise GOB that full forgiveness has been achieved. Meanwhile, the GOB is holding re-flows which are necessary to provide very important counterpart funding for some of our projects (e.g., National Rural Household Survey) in abeyance until this issue is resolved. Also, USDA still has not approved the fourth amendment to the 1986 Title III Agreement. This delay is also holding up funds.

4. Debt Reduction: The Mission is interested in utilizing debt reduction mechanisms (PL 480, Enterprise for the Americas, etc.) as a means of advancing our economic objectives. We would like to receive a more regular flow of information on this topic, particularly whether opportunities exist in FY 1991 to pursue this approach.

Appendix A
USAID/Bolivia Workplan

LAC OBJECTIVE I: Support the Achievement of Broadly-based, Sustainable Economic Growth.

LAC Subobjective A:

Encourage the adoption of and continued adherence to economic policies that promote investment, productive employment and export-led economic diversification.

1. Mission Objective: Reinforce and support GOB ability to formulate and maintain sound macroeconomic policy.

- Establish a formal mechanism to implement the Mission's macroeconomic policy dialogue, including participants (Mission, other donors, and GOB), schedule of meetings and agenda (April 1991).
- Develop the necessary tools to help the GOB prepare its five year strategic plan (April 1991).
- Organize and conduct an international seminar with the participation of the Economic Cabinet and economists with experience in advising other LA Countries to discuss and review the Bolivian five year strategic development plan (May 1991).
- Develop a short-run macroeconomic model to assess progress on the stabilization program and its impact on monetary, fiscal and exchange rate policies (Quarterly).
- Prepare the first draft of an Export Law including its structuring and its relationship to the Bolivian general economic policy (March 1991).
- Complete an analysis of the Bolivian wheat policy to assess the implications of subsidies or non-subsidies in terms of national macroeconomic policies (July 1991).
- Develop sectorial indicators which will be used to evaluate the impact of macrosectorial policies in agriculture, industry and commerce with emphasis on exports, hydrocarbons and mining in support of the GOB'S plan to consolidate the stabilization program and initiate reactivation of the economy (December 1991).

2. Mission Objective: Increase the volume, value and range of non-coca exports.
 - Begin foreign investment promotion operations (November 1991).
 - Reexamine mechanisms for export credit and explore alternatives (June 1991).
 - Study the feasibility of establishing a Free Trade Zone in El Alto (June 1991).
 - Finalize a program monitoring system to measure the results of the Mission's export promotion efforts, focusing on job creation and increases in non-traditional exports (May 1991).
 - Establish \$6 million LAAD credit line for medium-sized agribusiness exporters (September 1991).

LAC Subobjective B:

Encourage increased investment opportunities for the disadvantaged.

1. Mission Objective: Improve the health of mothers and of children under five years.
 - Initiate implementation of a follow-on CARE project to provide integrated community development, including water, sanitation, health and agriculture in small rural communities (March 1991).
 - a) Establish indicators and instruments for measuring incidence of diarrhea and dehydration, and nutritional status of children (May 1991).
 - Initiate implementation of a follow-on project via private/public partnership for self-financing primary health care, serving urban and peri-urban areas of Santa Cruz, La Paz and El Alto (June 1991).
 - a) Purchase, rehabilitate and staff the PROSALUD reference Hospital in Santa Cruz (November 1991).
 - b) Establish Management Support Unit for administering primary health care systems in La Paz and El Alto (July 1991).
 - c) Staff, equip and begin provision of services of five clinics in La Paz, and four clinics in El Alto (December 1991).
 - Initiate implementation of a follow-on project to a local PVO network to reduce maternal and infant mortality through improving coverage and quality of child survival programs in rural areas (August 1991).

- a) Reorganize the local PVO network in three functional units:
(1) Processing/administration of subgrants, (2) Provision of technical assistance to member PVOs, and (3) Coordination and Information Management System (December 1991).
- Initiate implementation of several major components, including training, operations research, and services of the new Reproductive Health project (October 1991).
 - a) Design national information education and communication strategy designed (April 1991).
 - b) Establish baseline data on maternal, child and reproductive health use and coverage in Cochabamba (October 1991).
 - c) Modify reproductive health policies and programs based on published reports on secondary analysis of the 1988 Demographic and Health Survey (November 1991).
- In consultation with the Ministry of Health, Donors, PVOs and NGOs refine and implement plans for an expanded immunization program, AIDS, Reproductive Health, Chagas, Vitamin A and other appropriate Child Survival interventions (December 1991).

LAC OBJECTIVE II: Support the Evolution of Stable, Democratic Societies.

- 1. Mission Objective: Improve the independence, accountability, efficiency, fairness and accessibility of key democratic institutions at the national and local level.

LAC Subobjective A:

Encourage the strengthening of competent civilian government institutions that will merit the confidence of political and military leaders, citizens and investors.

- 1. Judicial System Improvement.
 - Send Public Prosecutor Draft Law to Congress (August 1991).
 - Establish National Commission for the improvement of the Administration of Justice with representatives from the Supreme Court, Congress, the Executive Branch and Bar Associations (September 1991).
 - Complete design for tracking management of criminal case flow by the District courts (December 1991).

- Complete design for implementation of new financial accountability law ("SAFCO") in the Judicial Branch Treasury and the District Courts (May 1991).
 - Establish private arbitration chamber with participation from the Bolivian Chamber of Commerce and other institutions and groups, with assistance from the Inter-American Bar Foundation, the International Development Law Institute, and others (October 1991).
2. Electoral System Consolidation.
- Automate voter registry with fraud screening system installed at National Electoral Court and 10 Departmental Electoral Courts (December 1991).
 - Train 50,000 citizens chosen by lot to serve as voting table authorities in time for December 1 nationwide municipal elections (December 1991).
 - Voter registration, get-out-the-vote, and voter education campaigns are conducted by the National Electoral Court in connection with the December 1 nationwide municipal elections (December 1991).
3. Legislative Process Upgrading
- Design Bicameral Legislative Assistance Unit to assist legislators with bill drafting and fiscal/budget analysis tasks (December 1991).
 - Full-text automated retrieval system for legislative data base starts operating in Congress ("YATIRI") (December 1991).
4. Financial and Fiscal Control Improvement.
- Implement basic government fiscal and financial controls in 5 percent of public institutions under the World Bank/USAID SAFCO Project (December 1991).
 - Conduct a high level workshop on controlling corruption and legal system reform with the participation of 12 to 25 Bolivian officials. The purpose will be to consider examples of successful anti-corruption strategies in other countries in order to analyze problems, causes and possible strategies for Bolivia (May 1991).
5. Strengthening Local Governments.
- Update the 1988 Urban Development Assessment in order to incorporate issues related to municipal government (July 1991).
 - Establish a forum and conduct two national workshops to address key policy issues that affect municipal capacity to manage urban growth and urban economic development (November 1991).

- Implement a training and skills building program in economically significant municipalities to structure policies and address local needs with the business, civic and community sectors (December 1991).

LAC Subobjective B:

Encourage pluralism, tolerance of opposing views and support for democratic values on the part of non-governmental bodies, including the press, community organizations, labor unions and business associations.

1. Support Civic and Community Organizations.

- Establish a private national organization to provide urban development services to local governments, private entrepreneurs, and civic and community groups (July 1991).
- Conduct a national workshop for the design and creation of a private national organization for consumer protection (December 1991).
- Design a small business program to improve women's participation in economic activities under the PL 480 Title II Program (December 1991).

2. Non-Partisan Labor Development.

- Conduct two national symposiums for democratic labor leaders from various trade organizations. One symposium will take place shortly before the annual congress for election of the Bolivian Labor Confederation (June, August 1991).

3. Responsible Press Development.

- Establish an interagency steering committee composed of representatives from EMB, USIS and USAID (April 1991).
- Conduct an inventory and assessment of journalistic skills resources in Bolivia (June 1991).
- Conduct meetings with print and electronic media to reconcile their needs with our proposed course of action (September 1991).

LAC OBJECTIVE III: Respond to Needs for International Cooperation in Addressing Specific Challenges to the Attainment of Broadly-based Sustainable Economic Growth and the Evolution of Democratic Societies.

LAC Subobjective A:

Contribute to the formulation and implementation of USG strategies for dealing with issues of particular concern, such as drugs, terrorism and environmental degradation.

1. Mission Objective: To increase investment, productivity, and employment from non-coca activities.
 - Administer National Rural Household Survey (NRHS) to establish baseline data on rural employment and incomes (July 1991).
 - Complete preliminary analysis of NRHS data (December 1991).
 - Undertake a program to involve the private sector in marketing alternative agricultural products from rural areas of Cochabamba and establish a marketing unit in PDAR (December 1991).
 - Conduct an inventory of water resources and a feasibility study for the design of a watershed management program in the Associated High Valleys of Cochabamba (May 1991).
 - Identify areas with high economic potential to target for rural electrification (June/July 1991).
 - Establish a 3-tiered marketing system (bulking centers, regional markets, terminal markets) between the Chapare and Santa Cruz for marketing alternative crops (December 1991).
 - Establish an investment program which will promote foreign investment in Bolivia (December 1991).
 - Establish a PRODEM office in Cochabamba to stimulate additional employment and increased incomes of borrowers (June 1991).
 - Get agreement of PL 480/USAID/GOB to develop a private sector investment foundation to manage Title III local currency resources more effectively (December 1991).
 - Get agreement of PL 480 Executive Secretariat to on-lend a substantial amount of local currency to LAAD for agribusiness loans (December 1991).
 - Implement a new Title II Strategy which places increased emphasis on food for work programs (March 1991).
 - Develop at least two programs in the "Más allá de las Hechos" TV series on Alternative Development programs and strategies (December 1991).

- Develop at least two seminars/workshops dedicated to the theme of Alternative Development as a means of reducing coca production, processing and illegal consumption (December 1991).
- Develop training and education materials on Alternative Development and targets to "at risk" groups most affected by drug production and use (October 1991).
- Develop at least two radio/TV spots promoting Alternative Development as a means of coping with drug problems (December 1991).
- Through SUBDESAL and CESE (a) train one communications technician to develop and broadcast radio spots in Spanish, Aymara and Quechua promoting Alternative Development in Chapare area (October 1991).
- Train community workers to discourage coca production, processing and illegal consumption (October 1991).

Appendix B
New Project Descriptions

A. Introduction

USAID/Bolivia will continue to consolidate its project portfolio during the Action Plan period. The challenge of effectively utilizing significantly increasing program resources as a result of NSD-18 without corresponding increases in staffing has forced us to design and implement fewer, larger, more focused projects. The attached NPDs are integral to the successful pursuit of the five Mission objectives described earlier in this Action Plan. The New Project Descriptions (NPDs) reflect this trend.

Two NPDs are presented for FY 1991 and represent funding increases for activities approved in previous Actions Plans. Six new projects or project amendments are proposed for FY 1992. Only one of these, Natural Resource Management, is a new activity. This project, together with Forestry Management, responds to increasingly serious and neglected environmental problems in Bolivia. It is also designed to ensure that USAID financed Alternative Development interventions are carried out with environmental prudence. The other five projects are either amendments, existing projects, follow-ons to projects terminating in FY 1992-1993 or resubmissions of projects reviewed and approved for FY 1991 in last year's Action Plan. One new start, Forestry Management, is scheduled for FY 1993.

NEW PROJECT DESCRIPTION

LAC Bureau Objective: I. Support the achievement of broadly based sustainable economic growth.

Subobjective: B. Increase investment opportunities for the disadvantaged.

Project Title: Child Survival PVO Network II

Project No.: 511-0620

Funding: FY 1991: \$5.0 million LOP: \$3.0 million
FY 1992: None

Type of Funding: Child Survival Account

A. Consistency of Project with Mission Strategy

The project's goal, to reduce maternal and child mortality, is one of the five Mission strategy objectives.

B. Relationship to A.I.D. and Other Donor Activities

Coordination of Child Survival activities is one of the primary project activities. Providing technical assistance and training to US PVOs improves their abilities to implement AID centrally funded Child Survival projects. Other donors, such as UNICEF, the World Bank and FAO are being encouraged to provide grant resources to the network and have participated in past activities and workshops.

C. Relationship of Project to Overall A.I.D. Policy Objectives

The project coincides with AID's policy objectives by assisting the private sector to improve the quality of human life and expanding the range of individual opportunities by reducing malnutrition and improving health and social well-being.

D. Project Description

Following on the very successful Child Survival Network I project, the project will strengthen the technical, management and service delivery capacity of PVOs working in health, child survival and community development in Bolivia and will enhance the coordination of development

activities among these PVOs. PROCOSI, an association of PVOs, will provide technical assistance, training, coordination, Child Survival materials, and make sub-grants to members through an executive secretariat governed by a Rotating Executive Committee of PVO Directors.

E. Planned Implementation Arrangements

An Operational Program Grant will be signed with PROCOSI, a registered Bolivian association of US and Bolivian PVOs working in Child Survival. USAID is investigating the possibility of using project funds for a debt-for-development swap to establish an endowment to permit PROCOSI to cover future operational costs.

F. Sustainability

By strengthening the administration of PROCOSI, the project will greatly improve its ability to attract financial support from other donors which have expressed interest in channeling donations through the association. By providing administrative and technical assistance to member PVOs, PROCOSI will improve the sustainability of those organizations and improve the quality and implementation of its child survival projects. Additionally, PROCOSI will be requiring funding from member PVOs to support its operational expenses. Finally, if the debt-for-development swap can provide an endowment, PROCOSI will be able to cover operational and program costs from this source into the foreseeable future.

G. Mission Management Role

Since the project will be an OPG, it will make minimal demands on the HHR office. One of the original interests of the Mission in PROCOSI was to create a mechanism for assisting PVOs without the excessive management burden of funding many individual grants. The new project anticipates managing up to 50 sub-grants in Child Survival.

H. Potential Issues

The feasibility of the proposed debt-for-development swap will be resolved during the development of the Project Paper. Currently the Mission has available \$2.0 million to obligate from the FY 91 OYB. In order to take full advantage of the possibilities offered by the debt-swap, up to \$5.0 million should be obligated this FY. We will be exploring the availability of additional funds for this purpose with the LAC Bureau.

PROJECT AMENDMENT DESCRIPTION

LAC Bureau Objective

III. Respond to needs for international cooperation in addressing specific challenges to the attainment of broadly based sustainable economic growth and the evolution of democratic societies.

Subobjective:

Support USG foreign policy initiatives that can benefit from AID resources and expertise, such as disasters, epidemics, and resettlement of displaced persons.

Project Title:

AIDS/STD Prevention and Control Project

Project Number:

511-0608

Funding:

FY 91: \$204,000: Health LOP: \$4.0 million
\$400,000: AIDS

Type of Funding:

AIDS Account

A. Consistency of Project with Mission Strategy

The project is consistent with our concern for individuals and the development of their economic and social well-being and our provision of humanitarian assistance to those who suffer from natural or man-made disasters.

B. Relationship to A.I.D. and Other Donor Activities

USAID will continue to closely coordinate with other donors (PAHO, UNICEF, bilateral donors) to assure implementation of the GOB's national AIDS plan.

C. Relationship of Project to Overall A.I.D. Policy Objectives

The project coincides with AID's policy objectives by reducing the incidence and transmission of AIDS and Sexually Transmitted Diseases (STDs), especially because of their potential to undermine child survival efforts.

D. Project Description

The major project components will include prevention, education, blood screening strategy, HIV/STD testing, training, and quality control in laboratories and blood banking systems, surveillance, and treatment.

This amended project will be redesigned to establish a capacity to develop and implement cost-effective surveillance, information, education, and intervention strategies in support of projecting future trends in and reducing the transmission of STDs, HIV infection, and AIDS. The project shall assist participating government and non-government organizations in related activities specified in the national medium-term plan for AIDS prevention and control. Technical assistance will allow the Ministry of Health to treat the extent of the problem as well as to establish a system that will track the characteristics of HIV transmission and AIDS and STDs cases.

The project will focus on the design and implementation of activities regarding educating the public and relevant professional groups about AIDS and STD prevention, and develop and implement prevention and intervention strategies to reach those most at risk, including pregnant women and young adults.

The project also will introduce new interventions which may become available with the changes in the epidemiology and treatment of AIDS and STDs.

E. Planned Implementation Arrangements

The project will work through a number of implementing agencies such as AIDSTECH, AIDSCOM, CDC, which will provide technical assistance in epidemiology, training, public health communications, laboratory and blood banking systems, sexually transmitted disease diagnosis and treatment, applied and behavior research, information, communication strategies and methods for control and prevention of AIDS and STDs.

F. Sustainability

Efforts will be made to make the project sustainable. Innovative small projects will charge fees for services. These projects will be aimed specifically at AIDS/STD prevention, education, and control, especially with community based organizations whose active participation may be critical to effective program management and implementation.

G. Mission Management Role

Since the project will be implemented by AID Contractors/Cooperating Agencies/PASAs, the Mission role will be to define, monitor, and coordinate project implementation activities.

H. Potential Issues

The terms of the GOB's national medium term plans should be revised to include the prevention and control of AIDS and STDs under one project. AID support will be limited to components which USAID/Bolivia can readily access technical assistance in order to implement major program areas.

NEW PROJECT DESCRIPTION

LAC Objective: Support the achievement of broadly based sustainable economic growth.

Subobjective: Encourage the adoption of and continued adherence to economic policies that promote investment, productive employment, and export-led economic diversification.

Project Title: Technical Support for Policy Reform

Project No.: 511-0616

Funding: FY 1992: \$1.5 million LOP: \$8.0 million

Type of Funding: PSEE Account

A. Consistency of Project with Mission Strategy

The project directly contributes to the objective of maintaining sound economic policy as it will provide the necessary means to help the GOB adopt the required policy measures needed to assure economic stabilization and growth, while transforming its economy to greater reliance on legitimate sources of foreign exchange, income and employment as alternatives to illegal coca.

B. Relationship to A.I.D. and Other Donor Activities

This project will improve USAID/Bolivia's support to the Bolivian private and public sectors in the area of policy and institutional reform and will support the implementation of the GOB's and USG Alternative Development Program.

C. Relationship of Project to Overall A.I.D. Policy Objectives

See A and B

D. Project Description

As a follow-on to the original Policy Reform project, this project will have two elements. The first element will continue to implement GOB macroeconomic and sectoral policy reforms aimed at reactivating productive economic activity through the operation of the Policy Analysis Unit (UDAPE). The second element will expand a program support fund which will address key policy and institutional reform issues.

Under the new project, a strengthened Policy Analysis Unit (UDAPE) will continue to produce analyses for GOB decisionmakers to elaborate short to medium range economic policy. UDAPE will also begin to develop longer term economic plans in support of the GOB development strategy with the participation of highly qualified Bolivian economists.

In addition, a Track II Component of the project will be expanded to respond to the requirements of the GOB, the private sector and the Mission, as we address economic policy, institutional reform and Alternative Development issues. Some illustrative areas of work may include: 1) economic and trade policy; 2) investment climate improvement; 3) financial markets and their regulatory agencies; 4) policies to encourage agricultural production and agro-processing; 5) health and human resources policies; and 6) policies to strengthen democracy. The Track II Component will also assist the GOB and the Mission to improve the implementation of the Alternative Development Program. Specifically, the program will focus on finding new sources of foreign exchange and increasing employment opportunities.

The activities financed will include, illustratively:

- studies and data collection;
- short and long-term consultancies;
- training;
- publications;
- workshops; and
- public education.

While it is true that the Mission has existing projects which finance these types of activities, the new project proposed here is needed to address, on a responsive basis, policy and institutional issues which fall outside the more narrowly targeted scope of those existing projects.

E. Planned Implementation Arrangements

Funds will be obligated through a bilateral agreement. The macroeconomic policy analysis unit will be implemented by UDAPE with the assistance of an institutional contractor. The Mission will retain the ability to execute grants and contracts for the expanded Track II Component.

F. Sustainability

Funding for the proposed activities will be provided over a five year life of project. Operational costs of UDAPE will be absorbed by the GOB at the end of the project. It is expected that the project will have a long-term positive economic impact in terms of policies promoted, analyzed, and adopted, and institutions improved.

G. Mission Management Role

The Program Office will directly manage the UDAPE portion of the project. An executive committee chaired by the Program Office, and composed of the Offices of Project Development, Private Sector, Health and Human Resources and Agricultural and Rural Development will be responsible for approval, implementation and monitoring of the expanded Track II component.

H. Potential Issues

1) In order to provide sufficient overlap with the current Policy Reform Project which will terminate on August 31, 1991, the current project needs to be extended through June 1992 to allow sufficient time to receive FY 1992 funds to obligate this new project.

2) This proposed project is essentially a follow-on project to Policy Reform 511-0571. In addition, the type of project contemplated is designed to be simple, straightforward, and to respond quickly to technical assistance and research needs as they develop. As such, and in accordance with Handbook 3, Chapter 4, Special Project Activities - Exceptions to the General Project System, USAID/Bolivia recommends that a PID be prepared for the proposed project, but that a Project Paper not be undertaken in order to eliminate both unnecessary analyses and internal AID paperwork.

NEW PROJECT DESCRIPTION

LAC Objective: Respond to needs for international cooperation in addressing specific challenges to the attainment of broadly based sustainable economic growth and the evolution of democratic societies.

Subobjective A: Contribute to the formulation and implementation of USC strategies for dealing with issues of particular concern, such as drugs, terrorism, and environmental degradation.

Project Name: Natural Resource Management

Project Number: 511-0621

Project Funding: FY 1992: \$2.0 million LOP: \$10.0 million

Functional Account: ARDN/Environment Funds

Relationship to Mission Strategy:

Environmental management is now seen as an urgent need in Bolivia, and as a major cross-cutting issue for USAID. The project directly supports the USAID Alternative Development objective by providing viable sources of income to rural producers who are potential participants in the coca/cocaine industry.

Relationship to A.I.D. and other Donor Activities:

This project is a necessary complement to our Alternative Development Program, which is placing heavy emphasis on expanded agriculture, particularly under irrigation. In addition, management of the areas immediately surrounding national parks is recognized as having as much, or even more, impact on the situation within the parks, as does the actual management of the parks. The areas included in this project are not only susceptible to severe environmental degradation, but are also susceptible to expansion of coca production and processing if viable alternative economic development alternatives are not present.

Relationship to Overall A.I.D. Policy Objectives:

The Government of Bolivia is actively seeking financial resources to begin managing its natural resource base and biodiversity. At the November 1990 Paris Club meeting, the donors almost unanimously volunteered to finance environmental activities in Bolivia. USAID/Bolivia, by implementing this project, will take the lead in transforming these commitments into specific actions. This example will influence other donors to also begin more specific support activities.

Project Description:

The goal of the project is to enhance sustainable natural resource utilization and biodiversity. The purpose is to introduce economically viable alternatives for environmentally sound use of Bolivia's natural resources, while at the same time preserving its biodiversity through the national parks system.

The project consists of two major components: watershed management and management of areas contiguous to national parks. The first component will provide technical assistance to governmental and local non-governmental organizations to develop and implement management plans, strategies, and policies to effectively restore the severely degraded watersheds. An analysis will be done to identify the nature and severity of the degradation as well as to provide a data base with which to measure environmental change. Training activities will be held for the Bolivian private and public sectors to increase awareness of the problem and to initiate appropriate corrective measures. Activities may include the management of selected watersheds, mitigation of soil salinity, irrigation use and related production, soil conservation, and reforestation. Recommendations made in the recently completed US Corps of Engineers National Water Resource Study will also be reviewed.

The second component will improve the economic viability, in an ecologically sound manner, of areas surrounding several national parks and act as a mechanism to control the expansion of coca producing areas. Several indigenous associations have approached USAID with a request to assist them to utilize their lands in a manner which will improve their incomes, as well as be consistent with sustaining the natural resource base. Much of what has already been learned through the Chapare Regional Development Project concerning tropical agricultural systems can also be applied here. Additional extension efforts will be required to disseminate this knowledge, as will some additional research. Improved management techniques will increase incomes from licit areas and promote appropriate environmental practices. The project will also examine the feasibility of introducing traditional indigenous agricultural practices in various ecological niches.

The project will also examine the feasibility of introducing traditional indigenous agricultural practices in various ecological niches.

Implementation Arrangements

This bilateral project will be implemented through several public and private sector organizations which are active in the geographical areas encompassed by the project, using the newly created GOB sponsored fund for the environment as the overall administrator of the funding. Particular attention will be given to working with associations which represent the indigenous populations living around the selected national parks. Gender specific considerations will be identified during the project design. This approach will facilitate collaboration between all key participants, including other donors, and beneficiaries. A US institutional contractor will provide the technical assistance, training and procure commodities, as needed.

Sustainability of Proposed Activities:

Since the project is designed to sustain improved incomes of rural populations through non-coca activities, sustainability will be a function of the ability to identify economically sound interventions which are ecologically prudent as well. No new institutions are envisioned, as the project will strengthen the relevant ones which already exist at some level of influence and activity.

A successful project will stimulate further national concern for the future preservation of Bolivian environmental resources.

Mission Management Role:

The project will be managed by the Mission's USDH Environmental Officer, who will oversee an institutional contractor providing the technical assistance and training inputs.

Potential Issues or Innovative Program Approaches:

The project will be implemented through two innovative approaches. Use of the Environmental Fund as the umbrella administrator for the funding will enhance cooperation among both Bolivian institutions and other donors. The second, is to bring together the producer, environmental and indigenous organizations to work toward a common goal. Historically, these groups have viewed each other with great suspicion, and consequently, little cooperation exists, even when the groups have had a common perspective.

NEW PROJECT DESCRIPTION

LAC Bureau Objective

III. Respond to needs for international cooperation in addressing specific challenges to the attainment of broadly-based sustainable economic growth and the evolution of democratic societies.

Subobjective A:

Contribute to the formulation and implementation of USG strategies for dealing with issues of particular concern, such as drugs, terrorism, and environmental degradation.

Project Name:

Forestry Management

Project Number:

511-0613

Project Funding:

FY 1993: \$2.5 million LOP: \$10.0 million

Functional Account:

ARDN/Environment Funds

Relationship to Mission Strategy:

This new project directly supports the Alternative Development strategic program objective by improving the sustained productivity of Bolivia's forest resources as a source of employment and foreign exchange earnings. It also is consonant with the Mission's cross-cutting theme of improved natural resource management.

Relationship to A.I.D. and other Donor Activities:

The project focus is on one of Bolivia's actual major non-traditional export crops, i.e., wood and wood products. Although several bilateral and multilateral donors have programs designed to increase agricultural productivity in the eastern lowlands, none are designed to improve the management of the primary and secondary growth forests in this region. Also, the Mission's proposed follow-on project in the Chapare will not include forestry management. This project will thus provide a complementary approach to the other projects in the region which are either primarily or secondarily improving foreign exchange earnings, as well as enhance those being implemented in ecologically sensitive areas.

Relationship to Overall A.I.D. Policy Objectives:

Sustainable natural resource management and preservation of biodiversity are two themes which have been singled out for particular

attention by both AID and the US Congress. The Mission has taken a leadership role in discussing environmental policy with the GOB, and this project will provide a much needed follow-up to begin to implement that policy. The project will also have long-term impacts on economic policy decisions as well as on legislative actions.

Project Description:

The goal of the project is to enhance sustainable natural resource utilization and biodiversity. The purpose is to introduce more economically and environmentally sound practices into the forestry sector.

Loss of forests and consequential degradation of Bolivia's soils has been a fact of life since colonial times. This project will reverse that dangerous trend through two components by providing technical assistance and training in sustainable forestry management and improved utilization to both timber producers and the timber extraction and processing industry.

The first component will focus on sustainable production and utilization of high value tropical hardwoods, e.g. mahogany, which are rapidly being depleted from the natural forests. The second component will improve the utilization of secondary growth forests which are more commonly found in and around the Chapare, and which have the potential as an alternative source of income to coca production.

The project will place a heavy emphasis both on sustained production, including natural regeneration or nursery management, as well as on optimizing the utilization of forestry products. The project will also identify and promote the use of economic alternatives to timber extraction. It will build upon the information gathered during the Rural Household Survey and other preliminary research to insure that all interventions are appropriate to any gender related considerations of the targeted beneficiaries.

Implementation Arrangements:

The project will be implemented through several private and public sector organizations which are active in the geographical areas encompassed by the project, using the newly created GOB environmental fund for the environment as the overall administrator of the funding. This approach will facilitate collaboration between all key participants, including other donors, and beneficiaries. A US institutional contractor will provide the technical assistance, training, and procure commodities, as needed.

Sustainability of Proposed Activities:

Since the project is one designed to improve the efficiency of forestry production and utilization, sustainability will be a function of the ability to identify economically sound interventions which are

ecologically prudent as well. No new institutions are envisioned, as the project will strengthen the relevant ones which already exist at some level of influence and activity.

Mission Management Role:

The project will be managed by the Mission's USDH Environmental Officer, who will oversee an institutional contractor providing the technical assistance and training inputs.

Potential Issues or Innovative Program Approaches:

The project will be implemented through two innovative approaches. The first will be to use the Environmental Fund as the umbrella administrator for the funding. This will enhance cooperation among both Bolivian institutions and other donors. The second, is to bring together the industry and environmental and indigenous organizations to work toward a common goal. Historically, these groups have been antagonists, and little, if any, constructive dialogue has existed among them.

NEW PROJECT DESCRIPTION

LAC Bureau Objective: I. Support the achievement of broadly-based sustainable economic growth.

Subobjective: Encourage the adoption of and continued adherence to economic policies that promote investment, productive employment, and export-led economic diversification.

Project Title: FY 1992 Balance of Payments

Project Number: 511-0604

Funding: FY 92: \$91.0 million

Type of Funding: Economic Support Fund (NSD-18)

A. Consistency of Project with Mission Strategy:

The project goal and the Mission strategy are one and the same: to implement sound economic policy in Bolivia and support counternarcotics activities.

B. Relationship to A.I.D. and Other Donor Activities

The GOB negotiated a three year Enhanced Structural Adjustment Facility (ESAF) with the IMF which was approved in mid-1988 and is currently under implementation. A new agreement for the second year of the ESAF was also negotiated with the Paz Zamora Government and has been successfully complied with to date. Debt rescheduling took place under Paris I in 1986, Paris II during November 1988, and Paris III in March 1990. The last debt rescheduling was under the "Toronto Debt Relief Terms," which was extended heretofore only to sub-Saharan countries.

C. Relationship Project to Overall A.I.D. Policy Objectives

The ESF balance of payments assistance program supports the basic goals of USG policy in Bolivia, which are: a) support for a stable and democratic government and institutionalization of the democratic process, b) private sector led economic recovery and promotion of self-sustaining economic growth, and c) narcotics control.

D. Project Description

The goal of this program is to implement sound economic and counternarcotics policies in Bolivia. The purpose of the program is to provide balance of payments assistance in support of the Government of Bolivia's Economic Stabilization and Reactivation Program and counternarcotics program.

From 1982 to 1985, economic conditions in Bolivia worsened considerably. By 1985, inflation exceeded 12,000 percent per annum, the price of the country's major export (tin) collapsed, debt servicing was a growing problem, the budget deficit was increasing, and real GDP had declined every year since 1981. The government that assumed power in 1985 adopted the so-called New Economic Policy which focused on stabilizing the economy (which was successfully accomplished). Other measures have been taken over 1986-90 to reactivate the economy - which is still the major task confronting the authorities - as well as to preserve economic stability.

This ESF program will continue to provide balance of payments assistance in support of the GOB's economic stabilization and reactivation efforts. It will contribute scarce foreign exchange resources to help the GOB settle its official debt service charges to the USG and to multilateral donors and to pay for imports of raw materials, spare parts, intermediate and capital goods from the United States. The program will also serve to compensate the loss in income and foreign exchange earnings resulting from the joint GOB/USG effort to reduce and eventually eliminate the country's reliance on the production and exportation of cocaine. Furthermore, through the generation of local currency, the ESF program will provide the GOB with funds to meet the GOB counterpart requirements to finance key USAID projects (including the Alternative Development Program) and multilateral donor projects. Finally, the program supports a high Mission priority - the maintenance and support of Bolivia's young democracy. The population as a whole benefits from an improved economy. Local currencies programmed under this project directly benefit the target populations of USAID's and other donors' development projects in high priority sectors.

E. Planned Implementation Arrangements

Funds will be obligated through a bilateral agreement. The GOB's Ministry of Planning will implement the program and will direct and monitor the uses of associated local currency.

F. Sustainability

This program contributes to the Government of Bolivia's national program to achieve broad based sustainable economic growth.

G. Mission Management Role

As with past balance of payments programs, USAID/Bolivia's Economics Office will continue to monitor economic indicators. The Project Development and Implementation Office will continue to monitor compliance with program conditionality as well as the uses of associated local currency.

H. Potential Issues

1) The program will depend on continued adherence by the GOB to sound economic policy and compliance with mutually agreed upon counternarcotics measures.

2) In keeping with the guidance in Handbook 4, Non-Project Assistance, and in attempt to meet the intent of LAC Bureau, initiatives to reduce internal AID paper work, USAID/Bolivia recommends that only a short PAIP (Concept Paper) be submitted to AID/W. The short Concept Paper would include a brief macroeconomic overview and a discussion of conditionality. Upon approval, the Mission would then proceed with the development of a full PAAD.

NEW PROJECT DESCRIPTION

LAC Bureau Objective I: Support the achievement of broadly based sustainable economic growth.

Subobjective: Encourage the adoption of and continued adherence to economic policies that promote investment, productive employment, and export-led economic diversification.

Project Title: FY 1993 Balance of Payments

Project Number: 511-0605

Funding: FY 93: \$96.0 million

Type of Funding: Economic Support Fund (NSD-18)

A. Consistency of Project with Mission Strategy:

The project goal and the Mission strategy are one and the same: to implement sound economic policy and support counternarcotics activities in Bolivia.

B. Relationship to A.I.D. and Other Donor Activities

The GOB negotiated a three year Enhanced Structural Adjustment Facility (ESAF) with the IMF which was approved in mid-1988 and is currently under implementation. A new agreement for the second year of the ESAF was also negotiated with the Paz Zamora Government and has been successfully complied with to date. Debt rescheduling took place under Paris I in 1986, Paris II during November 1988, and Paris III in March 1990. The last debt rescheduling was under the "Toronto Debt Relief Terms," which was extended heretofore only to sub-Saharan countries.

C. Relationship Project to Overall A.I.D. Policy Objectives

The ESF balance of payments assistance program supports the basic goals of USG policy in Bolivia, which are: a) support for a stable and democratic government and institutionalization of the democratic process, b) private sector led economic recovery and promotion of self-sustaining economic growth, and c) narcotics control.

D. Project Description

The goal of this program is to implement sound economic and counternarcotics policies in Bolivia. The purpose of the program is to provide balance of payment assistance in support of the Government of Bolivia's Economic Stabilization and Reactivation Program and counternarcotics program.

From 1982 to 1985, economic conditions in Bolivia worsened considerably. By 1985, inflation exceeded 12,000 percent per annum, the price of the country's major export (tin) collapsed, debt servicing was a growing problem, the budget deficit was increasing, and real GDP had declined every year since 1981. The government that assumed power in 1985 adopted the so-called New Economic Policy which focused on stabilizing the economy (which was successfully accomplished). Other measures have been taken over 1986-90 to reactivate the economy - which is still the major task confronting the authorities - as well as to preserve economic stability.

This ESF program will continue to provide balance of payments assistance in support of the GOB's economic stabilization and reactivation efforts. It will contribute scarce foreign exchange resources to help the GOB settle its official debt service charges to the USG and to multilateral donors and to pay for imports of raw materials, spare parts, intermediate and capital goods from the United States. The program will also serve to compensate the loss in income and foreign exchange earnings resulting from the joint GOB/USG effort to reduce and eventually eliminate the country's reliance on the production and exportation of cocaine. Furthermore, through the generation of local currency, the ESF program will provide the GOB with funds to meet the GOB counterpart requirements to finance key USAID projects (including the Alternative Development Program) and multilateral donor projects. Finally, the program supports a high Mission priority - the maintenance and support of Bolivia's young democracy. The population as a whole benefits from an improved economy. Local currencies programmed under this project directly benefit the target populations of USAID's and other donors' development projects in high priority sectors.

E. Planned Implementation Arrangements

Funds will be obligated through a bilateral agreement. The GOB's Ministry of Planning will implement the program and will direct and monitor the uses of associated local currency.

F. Sustainability

This program contributes to the Government of Bolivia's national program to achieve broad based sustainable economic growth.

G. Mission Management Role

As with past balance of payments programs, AID/Bolivia's Economics Office will continue to monitor economic indicators. The Project Development and Implementation Office will continue to monitor compliance with program conditionality as well as the uses of associated local currency.

H. Potential Issues

The program will depend on continued adherence by the GOB to sound economic policy and compliance with mutually agreed upon counternarcotics measures.

NEW PROJECT DESCRIPTION

LAC Bureau Objective

II. Support the evolution of stable, democratic societies

Subobjective A

Encourage the strengthening of competent civilian government institutions that will merit the confidence of political and military leaders, citizens and investors.

Project Title:

Strengthening Democratic Institutions

Project Number:

511-0587

Funding:

FY 92: \$2.0 million LOP: \$8.0 million

Type of Funding:

Economic Support Fund

A. Consistency of Project with Mission Strategy:

The Mission Strategy for Democratic Initiatives is to improve the independence, accountability, efficiency, and accessibility of key democratic institutions.

B. Relationship to A.I.D. and Other Donor Activities

This project will complement and will continue activities funded under two ongoing AID projects (Justice Sector 511-0609 and Democratic Institutions 511-0610) as these two projects terminate in early FY 1993. The Government of Bolivia considers the modernization of the Congress as essential to the consolidation of democracy. This effort is supported by the Vicepresident as President of Congress and by the leaderships of both Houses. The President has stated that the strengthening of the administration of justice system is a necessary step to effectively carry out any anti-drug campaign. The GOB is actively seeking assistance from the project to undertake revisions to judicial organization laws and electoral legislation. The World Bank is partially financing two related projects, SAFCO and EMSO, aimed to improve the management performance and accountability of key state agencies. The Instituto de Libertad y Democracia is assisting the GOB to simplify land/real estate titling procedures.

C. Relationship Project to Overall A.I.D. Policy Objectives

The Mission CDSS establishes the strengthening of democratic institutions as one of its strategic goals for the 1989-93 period. The proposed project focuses on one of the three basic objectives of the USG goals statement: the consolidation of the democratic system. In addition,

this initiative directly supports AID's November 1990 policy paper, Strengthening Democracy in Latin America and the Caribbean. Specifically this project support a principal goal of US foreign assistance of supporting the evolution of stable democratic societies.

D. Project Description

The goal of the project is to improve the independence, accountability, efficiency and accessibility of key democratic institutions. The purpose of the project is to improve the administration of justice, upgrade the administrative and technical procedures of the legislature, and institutionalize the electoral process.

The project consists of three principal components which build on current activities: 1) Justice System Improvement, 2) Electoral System Consolidation, and 3) Legislative Process Upgrading. Project funds will finance technical assistance, training activities, and commodity purchases within each of these components, which will strengthen administrative and procedural aspects of the justice system, improve the support staff and documentation/information services of the legislative branch, provide training and orientation for new legislators, establish an automated program to cross-check voter validity between the electoral registry and a new citizen identification/documentation system, and improve the procedures and administration of the electoral system.

Improvements to Bolivia's legislative, electoral, and judicial systems will directly benefit all Bolivian citizens, both men and women, to democratically participate in Bolivia's future. The project includes technical assistance, project management, and commodities.

E. Planned Implementation Arrangements

Funds will be obligated through bilateral agreements with the Government of Bolivia and with selected non-governmental agencies which undertake activities in these areas. The project funded management units under each component will be directly responsible for day-to-day project implementation.

F. Sustainability

Funding for the proposed activities will be provided over a six year Life of Project. Once strengthening and improvement objectives have been met, financial, managerial, and institutional resources to further strengthen and improve the sector are not required to sustain the achievements already accomplished.

G. Mission Management Role

The Mission's Democratic Initiative Division will be directly responsible for project monitoring. The Mission will also undertake procurement services for technical assistance and project management.

H. Potential Issues

The two Justice and Democratic Institutions projects are currently due to terminate in early FY 1993. Either of these two projects may need to be extended slightly in FY 1993, in order to permit overlap with this follow-on project.

NEW PROJECT DESCRIPTION

LAC Bureau Objective

III. Respond to needs for international cooperation in addressing specific challenges to the attainment of broadly based sustainable economic growth and the evolution of democratic societies.

Subobjective A:

Contribute to the formulation and implementation of USG strategies for dealing with issues of particular concern, such as drugs, terrorism, and environmental degradation.

Project Title:

Rural Roads for Alternative Development

Project Number:

511-0622

Funding:

FY 92: \$1.5 million LOP \$8.0 million

Type of Funding:

Economic Support Fund (NSD-18)

A. Consistency of Project with Mission Strategy:

The Mission's strategy for Alternative Development is to increase investment, productivity and employment from non-coca activities. Productive uses of rural infrastructure will assist the implementation of the strategy.

B. Relationship to A.I.D. and Other Donor Activities:

This project forms part of a Bolivian, AID, and international donor program for the development of alternative economic, non-coca activities. As part of the physical infrastructure necessary for economic growth, an improved, expanded and more efficient rural roads system will increase the productive potential of rural areas of Bolivia.

C. Relationship to Project to Overall A.I.D. Policy Objectives:

The proposed project supports the overall goal of sustained economic development in Bolivia and provides alternative economic opportunities for farmers and workers displaced by coca eradication and interdiction efforts.

D. Project Description:

The goal of the project is to increase investment, productivity and employment from non-coca activities. The purpose of the project is to improve the economic and social conditions of the rural population in the

areas to be served by providing year-round access to regional marketing centers on improved all weather rural roads, thereby increasing agriculture production, productivity and marketing.

The absence of rural road systems is arguably Bolivia's most intractable constraint to reaching its agricultural production and marketing potential. High marketing costs impact on the farmers' ability to serve local markets and on Bolivia's competitiveness in exporting traditional and non-traditional products. Critical marketing infrastructure must be improved, especially rural farm-to-market roads (including bridge construction, drainage facilities, erosion control systems, etc.), if Bolivia is to develop levels of agricultural production and marketing sufficient to support local requirements, let alone to develop its export potential.

This project will address the insufficient marketing conditions through the provision of all weather rural roads for areas of demonstrated or potential agricultural production as a means of alleviating the marketing and transportation constraint to increased production and incomes. These measures will increase agricultural productivity and income in the following four ways: 1) reliable access will encourage the marketing of larger volumes of production; 2) production composition would shift to higher value, more perishable commodities; 3) improved market access will reduce transportation costs; and 4) cost effective and continuous year-round access to centers where agricultural and community services exist will be permitted. A USAID funded technical assistance component to assist in road-bridge selection and construction supervision will complement a higher GOB local contribution to fund the actual construction of roads, bridges and related infrastructure. In addition, training in road selection, design, contracting and construction supervision will be financed under the project. Systems for rural road and equipment maintenance will be initiated with project funds. Should additional GOB funding become available in future years, the local cost components of these activities may be financed with GOB local currency.

Both men and women will benefit from improved access to markets as other services. Women may be afforded with additional job opportunities in marketing farm produce or entering into the formal work force as aribusiness develops along the rural roads.

E. Planned Implementation Arrangements

Project Implementation for the majority of the work proposed under this program is to be performed with the Government of Bolivia's National Road Service (SNC). SNC will contract with the private sector and private voluntary organizations to undertake actual construction. A long-term technical assistance advisor will assist in the day-to-day monitoring of the selection, design, construction, and maintenance phases of the project.

F. Sustainability

Careful selection of roads from economically productive agricultural areas to regional markets is essential so that these road segments will be used by farmers. As these roads are used, revenues will be generated and farmers will receive economic benefits. This will stimulate their willingness to assist in road maintenance, as well as create pressure on SNC to maintain these all weather roads.

G. Mission Management Role

USAID/Bolivia's Engineering Division will have direct responsibility for implementing this bilateral project.

H. Potential Issues

This project was originally proposed for FY 1991 funding with NSD-18 funds. As a result of a significant reduction (\$18 million) in Bolivia's anticipated FY 1991 ESF level, initial financing for this project has been delayed until FY 1992. In addition, the majority of the costs associated with this project will be in local currency anticipated to be made available through the ESF Balance of Payments (BOP) Local Currency Program. Some local currency funds from the reduced FY 1991 ESF BOP package could be made available for an early FY 1992 initiation of a rural roads project. Should FY 1992 through FY 1995 ESF BOP local currency funds be significantly reduced from planning levels, the impact of the project and the technical assistance offered will be greatly reduced.

NEW PROJECT DESCRIPTION

LAC Bureau Objective: Support the achievement of broadly based, sustainable economic growth.

Subobjective: Encourage economic policies that promote investment, productive employment and export-led diversification.

Project Title: Micro and Small Enterprise Development (Amendment No. 1)

Project Number: 511-0596

Funding: FY 92: \$5.0 million LOP: \$20.0 million

Type of Funding: Existing: ARDN and SDA; New: ESF (NSD-18)

A. Consistency of Project with Mission Strategy:

The project will support the Alternative Development objectives of the Mission. Micro and small businesses employ an estimated 60 percent to 70 percent of the labor force in Bolivia. According to 1987 statistics generated by the Sistema de Información Industrial Privado (SIIP), 90 percent of all industries in Bolivia have four or less employees. As has been demonstrated in numerous studies, it is this sector which generates the greatest number of new jobs in less developed economies. The Mission's assistance to the small and micro enterprise sector will contribute to the creation of jobs, providing employment alternatives to ex-coca growers or to individuals who might be attracted to the coca growing business.

B. Relationship to A.I.D. and Other Donor Activities

The Mission is coordinating closely with the World Bank, the IDB, and with other donors, such as the ILO and the German development agencies. There is a great deal of interest in the micro-enterprise sector, but only a small number of credit institutions in a position to utilize the funds. Through its donor coordination efforts, USAID will avoid duplication of efforts and overburdening of these institutions.

C. Relationship Project to Overall A.I.D. Policy Objectives

This project directly supports the objective of broadly based and sustainable economic growth.

D. Project Description

The purpose of the project is to promote the long-term, stable growth and development of the small and micro enterprise sector. The amendment will provide an additional \$10 million for an LOP of \$20 million.

The amended project will: 1) contribute to the improvement of support services, including credit, training, technical assistance, and representational strengthening, to small and micro-enterprises; and 2) contribute to the expansion of the project to the cities of Tarija, Sucre, Potosí, Oruro, and Trinidad, with the intention, in part, that this is one of a range of Mission activities that will provide alternative employment to persons abandoning coca cultivation.

The Federación Boliviana de la Pequeña Industria (FEBOPI) will continue to expand its membership, and to offer improved technical assistance and training to its members, as well as representational services. An increased emphasis will be placed on policy areas which affect the micro and small enterprise sector. The work with the national system of credit unions, through the Federación Nacional de Cooperativas de Ahorro y Crédito (FENACRE), will be continued on a reduced basis, offering technical assistance to FENACRE on how best to serve its credit union membership. Assistance in credit and training to micro-entrepreneurs will be continued through PRODEM, and/or possibly through a second story institution which would channel funds to micro-enterprise institutions.

E. Planned Implementation Arrangements

The project will be obligated through a Project Agreement Amendment with the Government of Bolivia and Cooperative Agreement Amendments with the local implementing organizations. Should the project's upcoming mid-term evaluation suggest modifications in USAID assistance to the current institutions, the Mission may explore assistance to other similar institutions. USAID will also be exploring the possibility of assisting in the formation of a second-story institution in the coming months.

F. Sustainability

The three principal institutions under the project, PRODEM, FENACRE, and FEBOPI, plan to be self-sufficient once the project has ended. Both PRODEM and FENACRE will derive revenues from their credit activities; FEBOPI hopes to generate funds from its membership and from a "new credit card for purchasing inputs" scheme which is being negotiated with a major Bolivian bank.

G. Mission Management Role

The follow-on project will continue to be managed by the Office of the Private Sector.

H. Potential Issues

PRODEM is in the process of forming a for-profit micro-enterprise bank. The role PRODEM will assume once the bank is not yet defined, and consequently, the nature of USAID support for PRODEM (and the USAID-funded technical assistance to PRODEM through ACCION International) will await this decision.

Appendix C
Environmental Questionnaire

- A. **Has the government established effective coastal zone management laws and programs that promote the sustainable development of this environmentally important area?**

This question is not applicable to Bolivia which is a landlocked country. Nevertheless, the GOB imposes seasonal moratoria on fishing certain lacustrine and riverine species.

- B. **Are there forest management laws and programs that ensure sustainable use/production of forest resources and socioeconomic benefits for local communities (eg. extractive reserves)?**

The destruction of tropical forests in Bolivia is occurring at an accelerated rate. Approximately 21,400 hectares are deforested per year. The lack of forests in mountainous areas of Bolivia has exacerbated the loss of fertile land, resulting in an erosion rate of 3000 tons/km² per year in the sub-andean mountainous areas and a sedimentation rate of 2100 tons/km² in the lowland plains.

In 1990, the GOB passed a Supreme Decree establishing a five year moratorium on granting new logging concessions. Almost a year after its passage, however, there are no explicit regulations for enforcing the ban.

- C. **Does the government address agrochemical use problems? Are pesticides subsidized? Is there a government or private quality assurance program in place to ensure that pesticide residue limits are not exceeded on agricultural exports?**

One of the most serious threats to the ecosystem in Bolivia is the contamination of soils and water by indiscriminant use and disposal of agrochemicals. Some agroindustrial producers of cotton and sugar cane in the department of Santa Cruz fumigate their fields as many as twelve times per cropping cycle without controlling the concentration levels of these numerous pesticide applications. In the highlands and valleys, retailers sell adulterated forms of fertilizers and pesticides. Small farmers apply these to their fields with inadequate knowledge of concentrations and application levels, or awareness of how to handle them properly, so as not to poison themselves and their families. A random sample surveyed by PROCOPLA an NGO which is trying to rectify this situation, found extremely high levels of agrochemical contamination among the small farmers sampled. In addition, many phosphoric and chlorine based pesticides which are banned in Europe and the US are sold widely on the Bolivian market.

Illicit cocaine processing in the tropical lowlands of Bolivia further contaminates soils and waterways. A 1990 study estimated that 309 metric tons of sulphuric acid and an undetermined amount of kerosene are dumped indiscriminantly into the environment per year.

- D. **Does the government have incentives for sustainable agricultural practices? Is land use planning used as a tool to guide agricultural development? Are there appropriate incentives (e.g. property taxes, water user fees, etc.) to promote intensive, rather than extensive use of prime agricultural land?**

The GOB does not provide incentives to encourage sustainable agricultural practices. On the contrary, the GOB has consistently supported agricultural technology and favored credit terms that encourage extensive land use in lowland areas which leads to deforestation and soil deterioration. Lack of support for appropriate land saving and erosion control technology and increasing population pressures for land and food crops in the highlands and valleys have exacerbated degradation of agricultural lands and provoked a spiral of decreasing productivity of small farm agriculture.

- E. **Are environmental health issues being addressed by policies and programs that control water and air pollution and that promote sanitation and sewerage systems? Are environmental monitoring programs (eg. water quality monitoring) in place? Are water and sanitation programs linked to health and hygiene education? Is solid waste efficiently collected and disposed of in approved landfills.**

The answer to all of these questions is "no". Bolivian industries dispose of residues and organic and inorganic waste without any control in rivers and streams which run openly through major cities of the country. Rapid urbanization of the three major cities of La Paz, Santa Cruz, and Cochabamba has intensified water and air pollution. Migrants to these cities have spontaneously settled on precarious hillsides (La Paz and Cochabamba) and in areas subject to flooding (Santa Cruz). Underfunded municipalities are ill equipped to provide adequate urban infrastructure, especially potable water and sewage systems to meet the needs of these new migrants. Solid waste is also poorly disposed of through irregular collection and indiscriminant dumping.

The petroleum industry is the major air pollutor. There are no controls on refineries and the gasoline sold in Bolivia has a high lead content, 2mg/gallon. The mining industry is also a major contributor to air and water pollution through the release of metals and toxins into water systems and erosion caused by runoffs from processing plants. Although legislation exists to regulate the disposal of toxic substances released by the processing of minerals, these laws are not enforced due to the lack of competent authorities to regulate and sanction companies for infractions.

- F. Are there programs/policies for watershed management, and are environmental assessments done to prevent watershed degradation? Are recommendations from such assessments effectively implemented?**

In 1981, the Ministry of Planning established protection of watersheds, particularly in catchment areas as a priority. The GOB, however, has not developed any policies or regulations to back up these intentions. Several international donors and NGOs are addressing these issues on the local level through their project assistance to Bolivia. During 1991, USAID will assist the GOB to draft an environmental law which will establish guidelines for watershed management.

- G. Are there environmental education programs and are they provided for all educational levels?**

Bolivia lacks any nationwide environmental education program due to the following reasons:

- Lack of funds
- Lack of trained teachers
- Marginality of environmental concerns in national politics
- Emphasis on the humanities rather than on science in the Bolivian educational system

Recently, three Bolivian institutions have begun to address some of these issues. The Ecology Institute (Instituto de Ecologia), the Environmental Defense League (LIDEMA), and the Interdisciplinary Center for Community Education (CIEC) sponsored a national workshop on environmental education for teachers who occupy key decision-making positions in the Ministry of Education and Culture. In connection with this workshop, they developed educational materials which are being used in a few elementary and secondary schools on a pilot basis. LIDEMA has also sponsored some informal educational programs for the general public.

- H. Has the government established areas for parks and for the conservation of the country's biological diversity?**

The GOB has set aside wildlife parks and biological reserves in the highlands and tropical lowlands of the country. In addition, Bolivia has a law prohibiting the capture, trafficking and export of live wild animals and derived products. In 1988, Bolivia was the first country to engage in a debt for environmental protection swap. The purchase of \$650,000 of Bolivia's external debt financed a biological research station in the Beni, the Yacuma Regional Park, and the Eva Eva Mountain Range Protection Area. In 1990, the President of Bolivia, Jaime Paz Zamora, established an ecological moratorium (Pausa Ecologica Historica) that prohibits granting new concessions for cutting down or burning forest resources for five years. This Supreme

Decree created a consultive group on the environment that is charged with developing an environmental law and coordinating that law with earlier legislation on agrarian reform, colonization, natural resource use, and anti-pollution regulations. It also created an environmental fund through which the GOB will channel contributions from international donors to support environmental programs in the country.

- I. **Is there a national environmental policy or conservation strategy? Does the public, including both men and women, participate in environmental and resource management and planning activities? Are NGOs encouraged to be involved in environmental issues?**

There is currently no national environmental policy or conservation strategy, although a National Environmental Action Plan which includes a strategy is being developed. The executive and legislative branches of the GOB have recently initiated work on the drafting of a national environmental law. Several bilateral donors and NGOs are involved in environmental issues and are supporting and implementing local programs. At the moment, NGOs are the major actors in reforestation, irrigation, and sustainable agriculture, although their funds and geographical coverage are limited.

- J. **Are there policies and programs to encourage efficient energy use (e.g. energy prices are not subsidized, private production is encouraged)?**

Bolivia's energy policies do support efficient energy use although they were not explicitly written in order to achieve environmental objectives. Energy prices are not subsidized. The price of oil is currently higher than prices in the US. The GOB is trying to encourage the population and industry to shift from liquid hydrocarbon to natural gas, which is a cleaner fuel. There is limited private production of hydrocarbons in Bolivia. Two private companies are extracting petroleum and 10 others are engaged in exploration. Nevertheless, they are required to sell to the national oil company, YPFB. Two years ago, the YPFB began to allow private companies to distribute and sell gasoline and propane.

Electricity is provided by private companies in La Paz and Oruro. In Santa Cruz it is provided by a cooperative and in the rest of the country it is distributed by an efficiently run national company called ENDE. The tariff structure encourages electricity usage by industry and taxes domestic use at a much higher rate. Electricity consumption is subject to a 10 percent sales tax and an additional 15 percent energy tax. Gasoline is also subject to a 10 percent sales tax in addition to a 19 percent production tax. Both industries are taxed at such a high rate chiefly because it is a good source of revenue for the GOB rather than because the GOB wants to encourage efficient energy usage.

Appendix D
USAID/Bolivia Evaluation Plan
Through FY 1992

<u>Date</u>	<u>Activity</u>
April 1991	Strengthening Financial Markets Project Mid-term Evaluation
April 1991	Policy Reform Project Final Evaluation
April 1991	Impact Evaluation of IDEA Training Programs under the Management Training Program
May 1991	Micro Enterprise Development Project Mid-term Evaluation
May 1991	Impact Evaluation of Market Town Capital Project Sub-loan Portfolio
May 1991	Finalize Monitoring and Evaluation system for the Strengthening Financial Markets Project
May 1991	Evaluation of NGO Programs Under the Chapare Regional Development Project and Feasibility Study for NGO Programs for the Follow-on Project
May 1991	Develop and Refine Title II and Maternal and Child Health Portfolio project Indicators which will show Impact of the Mission Maternal and Child Health Objective
June 1991	Narcotics Awareness Project Final Evaluation
June 1991	Special Development Activities Evaluation
July 1991	Conduct National Rural Household Survey
August 1991	Assessment of Informal Settlements in Growing Market Towns (RHUDO)
October 1991	Urban Development Initiatives (PRDA) Final Evaluation
December 1991	Complete Preliminary Analysis of the Rural Household Survey
December 1991	Democratic Initiatives Project Mid-term Evaluation
March 1992	Export Promotion Project Mid-term Evaluation
February 1992	Community and Child Health Project Mid-term Evaluation
June 1992	Management Training Project Mid-term Evaluation
July 1992	Low Cost Shelter Project Final Evaluation