

**USAID/BOLIVIA COUNTRY STRATEGIC PLAN  
2005-2009**

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This Strategic Plan for Bolivia was assembled by USAID/Bolivia. This Strategic Plan is a “pre-decisional” USAID document and does not reflect results of USG budgetary review. Additional information on the attached can be obtained from USAID/Bolivia Program Officer, Dana Peterson.

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## ACRONYMS

ADN	Nationalist Democratic Action (Bolivian Political Party)
AECI/PMEB	Spanish Agency for International Cooperation/Microcredit Program in Bolivia
AOJ	Administration of Justice
ATPDEA	Andean Trade Promotion and Drug Enforcement Act
BOLFOR	Bolivia Sustainable Forestry
BONOSOL	Solidarity Bonus Pension Fund
BTC	Belgium Cooperation Agency
CAN	Andean Community of Nations
CCP	Code of Criminal Procedures
CDF	Comprehensive Development Framework
CFI	Competitive Fund for Innovation
CIDA	Canada International Development Agency
CNI	National Chamber of Industries
CONCADE	Consolidation of Integrated Development Efforts
CONDEPA	Conscience of Motherland (Bolivian Political Party)
CORDEP	Cochabamba Regional Development Project
COSUDE	Swiss Development Agency
CPA	Cleaner Production Assessment
CRDP	Chapare Regional Development Project
CSH	Child Survival and Health
CSP	Country Strategic Plan
CVA	Conflict Vulnerability Assessment
DA	Development Assistance
DAC	Development Assistance Committee
DANIDA	Danish Government Aid Agency
DAP	Development Activity Program
DCA	Development Credit Authority
DDCP	Democratic Development and Citizen Participation
DFID	British Department for International Development
DGRV	German Credit Union Associations
DILOS	Local Health Directories
DOT	Directly Observed Treatment
ECOPOL	Economic and Political Section
EGAT	Economic Growth, Agriculture and Trade
EO	Economic Opportunities
ESF	Economic Support Fund
FDTA	Foundation for Development of Agricultural Technology
FFP	Private Financial Foundation
FFW	Food for Work
FMO	Financial Management Office
FSN	Foreign Service National
FSU	Food Security Unit
FTAA	Free Trade of the Americas Agreement
GDA	Global Development Alliance
GDP	Gross Domestic Product
GEF	Global Environment Facility
GOB	Government of Bolivia
GTZ	German Assistance Agency
HIPC	Highly Indebted Poor Countries Initiative
IDB	Inter-American Development Bank

IICA	Inter-American Institute for Cooperation on Agriculture
IMCI	Integrated Management of Childhood Illnesses
INC/ACI	International Narcotics Control/Andean Counter Narcotics Initiative
IR	Intermediate Result
JICA	Japanese International Cooperation Agency
KfW	German Bank Group
LAC	USAID Latin America & Caribbean Bureau
MAPA	Market Access and Poverty Alleviation
MAS	Movement to Socialism (Bolivian Political Party)
MCA	Millennium Challenge Account
MERCOSUR	South American Common Market
MFI	Microfinance Institution
MIP	Pachacuti Indigenous Movement (Bolivian Political Party)
MIR	Left Revolutionary Movement (Bolivian Political Party)
MNR	National Revolutionary Movement (Bolivian Political Party)
MPP	Mission Performance Plan
NAS	Narcotics Affairs Section
NFR	New Republican Force (Bolivian Political Party)
NGO	Non-Government Organizations
NOAA	National Oceanic and Atmospheric Administration
NTFP	Non-timber Forest Products
OE	Operating Expenses
OFDA	Office for Foreign Disaster Assistance
P.L. 480	Public Law 480
PAHO	Pan-American Health Organization
PART	Program Assessment Rating Tool
PAS	Public Affairs Section
PASA/CE	German Credit Association
PLANE	National Plan for Emergency Employment
PMP	Performance Management Plan
PPL	Popular Participation Law
PRI	Institutional Reforms Project
PRSP	Poverty Reduction Strategy Paper
PUMA	Foundation for Environmental Use and Protection
RCO	Regional Contracting Office
SERNAP	National Protected Areas Service
SIBTA	Bolivian System for Agricultural Technology
SO	Strategic Objective
SOS	Strategy and Operations Services
SpO/CN	Special Objective for Counter-Narcotics
SUMI	Bolivian Mother-Child Universal Insurance
SWOT	Strengths/Weaknesses/Opportunities/Threats
UCS	Solidarity Civic Union (Bolivian Political Party)
UNDCP	United Nations Drug Control Program
UNFPA	United Nations Family Planning Agency
UNICEF	United Nations Children's Fund
USDH	United States Direct Hire
USDOJ	United States Department of Justice
USDOS	United States Department of State
USPSC	United States Personal Services Contract
UTLCC	Bolivian Anti-corruption Unit

## **PART I: THE BOLIVIAN DEVELOPMENT CONTEXT**

### **A. Background**

Bolivia is land-locked and relatively sparsely populated, with a territory roughly the size of Texas and California combined and a population of 8.7 million. It is one of the poorest countries in the Western Hemisphere, with a per capita income currently estimated at about \$869 per year. Bolivia has the second-highest level of infant, child and maternal mortality after Haiti, the poorest nation in the hemisphere. National income is highly skewed, with about 60% of the Bolivian population living in poverty and 24% in extreme poverty, while around 20% of the population accounts for 64% of national income. Rural poverty stands at over 80%. Real economic growth is negligible due to, among other factors, low levels of domestic and private investment, high levels of government corruption and inefficiency, limited and poor-quality productive infrastructure, and low productivity rooted in low levels of education and health. Bolivia's poverty is at the root of serious and recurrent social and political unrest, which in turn further hinders economic growth by discouraging much-needed investment. Major flashpoints of unrest center on tax increases, land tenure and distribution, water rights, government corruption, low teacher, health worker and police salaries, and the illegal cultivation of coca leaf and the efforts of the Government of Bolivia (GOB) to eradicate it, which must often be done by force.

### **B. Rationale for Assistance to Bolivia**

The major United States Government (USG) foreign policy priorities in the Western Hemisphere include: promoting and supporting stable, democratic governments under rule of law; reduced poverty through broad-based free-market economic growth and increased trade; and suppression of narcotics production and trafficking. Despite an extraordinarily difficult political and economic environment, the GOB continues to pursue painful yet needed economic and political reforms. The GOB honors its international and bilateral commitments to combat narcotics production and trafficking, at great domestic political cost. USAID's assistance program is an integral part of the U.S. Mission [to Bolivia] Performance Plan.

### **C. The Bolivian Assistance Environment and the Development Challenge**

Bolivia has in the past few decades progressed significantly on both the economic and political fronts, with 20 uninterrupted years of democracy following decades of political upheaval and military coups and dictatorships, close to 18 years of fundamental and far-reaching economic reforms, and significant improvements in major social indicators. During the 1990s, poverty decreased from about 70% to 60%, primary education completion rates increased from 55% to 79%, and child mortality dropped by 50%. Bolivia is often cited as one of the world's most successful economic stabilization models. Profound structural reforms began in 1985 and ranged from a state-enterprise privatization program and a decentralization plan that shifted significant resources to the private sector and to municipal government and local communities. Constitutional reforms improved the country's judicial and electoral systems. In addition, from 1998 to 2002, the GOB's illegal-coca eradication program was credited with reducing illicit coca leaf cultivation by 34,000 hectares, to less than 10,000. Bolivia also successfully developed a Poverty Reduction Strategy (PRS) with broad civil society participation and was granted some \$1.5 billion in debt relief in 2001 through the Highly Indebted Poor Countries (HIPC) initiative sponsored by the International Monetary Fund (IMF) and the World Bank.

Despite this progress, unacceptably high levels of poverty and a consistent pattern of social and political exclusion of the indigenous majority persist. It is estimated that some 130,000 Bolivians fall below the poverty line every year. Economic growth over the past several years has been far below levels required to further reduce poverty, a fact that continues to have major political consequences. Bolivia's chronic and severe poverty, combined with government unresponsiveness, incompetence and lack of

transparency; widespread corruption; extreme socio-economic stratification along racial lines; highly organized and active radical groups hostile to the national political and economic order; and a culture of social mobilization and confrontation with government authority; make for a highly combustible mixture that can and does explode under the right conditions. The most dramatic manifestation of this volatility occurred in October 2003, when popular opposition to a Government plan to sell natural gas to the US through a pipeline in Chile, a longtime historical rival, coalesced hitherto disparate demands, grievances, and frustrations of various groups into a violent rebellion against government authority that, following dozens of deaths and millions of dollars in business losses and property damage, brought about the forced resignation and flight into exile of then-President Gonzalo Sanchez de Lozada.

#### **D. Bolivia's Economic Environment**

While Bolivia's economy resumed growth last year and continues to grow, this has not translated into employment and income growth or any reduction in poverty. The Bolivian economy plunged into recession in 1999 by a combination of external shocks and internal structural deficiencies. Economic crises among Bolivia's neighbors made themselves felt almost immediately through major decreases in external trade, flows of external capital, and remittances from Bolivians working in those countries that lost their jobs and returned home. Internal structural deficiencies include a narrow domestic market, a small industrial base and formal sector, a shortage of affordable capital for business investment, low workforce productivity, very high transaction costs, and over-reliance on price-volatile primary-product exports for hard-currency income.

Bolivia has experienced a dramatic slowdown of gross domestic product (GDP) growth over the last decade. While in the 1990 to 1998 period GDP growth averaged 4.4% annually, from 1999 to 2003 the average growth rate barely reached 1.9%, amounting to a negative per capita growth rate when population growth (almost 3% annually) is factored in. Preliminary figures for 2004 show a rate of around 3.6%, which is barely positive in real terms. Accordingly, annual per capita GDP, already one of the lowest in the hemisphere, has declined, from \$1,069 in 1998 to \$869 in 2003. The lowest growth rates for 2002 (the most recent labor data available) were in labor-intensive industries such as retail sales, mining and agriculture, due to low market prices and reduced consumer spending. Capital-intensive industries, such as gas and oil, and communications have actually grown (6.5 and 6.0%, respectively). Unfortunately, the lowest growth rates from 1999 to 2003 have been in precisely those sectors that provide the most jobs. In 2002, urban unemployment reached a peak of 8.7% - a very high rate considering that this indicator excludes the rural population. Moreover, the private sector employment index, which measures the actual number of jobs, has not changed in 2002 relative to 1995, meaning that a large portion of new entrants in the labor market have not found employment. The reduction in employment has created a vicious cycle of poverty wherein a reduction in consumption leads to business failures, further aggravating unemployment and a decline in household income that leads to further reductions in consumption. Though the majority of the workforce is in the informal sector, the income of farmers and wage labor constitutes the bulk of national income. The hope is that the recovery shown in 2003, due to increased exports in, for example, soybeans and minerals, is sustainable.

Another important set of indicators is trade-related. From 1980 until 2003, exports held steady at around one billion dollars in nominal terms. Given the change in the terms of trade, this means that the real value of exports declined by more than 50% during that period. Part of the decline is due to the predominance of primary products, whose value-added is low and for which international prices have been declining. In 1980, minerals and gas exports represented about 83% of all exports. In 2003, those same products plus soybeans and soy products accounted for about 88%.

There was a turnaround in 2003, when the level of exports surpassed \$1.6 billion, showing a recovery. This increase is due to increased quantities and prices of most Bolivian exports. The Andean Trade



Promotion and Drug Enforcement Act (ATPDEA) has certainly played a role in this increase by granting duty and tariff-free access to the U.S. market for most Bolivian products. Exports of value-added products in sectors such as textiles and apparel, wood furniture and doors, jewelry, and leather products increased significantly, creating thousands of new jobs in these sectors.

Recent discoveries of vast natural gas reserves have raised hopes of dramatically increased export revenues through export of liquefied natural gas to, among other countries, the U.S. and Mexico; however, political opposition and uncertainty are casting doubts on this proposal. An exception is a short-term exports contract to alleviate Argentina's current energy crisis. While exports appear to be recovering, another crucial indicator – direct investment - continues to decline. Investment relative to GDP has fallen from a peak of 23.6% of GDP in 1998 to 10.4% in 2003. Foreign investment represented about 48% of total investment in the period 1995-2003, due to extreme shortages of domestic investment capital. This dependence on foreign investment capital has a very important political dimension. The dependence on foreign investment is also a dependence on foreign investors' favorable perceptions of Bolivia as an investment destination, which greatly magnifies the negative economic impact of high levels of social and political unrest.

Some positive factors counterbalance this bleak scenario, however. Bolivia's macroeconomic policies have kept exchange rates stable and inflation low by Latin American standards. ATPDEA has opened the U.S. market to duty-free access of virtually all Bolivian exports and has generated significant increases in exports of value-added products. Bolivia also enjoys substantial trade and market access as a charter member of the Andean Community of Nations, and as an associate member of the South American Common Market. The country is richly endowed with natural and cultural attractions that offer significant potential for tourism development. It also includes the largest reserves of environmentally-certified lumber-producing forests in the world, very competitive wage scales and an industrious work force; all of which can be built upon in the development of its export capacity.

GOB policies to address the crisis to date have focused on short-term ameliorative programs such as the National Plan for Emergency Employment. On the fiscal side, these short-term palliatives have increased deficits and crowded the credit market due to the GOB's borrowing at very high interest rates and short-term maturity. This increased use of non-concessionary credit (mainly domestic) is starting to erode the gains from debt relief programs (such as HIPC and others). To reduce chronic GOB deficits and fund social and economic investment, President Carlos Mesa has implemented a mix of cost-cutting and revenue-generating measures, including reductions in GOB staffing and salaries and benefits of employees (the costs account for the bulk of GOB expenditures), increased taxes and royalty payments for the energy industry, and charges on financial transactions. An obvious source of revenue in the medium-term would be significantly increased exports of Bolivia's abundant natural gas, which was approved by the majority of Bolivians under the national referendum on gas held on July 18, 2004.

## **E. The Socio-Political Context**

Bolivia's social indicators are similar to those of Sub-Saharan Africa countries. Almost 60% of the Bolivian population is poor, with correspondingly low levels of education, health and nutrition. Only two thirds of primary school children finish the sixth grade, infant mortality stands at 67 per thousand live births, and 26% of children under three years of age are malnourished. This widespread social misery makes itself felt politically, both through the support for groups advocating radical change and in periodic outbursts of social unrest and violence. The heavily indigenous poor majority in Bolivia is increasingly unwilling to accept the social and economic status quo. The political expressions of this discontent range from the unprecedented turnover in Congress in the 2002 elections that swept in an equally unprecedented number of indigenous members, to the growing power of groups whose avowed aim is to overturn the existing political and economic system.

The volatility of the political situation, coupled with a fragile national government facing increasing difficulty in maintaining order, has led to increasingly dramatic outbreaks of violent unrest. In February 2003, government authority broke down completely in the face of protests over a proposed tax increase and the police and military exchanged gunfire in the streets of La Paz. Thirty-four persons were killed, hundreds injured, and vandalism and looting destroyed government and private property worth millions of dollars. Beginning in September 2003, over six weeks of escalating confrontation and violent clashes between radical labor and indigenous groups and government security forces over a wide variety of issues led to an almost complete blockade of La Paz by these groups. The escalating violence and effects of the blockade led ultimately to the forced resignation of President Gonzalo Sanchez de Lozada on October 17, 2003. Over 60 deaths were recorded and the national economy suffered major losses. De Lozada was immediately succeeded, as per the Constitution, by his Vice-President, Carlos Mesa, a non-partisan former journalist and historian. Mesa's term corresponds with what would have been the end of de Lozada's term – August 6, 2007. Mesa's ability to successfully serve out his term will depend in large part on how successful he is in addressing some of the core issues that led to the events of September-October 2003, including ownership and export of natural gas resources, the appropriate legal level of coca-leaf cultivation, land tenure, sovereign access to the Pacific Ocean (lost in the war with Chile in 1879), indigenous group exclusion, and lack of jobs.

Immediately upon assuming office, President Mesa sought to defuse the explosive social and political tensions by promising transparent, inclusive and participatory governance. Mesa has submitted, as a key component of his administration's agenda, the question of what to do with the nation's vast natural gas reserves to a public referendum. President Mesa's government has crafted and submitted to the Congress a new Hydrocarbons Law that reflects the referendum's results in terms of support for significantly higher taxes and royalties on private companies working in the gas sector, while seeking to avoid damaging incentives to private investment in the sector. Various political parties in Congress have expressed strong criticism of the draft law. Private companies affected by the law are threatening to pull out of Bolivia if the tax and royalty regime set forth in the draft law is not modified downward.

President Mesa has also promised to convene a Constituent Assembly to review the Constitution with a view to making the political system more inclusive, transparent, participatory and less vulnerable to corruption. The outcome of this process is fraught with risk for constitutional, free-market democracy. The details of representative selection, and how the outcome of the Assembly's deliberations would be turned into law, are still in development. There is some resistance in the Congress, where many members see the Assembly as a usurpation of the Congress's Constitutional role.

In mid-2004, the overall socio-political situation in Bolivia may be characterized as highly precarious. The overwhelming weakness of the government and lack of perceived legitimacy of the political and economic order, the culture of social mobilization and confrontation, a profound economic crisis and a racially-based pattern of social exclusion are the principal threats to this stability. In this context all major political actors are attempting to accommodate themselves to the realities of the moment, rather than thinking long- or even medium-term. Perhaps for the first time since the mid 1980s, the very legitimacy of free-market democracy has come into question. Compounding the difficulty are the severe limits upon what the GOB can do to preserve the current (albeit precarious) stability. Though President Mesa has been frank with the public about the fact that the government is unable to expand its services, operations or employment, there is a strong and widely held ideological tendency toward heavy state involvement in the economy and a political culture of subsidies for everything from consumer commodities to political parties. Given the huge size of the recurring fiscal gap (over \$100 million this year), the President's package of austerity measures will not be enough to close it.

## **F. Cross-Cutting Themes**

Bolivia's development context necessarily shapes both the assistance environment and USAID's strategic approach. The context can be expressed as a series of cross-cutting themes. Many are related; some are either causes or symptoms of others. They either explicitly or implicitly inform the Mission's new strategic plan, within and across strategic objectives. They include the following:

### *The Crisis of Legitimacy of the Bolivian Political and Economic Order*

Surveys of Bolivian public opinion, including those sponsored by USAID (such as the biannual Democratic Values Survey) repeatedly reveal a broad public disdain and contempt for Bolivia's traditional political class, and a perception that the economic system is rigged against all but the minority European-descended traditional elite and foreign interests, particularly large multinational corporations. These sentiments, combined with widespread despair and frustration over the lack of real economic growth and a government seemingly incapable of decisive or effective action, have led to a crisis of basic legitimacy for the Bolivian political and economic system. Recent polls reveal a willingness to accept an authoritarian regime if it were to raise living standards. The anti-systemic forces that spearheaded the revolt in October 2003 have been emboldened by their success in forcing a change of government through street protests, and actively encourage the disillusionment with democracy and free-market economics. President Carlos Mesa has pledged to respond to legitimate social demands but continues to adhere to an essential pro-free market, democratic model that respects Bolivia's international obligations and maintains friendly relations with the United States (U.S).

### *The Institutional Setting*

Bolivia's governing institutions are almost uniformly weak, under-resourced and subject to powerful political pressures from organized opposition within and outside of government that undermine their intended missions. This applies to both the principal political institutions (the three main branches of government) and to the permanent bureaucracy charged with carrying out government programs and providing basic public services. All of these institutions are in need of significant reform. A militant anti-systemic opposition, combined with Bolivia's tradition of social mobilization and protest, signifies that opposition to government policies is not confined to the formal procedures of government. Opposition groups make regular attempts to "govern from the streets" by mobilizing groups, such as coca growers, retirees, landless peasants, teachers, health workers, and transport workers in strike actions and blockades. These methods invariably result in the further weakening of the legitimacy of state institutions.

### *Absence of the State*

The effective absence of the Bolivian State in significant portions of the national territory is manifested by the deficiency or lack of health, education, infrastructure maintenance and security services in those areas. Lack of social infrastructure and the staff to run them is a major source of complaint by rural populations and contributes to low levels of economic productivity, high rates of maternal and child morbidity and mortality, and high levels of social disorder. This is particularly true in the coca-growing regions of the Chapare and the Yungas, where militant coca-growing groups engage in campaigns of intimidation and property destruction with relative impunity. Discontent with the lack of social services and infrastructure in rural areas is itself a periodic cause of disorder in those areas. In the City of El Alto, bordering on La Paz and representing a choke point for the capital due to its being situated on all the major access roads into La Paz as well as being where the airport is located, government authority is highly attenuated when it is not completely absent. Neighborhood associations are the real authority, though they themselves are often highly authoritarian and undemocratic. In the rural areas and towns of

the Altiplano region, west of La Paz, government representatives, including police, have been driven out completely, leaving them under the control of groups appointed by leaders of radical local indigenous groups. In these areas, the writ of the government carries no weight. Absence of the state, regardless of the cause, is one of the leading contributors to the poor public perception of government, as citizens expecting government services wonder what exactly their taxes are paying for. Increasing government credibility through an effective presence throughout the country is crucial to giving Bolivia's political system the credibility upon which its long-term survival depends.

### *Gender and Social Exclusion*

While both women and men actively participate in all areas of economic, social and political life in Bolivia, women as a whole have significantly less income, influence, autonomy and political clout than men. Indigenous peoples, though a majority of the population (over 60%), continue to be economically, socially and politically marginalized; and, their marginalization is reflected in the extremely poor social indicators that characterize them. These phenomena are important sources of Bolivia's stunted economic and social development, as well as significant sources of alienation on the part of indigenous peoples from the GOB's democratic, free-market regime. They are also major sources of public discontent with national institutions and of social and political unrest. The social exclusion of the indigenous majority over most of Bolivia's history has created a skepticism and, in many cases, hostility on the part of that majority to the values, systems and institutions associated with Bolivia's historical elites, including the republic itself. This sentiment is often reflected in the political platforms and manifestos of Bolivia's indigenous political movements in the form of opposition to free trade, illegal coca eradication, and privatization of state-owned enterprises.

### *The Coca/Cocaine Issue*

The coca/cocaine issue in Bolivia is a major, recurrent source of conflict. The root of the conflict is the irreconcilable demands of the GOB and the coca growers, or coccaleros. The law requires that illicit coca (all coca cultivation above 12,000 hectares nationally, and all coca grown outside the Yungas region) be eradicated, and the coccaleros do not accept the law. The extremity of rural poverty, the paucity of income alternatives, high unemployment and the profitability and ease of cultivation of coca all militate against attempts to eradicate it. Forced eradication in the Chapare will continue to generate strong resistance, as well as accusations of human rights abuses against security forces doing the eradicating. A growing trend has been sustained reduction of illegal coca in the Chapare, accompanied by significant increases in the Yungas. The Yungas now accounts for 83% of the illegal coca produced in Bolivia. In the Yungas, the GOB has sought to reduce illegal coca through a system of incentives (improved services such as roads, water and electricity and signed agreements with farmers to voluntarily eradicate. However, as hard-core illegal coca growers move into the Yungas, the limits of this approach could manifest themselves, forcing the GOB to consider forced eradication, with all its implications for violent resistance and its attendant social and political instability.

### *Land Issues*

Despite a major revolution in 1952, the agrarian reform program carried out in its wake left significant areas of the country – particularly the then-sparsely populated east - untouched. In the reformed areas of the Altiplano, rapid population growth and sub-division into excessively small units and soil exhaustion have rendered previously viable parcels unable to sustain their owners. With the rapid growth and out-migration of the population of the Altiplano over the last 50 years into areas largely unaffected by the reforms (Bolivia's eastern regions), the question of land in Bolivia is once again widely regarded as the problem most likely to generate violent social conflict. In the most extreme scenario, the land issue is seen as a short-term trigger for a civil war. Land could become a potentially unifying issue around which

a nationwide indigenous and popular movement could once again take shape. Such a movement, if it materialized, would inevitably encounter significant and potentially violent opposition on the part of landowners, rooted in the sentiments of regional autonomy in Eastern and Southern Bolivia. Land seizures by landless farmers also pose a serious threat to large expanses of environmentally protected areas. Land tenure is also an issue of rural economic and income growth, agricultural productivity, and the sustainable use of natural resources.

### *Disposition of Natural Gas Resources*

With natural gas reserves recently estimated at over 6 trillion cubic feet - the second largest on the continent - a fierce debate has arisen in Bolivia over what to do with this wealth. Political positions range from maintaining the current, relatively liberal regulatory and tax framework and exporting the bulk of it, to confiscatory nationalization of foreign energy companies' investments in the sector and exporting no gas, using all of it for the domestic market. However, the domestic market is very small and poor, and the GOB would like to export (and tax) a significant portion of the gas as a major new revenue source that could help to overcome recurring, chronic fiscal deficits and fund much-needed public investment in development projects. Bolivia has a history of foreign and domestic exploitation of its natural resource wealth that leaves little or nothing for all but a select few, as well as of government expropriation of the property of foreign energy companies. The ideology of complete state ownership of the entire hydrocarbons industry has wide appeal, due to both the aforementioned history and to the promise of greatly increased state employment and opportunities for political patronage. Foreign direct investment in the gas sector was liberalized in the 1990s, and the role of the state hydrocarbons company greatly diminished. Taxes and royalties on new fields were much reduced, so as to encourage new investment. However, these reforms were not popular, and when the public learned in 2003 that the Sanchez de Lozada Administration might be considering exporting gas to the U.S. through a Pacific Ocean port in Chile on what used to be Bolivian territory (which it lost in a war with Chile 125 years ago), the extent and violence of the resulting protest forced de Lozada's resignation. Since then, the successor administration of President Carlos Mesa has tread very carefully on the entire issue of gas, holding a national referendum in July of this year and drafting a new Hydrocarbons Law, now before the Bolivian Congress, that would reverse some of the 1990s reforms, raising and restructuring taxes and royalties on foreign companies and increasing the role of the State in the ownership and sale of gas. The U.S. Government is concerned that an excessively statist, high-tax GOB gas regime could stifle desperately needed investment in the sector. Given the extreme political sensitivity of the gas issue, USAID is maintaining a low profile while carefully tracking developments in the sector and supporting public information campaigns on the issue by the GOB and local non-governmental organizations (NGOs). USAID does not envision any significant involvement, until and unless the GOB seeks International Financial Institution funding in developing the sector, wherein USAID will be required to ensure that proper environmental impact studies are carried out, as per the U.S. Congress's Pelosi Amendment.

### *Decentralization*

One of the key reforms of the first Sanchez de Lozada administration (1993-1997) was the Popular Participation Law of 1994 and the Decentralization Law of 1995. Those reforms have brought governance and services closer to the population, particularly in historically underserved areas of the country. Building local government capacity to effectively respond to citizen needs is a means of addressing widespread discontent with government and the democratic system, and thereby consolidating democracy at the grassroots. USAID assistance to local communities in increasing and diversifying household incomes; increasing access to, and quality of, local public health services; training of local communities in sustainable use of their natural resource base; and addressing sources of conflict through meeting demand for improved and increased social infrastructure; all reflect a local, decentralized focus that has the highest and most sustainable development impact. An important and closely related

dimension is the need to assist civil society organizations in becoming constituents for, and key actors in, the consolidation of democracy and greater responsiveness, accountability and transparency in governance, particularly at the local level.

### *Youth*

Bolivia is a young country, with half of the population under 21 years old. This implies that any program of development assistance aimed at promoting sustainable economic and social development must focus on channeling the energies of a young population toward constructive participation in society and in the economic and political system. This further implies a need to focus on creating conditions of broad-based, sustainable and employment-generating economic growth, and of sufficient opportunities for informed participation in political decision-making. All of USAID/Bolivia's strategic objectives (SOs) have an important youth component. Democracy activities promote civic education and increased community participation in local governance. Economic opportunities activities promote the growth of small and micro-enterprises, which employ significant numbers of young people. Health activities focus on maternal and child health, and on reproductive health, the latter including information, education and communication campaigns aimed at youth that disseminate information on the avoidance and treatment of sexually transmitted diseases, including HIV/AIDS. Environmental education programs in schools teach youth about the value of Bolivia's rich natural resource patrimony and the importance of protecting or sustainably utilizing its natural resources. Alternative development programs include vocational and tertiary education aimed at youth that increases their employability or equips them to start their own businesses.

### *Host-Country Counterpart Contribution to USAID Programs and Activities*

The GOB's acute and chronic fiscal crisis is impacting heavily on its ability to provide the host-country [government] counterpart contribution required under bilateral agreements signed with USAID, particularly cash contributions for salaries. USAID activities in many cases require some GOB contribution if the programs and activities are to work as planned, and if they are to be sustainable. USAID is reviewing its actual program requirements to determine the minimum host country contribution required for successful program implementation and long-term sustainability.

## **PART II: THE USAID/BOLIVIA 2005-2009 COUNTRY STRATEGIC PLAN**

### **A. Overall Strategic Vision**

USAID/Bolivia's 2005-2009 Country Strategic Plan (CSP) directly addresses Bolivia's development needs and priorities as set forth in the GOB's Poverty Reduction Strategy Paper (PRSP). Its carefully selected programs and activities will be implemented in close coordination with the GOB and civil society. Specifically, USAID/Bolivia long-term objectives are to consolidate Bolivian democracy, increase sustainability of licit social and economic development in coca growing areas, achieve significant and sustained poverty reduction, improve public health, and promote greater social inclusion and stability. Following the events of October 2003, the Mission reviewed its conclusions and made appropriate adjustments to its strategy, taking into account the new social and political context and the views and priorities of the current Government. As part of this review, it was determined that, with the exception of the Democracy SO, which is new as of the beginning of FY 2004, the Economic Opportunities (EO), Health, Environment and Integrated Development (ID) SOs are actually adjustments, consolidations and/or follow-ons to the SOs in the Mission's 1998-2004 CSP. After extensive consultations with the LAC Bureau, it was subsequently agreed that the aforementioned SOs would continue into the new strategy with their same SO number designations and, in the cases of the Health and

ID SOs, slight changes in SO titles. In summary, they are to be considered as amendments to their predecessors. For financial management purposes, the 2005-2009 life-of-SO budgets are to be considered additive to those under the 1998-2004 CSP.

It is envisioned that by the end of the new strategy period in 2009, poverty will be reduced and human development increased, especially for the neediest Bolivians, through improved access to markets, improved provision of public services, increased social protection and security, and strengthened citizen participation in public-policy decision-making. State institutions will enjoy increased credibility, and public decisions will be made and conflicts managed through productive interaction with civil society. Private sector employment and incomes for Bolivia’s poor will increase significantly through increased business growth, including increased trade. Key public health indicators such as infant mortality rates will be within international thresholds, people will be realizing their reproduction intention, malnutrition will be less pervasive, key infectious diseases will be under control, and HIV/AIDS will not have moved beyond the nascent stage. Forest exports will expand significantly, seven million hectares of protected areas will be conserved, and Bolivia will meet Free Trade Area of the Americas (FTAA) standards for cleaner production. Finally, household incomes, employment, state presence, and quality of life will be strengthened in the Chapare and Yungas; changes that will help to weaken the influence of drug traffickers and associated radical organizations in the country.

**Figure 1: The USAID/Bolivia 2005-2009 Strategic Plan Results Framework**



**B. Strategic Plan Rationale**

*Principal Parameters for the Strategic Plan*

USAID/Bolivia’s Strategic Plan Concept Paper was approved by the USAID Latin America and Caribbean (LAC) Bureau in October 2002. The new country strategy will support a sustainable licit economy in the fight against illegal coca, the strengthening of the Bolivian democratic system, promotion of broad-based economic growth improved health of the Bolivian people, and management of natural resources for sustained economic growth. The Mission was requested by LAC to include education as a new area of involvement. Education resources will be integrated into the Mission’s specially targeted programs to meet service needs in conflictive areas such as the city of El Alto.

The new strategy will be for a period of five years, which will be funded in FY 2005 through FY 2009 with the implementation period continuing through FY 2010. Life of Strategic Plan combined program resource levels for the period FY 2005-2009 will total \$548,690,000 from Development Assistance (DA), Child Survival and Health (CSH), International Narcotics Control/Andean Counter Narcotics Initiative (INC/ACI), Economic Support Funds (ESF), and P.L. 480 Title II accounts. USAID/Bolivia's staffing levels will increase by two Foreign Service Nationals (FSNs) and Operating Expense (OE) funding levels will be confirmed as annual budgets are established.

### ***USAID Strategy's Relationship with Other USG Agencies in Bolivia***

Through the U.S. Embassy's Mission Performance Plan (MPP), the other U.S. Government (USG) agencies working in Bolivia have influenced the development of USAID/Bolivia's strategic plan while complementing and supporting USAID's Strategic Objectives. The MPP links to the new joint USAID/State Department 2004-2009 Strategic Plan (see Table 1, below). USAID/Bolivia works closely with the Economic and Political Section (ECOPOL) and the Public Affairs Section (PAS) in strengthening democratic systems and practices, which is the U.S. Embassy's top performance goal. In addition to ECOPOL and PAS, USAID/Bolivia closely coordinates its Integrated Development and rule of law efforts with the Narcotics Affairs Section (NAS) to support the performance goal of International trafficking in drugs, persons, and other illicit goods disrupted and criminal organizations dismantled. USAID/Bolivia works closely with ECOPOL in increasing economic growth and development through programs that address market weaknesses and facilitate Bolivian gains from ATPDEA, the FTAA, and other international trade agreements. USAID/Bolivia works with ECOPOL and other agencies to address counterterrorism concerns regarding Bolivia's weak institutions, which make the country susceptible to abuse by international terrorist organizations. Finally, USAID works with ECOPOL, PAS and other sections to address social and environmental issues by improving reproductive and global health and promoting environmentally sustainable natural resource utilization, both of which are critical to achieving sustainable economic growth.

### ***Support to the Government of Bolivia's Development Strategy***

Through its participation in the HIPC, Bolivia will have access to an estimated \$1.3 billion in debt relief funds during the next fourteen years. As part of the HIPC initiative, Bolivia developed a PRSP in 2001, with broad civil society participation through a National Dialogue conducted in 2000. The PRSP, in whose development USAID played an important role, is an integrated approach to poverty reduction addressing six main areas: greater opportunities for job and income generation; increased social participation and integration; increased safety and protection for the poor; social integration of indigenous peoples; gender equity; and sustainable natural resources management. The National Dialogue Law of 2001 created a Social Control mechanism to ensure continuation of broad civil society participation and fiscal oversight in the formulation and implementation of poverty reduction policies and fiscal oversight.

### ***Donor Coordination***

USAID is the largest bilateral donor in Bolivia, and the fourth largest overall donor, after the Andean Community Fund, the World Bank, and the Inter American Development Bank, all of which provide concessionary loans as opposed to grants. Bolivia has one of the highest per capita dependencies on foreign funds in the hemisphere. For example, 11% of the national budget is dependent on donor assistance and external financing. About 18 multilateral and bilateral donors and some nine United Nations (UN) agencies provide an average of \$500 million annually in concessional loans and donations to Bolivia. Joint donor-GOB working groups are organized within the framework of Bolivia's PRSP and under the sponsorship of the Development Assistance Committee (DAC) Consultative Group process. In addition, donors have accepted the principles of the Bolivian Comprehensive Development Framework



and have signed the Rome Declaration on Harmonization based on the DAC/OECD proposal at the February 2003 High Level meeting, including an action plan. Key principles of the declaration are: focus on results and programs, efficiency, accountability, sustainability, institutional strengthening, complementarity of donor programs and Millennium Development Goals, and transparency. In the wake of the events of February and September-October 2003, the GOB and donors have revisited their long-term development and assistance strategies. As poverty is a common denominator in the radicalism and alienation from the political/economic system that manifested itself in unrest and violence, poverty alleviation is necessarily getting a much closer look. Both the National Dialogue process and the PRSP are being reviewed with an eye to increasing the effectiveness of poverty alleviation, income growth and economic development initiatives and activities. Donors, including USAID, are likewise reviewing their assistance strategies to target areas with the highest levels of conflict, which also are – not coincidentally – the areas with the highest levels of poverty and the worst health and social indicators. The Mission’s new strategy will continue to be fully integrated with the GOB’s poverty strategy, to ensure GOB ownership, enhance donor coordination and avoid duplicative or counterproductive efforts.

### ***Links to Other Major U.S. Government and Multilateral Initiatives***

Under USAID/Bolivia’s new strategy, Global Development Alliance (GDA), public-private partnership principles will be incorporated into Mission SOs as an important tool in managing for results. Under the Democracy SO, the USAID-sponsored Municipal Internet Portal uses the Internet to link municipalities and municipal associations to the private sector. Microsoft Corporation partnered with the Mission to provide the portal with the software for a pilot municipal auction project, and negotiations are underway to obtain software for future auctions. Under the Economic Opportunities SO, the trade and competitiveness program will continue to solicit input and expertise from the private sector to identify business constraints and design solutions. The Health SO will actively seek domestic (Bolivian) private-sector partnerships in social marketing that may involve the private pharmaceutical industry as a source of contraceptives and multivitamins. USAID-supported NGOs will broker agreements to provide health services for private sector entities. A new small-grants program includes public/private partnerships as a specific area of interest. Under the Environment SO, ecotourism development activities involve private sector partners and community partnerships. USAID’s clean production activity receives considerable support from the Bolivian Chamber of Industry. The GDA facility has been utilized to help the Chamber of Forestry to transform itself into an effective private-sector business advocacy group promoting sustainable management and independent certification of forests and forest products, particularly for export, and to support a forest products processing center. Under the ID SO, activities are aimed at increasing family incomes through partnerships with private producers, vendors, buyers, truckers, processors, and associated service businesses to sustain a viable and vibrant licit economy in target areas. In the coming strategy period, USAID expects to continue to optimize public investments directly supportive and responsive to private sector needs.

The USG’s Millennium Challenge Account (MCA) initiative could have major implications for Bolivia, as it has been formally declared eligible to submit a compact proposal to the Millennium Challenge Corporation (MCC) to receive MCA assistance. Mission activities under the Democracy (governance, rule of law and anticorruption), Health (access and quality), and Economic Opportunities (promoting free markets, trade and broader and more diverse income opportunities) programs directly address the principles the MCA seeks to promote, and thereby have been instrumental in making Bolivia one of the first countries to be actively considered for MCA funding. While Bolivia has been formally declared an eligible candidate, it will need to demonstrate a continued commitment to rule of law, an open economy and sustained efforts to reduce corruption to remain eligible through the process of developing and submitting a proposed compact to the MCC.

The Summit of the Americas goals of strengthening democracy, creating prosperity and realizing human potential are advanced by the Mission's program strategy. The economic opportunities strategy builds upon prosperity and the upcoming FTAA Agreement by ensuring Bolivia's increased competitiveness in global markets and improved business environment. The democracy and health programs pursue equity and participation objectives especially for the country's indigenous, poor, rural majority, and excluded minorities (women, children and adolescents). The USAID strategy also focuses on human rights and corruption as key concerns.

Poverty reduction is increasingly the focus of international official development assistance, as in the case of the UN's Millennium Development Goals. USAID/Bolivia's strategic plan is fully consistent with these goals, which are targets and performance indicators relating to poverty reduction and human development that have been adopted by all UN member states. The strategic plan's focus on increased incomes, more productive agriculture, reduction of child and maternal mortality, increased child immunization coverage, more effective population policies, improved reproductive health, broader and better-quality provision of clean water and sanitation services, gender equity, and environmentally sustainable economic growth directly supports the corresponding Millennium Development Goals.

### **C. Rationale for Selection and Summary of Strategic Objectives**

Bolivia presents a vast array of development challenges, both within and across sectors. Nonetheless, resource constraints, USG policy priorities, and considerations of cost-effectiveness all require USAID to carefully target its assistance. As a result, during the strategy development process, the Mission had to make hard choices regarding which areas to concentrate its assistance efforts. Additionally, those choices had to properly reflect USAID's predominant capability, other donor assistance, manifest GOB priorities, and assessments of the likely availability of adequate levels of essential resources over the strategy period. USAID/Bolivia chose its five SOs because they directly address U.S. interests and respond to Bolivian priorities. Furthermore, in each case, the SO builds on USAID experience and recognized leadership in the area and presents real opportunities for achievement of far reaching results. Lastly, these choices all have the potential to substantially leverage additional resources, both Bolivian and international.

#### ***SO 2: Increased Income for Bolivia's Poor (511-002)***

For the 2005-2009 period of its Economic Opportunities (EO) SO, USAID/Bolivia will build upon current successes in agriculture and microfinance and work in the following areas: 1) promoting a sustainable financial system and continued microfinance development, 2) improving agricultural production (volume, productivity and quality) and market linkages, and 3) improving the enabling environment for trade and investment and making businesses in value-added exporting sectors more productive. Whereas the countrywide trade and competitiveness focus is important for overall broad-based growth, the Mission understands that a continued focus on poverty reduction is still needed in the poorest regions. The agricultural Intermediate Result (IR), along with Title II activities, will therefore continue to focus on improving wealth distribution to the poorest Bolivians. The Mission is anticipating the receipt of limited Basic Education funding which will be used to fund activities such as providing basic skills to enhance participation in the economy, environmental awareness, development of democratic values, and school infrastructure in selected areas.

#### ***SO 3: Improved Health of Bolivians, Contributing to Their Quality of Life (511-003)***

While many elements of the previous (1998-2004) Health SO program carry over into the new strategy period, the 2005-2009 health strategy incorporates several new elements and changes in focus. IR 1 has been expanded from a narrow focus to achieving greater health awareness through messages and social

marketing to an empowering, culturally-sensitive perspective in which the construction of cultural bridges and health education are cornerstones. IR 2, which focuses on the coverage and quality of health services, has been enriched by defining a basic package of services and establishing continuous quality improvement techniques in municipal networks of health facilities and community outreach programs. IR 2 focuses on multiple service providers, ensuring the legitimacy of both the Ministry of Health and NGOs. IR 3 includes recognition of four different levels of health management (national, departmental, municipal and community) and seeks to strengthen the management capacities of both the public sector and NGOs working at the different levels.

***SO 4: Forest, Water and Biodiversity Resources Managed for Sustainable Economic Growth (511-004)***

Building on past efforts, the Environment SO will: 1) improve the business practices for forestry exports, and broaden the benefits of forestry by including more community forest operations; 2) focus on conservation of the eastern slopes of the Andes by engaging municipalities and generating local benefits through ecotourism and sound watershed management; and 3) improve environmental management of urban and industrial pollution. USAID will build on past successes in forestry by increasing investments and exports, and expanding community participation. The Mission will conserve Bolivia's parks by strengthening the Bolivian Park Service and local NGOs, and engaging municipalities in the management of these critical areas. Cleaner production will be institutionalized within Bolivia's private sector by creating the demand for cleaner production services and the private sector capacity to meet this demand. The environment program will continue work to improve capacity of local NGOs, strengthen the Bolivian government's institutional capabilities, and address natural resources management challenges in the highlands through coordination with the Title II program.

***SO 5: Licit Economy in Coca Growing and Associated Areas Increasingly Sustainable (511-005)***

USAID's strategic challenge is to complement eradication and interdiction efforts with an integrated package of interventions aimed at increasingly sustainable economic development, underpinned by strengthened democratic and social development in coca growing and associated areas. In both the Chapare and the Yungas regions, this will require continued efforts to increase the competitiveness and sustainability of promising income and employment-generating farm-to-market value chains, many of which were supported under the previous strategy. In addition to USAID's traditional agricultural development focus, complementary efforts will be undertaken to increase state presence; strengthen local democratic institutions and communities; and improve delivery of social services and infrastructure identified democratically by citizens. Toward this end, the program will include activities to strengthen local democratic governance, improve the administration of justice, peacefully manage conflict, and strengthen democratic civil society. Sustainable use and protection of natural resources – through forestry and agro-forestry initiatives - are critically important pieces of the economic development aspect of the strategy. The development context is complicated by a climate of conflict whereby pro-coca agrarian unions use non-democratic, coercive, and sometimes violent means to induce fellow citizens to increase coca cultivation, block roads, reject licit development, and harass licit producers.

***Special Objective (SpO) 6: Economic Stabilization (511-006)***

In Fiscal Year (FY) 2005, \$8 million in ESF will be provided to the GOB to help pay multilateral debt, in a limited-term State-USAID initiative to help the GOB close a fiscal gap. This is to be the final balance-of-payment support provided to the GOB for this purpose, following contributions of \$10 million and \$8 million in FYs 2003 and 2004, respectively.

**Table 1: Relationship of USAID/Bolivia Objectives to USAID/State, GOB and United Nations Goals and Objectives**

<b>USAID/BOLIVIA Strategic Objectives</b>	<b>USAID/State Department 2004-2009 Strategic Plan Goals</b>	<b>UN Millennium Development Goals</b>	<b>Millennium Challenge Account</b>	<b>Bolivia Poverty Reduction Strategy</b>
<b>SO 2:</b> <i>Increased Income for Bolivia's Poor</i>	<b>Performance Goal : Economic Growth and Development</b> Increased trade and investment achieved through market-opening international agreements and further integration of developing countries into the trading system	<b>Goal 1:</b> Eradicate extreme poverty and hunger	<b>Qualifying Criteria 3:</b> Promoting Economic Freedom	<b>Element 1:</b> Expanding employment and income opportunities (emphasis on production and productivity)
<b>SO 3:</b> <i>Improved Health of Bolivians, Contributing to their Quality of Life</i>	<b>Performance Goal: Social and Environmental Issues</b> Improved global health, including child, maternal and reproductive health, and the reduction of abortion and disease, especially HIV/AIDS, malaria and tuberculosis	<b>Goal 4:</b> Reduce child mortality <b>Goal 5:</b> Improve maternal health <b>Goal 6:</b> Combat HIV/AIDS, malaria and other diseases	<b>Qualifying Criteria 2:</b> Investing in People	<b>Element 2:</b> Human capacity development (health, education, basic services)
<b>SO 4:</b> <i>Forest, Water and Biodiversity Resources Managed for Sustained Economic Growth</i>	<b>Performance Goal: Social and Environmental Issues</b> Partnerships, initiatives, and implemented international treaties and agreements that protect the environment and promote efficient energy use and resource management	<b>Goal 7:</b> Ensure environmental sustainability	<b>Qualifying Criteria 3:</b> Promoting Economic Freedom	<b>Cross-cutting:</b> Rational use of natural resources (optimal use of water and land resources) Ethnic and indigenous people
<b>SO 5:</b> <i>Licit Economy in Coca Growing and Associated Areas Increasingly Sustainable</i>	<b>Performance Goal: International Crime and Drugs</b> International trafficking in drugs, persons and other illicit goods disrupted and criminal organizations dismantled	<b>Goal 1:</b> Eradicate extreme poverty and hunger	<b>Qualifying Criteria 3:</b> Promoting Economic Freedom	<b>Element 1:</b> Expanding employment and income opportunities (emphasis on production and productivity) <b>Element 2:</b> Human capacity development (health, education, basic services)
<b>SpO 6:</b> <i>Economic Stabilization</i>	<b>Performance Goal : Economic Growth and Development</b> Institutions, laws and policies foster private sector-led growth, macroeconomic stability, and poverty reduction	<b>Goal 1:</b> Eradicate extreme poverty and hunger	<b>Qualifying Criteria 3:</b> Promoting Economic Freedom	<b>Element X (new PRSP ):</b> Improved fiscal management
<b>SO 7:</b> <i>Increased Confidence in Democratic Institutions and Processes</i>	<b>Performance Goal: Democracy Systems and Practices</b> Measures adopted to develop transparent and accountable democratic institutions, laws, and economic and political processes and practices	<b>Goal 3:</b> Promote gender equality and empower women	<b>Qualifying Criteria 1:</b> Governing Justly	<b>Element 4:</b> Promoting social integration and participation (Popular participation, decentralization)

### ***SO 7: Increased Confidence in Democratic Institutions and Processes (511-007)***

The USAID Democracy SO will have four major components. The first three build on previous and current USAID activities, while the fourth is new and focuses on anti-corruption. First, while Bolivia has taken important steps in criminal justice reform, the justice system still does not provide adequate security for contracts, trade, and investment. The next generation of justice reforms will include commercial and administrative law reform. Second, the Democracy SO's legislative strengthening efforts will continue to focus on political parties. This recognizes the importance of political parties to a democracy, as well as the very negative perception that Bolivians have of parties and the growing popularity of proposals to eliminate them. Third, USAID will continue its support for municipal development by adapting its model of participatory municipal governance to urban areas where the majority of the population lives. The Democracy SO will also focus on anti-corruption efforts to yield a more transparent and effective government.

#### ***Ultimate Customers***

Ultimate customers are those Bolivians whose lives will improve through participation in USAID-supported programs. Customers have been consulted through a number of appropriate means, including surveys and focus groups, and their feedback has been taken into account in the development of the new strategy. The ultimate customers for each strategic objective include:

*Economic Opportunities:* Small producers, small farmers, micro-entrepreneurs, and exporters.

*Health:* High-risk populations in the rural and peri-urban areas of Bolivia. Key among these high-risk populations are infants under age one, children under five and women of reproductive age, people at risk of contracting HIV/AIDS, and young Bolivians.

*Environment:* People living in and around protected areas and buffer zones, contaminated areas, and communities in forest areas. This includes farmers affected by indiscriminate use of pesticides and working on fragile and degraded soil.

*Integrated Development:* The approximately 90,000 families who live and work in the Yungas and Chapare regions of Bolivia.

*Economic Stabilization:* The Bolivian Government, which will be able to re-direct resources to meet urgent development needs.

*Democracy:* Bolivian citizens, particularly individuals and community groups that have been the most vulnerable and marginalized such as indigenous groups, women, and rural communities.

### **PART III: STRATEGIC OBJECTIVE NARRATIVES**

As previously indicated, with the exception of the democracy program, the SOs described in this Strategic Plan are amendments to the SOs of the current strategy (1998-2004). In this new Strategic Plan period, the democracy program will be implemented under a new SO because of the added focus on anti-corruption.

## **A. Strategic Objective 2: Increased Income for Bolivia's Poor**

**Start and End Dates:** The USAID/Bolivia Economic Opportunities strategy period begins on October 1, 2004 and will end on September 30, 2009. Implementation will continue through FY 2010.

### ***Development Hypothesis***

If agricultural and manufacturing productivity improves and responds to market opportunities; a sustainable financial system provides adequate resources, including credit, to small farmers and small and micro-enterprises; employment and the incomes of Bolivia's poor will increase significantly and in a sustainable manner, reducing overall poverty.

### ***USAID's Strategic Approach***

The Economic Opportunities Strategic Objective (EO SO) focuses on poverty reduction by fostering sustainable economic growth in both rural and urban areas. Growth will generate employment, which has the most direct and tangible impact in reducing poverty through increased household income, which generates further employment through increased purchasing power and increased domestic consumer demand. This growth will be achieved via a program designed to promote expanded and sustainable financial markets, improved agricultural technology and marketing services, and a trade capacity and competitiveness program to increase employment opportunities in export industries, improves Bolivian business production and marketing practices and strengthens trade-related institutions. The strategy recognizes the need to ensure both women and men have unimpeded access and privileges in membership of producer associations and other aspects of economic life to provide more equal opportunities for finding employment and increasing incomes. Food security efforts allow the poor to manage vulnerabilities in the short run while improving basic productive infrastructure in their communities. A limited amount of Basic Education funding will be utilized to for activities such as providing basic skills to enhance participation in the economy and school infrastructure in selected areas. The EO SO Team may transfer some or all funding to other SO Teams, as appropriate, to carry out other activities such as promoting environmental awareness and civic education.

Key constraints affect the success of this strategy. Current political instability discourages business and investment, which constrains economic growth. Poor roads and other transportation infrastructure over rough terrain increases costs and makes exporting more difficult, especially from rural areas. Social movements and road blockages can affect the ability of Bolivian exporters to deliver on time. The economic crisis increases the temptation to use credit and other economic instruments for short-term political goals, rather than focus on long-term sustainability. Bolivia is the poorest country in South America and despite important macroeconomic reforms and a certain economic stability, economic growth lags behind population growth rates. Broad-based economic growth depends on overcoming a combination of constraints to growth that include the lack of a sound policy and regulatory framework, limited access to financial resources, lack of access to technology and markets, poor productive infrastructure, and low levels of education. Bolivian entrepreneurs and government officials do not know how to negotiate trade agreements, nor understand their obligations under agreements already signed.

## ***The Results Framework***

The “Increased Income for Bolivia’s Poor” SO will be based upon four IRs that provide strategic support to the GOB’s efforts to re-activate Bolivia’s stagnant economy through increased private-sector growth, international trade, and foreign and domestic investment in the national economy. The EO SO results framework is represented in graphic form in Figure 2, below.

### ***Intermediate Results and Illustrative Activities***

#### ***IR 2.1: Increased Access to Financial Services in Underserved Areas***

Economic stability is critical to Bolivia’s political, social and economic well-being. A financial collapse could trigger a general economic collapse, making a healthy financial sector crucial for development. The financial sector, and credit in particular, is too often seen as a means for ameliorating non-financial problems in production, investment and markets, and threats to its viability are increasing as a result of political pressures. Examples include directed credit and using financial institutions as mechanisms for short-term programs to ameliorate social strains, such as buying tractors for radical peasant groups. Such programs may quell social tension in the short run, but in the longer term threaten the stability of the financial sector, and thereby the economy overall.

The current strategy is built upon past USAID programs that emphasize building strong microfinance institutions and developing improved products and services. USAID/Bolivia has played an important role in the microfinance sector since 1986. USAID has supported: 1) the creation of a specialized regulatory framework and supervisory capacity for microfinance institutions and credit unions within a competent regulatory body, the Superintendency of Banks and Financial Institutions; 2) strengthening ownership structure of microfinance institutions through the incorporation of socially oriented investors, multi-lateral and private investors; and 3) leveraging equity capital and diversification of liability structures. New sources of funds included commercial bank loans, deposit mobilization and bond issues.

This work yielded some major accomplishments: 1) five private financial institutions (four Private Financial Funds (FFPs) and a commercial bank) specialized in microfinance that are financially viable and operate in a very competitive market under the supervision of the Superintendence of Banks; 2) high level of demand coverage in urban centers and the most populated rural areas.; and 3) a regulatory framework tailored to the unique characteristics of microfinance. Today, FFPs, or regulated microfinance institutions, continue to grow aggressively, independently and sustainably, increasing market share and diversifying their services. USAID’s technical assistance has also improved the financial situation and efficiency of rural credit unions.

The microfinance program under the new strategy seeks to consolidate these successes and promote a strong, stable financial system. USAID will promote policy dialogue on actual and potential threats to the Bolivian microfinance system and effective lobbying to eliminate or limit distortions to the financial system. Another element supports the building of a microfinance industry infrastructure that reinforces innovation and consolidation of successes. Support to the Superintendency of Banks and other regulatory entities will help them build their capacity to competently regulate and supervise microfinance institutions. USAID will support the establishment of an all-inclusive national system for credit referencing to improve risk management and accurate pricing. Policy work will also include the development of a secured transactions law and other improvements in the legal and regulatory framework. Research,

testing and introduction of new products and services will improve financial service providers' ability to grow and serve the population. The EO SO team will work with other SO teams to develop a coherent Mission-wide policy regarding the provision of credit to all SO-supported activities.

Illustrative activities under IR 2.1 include:

- Enhance the legal and institutional infrastructure for market-based microfinance and commercial finance, including secured transactions, credit bureaus, and the elimination of constraints to credit and deposit mobilization in frontier markets.
- Strengthen the Superintendency of Banks – strengthen the technical authority and effective performance to protect its autonomy and independence.
- Support a credit reference system that provides universal access for regulated and non-regulated organizations to information on all credit and commercial transactions.
- Strengthen industry representation and cooperation to guarantee the microfinance sector can effectively advocate for public policy in favor of market-based microfinance.
- Develop financial instruments for risk management, including mitigating agricultural-related risks.

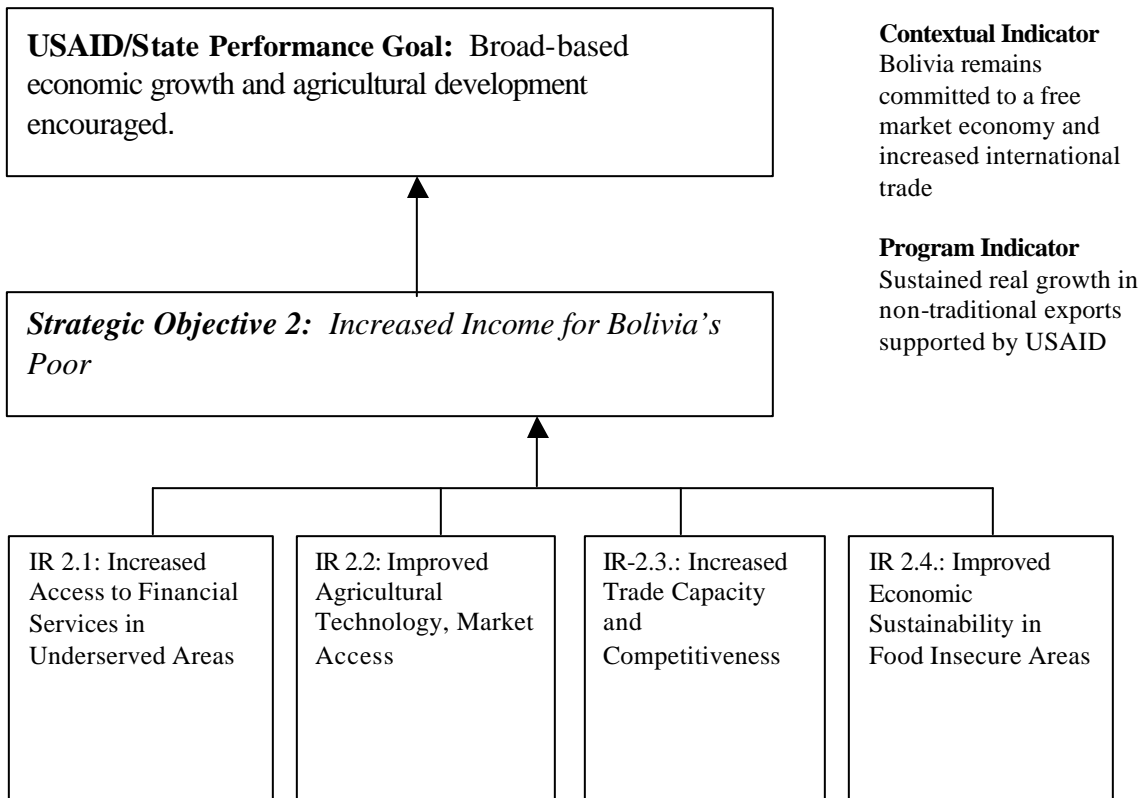
### IR 2.2: Improved Agricultural Technology and Market Access

This IR will reduce poverty by providing market access and technology transfer to farmers in the productive valleys and the Altiplano. USAID support will help farmers identify local and regional market demand for products and link farmer associations with local organizations that provide technical assistance and marketing services to improve production and effectively reach the market. To promote sustainability, USAID is working within the GOB's "Bolivian System for Agricultural Technology" (SIBTA), which operates through agricultural foundations covering four geographic areas. USAID is working with the Valleys Foundation and other existing local institutions to become effective, efficient and sustainable service providers. USAID currently works with the Valleys Foundation, but will closely coordinate with another SIBTA entity, the Altiplano Foundation, and the Swiss cooperation agency, which supports this foundation, as USAID begins activities in the Altiplano.

Technical assistance in agricultural technology and marketing assistance program will help farmers diversify their crops and reach suitable domestic and foreign markets. Assistance in the Valleys and Altiplano regions will build upon successes to date in the Valleys. Although average rural household income in the region dropped from \$1,444 to \$1,306 during 2003, USAID beneficiary households' income continued to rise, to an average of \$1,729, exceeding year and end-of-project targets. In addition to local sales, which constitute most of the farmers' income, farmers have begun producing and exporting new varieties, including crops entirely new to Bolivia, such as white onions and raspberries. Farmers are already successfully exporting oregano to Canada and Brazil, hot peppers to Argentina, white onions to the United States and raspberries to Brazil.



**Figure 2: Economic Opportunities Strategic Objective Results Framework**



**Critical Assumptions:**

1. The GOB retains its authority and social unrest does not generate into violent conflict.
2. The GOB maintains its commitment to free trade and foreign investment.

This IR will expand on the successful work in the valleys region with new activities in the Altiplano, focusing on quinoa, llama meat and fibers, and other products. It will also address specific constraints to development in the target agricultural sectors by promoting specific work on sanitary and phytosanitary standards as needed and appropriate. This will be coordinated with all other USAID agricultural activities, including those carried out under the ID SO. USAID will promote innovation applicable to the various agricultural regions of Bolivia, including the Valleys, Altiplano, and Chapare and Yungas, coordinating closely with the ID and Environment teams to ensure sustainability of the interventions.

Basic investments in productive infrastructure in specific poor communities through the PL 480 Title II program will complement the USAID's other agricultural activities in the Altiplano and Valleys regions through agricultural and livestock-related activities for about 120,000 beneficiaries in 20 food insecure provinces, mostly in the Altiplano. Title II Cooperating Sponsors work closely with community groups to analyze the communities' needs, resource constraints and opportunities, and jointly define specific strategies and activities. The program increases productivity and production through improved productive infrastructure (e.g., access roads, irrigation systems, greenhouses), transfer of improved crop and livestock technologies through improved access to inputs (e.g., seeds, tools), and by reducing activities that deplete the natural resource base. Marketing surplus production generates resources to obtain foods for a more nutritious diet which may not be produced on-farm.

Illustrative activities under IR 2.2 include:

- Technical assistance for the production, post-harvest handling, and processing of traditional products, e.g., quinoa, onions, locoto peppers, red chilies, oregano, llama products and berries.
- Develop non-traditional products and sectors by introducing new plant varieties and species having strong potential to increase incomes, such as saffron, garlic, capers, berries and nuts.
- Institutional strengthening of organizations under SIBTA, such as the Valleys and Altiplano Foundations to provide productivity and market access assistance on a sustainable basis.
- Specific reform activities with the National Service for Agricultural Health and Food Safety to improve certification of sanitary and phytosanitary standards.

*Illustrative Complementary P.L.-480 Title II Activities*

- Improved productive infrastructure (roads, irrigation systems, greenhouses)
- Improved access to inputs such as seeds, tools, and fertilizers, and reducing activities that deplete the natural resource base.

IR 2.3: Increased Trade Capacity and Competitiveness

This IR will help Bolivian businesses in key value-added sectors with export potential to become more productive and meet export demand, while making the legal environment more conducive to increased trade and improved business competitiveness. Since Bolivia's internal market is small and limited in its purchasing power, the only practical way to achieve real growth is by accessing other markets. A well-formulated trade policy framework, supported by appropriate policies such as macroeconomic stability, sound environmental practices and good governance, promotes pro-poor, pro-growth economic development. IR 2.3 builds upon the results of the current USAID trade and competitiveness activity, which had directly generated 1,595 permanent

jobs and \$6.6 million in exports as of April 2004, and provided support for the preparation of Bolivia's trade capacity building strategy and basic training for Bolivian trade negotiators. This IR focuses on two key areas: 1) overcoming systemic and other constraints to trade and business development and 2) improving productivity - particularly in the textile/apparel, leather goods, wood products and jewelry sectors - with direct assistance to individual firms or groups of firms. The policy component will improve the institutional, legal and regulatory environment for trade and help Bolivia to participate more effectively in trade negotiations and implement agreements. This includes addressing the need for basic training for negotiators, technical assistance for implementing agreements or facilitating trade, and promoting effective public-private sector dialogue.

This IR will complement the direct work with farmers under IR 2.2 to promote policies conducive to international trade in agriculture. As needed, USAID will complement other donors' work in areas such as facilitating formalization of new businesses and simplification of paperwork. The second component of this IR will increase the capacity of exporting businesses in key value-added sectors to meet international standards and market requirements, improving their overall competitiveness through improved production methods, including minimizing idle machinery through effective production-flow organization and improved workshop layout. USAID will work with existing finance institutions and mechanisms to promote sustainable availability of finance for productive and exporting enterprises, coordinating closely with IR 2.1 to ensure sound financial practices. The use of information technology will improve service and reach new markets. The program focuses on areas in which Bolivia has a comparative advantage, particularly textiles and certified wood. The latter is an area of synergy between the EO and Environment SOs, where close coordination helps to maximize impact and minimize overlap in working with the private sector. The work in commercial, legal and regulatory reform will be coordinated with the Democracy SO Team to create an enabling environment for trade and investment. Municipalities and *mancomunidades* play an important role in encouraging trade and investment by their relationships the local business community. This is important for all sectors, and particularly so for the tourism sector, where infrastructure, local health and utility services, and security – all of which are under the control of local government – can attract or discourage tourists and investment. The EO SO Team will tap the Democracy SO Team's expertise in the area of local government capacity building in support of this IR.

Illustrative activities under IR 2.3 include:

- Promotion of policy and regulatory reform to improve business competitiveness and promote investment, especially in sectors with substantial export potential, such as textiles, wood manufacturing, jewelry and tourism.
- Trade-related training for Bolivian negotiators to help them understand key topics in international agreements.
- Technical assistance to small and medium businesses to improve productivity and competitiveness and link them to markets through subcontracting to exporters or direct exports.
- Assistance to small and medium businesses to improve use of information technology to generate increased sales through e-commerce, communication, and electronic promotion materials.
- Education in basic business knowledge to improve students' prospects for constructive and successful participation in the economy, and/or improvements to primary school infrastructure in underserved areas.

#### IR 2.4: Improved Economic Sustainability in Food Insecure Areas

USAID/Bolivia's EO SO contains a substantial P.L. 480 Title II component aimed at increasing household food security in some of Bolivia's most isolated, poor and food-insecure regions, mostly in Potosi, Chuquisaca, and Oruro Departments.

Illustrative activities under IR 2.4 include:

- Technical assistance to small farmers to improve crop yields and productivity and to link them to markets, including external markets.
- Improvements to infrastructure, including irrigation systems and access roads.

#### ***Preliminary Performance Management Plan***

Rural household income, dollar value of non-traditional exports, loan portfolio value and farm-level product sales are the principal indicators that will be used to measure progress at the SO and IR levels under the EO SO. USAID will conduct regular surveys, as required, to obtain the performance data. Indicators will be disaggregated by sex and ethnicity, as appropriate.

#### ***Preliminary Economic Opportunities Strategic Objective Performance Management Plan***

<b>Strategic Objective, Intermediate Results, and Indicators</b>	<b>Illustrative Targets</b>
<b>Strategic Objective: Increased Income for Bolivia's Poor</b>	
1. Annual average rural household income (Altiplano, Valles and Yungas)	<b>Baseline 2002:</b> \$1,258 <b>Target 2009:</b> \$1,500
2. National level of non-traditional exports	<b>Baseline 2002:</b> \$ 624,552,000 <b>Target 2009:</b> \$ 950,000,000
<b>IR 2.1: Increased Access to Financial Services in Under-Served Areas</b>	
1. <b>Volume of credit portfolio of regulated microfinance entities relative to commercial banks</b>	<b>Baseline 2003:</b> TBD <b>Target 2009:</b> TBD
2. <b>Volume of credit to small and medium sized enterprises</b>	<b>Baseline 2003:</b> TBD <b>Target 2009:</b> TBD
<b>IR 2.2: Increased Access to Agriculture, Technology and Marketing Services</b>	
1. Increased farm-level product sales (direct beneficiaries) (numbers for altiplano and valleys)	<b>Baseline 2002:</b> \$ 879 <b>Target 2009:</b> \$1,200
2. Commodity sub-sectors established or improved	<b>Baseline 2002:</b> 5 <b>Target 2009:</b> 12
<b>IR 2.3: Increased Trade Capacity and Competitiveness</b>	
1. Level of non-traditional exports directly generated through USAID interventions	<b>Baseline 2002:</b> \$6,600,000 <b>Target 2009:</b> \$ 8,800,000
2. Active Bolivian participation in the Hemispheric Cooperation Program and the Free Trade Agreement negotiations	<b>Baseline 2002:</b> In development <b>Target 2008:</b> TBD
3. Indicator related to basic education activity/ies	<b>TBD</b>
<b>IR 2.4: Improved Economic Sustainability in Food Insecure Areas</b>	
1.	<b>Baseline 2002:</b> In development <b>Target 2008:</b> TBD

*TBD: To be determined*

#### ***Linkages to the Bolivian Poverty Reduction Strategy***

The new government is faced, as was its predecessor, with the challenge of designing and implementing a credible action plan for Bolivia's Poverty Reduction Strategy [Paper] (PRSP).

The PRSP was a requirement of Bolivia's admission to the World Bank/IMF HIPC Initiative under which the bulk of Bolivia's bilateral debt was forgiven in exchange for greater government focus on poverty reduction through increased investment in health and education. USAID's EO SO contributes to a number of specific strategic actions identified in the PRSP, particularly increases in income and productivity. For example, the microfinance activity increases access of the poor to affordable credit to develop their micro and small enterprises, and thereby overcome poverty. The agricultural development and marketing activity enables rural populations to make a decent living while staying on the land, and increases overall sectoral productivity. The trade and competitiveness activity widens the market for Bolivian enterprises to beyond Bolivia's borders, providing greater income opportunities and spurring enterprise growth and development. Activities targeted at helping basic education prepare students to participate effectively and constructively in the economy is directly supportive of the identified need for investment in human capital as set forth in the PRSP.

### ***Collaborative Achievement/Donor Coordination***

USAID will continue to work closely with other donors in microfinance policy in an effort to agree upon and convey a consistent and well-coordinated message on policies that ensure sustainability in the sector. USAID also chairs and participates in a donor coordination group to synchronize micro-savings activities that includes almost all bilateral and multilateral donors in Bolivia. Other donors include Germany (GTZ), Switzerland Spain, the Inter-American Development Bank (IDB), KfW Bankgroup (a German development bank group), and DGRV (the German credit unions association).

USAID will continue active participation in SIBTA, which coordinates efforts in Bolivian agriculture. The various donors have each agreed to concentrate on different areas and sectors. Under SIBTA, USAID currently works with Valleys Foundation, while other donors work with the other regional agriculture technology foundations in the tropical, Altiplano and dry tropics regions. USAID will coordinate with the Altiplano foundation and the accompanying donors while expanding agricultural activities to the Altiplano. Bilateral donors include Sweden, the Netherlands, the United Kingdom, Switzerland, Japan, Germany, and Denmark. Multilateral donors include the IDB, the Inter-American Institute for Cooperation on Agriculture, the UN Food and Agriculture Organization, and the European Union.

The GOB recently established donor coordination groups in key areas such as productivity and competitiveness. USAID will coordinate with and complement competitiveness and productivity efforts of the IDB and other donors, which include the British Department for International Development (DFID), Japanese (JICA), European Union, World Bank, Belgians, Swedish, Canadians, Andean Development Corporation, and the Netherlands.

### ***B. Strategic Objective 3: Improved Health of Bolivians, Contributing to Their Quality of Life***

***Start and End Dates:*** The USAID/Bolivia Health strategy period begins on October 1, 2004, and will end on September 30, 2009. Implementation will continue through FY 2010.

### ***Development Hypothesis***

The necessary conditions for sustained improvement in the health of Bolivia's population will arise when communities, families and individuals are able to more effectively address the factors compromising their health, resulting in more healthful behaviors and environments; the coverage

and quality of public health interventions is improved; and the capacity of the public sector and NGOs to deliver and manage decentralized health services is enhanced.

### *USAID's Strategic Approach*

Despite the challenges of poverty, political instability, limited infrastructure, and socioeconomic inequities, Bolivia has made significant progress in key health indicators over the last five years. With significant financial and technical support from USAID, implementing partners including the Ministry of Health (MOH) have contributed to important health improvements from 1998 to 2003, such as a decrease in the number of infants who die before their first birthday from 67 per 1000 live births to 54 (infant mortality rate). The percentage of married women using modern family planning methods has increased from 25 to 34%, and, on average, a Bolivian woman now has 3.9 children, rather than 4.2 (total fertility rate).

Constraints to improved public health in Bolivia include poverty, geographic isolation, cultural resistance to improved health practices, excessive turnover of GOB health staff related to political patronage, and chronic GOB resource shortages. Despite the progress cited above, Bolivia still lags behind international standards, and in Latin America is only better than Haiti. Neonatal, infant, young child and maternal mortality rates are the second highest in the Americas. Most health indicators show large discrepancies between urban and rural areas and among indigenous and non-indigenous groups. Some 26% of children less than 5 years of age were chronically malnourished in 2003, with their chances for adequate growth for life compromised. Several debilitating, disfiguring and even fatal diseases such as malaria, tuberculosis, Chagas disease, leishmaniasis, and yellow and dengue fever are common and serious public health threats in Bolivia. In addition, Bolivia is at a critical point in its HIV/AIDS epidemic with an overall prevalence of less than 1%, but significantly higher rates in certain high-risk populations. Moreover, all five neighboring countries have higher prevalence rates and the risk of cross-border transmission remains a concern.

The social and political upheaval of October, 2003 led to a revision of the USAID health strategy. The strategy focuses on strengthening the presence of the state at the municipal level of the public health care system, empowering communities to play meaningful roles in health program planning and implementation and overcoming intercultural barriers to health care access and quality. These approaches will contribute to conflict prevention and promote a more stable environment in which health care systems can respond more effectively to the needs of the communities they serve.

From FY 2001 to FY 2004, CSH funding for Bolivia declined by approximately 16%. Moreover, as PL-480 reflow funds are exhausted and the GOB faces fiscal austerity measures, the host country's ability to provide its counterpart contribution required under bilateral agreements will be severely curtailed. This loss of cash resources necessitates a prioritization of activities. Only activities demonstrated to have a high public health impact will be supported. This will result in USAID ending support for certain activities (i.e. national health information system) and re-aligning some resources toward new priorities (i.e. hygiene behavior, nutrition counseling). The strategy will also reduce the number of management units (contracts, cooperative agreements, grants, etc.) to help reduce overhead costs and to streamline administrative workload. The geographic extent of activities will focus on areas of greatest need as determined by poverty levels and health status indicators, as well as areas where other USAID SO teams operate, in order to promote synergy and maximize use of limited resources. This will signify a smaller number of municipalities where the health strategy is implemented.

The new USAID health strategy incorporates a three-pronged approach: promoting behavior change and community empowerment; expanding the delivery of high impact, cost-effective interventions that address key public health problems; and building a sustainable service delivery platform in both the public and NGO sectors. The combined resources of the CSH-funded programs and the PL 480 Title II maternal and child health activities will continue to focus on the priority areas of the current USAID health strategy: reproductive health/family planning (including maternal health, post-abortion care and adolescent health); child health; nutrition; food security; infectious diseases including sexually transmitted infections (STI) and HIV/AIDS; and water and sanitation. There will also be some important changes and new approaches, including: a larger percentage of resources invested at the local level (municipalities and communities); geographic targeting to allow USAID and its partners to concentrate on a smaller number of municipalities characterized by the lowest economic and health indicators and/or potential conflict vulnerability; a more systematic approach to promoting local coordination and partnerships between the public sector and NGOs; continuous quality improvement (CQI) approaches at local health facilities for optimizing quality of care within a multi-cultural context; greater attention to infant and child feeding and stronger linkages with the PL 480 Title II program; and the scaling-up of gender-responsive strategies that have been developed in the current strategy as a key element in local empowerment.

### ***The Results Framework***

The USAID/Bolivia Health SO will be based upon three IRs that: promote behavior change and community empowerment; expand the delivery of high impact, cost-effective interventions that address key public health problems; and build a sustainable service delivery platform within both the public sector and NGOs. The Health SO results framework is represented in graphic form in Figure 3, below.

### ***Intermediate Results and Illustrative Activities***

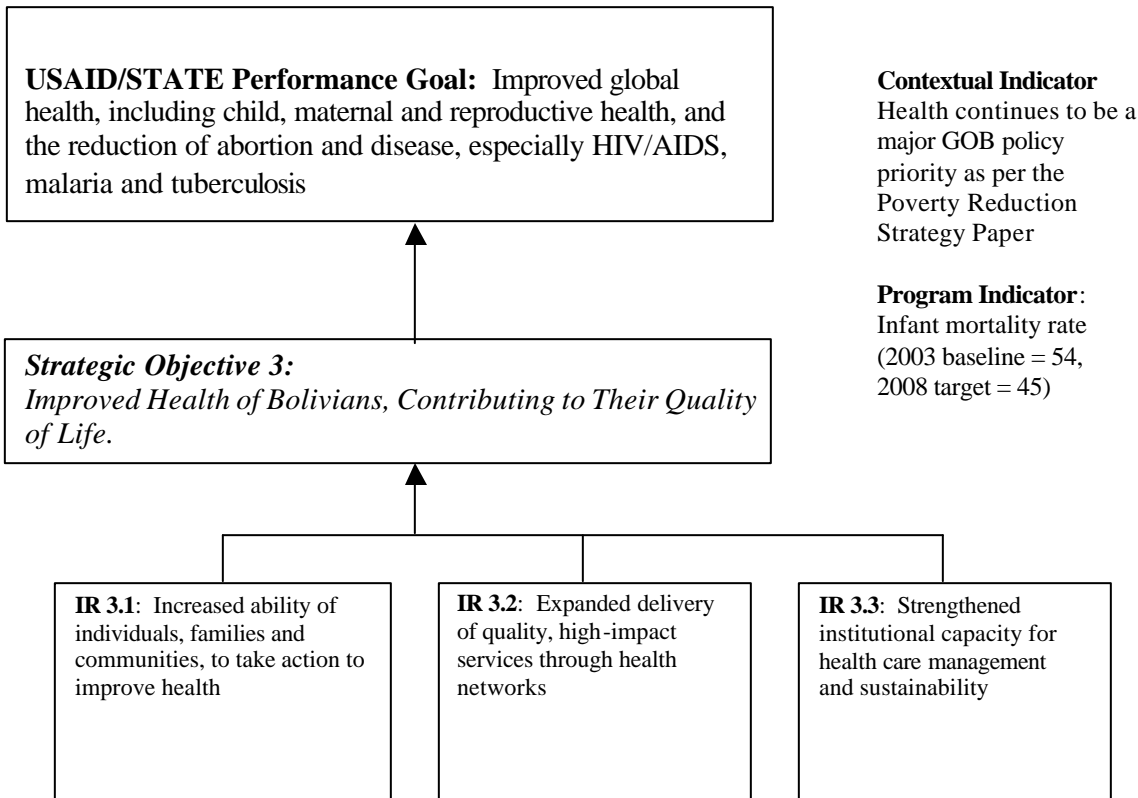
#### ***IR 3.1: Increased Ability of Individuals, Families and Communities to Take Action to Improve Health***

IR 3.1 recognizes the important role that individuals, families and communities play in optimizing their own health and well-being. People's everyday practices in their homes, schools, workplaces and communities affect their health. Promoting healthy habits and preventive care will improve people's health and reduce the need for costly curative treatment. In the event that illness occurs, seeking prompt treatment from an appropriate source can save lives. Individual behavior change occurs as people are enabled to make more healthful choices within their social context. The family and the community often play a critical role in influencing individual-level behavior as well. In addition to its current activities targeting individual behavior change, USAID will focus on changing social norms in order to influence the social context in which behavioral choices are made. Women's empowerment will play a key role in all activities, helping women identify and prioritize household health needs and overcome barriers to the use of quality health products and services.

In close coordination with Title II activities, the health strategy will promote improved infant and child feeding and household hygiene through standardized norms and training modules. Strengthened community participation in decision-making within the decentralized health care system, greater understanding of reproductive health rights, and integration of gender equity into health programming also support USAID's development

objectives in democracy. Improved health behavior also contributes to a healthier workforce, supporting more robust economic

**Figure 3: Health Strategic Objective Results Framework**



**Critical Assumptions:**

- Continued good, collaborative relations between the government and donors.
- Continued GOB focus on decentralization and popular participation.
- Necessary resources assigned to health by GOB, municipal governments, and donors.
- Effective technical leadership provided by MOH in priority technical areas.
- Health activities not overly disrupted by social/political strife.



growth, and is an essential element in advancing EO and ID goals. Depending on local needs and resources, for example, community-based health promotion activities could include worker education programs in collaboration with businesses, farms, and factories.

Illustrative activities under IR 3.1 include:

- Expand distribution networks for social marketing products, focusing on rural areas
- Communication and community mobilization to improve practices in infant/child feeding, household hygiene, condom use among high HIV-risk groups, use of anti-malarial bednets, modern family planning methods, Chagas prevention and timely health-care seeking behavior (for cough, fever, prenatal care, etc.)
- Conduct market research to assess viability of expanded range of social marketing products
- Train community groups to identify, negotiate, and participate in local health activities
- Award small grants to community groups to design and implement local health projects
- Build capacity within social networks to strengthen their advocacy and oversight roles within municipal health systems

### IR 3.2: Expanded delivery of quality, high-impact health services through health networks

IR 3.2 concentrates on strengthening the two central axes of health services: *coverage* (how many people in need can be reached) and *quality* (ability to resolve health needs in a customer-oriented way). To improve the accessibility of clinical services, USAID will provide support to targeted health networks and NGO service providers to ensure availability of a comprehensive package of high-impact services. The package will include curative and preventive services for children under five years as well as reproductive health and family planning services. Depending on the local epidemiological profile, the package will incorporate prevention and treatment of infectious diseases (malaria, Chagas, leishmaniasis). HIV/AIDS prevention and early diagnosis and treatment of STIs will be strengthened at public sector and NGO facilities that provide services to high-risk populations. At the community level, USAID will work with NGO partners and the MOH to strengthen outreach programs, emphasizing prevention programs and referral systems including nutrition/health education, growth monitoring, health seeking behavior (for prenatal and obstetric care, acute respiratory infections, STI diagnosis and treatment, etc.), and community level Directly Observed Therapy for tuberculosis. To improve quality, USAID will assist the targeted health networks and NGO service providers to implement CQI. This team-based process helps ensure that national norms and standards are applied, clinical protocols are available and in use, and that quality issues are identified through needs assessments and addressed through specific action plans. An important element of this process is the improvement of client-provider relations, especially given Bolivia's cultural diversity.

By linking clinical and community-based responses to key issues such as maternal and child health and nutrition, the health strategy will complement similar objectives and activities within Mission P.L. 480 Title II projects. Many Title II NGOs have developed successful child survival interventions which can be replicated for improved impact on key health indicators. Improved community outreach also increases the visibility of local governments in responding to the population's priorities, an important component of institutional strengthening and conflict prevention consistent with Democracy Team goals.

Illustrative activities under IR 3.2 include:

- Support for a basic package of high-impact services in targeted health networks
- Improved access to quality HIV/AIDS Voluntary Counseling and Testing at Treatment and Surveillance Centers (CDVIRs) and other sites focusing on outreach to high-risk groups
- Improved quality and cultural responsiveness of priority community-based health services
- Continued support to the national confidential HIV/AIDS hotline
- Expand use of CQI within clinics and hospitals

### IR 3.3: *Strengthened Institutional Capacity for Health Care Management and Sustainability*

Achievement of this IR is fundamental to the longer term goal of building the local capacity required to maintain, replicate and sustain the improvements generated through the present strategy. The GOB must assume a strong leadership role to ensure high coverage of basic services. This IR is intended to help the MOH, municipal governments, and NGOs work together more effectively to ensure a strong and coherent service delivery platform by enhancing the skills, tools, and systems needed for planning health services, allocating and managing resources, and monitoring and evaluating performance. USAID will provide direct support and technical assistance to the MOH at the national and departmental levels, and will work with local governments, local health directories (DILOS), health networks, and NGOs at the facility and community-levels to strengthen management tools and systems to improve the efficiency and effectiveness of health service delivery.

Because basic management skills can be applied to a broad range of local civic issues, training programs to improve administrative capacity in project planning, budgeting, implementation, and monitoring may be jointly programmed and supported by the Health and Democracy SO Teams. Strengthening the MOH capacity to use resources more effectively at all levels, to generate and disseminate national norms and standards, and to provide strategic and policy leadership for health, also contribute to a more visible, pro-active, and stabilizing role for the GOB, likewise consistent with democracy development objectives. Developing models for improved medical waste management at USAID-supported sites, in collaboration with the Environment Team, can help promote cleaner production processes at health facilities nation-wide.

Illustrative activities under IR 3.3 include:

- Assisting local networks and NGO partners improve systems for data collection, analysis, and use in management decisions
- Strengthening HIV/AIDS and STI sentinel and behavioral surveillance systems
- Strengthen the public sector logistics system to ensure availability of essential medications and supplies needed to implement the package of basic services
- Strengthen NGO capacity to develop and implement innovative business plans that integrate principles of cost analysis, diversification of funding, and cost-effective practices
- Build capacity within central level MOH to develop and routinely update national strategies, policies, and norms in key technical areas

### ***Preliminary Performance Management Plan***

Baseline and end-of-strategy targets for the SO level indicators will be derived from the Demographic and Health Surveys (DHS) in 2003 and 2008. Key performance indicators include infant mortality, contraceptive use (couple years of protection), and pentavalent vaccine immunization coverage for children under five years old. When appropriate, data will be disaggregated by urban/rural area, sex, or target group.

### ***Linkages to the Bolivian Poverty Reduction Strategy***

The Health SO contributes to various aspects of the Bolivian PRS. For example, under IR1, the community empowerment strategy promotes gender equality and intercultural approaches to health. IR2 strengthens the availability of decentralized health care services that meet quality standards and IR3 enhances the capacities of local partners (including municipalities, social networks and local NGOs to manage health services).

### ***Collaborative Achievement/Donor Coordination***

The USAID health strategy was developed in consultation with the MOH, NGOs, cooperating agencies, and other partners financed by USAID. The strategy coincides with the health priorities of the MOH and with the decentralization and popular participation laws put forth by the Bolivian government. The work of other donors complements that of USAID in health. For example, the British aid agency supports human rights issues related to reproductive health. UNFPA and UNICEF are partners in the Safe Motherhood Initiative. The Canadian and Belgian development agencies will support the MOH's new Planning Unit to improve coordination of donor resources and activities. The Pan American Health Organization serves as the secretariat for the MOH's Interagency Health Group and coordinates with USAID on key issues such as HIV/AIDS and malaria. Many donors serve on Bolivia's Country Coordinating Mechanism for implementation of Global Fund activities. Opportunities for coordination with other donors such as the World Bank, UNICEF, and UNFPA include cost-sharing of certain activities (e.g. the Demographic and Health Survey, contraceptive supplies, and program costs of the Expanded Program of Immunizations).

## Preliminary Health Strategic Objective Performance Management Plan

TBD: To be determined (Targets are awaiting outcome of current Team data and program analysis)

<b>Strategic Objective: Improved Health of Bolivians</b>			
<b>Illustrative Indicator</b>	<b>Baseline (DHS 2003*)</b>	<b>Target 2009</b>	
1. Infant mortality rate per 1000 live births (urban/rural and by sex)	54*	45	
2. Child mortality rate per 1000 live births (urban/rural and by sex)	75*	61	
3. Maternal mortality ratio	Pending*	TBD	
4. Total fertility rate (urban/rural)	3.8*	3.6	
5. Contraceptive prevalence rate (urban/rural)	34.9*	45.0	
<b>IR 3.1: Increased ability of individuals, families and communities to take action to improve health</b>			
<b>Illustrative Indicator</b>	<b>Baseline 2003/4</b>	<b>Target 2006</b>	<b>Target 2009</b>
6. % children <5 receiving ORT for diarrhea (Title II program areas/ target municipalities)	66.4*	70	75
7. % chronic malnutrition in children 3-35 months (Title II program areas and other target municipalities)	26.5*	23	20
8. Condom use (%) with last sexual partner among groups at high risk of HIV (MSM Year 1, 3, 5 and Registered CSWs = annual)	Pending (KAP)	TBD	TBD
9. Couple Years Protection (CYPs)	333,669	386,264	430,000
10. # of trained community groups that have implemented ≥ 1 initiative in response to local health needs (project areas)	Pending (Project Reports)	TBD	TBD
<b>IR 3.2: Expanded delivery of quality, high-impact health services through health networks</b>			
<b>Illustrative Indicator</b>	<b>Baseline 2003/4</b>	<b>Target 2006</b>	<b>Target 2009</b>
11. % Pentavalent (3 <sup>rd</sup> dose) coverage in infants < 1 year	71.5	75	80
12. VCT: Population requesting an HIV test, receiving a test and receiving test results (in selected public and NGO facilities and CDVIRs)	Pending (KAP)	TBD	TBD
13. % of tuberculosis patients who complete full cycle of DOTS treatment (project areas)	Pending (Project Reports)	TBD	TBD
14. % of prenatal visits made before 5 <sup>th</sup> month of pregnancy (project areas)	Pending	TBD	TBD
<b>IR 3.3: Strengthened institutional capacity for health care management and sustainability</b>			
<b>Illustrative Indicator</b>	<b>Baseline 2004</b>	<b>Target 2006</b>	<b>Target 2009</b>
15. % DILOS in project areas that develop their annual plans based on data analysis conducted in consultation with community groups (community meetings, workgroups, etc.)	Pending (Project Reports)	TBD	TBD
16. % of facilities reporting stock-outs of contraceptives	Pending (Project Reports)	TBD	TBD
17. Among key Bolivian NGO partners, % of annual operating budgets attributable to non-USAID sources (income from services and products, other donors, municipalities, etc.)	Pending (Project Reports)	TBD	TBD
18. % of health facilities with key MOH policy reference documents available on-site.	Pending (Project Reports)	TBD	TBD

### **C. Strategic Objective 4: Forest, Water and Biodiversity Resources Managed for Sustained Economic Growth**

*Start and End Dates:* The USAID/Bolivia Environment strategy period begins October 1, 2004 and will end on September 30, 2009. Implementation will continue through FY 2010.

#### ***The Development Hypothesis***

If economic opportunities in areas where communities rely directly on natural resources for their income are increased, and if communities have greater capacity to participate in and make decisions about the resources they depend on, then natural resources and biodiversity can be conserved or managed more sustainably.

#### ***USAID's Strategic Approach***

The USAID/Bolivia environment strategy will address several important cross-cutting issues: environmental communication and education; support for municipal and local governments in natural resources management, including a strong emphasis on indigenous communities; increasing incentives for conservation via the proper valuation of ecosystem services; and, improving water resources management. Within the GOB, understanding of the environment sector is limited and the potentially large economic contributions, outside of the hydrocarbon area, are rarely factored into policy and planning. Programs will strive to increase awareness of the value and importance of the natural resource base for the economic development of the country. Also, gender issues and indigenous rights will be included in decision-making processes across the program. All members of the community - women, rich and poor, young and old, native and colonizers - are involved in the shared management and use of land, forest, and water resources, and therefore, all must be engaged in planning activities if benefits are to be shared and sustained over time. The strategy also will support the use of new practices and technologies, such as the utilization of geographic information systems technologies for land-use planning and fire management.

Bolivia is extraordinarily rich in natural resources, with more forests than Central America and Mexico combined. Bolivia's protected areas are also home to many of Bolivia's poorest people, with poverty rates in and around protected areas exceeding 80%. This creates stresses on the environment as the poor consume and exploit natural resources in an unsustainable manner. However, Bolivia lacks the capacity to manage natural forests, improve the management of protected areas, and reduce pollution generated by industry. Furthermore, the vast majority of Bolivian industries inefficiently use natural resources and energy, and generate significant amounts of pollution that negatively impact human and environmental health. Key constraints to the sustainable management of natural resources include population pressures leading to uncontrolled, inappropriate land uses and encroachment on protected areas; under-funding and understaffing of key GOB regulatory agencies; corruption; a low priority assigned to the environment by a GOB preoccupied with its own survival; inadequate land titling and tenure systems; and lack of public knowledge of the importance of sustainable environmental management.

Proper management of Bolivia's natural resources is key not only to protecting the environment, but to Bolivia's economic growth as well, particularly in rural areas where poverty is greatest. USAID/Bolivia's environment strategy builds upon the Mission's long-term and highly successful efforts in the areas of sustainable forest management, conservation of Bolivia's parks and protected areas, and promotion of cleaner and more efficient production technologies in

partnership with the private sector. The new strategy will continue to support these three sectors, albeit with slightly different emphasis. The Bolivian forestry sector offers tremendous potential to stimulate economic growth and social development, both critically needed in a country suffering through an extended period of economic stagnation and socio-political unrest. However the barriers to overcoming the sector's historic inefficiencies are enormous, including major institutional, social, economic and technical limitations. The new environment strategy will build on past achievements and focus on improving the poor business practices that have been a major reason for the decline in forestry exports, even as certification expands. Bolivia's exceptional biological diversity makes it a global conservation priority. Two important recent studies concluded that the forests of the eastern slopes of the Andes are the highest conservation priority in the world. As a result, the Tropical Andes will be a USAID geographic focus for protected area activities in the next strategy period. However, activities will not be strictly limited to this region. Opportunities to support conservation efforts in some of Bolivia's other eco-regions will be sought. Bolivia's cleaner industrial production program is among the world's most successful, and has raised awareness of and created local demand for cleaner production services. Cleaner production efforts to date, however, have focused on internal operations of individual industries. The new USAID/Bolivia environment strategy will expand the scope of cleaner production activities to partner with local government and civil society organizations to manage pollution under a watershed management concept, with a focus on urban watersheds.

Perhaps more than any other USAID/Bolivia program, the Environment SO lends itself to regional approaches. Bolivia shares the Tropical Andes eco-region with Peru, Brazil, Ecuador, and Colombia; thus, regional coordination, especially with Peru, is essential to the successful management of an eco-regional conservation strategy. FY 2004 appropriations require the USAID to develop a strategy for the conservation of biodiversity in the Amazon basin. USAID/Bolivia's active participation in the process for developing this strategy will be critical in defining the Mission's role in implementing the strategy. Bolivia also shares the Gran Chaco eco-region with Paraguay and the Pantanal eco-region with Brazil and Paraguay. USAID/Paraguay has identified these two as focal eco-regions in its new environment strategy. USAID/Bolivia's collaboration with USAID/Paraguay's and USAID/Brazil's activities in these eco-regions will be important for overall success of the Agency's conservation efforts.

In direct support of overall USG, USAID and GOB priorities, greater emphasis will be placed on increasing private sector involvement in our programs and activities. A key focus of this strategy is the establishment of public-private alliances to incorporate their technical assistance and financing capacity for new investments in forest management, conservation, clean production, ecotourism, and the promotion of non-timber forest products. The Environment Team will build on its recent successes of having received two grants from the GDA Secretariat. One GDA grant is currently strengthening the Bolivian Chamber of Forestry to expand its coverage and influence to a national level, and the second is supporting a private sector investment in establishing a supply and processing center for tropical woods, thus, freeing a major bottleneck in the wood productive chain.

In recognition of the importance that both the Agency and Congress attach to the issue of Global Climate Change, as expressed in policy and appropriations legislation, USAID/Bolivia will continue to cooperate with the GOB and other institutions to address climate change through decreased forest conversion and increased implementation of clean production activities that mitigate greenhouse gas emissions. In addition, our work to help communities and the GOB prepare for and reduce the impact of droughts, floods and forest fires will help build cooperative approaches and preventative planning that will help address climate change vulnerability. These

issues will be addressed at cross-border, national, departmental, and local levels through coordinated activities, such as fire management and watershed protection planning.

### ***Results Framework***

The USAID/Bolivia Environment SO focuses on managing and conserving Bolivia's natural resources for the direct economic benefit of populations living in and around the protected areas and forest reserves, and for the country as a whole, via three IRs that correspond to the three strategic focus areas: sustainable exploitation of forestry resources, improved management of parks and protected areas, and reduced pollution through the expanded use of cleaner production technologies by private industry. The USAID/Bolivia Environment SO Results Framework is represented in Figure 4, below.

### ***Intermediate Results and Illustrative Activities***

#### ***IR 4.1: Forestry Management Improved***

Over the past ten years, the main goal of USAID/Bolivia's sustainable forestry program was securing the sustainable management of tropical forests in Bolivia. An impressive array of management tools and institutional strategies were developed and implemented, all of which have successfully supported the application of Bolivia's Forestry Law. The program was instrumental in advancing certification, fire control, and forest research while also supporting the development and implementation of forest management plans for local users groups and indigenous communities. The new forestry IR has been structured to address critical constraints facing the forestry sector, community-based development needs as well as to support the viability of the Bolivian forestry sector in general. Moreover, the forestry IR responds to the Presidential Initiative against illegal logging.

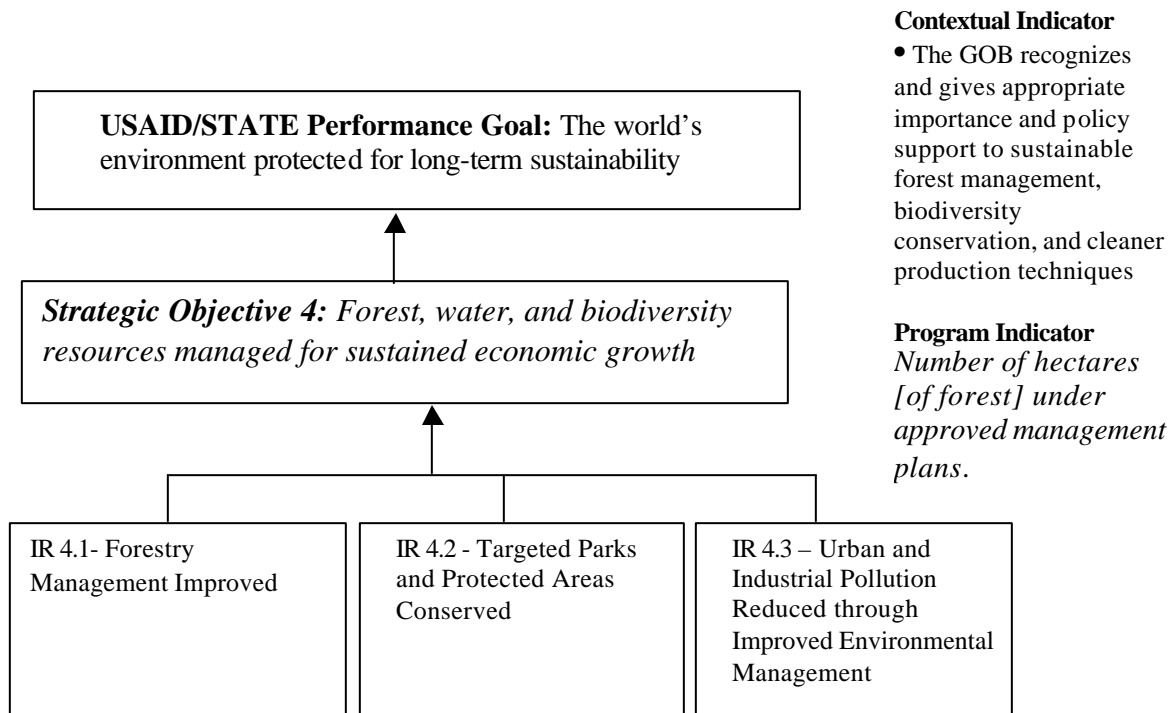
This IR will focus on two thematic areas: 1) community forest operations; and 2) improved business practices for forestry exports, with increased emphasis on non-timber forest products. Improving policy incentives for forest management and export markets, as well as supporting local enterprises for non-timber forest products will provide an important link to the EO SO.

Also, promotion of improved forest management and agroforestry will provide a link to the ID IR of stabilizing farmer income and development of alternative profitable forest products.

Illustrative activities under IR 4.1 include:

- Studies to develop policy recommendations, information sharing, training and institutional strengthening
- Strengthening the Forestry Superintendency's ability to attract and retain qualified professionals by improving its technical capacities and efficiency
- Increasing the economic viability and long-term foreign competitiveness of the forestry industry through improved business practices and marketing
- Providing technical assistance to indigenous communities to manage their forests sustainably and to produce timber and non-timber forest products in partnership with private sector companies
- Strengthening community-based organizations and private enterprises, facilitating their participation in decision-making and promoting the use of improved forest management practices.

**Figure 4: Environment Strategic Objective Results Framework**




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**Critical Assumptions:**

- GOB is able to meet its counterpart contribution requirements
- Effective technical leadership provided by key GOB entities in priority areas and sectors
- Social strife and political instability do not overly constrain program implementation
- Progress is made on resolving land tenure issues affecting protected areas and forest reserves



#### IR 4.2: Targeted Parks and Protected Areas Conserved

Conserving parks and protected areas, rather than merely preserving them, involves effective recognition of the role of local inhabitants and their economic links to these areas. Improved management with the direct participation of local communities contributes to economic growth through ecotourism and other forms of sustainable revenue generation. The program will build on the achievements of the previous strategy period regarding the strong participatory nature of parks management. The Environment and Democracy SO Teams will collaborate to integrate sustainable natural resource management into municipal planning processes under the USAID municipal government strengthening activity.

Illustrative activities under IR 4.2 include:

- Supporting direct protection of the country's most important protected areas through improvements in park infrastructure, surveillance and monitoring systems; development of local management committees and financial self-sufficiency plans.
- Developing projects that are tailored to particular geographical area and indigenous communities, including ecotourism, apiculture, handicrafts and non-timber forest products through capacity building, particularly to local governments and communities, and the positioning of trained professionals in strategic areas, especially with respect to tourism.
- Linking the planning processes of municipalities and the National Protected Areas Service to simultaneously generate local benefits and conserve protected areas.

#### IR 4.3: Urban and Industrial Pollution Reduced through Improved Environmental Management

Bolivia's industrial and services sectors are among the largest contributors to soil, water, and air contamination. National and local regulations are predominantly based upon command-and-control measures, focusing on compliance with maximum permissible discharge limits and promoting "end-of-pipe" solutions. The productive sector considers the limits established by the regulations as too strict and unattainable given economic realities. In response, USAID/Bolivia's program has worked to build greater awareness of industrial pollution problems and cleaner production approaches and solutions through cleaner production assessments, demonstration projects, training, and information dissemination. The essence of promoting clean production is improving the firm's productive efficiency, thereby reducing costs and making them more competitive. This focus on competitiveness complements efforts by the EO SO to increase business competitiveness.

Likewise, municipal and local governments are struggling to deal with contamination and sources of pollution. In most instances, these local governments lack the human and financial resources and management capacity necessary to adequately address problems related to liquid and solid waste and the provision of water supply and sanitation services. The Environment SO Team, working with the Democracy and Health SO Teams, will seek to incorporate issues of urban environmental health into the municipal planning process.

Illustrative activities under IR 4.3 include:

- Training for professionals and students in areas related to cleaner production and environmental issues to help meet the growing demand for these services.
- Strengthening of local government capacity to address municipal environmental issues.

- Technical assistance in development and review of environmental regulations in Bolivia, especially in the water, energy and industrial sectors, and as they may pertain to municipal management of these resources.
- Development and validation through use of guides and manuals for environmental audits and cleaner production assessments, including guides and manuals for municipal environmental management systems.

### ***Preliminary Performance Management Plan***

Key performance indicators for the Environment SO are aligned with the three major focus areas of the SO: forestry, parks management and clean production. Indicators include the number of hectares of forest independently certified as being under sustainable management, the number of hectares of officially-designated parks and protected areas under adequate management as per established norms and procedures, and the number of industrial enterprises applying cleaner production practices.

### **Preliminary Environment Strategic Objective Performance Management Plan**

<b>Strategic Objective, Intermediate Results, and Indicators</b>	<b>Illustrative Targets</b>
<b>Strategic Objective:</b> <i>Forest, Water, and Biodiversity Resources Managed for Sustained Economic Growth</i>	
Number of hectares under approved management plans	<b>Baseline 2002:</b> 11.7 million <b>Target 2009:</b> 15 million
<b>IR 4.1:</b> <i>Forestry Management Improved</i>	
Number of hectares under certified management	<b>Baseline 2002:</b> 0.9 million <b>Target 2009:</b> 2.5 million
<b>IR 4.2:</b> <i>Targeted Parks and Protected Areas Conserved</i>	
Number of hectares of protected areas with adequate management	<b>Baseline 2002:</b> 6.6 million. <b>Target 2009:</b> 8.2 million
<b>IR 4.3:</b> <i>Urban and Industrial Pollution Reduced through Improved Environmental Management</i>	
Number of industries applying cleaner production practices	<b>Baseline 2002:</b> 44 <b>Target 2009:</b> 85

### ***Linkages to the Bolivian Poverty Reduction Strategy***

The USAID environment program supports the PRSP by targeting its economic growth activities on some of the poorest, most marginalized segments of the rural population; namely, indigenous communities living in or near national parks and protected areas, and those located in forest zones. Rural poverty is the severest poverty in Bolivia, with the weakest prospects for improvement through conventional rural economic activities. Environment activities create new and diversified income opportunities for these communities while simultaneously ensuring their sustainability, preventing further impoverishment through environmental degradation and creating a solid base for growth.

### ***Collaborative Achievement/Donor Coordination***

The USAID environment strategy was developed in close collaboration with implementing partners, the GOB and other donors to promote complementarities in implementation and funding. The three basic environment strategy elements (sustainable forestry, park protection, and industrial and municipal pollution abatement) coincide with expressed GOB priorities in the sector and complement the programs of other donors. There is a motivated and active environmental donors group that focuses on parks and biodiversity issues, water resources, and institutional strengthening. The other bilateral donors to the park service are the Dutch and German governments. The World Bank, through the Global Environment Fund, also contributes to park management. USAID's implementing partner in the cleaner production activity, the Center for Promotion of Sustainable Technology receives technical assistance from Denmark and the World Bank has contributed to the clean production revolving fund. Sweden is the other major donor in the forestry sector and the Belgians have just initiated some interventions in the Chapare, which should provide opportunity for coordination with ID. Switzerland works in reforestation and watersheds while Germany is the major donors in the water sector, irrigation and agriculture. The IDB has a large program in tourism.

### **D. Strategic Objective 5: Licit Economy in Coca Growing and Associated Areas Increasingly Sustainable**

***Start and End Dates:*** The ID strategy period will begin on October 1, 2004 and will end September 30, 2009. Implementation will continue through FY 2010.

#### ***Development Hypothesis***

If the market competitiveness of legal rural enterprises in coca growing and associated regions is strengthened; and if democratic institutions in these regions become more responsive, transparent, and inclusive; and if social services progressively meet citizen demands in these areas, then the emerging licit economy in coca growing and associated areas will become increasingly accepted by citizens and sustainable.

#### ***USAID's Strategic Approach***

According to USG estimates, there was a net increase in coca cultivation nationally in 2004 over 2003, with a drop in the Chapare (where all coca is illegal) overcome by a greater increase in the Yungas (where by law anything over 12,000 hectares is illegal). Successful coca reduction in the Chapare (which has fallen about 85% since the early 1990s) is a result of forced eradication, improved interdiction and sustained USAID ID assistance. Increasing coca cultivation in the Yungas on the other hand, is primarily a result of weak state presence and weak law enforcement there, as well as political pressure on small farmers to grow more coca. While alternative development (ID's predecessor program) efforts have helped prevent increased cultivation in significant areas of the Yungas, these cannot sustainably reduce existing coca without interdiction and eradication. Because the critical determinants of coca cultivation go beyond poverty and economics to include other key variables such as weak state presence, institutions, and communities, the USG approach also helps Bolivia to address these factors.

The USAID/Bolivia ID strategy complements USG-supported interdiction, eradication, and public diplomacy strategies to achieve the performance goal. The strategy recognizes that

sustainable development in coca growing regions is a legitimate USG foreign policy tool that effectively complements eradication and interdiction in pursuing coca reduction, but cannot reduce coca on its own. It retains the core licit employment and income elements demonstrated to be successful in the past five years, while broadening the scope to include new initiatives that strengthen the presence of the democratic state and community development in order to address governance and social development constraints to achieving USG objectives. It is purposely envisioned to be more than the “crop-driven/income-replacement” initiative emphasized in the past, although income and employment-generating licit farm and non-farm enterprises will continue to be an essential component. The principal challenge is to sustain economic gains made to date. Meeting this challenge requires the integrated approach included in this strategy.

Sustaining licit economic development will require continued efforts to improve the competitiveness of rural enterprises, accompanied by mutually supportive efforts to strengthen an enabling environment whereby state institutions effectively provide services, administer justice, and protect citizen rights; and communities democratically engage the state, sanction illicit activity, resolve conflicts peacefully, and respect individual land rights granted by constitutional authorities. In response to several program assessments, the strategy will foster greater inclusion and ownership of the development process, while empowering municipal governments and citizens to identify and implement their solutions to local problems. State-authorized land titles will replace the de-facto titles currently used by agrarian unions as a coercive tool to pressure farmers to oppose state authority and AD. Greater state presence and stronger communities will balance well-organized pro-coca unions who dominate the existing institutional structure and impose non-democratic structures where none exist.

This strategy will continue to focus primarily on both the Chapare and the Yungas regions, while leaving open the possibility for limited investments in associated areas to help prevent the spread of illegal coca cultivation. The Mission’s strategic approach in the Chapare and the Yungas will be similar, but the GOB legal framework, the two areas’ different social histories, and their different natural resource endowments call for different tactical approaches. For example, the Yungas region is the legal source of Bolivia’s 12,000 hectares of licit coca, while all coca grown in the Chapare is illegal. Associated areas may include regions that border coca growing areas and can therefore be developed as buffer zones to halt the spread of coca. They might also include regions outside of coca growing areas, lying along farm-to-market chains originating in coca growing areas. The Mission will not work in expulsion zones in the Altiplano and Valleys.

### ***The Results Framework***

USAID/Bolivia proposes three IRs to achieve the SO, ‘Licit Economy in Coca Growing and Associated Areas Increasingly Sustainable,’ and provide strategic support to the GOB’s new strategy for combating illicit coca production and improving the lives of those in coca-growing and associated areas to help make reductions in illicit coca production permanent. The three IRs under USAID/Bolivia’s ID strategy include strengthening the market competitiveness of licit rural enterprises, developing more responsive and transparent local governance, and providing more and better-quality basic services. The ID results framework is represented in graphic form in Figure 5, below.

## *Intermediate Results and Illustrative Activities*

### IR 5.1: Increased Market Competitiveness of Licit Rural Enterprises.

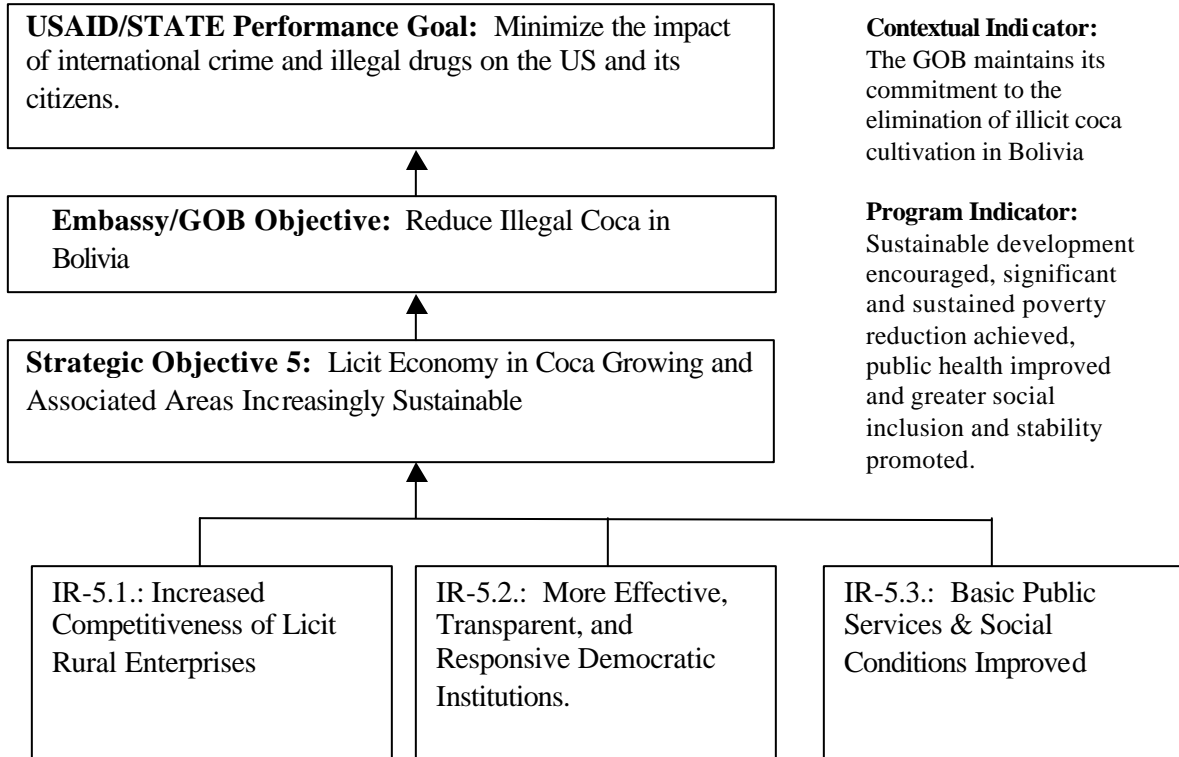
Economic transformation in the Chapare has been significant. Hectares planted to coca have fallen by over 85%, from around 33,000 in the early 1990s to about 4,600 in 2003; while hectares under licit use have more than tripled, from about 40,000 to over 135,000 during the same period. Both the Chapare and the Yungas regions are home to promising value chains, linked to domestic and international markets. These value chains provide alternatives to coca and important sources of jobs and income for farm families leaving coca. These include bananas, pineapple, palm heart, passion fruit, black pepper, citrus, cacao, specialty coffee, certified wood, other sustainable tree crops, and short-term crops.

Both regions also hold promise for off-farm sectors including tourism, light manufacturing, and a wide range of micro-enterprises. USAID's challenge is to make existing and emerging farm-to-market chains (many supported under the 1998-2004 strategy) and off-farm sectors increasingly competitive, more sustainable, and less dependent on outside support. Overall, Mission support will aim for decreasing subsidies over the five-year strategy period, so that rural enterprises can increasingly fend for themselves in a market economy. This will require increasing production for given levels of human capital, financial, and raw material inputs, and strengthening market linkages for the eventual sale of the increased production. To achieve this IR, Mission efforts will help remove policy, regulatory, institutional, on-farm, and market constraints to more efficient production and sales, through an approach that continues to be private sector focused and market-led. Continued support for critically needed productive infrastructure – including all-weather roads, bridges, and low cost energy sources - will be key to increasing competitiveness. Additionally, efforts to remove policy and trade capacity bottlenecks to competitiveness may also be undertaken. The ID SO Team will work with the EO SO Team to increase agricultural productivity and diversity in high-value products, such as the highly successful Yungas coffee program. The ID and EO SO Teams will coordinate trade capacity and policy responses to improve competitiveness. The strategy will also focus on increasing income and employment in promising off-farm activities, like tourism and light manufacturing. While the scope for tourism expansion is not considered to be large, the target area is endowed with spectacular scenery, abundant wildlife, and attractive microclimates. Activities aimed at enhanced community participation and conflict resolution in sustainable natural resource management will be included in the Chapare, particularly to deal with agricultural encroachment on protected areas by neighboring communities. The ID team will also coordinate forestry interventions closely with the Environment SO Team. Likewise, the extensive forest and wood products in the area offer real possibilities for the establishment of first stage lumber and woodworking enterprises, including drying and sawing of certified wood, manufacturing of commercial wooden crates and boxes, millwork and assembly of simple furniture, and similar basic operations.

Illustrative activities under IR 5.1 include:

- Technical assistance and training to help local economic actors identify constraints to more competitive rural enterprises along the value chains and within the clusters of which they are a part; remove policy bottlenecks to increased competitiveness; build sustainable tropical agricultural research and extension capacity; and assist GOB trade negotiation and related capacity to enable Mission licit economic development efforts to take full advantage of regional and hemispheric trade opportunities.
- Provision of improved planting material and technical assistance to improve crop production and post-harvest quality, including sustainable tree crops and forest products.

**Figure 5: Integrated Development Strategic Objective Results Framework**



**Critical Assumptions:**

1. The GOB maintains an uncompromising counter-narcotics policy and sustains aggressive interdiction and illegal coca eradication activities.
2. The GOB maintains public safety and security in the target area in the Chapare and Yungas region such that normal, licit commerce and social and political interaction are unimpeded.

- Provision of technical assistance, performance grants, and management training to establish and nurture stable market links and agro-processing enterprises.
- Technical assistance and targeted grants to improve all-weather road network and expansion of community-based road maintenance associations.
- Skills training and supporting expansion of micro-lending organizations to expand small business and off-farm employment.
- Technical assistance, training and targeted grants to expand tourism and light manufacturing.

### IR 5.2: More Effective, Transparent, and Responsive Democratic Institutions

In addition to increasing the market competitiveness of rural enterprises, sustaining the emerging licit economy in coca growing areas also requires an underpinning of responsive, transparent and inclusive state and civil society institutions. Illegal coca-cocaine interests are thwarted by an environment in which the State effectively provides services, administers justice, and protects citizen rights; and one in which communities democratically engage the state, sanction illicit activity, resolve conflicts peacefully, and respect the constitutional rights of fellow citizens.

To achieve this result, the strategy will support more effective and democratic local governance; better administration of and access to justice; conflict resolution; and democratic and participatory citizenship in peaceful and equitable civic environment. The capacity of municipal governments to prioritize, plan, finance, and maintain public works and services in collaboration with citizens will be enhanced; integrated justice centers to resolve conflicts and prosecute crime will be established; leadership skills of elected and community representatives will be enhanced; and legal title to land will be extended. The ID SO Team, in collaboration with the Democracy SO Team, will work with Chapare and Yungas municipalities to increase their institutional capacities and to better respond to the felt needs of their respective communities. The Team will also fund democracy efforts to establish integrated justice centers in coca growing regions.

Achievement of this result will be accomplished primarily by expanding the training and support activities like those now supported under the Mission's Democratic Development and Citizen Participation (DDCP) and Administration of Justice (AOJ) activities managed by the Democracy SO Team. DDCP activities in the Yungas will be strengthened and judiciously extended to the Chapare. AOJ efforts will strengthen the rule of law in coca growing regions through the establishment of integrated justice centers that will protect human rights, offer the services of trained conflict mediators, and prosecute crime in areas where impunity now reigns. In addition, the Mission will help the GOB extend rights to land through acceleration of land titling, and help to groom a new generation of democratic community leaders in the target area. The Mission will explore opportunities to support selected NGO programs aimed at youth leadership and entrepreneurial development.

Illustrative activities under IR 5.2 include:

- Technical assistance and training to improve and make transparent municipal systems to prioritize, plan, deliver and maintain public works and services, and to enable citizens and their leaders to engage democratically and effectively in setting priorities for improving and overseeing community development.
- Technical assistance, training, and equipment to establish pilot integrated justice centers.

- Technical assistance and targeted grants to expand secure title to land and property.
- Support to selected NGOs and community-based civic organizations to establish and promote youth leadership oriented organizations.

### IR 5.3: Basic Public Services and Social Conditions Improved

Emerging licit economies in coca growing regions will not be sustainable unless citizens accept them and the efforts required to build them. In order for this to occur, poor communities must see responses to their immediate needs. Most often these have to do with provision of basic services like potable water, health, education, and recreation. Such needs can often be met with modest cost and in short timeframes. Solutions help alleviate poverty, improve social conditions, and build support for licit development and state presence. USAID will seek to optimize program results by maximizing synergies with all of the Mission’s programs in the target area. This will also be accomplished by replicating the “Community Alternative Development Fund” concept, currently administered in the Yungas, to serve the Chapare as well. This small grant fund has proven useful in the Yungas.

One of the principal outcomes anticipated is that a larger proportion of the communities in the target area will realize (maybe for the first time) a direct benefit from Integrated Development programs. This will be especially true for communities located where soils and other attributes are not suitable for promotion of high value crops or where “big-ticket” investments like improved roads or electrification are not justified. The ID SO Team will work with the Health SO Team on activities to improve community-based health practices in selected communities in the Chapare and the Yungas.

Illustrative Activities under IR 5.3 include:

- Technical assistance, training, equipment, and infrastructure to improve health services;
- Community education and training to improve knowledge, attitudes and practices of citizens about their health.
- Small grants for self-help initiatives complemented with direct grants to implement community identified priorities for facilities and service improvements.
- Training, technical assistance and small grants to increase community understanding and practice of sustainable natural resource management.
- Technical assistance, training and equipment for extending rural electrification to communities exiting coca.
- Technical assistance and commodities to improve food security in areas where sustainable, competitive, market-driven agriculture is not feasible.

### ***Cross-Cutting Program Activities***

#### *Voluntary Coca Reduction and Communications*

As a general proposition, USAID is fully aware of the interdependence of successful law enforcement and sustainable development to achieve the joint State-USAID strategic goal of combating illegal drugs. It follows then that USAID will manage its activities to optimize collaboration with all parties striving to eliminate cocaine and illicit coca from Bolivia. To this end, USAID will seek opportunities for synergy with the coca reduction activities of GOB law enforcement forces. The most likely scope for such opportunities will arise in efforts to suppress and eradicate illicit coca plantings where a combination of “carrot and stick” can be fruitfully applied. Such an approach will continue to be applied in the Yungas, where USAID will seek



opportunities on a case-by-case basis, in consultation with the GOB, to offer development projects of high priority to local communities to encourage coca reduction/containment. This approach will be closely coordinated with the local State Department Narcotics Affairs Section and the GOB's eradication authority. USAID's challenge here is to contribute to voluntary coca reduction without distorting development activities or creating perverse incentives for coca cultivation.

An additional and cross-cutting element of the program will be a strategic approach to communications. Mission efforts, closely coordinated with the U.S. Embassy Public Affairs Section, will increase public awareness of the benefits and successes of ID programs, and will promote values, attitudes and behavior that promote sustainable growth of a licit economy and discourage illegal coca cultivation. In close collaboration with the GOB, the Mission will identify critical audiences supporting coca reduction; craft tailored messages for each audience; utilize the most appropriate media to ensure that the messages reach the target audiences; and measure the impact over time on public support for coca reduction and on behavior change regarding coca plantings and similar conduct.

#### ***Preliminary Performance Management Plan***

The ID SO Team is in the process of revising its Performance Management Plan to align it better with the new approach and structure of the SO. This final version of the PMP will include those PART (Program Assessment Rating Tool) indicators which are applicable. Baselines and targets have yet to be determined.

#### ***Linkages to the Bolivian Poverty Reduction Strategy***

The ID Strategic Objective contributes to the Bolivian Poverty Reduction Strategy by promoting increased and more diversified income and increased access to social services such as health and education, as well as improved economic infrastructure (roads, electricity, piped water) in the underdeveloped and geographically isolated regions of the Chapare and the Yungas. The severest poverty in Bolivia is that found in rural areas.

#### ***Collaborative Achievement/Donor Coordination***

USAID is the principal donor in coca growing and associated areas, providing 60% of all external resources. However, the UN Drug Control Program and the European Union have provided significant levels of support up to 1996. Several bilateral donors, including Spain, Germany, and Italy, have provided financing for selected activities, but usually not on a continuous basis. Some donors prefer to avoid work in the conflictive areas like the Chapare, and prefer to work in neighboring areas.

**Preliminary Integrated Development Strategic Objective  
Performance Management Plan**

<b>Strategic Objective, Intermediate Results, and Indicators</b>	<b>Illustrative Targets</b>
<b>Strategic Objective:</b> <i>Licit Economy In Coca Growing and Associated Areas Increasingly Sustainable</i>	
<ol style="list-style-type: none"> <li>Wholesale value of licit crops</li> <li>Number of hectares devoted to licit agricultural and/or forest products (PART)</li> <li>Number of families benefiting from ID</li> </ol>	<b>Baseline 2002:</b> TBD <b>Target 2009:</b> TBD
<b>IR 5.1:</b> <i>Increased Market Competitiveness of Licit Rural Enterprises</i>	
<ol style="list-style-type: none"> <li>Yields per hectare for 2-3 key products</li> <li>Level of subsidies</li> <li>Sales of licit crops</li> <li>Number of licit jobs created (PART)</li> <li>Number of rural enterprises receiving productive assets</li> </ol>	<b>Baseline 2002:</b> TBD <b>Target 2009:</b> TBD
<b>IR 5.2:</b> <i>More Responsive, Transparent and inclusive Democratic Institutions</i>	
<ol style="list-style-type: none"> <li>Number of municipal POAs developed with broad citizen participation</li> <li>Number of municipalities presenting annual performance report to voters</li> <li>Number of case flow at justice centers</li> <li>Number of land titles granted</li> <li>Number of citizens receiving civic education or leadership training</li> </ol>	<b>Baseline 2002:</b> TBD <b>Target 2009:</b> TBD
<b>IR 5.3:</b> <i>Basic Public Services and Social Conditions Improved</i>	
1. Number of communities with improved water/sanitation	<b>Baseline 2002:</b> TBD <b>Target 2009:</b> TBD
2. Annual gross salary labor/salary cost of commercial employers located in the area	<b>Baseline 2002:</b> TBD <b>Target 2009:</b> TBD
3. Percentage of area residents aware that illicit drugs cause social damage	<b>Baseline 2002:</b> TBD <b>Target 2009:</b> TBD

*TBD: To be determined (Targets are awaiting outcome of current Team data and program analysis)*

**E. Special Objective 6: Economic Stabilization**

**Start and End Dates:** The USAID/Bolivia Economic Stabilization SpO period began in March 14, 2003 and will end on September 30, 2005.

In the spring of 2003, the Government of Bolivia underwent a severe cash-flow crisis that threatened its ability to meet its basic obligations to employees, citizens and international creditors. Furthermore, a police mutiny in February 2003 created a crisis of governance that threatened the functioning of Bolivia's democracy. The USG, as a gesture of its commitment to supporting Bolivia's constitutional democracy, made available a \$10 million ESF cash transfer in FY 2003 to help the GOB meet a quarterly payment on multilateral debt, thereby helping to close a large fiscal deficit. In March 2004 the USG, in a gesture of support to the new and fragile

Government of President Carlos Mesa, made available another \$8 million in ESF for the same purpose. In FY 2005 the USG will make one last payment of \$8 million. USAID will not seek any further funding beyond FY 2005, as the GOB will be expected to have addressed the fiscal gap through a combination of austerity measures, fiscal reforms, improved tax collections and funding from multilateral institutions.

#### **F. Strategic Objective 7: Increased Confidence in Democratic Institutions and Processes**

*Start and End Dates:* The USAID/Bolivia Democracy strategy period began July 16, 2004 and will end on September 30, 2009. Implementation will continue through FY 2010.

##### ***Development Hypothesis***

If key democratic institutions (the national judiciary, legislature and executive, and municipal governments) in Bolivia become more effective in responding to citizen demands, and the participation of citizens (especially those of women and indigenous groups) in governance expands, then public confidence in, and support for, the Bolivian democratic system, will increase, contributing to the long-term consolidation of democratic, constitutional governance in Bolivia.

##### ***USAID's Strategic Approach***

USAID's strategic approach is rooted in the U.S. Mission's goal of supporting and defending Bolivia's constitutional democracy as the best system for meeting legitimate citizen demands for justice, equity and accountability and for an opportunity to participate in shaping a sustainable future for the country. As the strategic objective title shows, it explicitly recognizes the critical importance of (the often negative) citizen perceptions of their government to sustaining Bolivian democracy, as well as to overcoming the culture of intolerance, corruption, impatience with constitutional processes and a certain tendency toward infatuation with authoritarian "solutions" to complex and urgent socioeconomic problems that threatens its survival. The USAID strategic approach has the following key characteristics and foci:

*Flexible yet Focused:* While USAID has made major contributions to Bolivian democracy, it is clear that the moment has arrived where national leadership must show strength, consistency and determination for democratic consolidation to occur. USAID may support, but cannot substitute for, this leadership. Political will to support reforms in all sectors is critical, and host-country counterpart support has sometimes wavered. USAID should position itself to respond quickly to opportunities, but also cut its losses rather than plod on toward less-viable project targets. The national government is only one partner of several; USAID has especially strong direct links to municipalities and municipal organizations. Nevertheless, national government remains the most important actor, as it will set the tone and direction for democracy. Therefore, the strategy must remain flexible, taking advantage of strong GOB leadership in key areas of democratic development when it appears, while focusing on other democratic institutions and actors, even when GOB leadership lags.

*Conflict Management and Resolution:* Conflict is an inevitable and not necessarily always undesirable phenomenon in a diverse and complex society such as Bolivia's. It can be an engine of positive change. However, currently in Bolivia, conflict all too often takes the form of aggressive and at times violent street confrontation between various groups and government authority completely outside constitutionally-provided mechanisms for dispute resolution. Repeated Government capitulation to these extra-legal challenges legitimizes such methods

(because they work) while undermining democracy by circumventing its official mediating institutions. While conflict resolution has not been established as an intermediate result as proposed in the 2002 concept paper, the strategy addresses conflict management and conflict resolution as a cross-cutting theme. Each of the four intermediate results are designed to reduce the potential for conflict by improving communication between elected officials and their constituents and improving government responsiveness to citizen concerns, thereby increasing the credibility of constitutionally-established mechanisms for making and meeting legitimate citizen demands. Additionally, this approach will be complemented by a stand-alone conflict resolution and prevention activity implemented through a grant to the Organization of American States.

*Greater Inclusiveness - Women and Indigenous Groups:* Another important crosscutting issue is the incorporation of women and indigenous groups in all aspects of democracy strengthening. It is important that the interests of these under-represented groups be incorporated if democracy is to be truly representative of Bolivian society. This is partially being addressed as part of the Poverty Reduction Strategy (PRS) process through the incorporation of women's and indigenous groups in the national dialogue that is taking place this year, but much more needs to be done. Widespread dissatisfaction with democracy in Bolivia can be attributed in part to the fact that only the interests of the traditional elites are well represented in the democratic process. Each intermediate result (IR) will seek productive ways to incorporate the voices of underrepresented groups into the congressional, municipal and justice sector agendas.

### ***The Results Framework***

USAID/Bolivia proposes four IRs to achieve its new SO, "Increased Confidence in Democratic Institutions and Processes", and to provide strategic support to the critical democracy-consolidating initiatives of President Mesa. Activities under the first three IRs build on achievements of previous and current USAID activities, while the fourth is new and focuses on anti-corruption. A graphic representation of the new Democracy SO results framework is shown in Figure 6, below.

### ***Intermediate Results and Illustrative Activities***

#### ***IR 7.1: Key Institutions of the Rule of Law are More Transparent, Efficient, and Accessible***

While Bolivia has taken important steps in criminal justice reform, the justice system still does not provide adequate security for contracts, trade, and investment. The next generation of justice reforms will include commercial, civil and administrative law reform. These reforms are critical not only to increasing citizen confidence in democratic institutions, but also to Bolivia's ability to attract the foreign and domestic direct private business investment needed to increase income and employment. The Democracy SO Team will work closely with the USAID/Bolivia Economic Opportunities SO Team in the implementation of this component.

USAID will continue to support the implementation of the new Code of Criminal Procedures (CCP) in the new strategy period. By 2007, however, USAID/Bolivia expects the levels of USAID assistance for the CCP to be minimal, with the GOB largely assuming responsibility for the reforms. To facilitate the transition to full GOB responsibility for the CCP, USAID will continue to support civil society groups and coalitions that promote and monitor justice reform, while reinforcing earlier work in strengthening primary justice institutions. In addition to the traditional institutions supported and strengthened to date, the following institutions will receive assistance: law faculties of major universities, in updating their curricula to reflect the new CCP; the office of the public defender, to counterbalance the heavy emphasis on prosecution to date;

and the National Institute of Forensic Medicine, to improve the processing and analysis of evidence.

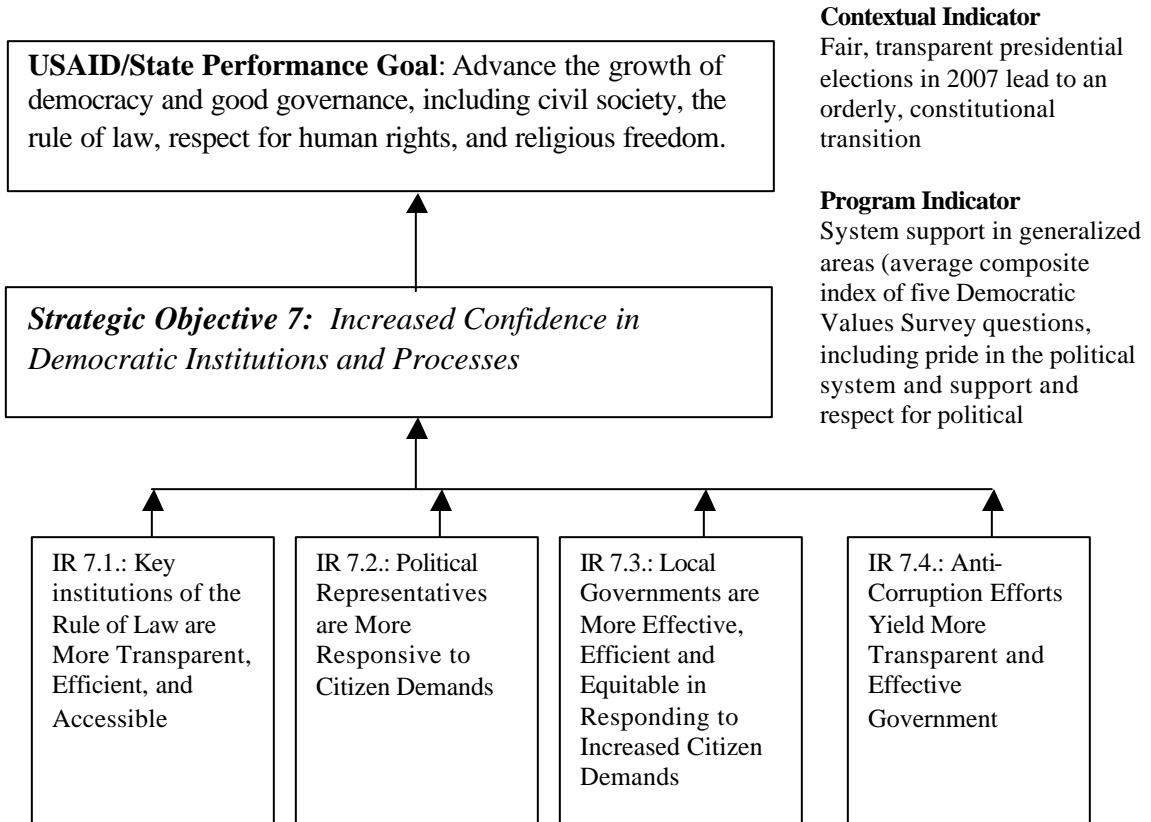
The inclusion of these critical institutions will help to address major obstacles to the full and effective implementation of the CCP that were noted in a recent USAID sector assessment. The new CCP promotes respect for human rights for all parties coming into contact with the justice system. Increased support to public defenders in the coming strategy period will help guarantee that the legal rights of the most disadvantaged are also protected in the judicial process.

USAID will expand upon a pilot program of integrated justice centers (IJC) in regions of recurrent and intense social conflict (principally, El Alto and the coca-growing regions of the Chapare and the Yungas). The IJCs house a broad range of actors (judges, prosecutors, defenders, mediators, etc.) to facilitate enhanced access to justice and the prompt resolution of disputes. IJCs in the Yungas and Chapare were established through close coordination between the Democracy and the ID SO Teams. Based on lessons learned from this pilot experience with the IJCs, USAID will replicate the centers in other conflict-prone regions. The Bolivian Supreme Court and the Vice Ministry of Justice have stated that the justice centers provide a solid model for enhancing access to justice by bringing a broad range of justice services to the municipal level. Such justice services would include not only dispute resolution, but would also introduce a customer-service approach to administrative services, such as the civil registry for identification cards and the land and property registration system. These administrative services provide frequent contact points between the government and citizens, however, given the poor quality of services and the excessive bureaucracy in place today, such inter-action now contributes to diminishing citizen confidence in state institutions.

By recognizing and respecting indigenous community traditions of dispute resolution (“justicia comunitaria”, or “community justice”), the GOB acquires an additional mechanism to reduce social conflict, to enhance access to justice and to gain citizen confidence in democratic institutions. The CCP reforms also formally recognize these traditions. When not distorted by political manipulation, the “community justice” system functions effectively and efficiently throughout much of Bolivia, thereby relieving the formal court system of what would otherwise be an overwhelming caseload. Non-indigenous citizens and officials of the formal justice system, however, remain suspicious of justicia comunitaria. This suspicion is fueled in part by widely-publicized incidents of lynch-mob justice that are called “community justice”. The perpetrators seek to hide the true nature of these acts (often local power struggles and/or personal score-settling) and prevent their proper investigation by taking advantage of the larger society’s lack of familiarity with the culture and traditions in question. USAID will support the GOB in educating the public and justice system officials about legitimate community justice traditions and the critical role they play in complementing justice services provided by the GOB.

In the area of law enforcement, USAID recognizes the importance of police reform as essential to addressing lack of confidence in the democratic system. The challenges to police reform in Bolivia - including widespread corruption, inadequate training, and low pay - are considerable, and go beyond the capacity of USAID resources and expertise to resolve. USAID policy, resource and other limitations require leveraging the assistance of other USG agencies to achieve significant impact. USAID will work closely with NAS in this area, particularly with regard to the latter’s support for staff training in the Office of Professional Responsibility of the Bolivian National Police.

**Figure 6: Democracy Strategic Objective Results Framework**



**Critical Assumptions:**

1. The GOB remains committed to major democratic reforms, including decentralization, legal security, legislative reform, and anti-corruption.
2. Bolivian society continues to perceive democratic institutions as the proper vehicle for promoting reform and development.
3. Political party leaders and Bolivian elites allow reforms to take place and are willing to democratize parties and institutions.

Illustrative activities under IR 7.1 include:

- Continued technical assistance and training to all justice sector actors (including public defenders, the institute of forensic medicine and law faculties) in the proper and full implementation of the CCP;
- Support (including technical assistance, training and grants) to strengthen civil society organizations interested in justice sector reforms and the implementation of the new CCP; and
- Study of the commercial and administrative legal framework to determine what reforms are required to improve the business environment, and to commence implementation.

#### IR 7.2: Political Representatives are More Responsive to Citizen Demands

The unanticipated results of the 2002 presidential elections included the arrival of new actors as direct participants in the political arena, as well as dramatic electoral evidence of the low credibility of traditional political parties. Two parties that participated in the presidential elections for the first time, NFR and MAS, together obtained 41.85% of the votes, while the traditional MNR obtained only 22.46%. Three traditional parties – ADN, UCS, and CONDEPA - together received only 9.27% of the votes, when in the previous election they had received 54% of total votes. These results show a clear disillusionment with traditional political parties, and an urgent need to restore confidence in parties as legitimate vehicles for democratic participation. USAID sees the emergence of new political actors as positive only if these actors are willing to channel their demands through the constitutional democratic system.

The impact of the 2002 elections was even more dramatic for Congress, as overall turnover was close to 80%. The change was promising as the presence of women and indigenous representatives rose considerably. For the first time, a woman became the President of the Senate. The leadership of Congress, represented by traditional parties, has found it difficult to work with this more pluralistic Congress. USAID's current legislative strengthening activity has helped to design, test and gain congressional approval of constituent outreach mechanisms. These outreach mechanisms help promote mutual understanding among antagonistic groups through dialogue and joint problem-solving. Such activities help to overcome the distrust many citizens harbor toward governing institutions, and reduce the threat that anti-system misinformation campaigns lead to destabilization of the constitutional order. In the new strategy period, USAID will widely disseminate information about these mechanisms and facilitate their more frequent use by constituents and representatives.

President Mesa has announced a Constituent Assembly to reform the Bolivian Constitution. The impact of this process and the scope of reforms to be addressed by this Assembly cannot be anticipated at this time. Bolivia has no historical precedent for such a process. The Assembly is intended to enhance national integration through a process of dialogue and consensus on a new Constitution. Such an Assembly, however, may create expectations that it cannot fulfill, or it

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<sup>1</sup> The Assistant Administrator for Latin America and the Caribbean (AA/LAC) has exercised his authority under Sec. 481(a)(4) of the Foreign Assistance Act (FAA) to provide USAID/Bolivia with an exception to the FAA's prohibition on assistance to law enforcement forces. The AA/LAC's exercise of this "notwithstanding" authority permits USAID/Bolivia "to provide assistance to Bolivian justice system operators, including police officers and prosecutors... to promote implementation of the new [Code of Criminal Procedures] so that it may serve as the cornerstone of a transparent, equitable, efficient, effective and accessible justice system." Memorandum dated April 30, 2003, page 4. All assistance to law enforcement forces identified in this Strategic Plan will be carried out in accordance with the terms of the AA/LAC's exercise of "notwithstanding" authority.

may embark on debates that unleash deep-seated social, regional, political, economic and ethnic conflicts. At a minimum, the Assembly may redefine the institutions and rules that currently shape the legislative arena. While the hope is that the Assembly will lay the foundation for a broad consensus for democracy in Bolivia, it also introduces the risk that the new model that may emerge will be less democratic, accountable or workable. Given the prevalence of political intolerance and authoritarianism, and belief in simplistic solutions to complex socioeconomic problems among broad swaths of the population, this is a very real risk.

The USAID democracy program must remain flexible enough to respond to the needs of the legislative branch, particularly with respect to technical assistance for developing the convening legislation for the Constituent Assembly. This legislation will define the scope of the Assembly as well as whose participation is included and excluded. Given the sensitivities and potential risks, USAID technical assistance to Congress for public hearings and forums will be critical to assure diverse input for the draft legislation and consensus-building approaches in the legislative debate. Moreover, in light of the Assembly's authority to change the rules of the game and the structure of democratic institutions in the country, USAID will offer technical assistance throughout the Assembly as to constitutional, judicial, legislative and municipal considerations. Such assistance will include analytical documents and presentations as well as training for Assembly participants with respect to the implications of potential reforms and their implementation. USAID assistance will likewise need to be highly discreet.

Once reforms under the Constituent Assembly have been completed, USAID will provide assistance to Congress to harmonize the existing legal framework. Through this activity, USAID will help identify and purge obsolete, redundant, and contradictory (to the Constitution of Bolivia) laws, and create an electronic database of the harmonized legal code. Without a consolidated legal database in readily accessible, digital form, Congress runs the risk of approving laws that may be contradictory with prior legislation and even with Constitutional mandates. The difficulties associated with the current set of laws impacts negatively on the functioning of the justice system as well. This accessible database will add significant value as congress and executive agencies re-orient their mandates and laws to conform to the constitutional reforms enacted.

USAID's legislative strengthening efforts will continue to focus on political parties in recognition of their importance to a democracy and the current very negative perception that Bolivians have of them, as demonstrated by the growing popularity of proposals for their elimination. Undemocratic unions, populist leaders and mob action have begun to fill the void left by the traditional political parties. Under the new Political Parties Law and Electoral Code the parties are legally bound to guarantee internal democracy, transparency and roles for women. Reform will not occur, however, until the parties jointly commit themselves to reducing rent-seeking and patronage peddling as their principal reason for existence, and begin to sincerely and unequivocally support a credible national reform agenda.

The prospects for political party reform have been greatly strengthened by a recent constitutional amendment that permits civic groups and indigenous peoples to name (non-party) candidates for office. This amendment breaks the political party monopoly. By offering citizens alternatives to party candidates, the new amendment forces parties to compete to earn their status as citizen representatives. Independent candidates will be permitted to participate in elections as early as the municipal elections of December 2004. USAID's immediate efforts will aim to transform the parties from a spoils-system orientation to a party-platform, constituent-focused approach. Over the course of the strategy period, USAID will provide assistance that enhances the effectiveness,



efficiency and representative capacity of a system that includes not only political parties, but also independent citizen groups.

Illustrative activities under IR 7.2 include:

- Strengthening interactions and relationships of Congress members with their constituents and with their regional caucuses, including better engagement with municipalities and local interest groups, improved techniques of public consultation, and a more effective women's caucus;
- Technical assistance, training and commodity support to establish a comprehensive legal database for Congress;
- Training for indigenous community leaders to help them more effectively present their constituents' agendas to members of Congress;
- Training and technical assistance to the political party "system" in several areas such as internal democratization, development of platforms, and improving linkages between parties and civil society;
- Assistance to the Electoral Court in their role as enforcers of the Political Party Law; and
- Technical assistance to the Congress in preparing the implementation mechanisms and developing the parameters of the Constituent Assembly planned for 2005.

*IR 7.3: Local Governments are More Effective, Efficient and Equitable in Responding to Increased Citizen Demands*

The USAID decentralization program has designed and implemented a practical model that enables municipalities and other entities to implement the mandates of Bolivia's 1994 Popular Participation Law (PPL). Over 170 municipalities use the model, and other bilateral donors as well as the GOB apply it as the best means of promoting effective civil society participation in local governance. Municipal governments are the principal delivery mechanism for public health and education services under the PPL and are critical to creating an environment appropriate for investment. The ability of local governments to deliver these services and encourage economic growth is crucial to the national government's ability to design and carry out a Poverty Reduction Strategy Action Plan. USAID will continue to focus on strengthening the ability of local governments to provide basic services and encourage economic growth in order to help alleviate poverty in Bolivia.

The quality of both municipal governance and participation, however, has been inconsistent, particularly in urban areas where the territorial approach to participation created by the PPL is not viable. Municipalities remain overly reliant on funding transfers from the national government. Much more needs to be done to integrate the views of women and other disadvantaged groups, as well as those of key local economic actors. Most municipalities are too small and unstable to play an important economic role unless they band together in *mancomunidades* (associations of neighboring municipalities) to establish links to the private sector. Municipal associations, important for sharing experiences and supporting policy reform, exist and function but lack long-term sustainability. USAID will increase the quality and quantity of participation in local government decision-making, bringing together the socially excluded and the private sector with *mancomunidades* and municipal associations.

IR 7.3 will be implemented in close coordination between the Democracy SO Team and several other USAID/Bolivia SO Teams. Economic growth requires good governance, and municipalities are important economic partners, investing about \$500 million each year. Strengthened municipal governments will improve the environment for setting up and operating

businesses in their communities, making these processes simpler and more efficient for those willing to make local investments that will create employment and generate income. The Democracy SO Team will work in close collaboration with the EO SO Team on assisting municipalities in becoming conducive to economic growth.

In a related issue, municipal governments are formally charged with managing natural resources within their administrative boundaries, and their increased capacity to function in this role will increase sustainable management of those resources. As this issue relates directly with the Environment SO Team's strategic focus on sustainable management of natural resources, the two SO Teams will be looking to synergize their strategies.

Increasing municipal governments' functional capacity and responsiveness to citizens will increase the local government's ability to advocate for and obtain public health resources for the local communities. In addition to being a basic public health issue, increasing this capacity is consistent with the intentions of GOB decentralization and popular participation, as well as an issue of presence of the state (in other than a police function). The Democracy SO Team will synergize its strategy with that of the Health SO Team to increase the effectiveness and equity of public health service delivery at the municipal level, through increased local government capacity and community participation and oversight.

The municipal government capacity building program, in close coordination with the ID SO Team, will continue to and expand its activities in the Yungas region, and will begin activities in the Chapare. The thrust of the program in these regions is to bring these municipalities, often influenced by anti-systemic groups, into the national mainstream by focusing on their roles as mechanisms for peaceful and productive citizen participation in the political process and as conduits for provision of basic public services sought by their communities.

Illustrative activities under IR 7.3 include:

- Training and technical assistance to strengthen municipal management and planning capacity.
- Dissemination of the participatory municipal governance model while adapting it for use in urban areas and expanding the inclusion of women and other underrepresented groups.
- Support for municipalities' promotion of economic growth through innovative use of their own purchasing power and through developing projects in partnership with local employers of all sizes. Municipal governments will also improve the environment for setting up and operating businesses in their communities, making these processes simpler and more efficient for those willing to make local investments that will create employment and generate income.
- Promote the sustainability of inter-municipal organizations such as departmental associations and *mancomunidades* to ensure ongoing support for the participatory process and access to specialized management and technical services.
- Support critical initiatives to strengthen the decentralization model and to enhance opportunities for citizen participation, including technical assistance for developing the legal framework for the Constituent Assembly and the upcoming municipal elections, and training and technical assistance to the Assembly participants as well as for municipal candidates and citizen groups.

IR 7.4: Anti-Corruption Efforts Yield More Transparent and Effective Government

Public frustration with corruption in Bolivia is very high and is one of the principal contributing factors to the crisis of credibility confronting the country's democratic institutions. Tax evasion, using public office for private gain, procurement fraud and embezzlement of public resources are pervasive practices in the public and private sector. USAID recognizes that the issue of corruption must be addressed effectively if public confidence in democracy is to return. In addition, Bolivia must prove its commitment to fight corruption in order to maintain its status as a first-tier country eligible for MCA funding.

USAID's strategy is to create an integrated capacity to recognize, denounce and successfully prosecute corruption. This strategy is composed of three mutually-reinforcing components. The first component is a strengthened capacity to successfully investigate, prosecute and punish acts of corruption. This is the anchor of the strategy. Without this as the lead component, no anti-corruption strategy can be effective. This will require continued work with the Public Ministry, Financial Investigations Unit and the National Police. Full and effective implementation of the CCP will contribute to this effort. Second, an empowered civil society is needed in which organizations are vigilant regarding acts of corruption that affect their sector and region, file reports, monitor progress and put pressure on enforcement entities. The third component is an enhanced institutional ability to define the agenda, mobilize civil society, exert pressure and demonstrate concrete GOB commitment for change. It is critical that the GOB takes on this leadership role in order to recover a degree of public confidence. The Office of the Presidential Delegate for Anti-corruption (DPA) has the potential to play this role. USAID's strategy is to help the DPA define its role and implement its functions to provide national level leadership in the fight against impunity, facilitate efforts of civil society to provide oversight, act as a clearing-house for corruption reports to be forwarded to enforcement agencies, monitor progress of these reports, put pressure on authorities for the resolution of corruption cases, and advocate for reform with government agencies.

Illustrative activities under IR 7.4 include:

- Provide training and technical assistance to prosecutors, financial investigation unit investigators and the police so they apply the law enforcement methods established under the CCP to effectively investigate and prosecute crimes arising from acts of corruption.
- Provide specialized training to prosecutors in investigating the most common venues for corruption: public procurement (especially roads), tax evasion, and embezzlement of public resources.
- Provide assistance to civil society watchdog groups.
- Assist the DPA in defining and implementing its role as the lead GOB institution in the fight against corruption.

### ***Preliminary Performance Management Plan***

System support, institution support, democratic participation, and satisfaction are the principal indicators that will be used to measure progress at the SO and IR levels. Through the Democratic Values Survey, USAID has a well-established database of biennial survey results since 1998. Indicators will be disaggregated by sex and ethnicity, as appropriate. See the table below.

### ***Links to the USAID Global Development Alliance***

Through the "ENLARED" Municipal Internet Portal (managed by the Bolivian Federation of Municipal Associations), USAID is using the Internet to link municipalities and municipal

associations to the private sector for mutual benefit. Microsoft has provided ENLARED with the software for a pilot municipal auction project, and negotiations are underway to obtain software for future activities in this area.

## Preliminary Democracy Strategic Objective Performance Management Plan

Strategic Objective, Intermediate Results, and Indicators		Illustrative Targets	
<b>Strategic Objective:</b> <i>Increased Confidence in Democratic Institutions and Processes</i>			
<b>Indicator:</b> Level of citizen confidence in key democratic institutions (index)		<b>Baseline 2002:</b>	31
		<b>Target 2009:</b>	34
<b>IR 7.1:</b> <i>Key Institutions of the Rule of Law are more Effective, Transparent, Efficient, and Accessible</i>			
<b>Indicator:</b> Adoption of an automated case tracking system in judicial districts (9 districts nationwide)		<b>Baseline 2002:</b>	3 districts
		<b>Target 2009:</b>	9 districts
<b>IR 7.2:</b> <i>Political Representatives are More Responsive to Citizen Demands</i>			
<b>Indicator:</b> Political representatives that use the practice of citizen consultation		<b>Baseline 2002:</b>	22 % of single-member deputies
		<b>Target 2009:</b>	50 % of single-member deputies
<b>IR 7.3:</b> <i>Local Governments are More Effective, Efficient and Equitable in Responding to Increased Citizen Demands</i>			
<b>Indicator:</b> Citizen satisfaction with their municipal governments		<b>Baseline 2002 (DDCP Survey, %):</b>	45
		<b>Target 2009:</b>	48
<b>IR 7.4:</b> <i>Anti-Corruption Efforts Yield More Transparent and Effective Government (*)</i>			
<b>Indicator:</b> Level of corruption perception (most corrupt index=0; least corrupt index=10)		<b>Baseline 2002:</b>	2.3
		<b>Target 2009:</b>	2.8

### *Linkages to the Bolivian Poverty Reduction Strategy*

The new government is faced, as was its predecessor, with the challenge of designing and implementing a credible action plan for Bolivia's Poverty Reduction Strategy [Paper] (PRSP). The PRSP was a requirement of Bolivia's admission to the World Bank/IMF HIPC Initiative, under which the bulk of Bolivia's bilateral debt was forgiven in exchange for greater government focus on poverty reduction through increased investment in health and education. USAID's Democracy SO contributes to a number of specific strategic actions identified in the PRSP. For example, the municipal government capacity building program provides technical assistance and training to accelerate municipal strengthening, and promote and improve citizen and community participation mechanisms. The ENLARED municipal portal supports the establishment of an information system to match technological supply and demand. Finally, the democracy strategy promotes gender equity by supporting female representatives who advocate policies and actions designed to improve opportunities for women and observance of women's rights.

### *Collaborative Achievement/Donor Coordination*

In the justice sector, USAID works closely and collaboratively with the GTZ in jointly funding projects. Spain, Switzerland, the World Bank and the IDB also contribute to justice sector reform and exchange information with USAID. In the municipal sector, USAID is the only donor with a national local governance program that is not tied to the central government. Other important donors in the municipal sector include the Netherlands, British, GTZ, Spain, Switzerland, the Danish, the World Bank, and the IDB. In the area of legislative strengthening there is an excellent coordinating group of donors that includes USAID, GTZ, and three German

foundations, with occasional participation from the British and Danes. The focus of the GTZ has been in the organizational and managerial aspects of legislative reform, and the German foundations have supported publications, research and workshops. USAID is the largest donor in this sector. In the new anti-corruption activity, USAID has already joined efforts with the Netherlands, Denmark, Sweden and the World Bank to provide the GOB with anti-corruption expertise to recommend inter-institutional mechanisms for the GOB to more effectively enforce and sanction acts of corruption.

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## **PART V: ANNEXES**

### **Annex 1: Economic and Socio-Political Environment**

#### ***Bolivia's Economic Situation: Looking to Restore Growth***

The economic crisis in Bolivia is due to a combination of external shocks and internal economic weaknesses and structural deficiencies. External shocks include the crisis in Southeast Asian countries in June 1997, followed by crises in Russia and in Brazil in 1998, and Argentina's economic meltdown in 2001. The economic downturn in Bolivia's neighbors made themselves felt almost immediately, through major decreases in external trade, flows of external capital, and remittances from Bolivians working in those countries that lost their jobs and returned home. Political turmoil and social unrest, including national elections in 2002, repeated road blockades, the forced departure of President Sanchez de Lozada and growing tensions between different groups and regions, contributed to the already fragile economic environment. While social unrest internally has continued, although without the cohesion shown in October 2003, the international context for Bolivia signals excellent possibilities for economic recovery. For instance, the terms of trade for the Latin American region increased in 1.3%, important neighboring countries (Argentina, Peru) as well as more developed countries (USA, Japan, China) registered positive and high GDP growth rates and the prices of important commodities increased.

Bolivia's current economic situation is reflected in, among other indicators, a dramatic slowdown of GDP growth. While in the 1990 to 1998 period GDP growth averaged 4.4% annually, in the following period (1999-2003), average growth barely reached 1.9%. Put into context of Bolivia's population growth over the past decade (around 2.7% annual average) this amounts to a negative growth rate. Accordingly, annual per capita GDP, already one of the lowest in the hemisphere, has been declining. In 1998, per capita GDP registered at \$1,069, while in 2003 that figure had declined to \$864. Bolivia has therefore experienced a sustained reduction in this crucial indicator over the last five years (See Table 2, *Selected Macroeconomic Indicators*, below). With the reduction in income came a reduction in consumption, further aggravating the economic downturn and increasing unemployment.

Another important set of indicators are those trade-related. Since 1980, exports have held steady at around one billion dollars in nominal terms. Given the change in the terms of trade, \$1 billion in 1980 exports would be equivalent to more than US\$ 2.3 billion today. In other words, the real value of exports has declined significantly. Part of the decline is due to the predominance of primary products in the export mix; products of low value-added for which international prices have been declining. In 1980, minerals and gas exports represented about 83% of all exports. In 2003, those same products plus soybeans and derivatives accounted for about 88% of all exports. A turning point, however, seems to represent the year 2003. The level of exports in 2003 has surpassed \$1.6 billion. While, in real terms, the amount is still not extraordinary, it does show recovery into the right direction. This increase is due to both positive changes of quantities and prices of most Bolivian exports (commodities and value-added products). The Andean Trade Promotion and Drug Enforcement Act (ATPDEA) have certainly played a role in this increase. Recent discoveries of vast natural gas reserves have raised hopes of dramatically increased export revenues through export of liquefied natural gas to, among other countries, the U.S. and Mexico; however, political opposition and uncertainty are casting doubts on this proposal. An exception is a short-term exports contract to alleviate Argentina's current energy crisis.

**Table 4: Selected Macroeconomic Indicators (Bolivia 1995 – 2003)**

	1995	1996	1997	1998	1999	2000	2001	2002	2003(p)
Real GDP Growth (percent)	4.7	4.4	5.0	5.0	0.4	2.3	1.5	2.8	2.5
Per capita GDP (current \$)	905	974	1,019	1,069	1,005	995	929	884	869
Investment (percent of GDP)	14.0	15.9	19.8	24.2	19.6	18.1	13.7	13.4	10.8
Foreign Investment (percent of total investment)	33	36	55	51	65	54	60	63	18
Exports – FOB (millions of \$)	1,181	1,295	1,272	1,325	1,405	1,475	1,353	1,373	1,648
Imports – CIF (millions of \$)	1,434	1,657	1,926	2,451	2,098	2,020	1,708	1,832	1,685
Current Account (percent of GDP)	-4.5	-5.1	-7.0	-8.0	-5.9	-5.6	-3.5	-4.3	-0.3
Terms of Trade Index (1990=100)	69.0	67.5	67.5	63.7	60.6	62.5	59.9	60.0	63.9
External Debt (millions of \$)	4,523.1	4,366.4	4,233.9	4,654.6	4,573.8	4,460.5	4,412.1	4,299.7	5,039.7
External Debt (percent of GDP)	71	63	57	55	55	53	55	55	64
International Reserves (millions of \$)	650.3	950.8	1,066.0	1,063.4	1,113.5	1,084.8	1,076.2	853.8	975.8
Fiscal Deficit (percent of GDP)	-1.9	-1.8	-3.4	-3.7	-3.5	-4.5	-7.3	-9.0	-7.9
Inflation Rate (percent)	12.6	7.9	6.7	4.4	3.1	3.4	0.9	2.5	3.9
Devaluation Rate (percent)	5.1	5.1	3.5	5.2	6.2	6.7	6.7	9.8	4.4
Private Employment Index (1995=100)	100	104	108	112	111	108	102	101	n.a.
Urban Unemployment (percent)	3.6	3.5	4.4	5.8	7.2	7.5	8.5	8.7	n.a.
Deposits/banking system (\$ millions)	2,238	2,719	3,035	4,523	4,453	3,908	3,567	3,090	3,070
Loan Portfolio at Risk (percent)	6.3	4.8	4.5	4.6	6.6	11.6	16.2	17.6	16.7

(p) Preliminary

n.a. Not available

Source: UDAPE (2003), INE (2003), Fundación Milenio (2003, 2004)

While trade-related indicators seem to recover, other crucial indicator –investment– continues to decline. In fact, investment relative to GDP has experienced a reduction, from a peak of 23.6% in 1998 to an estimated 10.4% in 2003. Foreign investment has represented about 48% of total investment (in the period 1995-2003), due to minimal domestic investment capacity rooted in minimal domestic savings and poor financial intermediation, which in turn lead to extreme shortages of domestic investment capital. This extreme dependence on foreign investment capital has a very important political dimension. The dependence on foreign investment is simultaneously a dependence on those investors' favorable perceptions of Bolivia's desirability as an investment destination. Therefore, the negative economic impact of high levels of social and political unrest in the country is greatly magnified. High rates of unemployment reflect this. In 2002, urban unemployment reached a peak of 8.7% - a very high rate, considering that this indicator excludes the rural population. The private sector employment index, which measures the absolute number of jobs, has not changed in 2002 relative to 1995, meaning that a large portion of new entrants in the labor market have not found a job.

The effects of Bolivia's economic crisis are not felt uniformly. Labor-intensive industries such as construction and mining have been most affected, due to poor market prices and/or reduced consumer spending. Capital-intensive industries such as gas and oil and telecommunications have just experienced reduced growth, while the agricultural sector's growth remained relatively stable. Unfortunately, the lowest growth rates (between 1999 to 2003) have been in precisely those sectors that provide the most jobs. Though the majority of the workforce is in the informal sector, the income of farmers and wage labor constitutes the bulk of national income. The hope is that the recovery shown in 2003, due to increased exports in, for example, soy beans and minerals, is sustainable.

Regardless of changes in GOB administration, due to the October crisis, the structural weaknesses of the public sector continue. Public expenditures are inflexible, tax collection – under any standard- are low, the cost of the pensions reform increases continuously and as a natural consequence fiscal deficit has reached unmanageable levels as well as the consolidated public debt. In fact, the stock of public debt has slowly reaching levels similar to those of the period before Bolivia's entrance into the Highly Indebted Poor Countries Initiative (HIPC) in 1999. Under the latest debt relief agreements (known as Enhanced HIPC Initiative), total debt reduction is projected to reach \$1.5 billion through 2015. However, Bolivia's current public debt stock now has higher average real interest rates relative to the pre-HIPC stock, due to the increasing proportion of non-concessionary (international and domestic) credit. The size and structure of the current debt stock is thus steadily eroding the future benefits of Bolivia's participation in HIPC.

In early 2004, the government of President Mesa has already formulated a new action plan for the remaining term in office (up to 2007). The three major political objectives are changes in the hydrocarbons law, a referendum on the faith of natural gas and the organization of a Constitutional Assembly to modify the current Constitution. The economic objectives may be summarized as follows (World Bank, 2004):

- a. Restoring macroeconomic stability through, among other measures, reduced public expenditures and increased tax collection;
- b. Reorienting public expenditures high-impact and visibility programs, especially in selected geographical areas;
- c. Re-launching the institutional reform program and anticorruption efforts.

As of June 2004, the Mesa Administration has taken some steps towards the achievement of these economic objectives. The overhaul of the public sector has been one of the most important measures. Along with austerity decrees, the GOB has enacted a decree that gives incentives so Bolivian producers and merchants can sell more products to the GOB, therefore enlarging their markets. A referendum on hydrocarbons policy –including natural gas- is planned for July 18, 2004. On the public revenues side, one of the proposed new taxes- the financial transactions tax- was accepted in Congress and it will be effective on July 1, 2004. On the productive side, exports continue to grow, regardless the incessant pressure of a myriad of social groups to the GOB.

With regards to programs with the IMF, the GOB continues working towards a medium-term program. In April 2003, the GOB signed a stand-by agreement with the IMF. The agreement encompassed the following elements: (i) the 2003 budget is aimed at containing borrowing the public sector while increasing social expenditure; (ii) a monetary program is in place to maintain low inflation and increase international reserves; and (iii) policies care aimed at banking system stability and strengthening the financial and corporate sectors. The end-date of this agreement is mid-2004. Currently, the GOB and the IMF are negotiating an extension of the agreement up to December 2004. It is expected that, in 2005, Bolivia will qualify for a medium-term program such as its inclusion in the Poverty Reduction and Growth Facility (PRGF). Negotiations are still under way, but include the following basic elements: i) a continuous rationalization of the public sector, including number and type of public employees, wages and salaries and better accountability systems; ii) an improved and sustainable tax collection system; and, iii) a careful oversight of the financial sector.

## Social Indicators

Bolivia social indicators, as shown in Table 3 (*Selected Social Indicators (Bolivia 1995 – 2003)*), below, provide much of the source of Bolivia's recurrent social and political instability. The harsh conditions of life experienced by the majority of the population (particularly in rural areas), the limited capacity of the GOB to address these issues, and its perceived indifference to the demands of all but those who are either part of the elite or willing and able to challenge the GOB through confrontational tactics such as road blockades.

**Table 5: Selected Social Indicators (Bolivia 1995 – 2003)**

	1995	1996	1997	1998	1999	2000	2001	2002(p)	2003(p)
<b>Population (millions)</b>	6.9	7.2	7.4	7.6	7.8	8.0	8.3	8.5	8.7
<b>Density</b> (inhabitants per square kilometer)	6.4	6.5	6.7	6.9	7.1	7.3	7.5	7.7	7.9
<b>Poverty (percent of population below national poverty line)</b>									
- <b>Income based</b>			63.3		62.6	65.9	64.0	64.30	n.a.
- <b>Basic Needs</b> (1992=70.9%)							58.6		
<b>Urban</b> (1992=53.1%)							39.0		
<b>Rural</b> (1992=95.3%)							90.8		
<b>Human Development Index</b>	0.63	0.58	0.59	0.59	0.65	0.65	0.65	0.67	n.a.
<b>Position</b>	113	113	111	113	116	114	104	114	
<b>Number of Countries</b>	174	174	175	174	174	174	162	175	
<b>Life Expectancy</b>	59.4	59.7	60.1	60.5	61.4	62.1	62.5	62.0	n.a.
<b>Infant Mortality</b> (per 1,000 live births) <i>from Demographic &amp; Health Survey, conducted once every 5 years</i>				67					54
<b>Illiteracy</b> (percent of population 15+)	n.a.	16.6	15.2	n.a.	14.8	13.8	12.9	n.a.	n.a.
- <b>Men</b>		8.5	8.47		7.5	7.4	6.7		
- <b>Women</b>		23.8	21.6		21.7	19.6	18.8		
- <b>Urban</b>		8.8	7.0		5.3	6.29	6.2		
- <b>Rural</b>		35.8	29.7		33.7	29.0	25.0		
<b>Social Expenditures</b> (as percent of GDP)	12	14	15	16	17	17	19	20	20

Source: UDAPE (2002), INE (2002), Muller & Asociados (2002), PNUD(2002)

(p) Preliminary

n.a. Not available

The ongoing economic crisis is further aggravating the destabilizing impacts of the country's weak social indicators. Bolivia, while having improved in some noteworthy regards, still lags far behind international standards, and in Latin America only Haiti has lower status. The social misery aggravated by Bolivia's social and economic situation is making itself felt politically. The poor majority in Bolivia is making increasingly clear to the GOB and the society at large that it is no longer willing to accept the social and economic *status quo*.

## **Annex 2: Summary of Sectoral Assessments**

### ***1. Conflict Vulnerability Assessment***

#### **Methodology**

The Bolivia Conflict Vulnerability Assessment (CVA) is the product of a two-month research effort involving a combination of qualitative and quantitative methods. In November 2002 a Management Systems International (MSI) team headed by Prof. Eduardo Gamarra (Florida International University) and comprised of Professors Robert Albro (Wheaton College) and Grace Ivana Deheza (Universidad Mayor de San Andrés-Bolivia) began interviews in Washington DC, La Paz, El Alto, Cochabamba, and Santa Cruz with socio-political actors ranging from President Gonzalo Sánchez de Lozada to principal leader of the opposition, Evo Morales. More than 100 Bolivians were interviewed, including three focus groups with members of the police and the Santa Cruz business community. Apart from the interviews and focus groups, the team reviewed and gathered statistical data on the nature of conflict with the objective of constructing a map of conflict in Bolivia.

#### **Summary**

The assessment identified five major sources of, or contributors to, conflict in Bolivia in the near future. These five are simultaneously cross-cutting issues, and are themselves interrelated. These sources/contributors presage a situation of precarious stability for the country in the present and near future, with the potential for major instability. The overwhelming weakness of the state and the culture of disruptive social mobilization as a political pressure tactic, coupled with the profound, prolonged crisis of the economy, the absence of a long-term government development strategy, and a pattern of social exclusion, are the principal drivers (causes of, or contributors to) of the overall conflictive environment. Within this broad context, all major political actors are attempting to figure out a way to accommodate themselves to the realities of the moment that gives them maximum advantage. In the current political-economic and social context, very clear limits exist upon what the GOB can do to preserve even the precarious and precious stability that currently prevails.

The five major sources of, or contributors to, conflict are:

1) *The Coca/Cocaine Issue.* This issue represents one of the most significant conflict areas and where violent confrontations are likely to emerge in the short term. The coca growers, or *cocaleros*, will push for increased radical resistance to eradication efforts aimed at illegal coca cultivation, while attempting to broaden the scope of the conflict to involve other sectors where opposition to government policies is strong.

2) *The Institutional Setting.* The extreme weakness and lack of public credibility of government institutions severely attenuates the impact of Government attempts to come to grips with Bolivia's gravest development challenges. The current ruling coalition is a strange union of old enemies that are struggling to work together. The current congress also includes representatives of political parties that represent radical social and political movements (principally, the Movement to Socialism (MAS), a vehicle for the *cocaleros* and Pachacuti Indigenous Movement (MIP), an organization of *Altiplano* indigenous peoples). These groups are diametrically opposed to most of the current Government's stated policy priorities. Given their fiercely nationalistic, anti-capitalist nature, it is feared that these two parties will block

passage of critically needed reform legislation in Congress and through pressure tactics such as blockades and strikes.

3) *Public and Citizen Security.* Over the past four years, the incidence of crime and violence has increased dramatically. Rapid urbanization and rampant unemployment have contributed to the increased insecurity. Opinion polls reveal that the new Code of Criminal Procedures, which USAID was instrumental in implementing, is commonly blamed, as ordinary citizens see it as promoting the rights of criminal suspects over public safety. This, combined with a general lack of faith in the police force, has resulted in a rising incidence of “citizen justice” (vigilantism and lynching), particularly in poor areas where police protection is scant or non-existent. Lack of faith in the national police has also resulted in enormous growth in private security services.

4) *Economic Situation.* The current severe economic recession has generated widespread business failure and surging unemployment. Government attempts to ameliorate its social impact have created demands on public finances that cannot be met without massive infusions of foreign aid. Social measures such as the new mother-child health insurance (SUMI) and the senior citizens payment (BONOSOL) are examples of these high-cost social palliatives. Much more controversial measures are yet to be enacted. Given the small size and poverty of the domestic economy, it is generally agreed that the Government must look to exports to generate economic growth and fiscal revenues. However, there is deep ambivalence if not outright hostility - rooted in ideology and historical experience – on the part of the public to plans for export-led growth using Bolivia’s natural resources. The proposed sale of natural gas to the United States through a Chilean port (both the sale itself and the choice of port themselves being major controversies), and the planned accession of Bolivia to the Free Trade Area of the Americas, are other two major flashpoints for conflict.

5) *Land Tenure and Distribution.* Ownership and distribution of land in Bolivia brings together in one explosive mixture all of the negative consequences of Bolivia’s chaotic political and volatile economic histories, of the long-term political, economic and social exclusion of its largely agrarian rural indigenous majority, and of the feebleness, lack of credibility or simple non-presence of the state. The land problem is the most likely to degenerate into violent conflict in the medium term. Land has the potential to be the unifying issue around which radical indigenous and other popular movements could violently confront the state. Conversely, a successful, equitable, long-term strategy to address the land tenure and distribution issue could significantly and permanently reduce conflict in Bolivia.

## **Recommendations**

The recommendations for USAID are as follows:

1. Local Government Capacity Building in the Chapare region. Extend local government capacity-building activities to Chapare municipalities that are not currently involved in the Integrated Development program. The Mancomunidad (associations of municipalities) structure could serve as an alternate route to working directly with local authorities.
2. National Government Institution Capacity Building. Continue capacity-building support to the National Congress, with an emphasis on the new cadre of inexperienced legislators; accelerate the implementation of the New Code of Criminal Procedures with a major component of outreach programs; develop a training program for

- ordinary police men and women (“street cops”) for an appropriate implementation of the new CCP; work with the Ombudsman Office (*Defensoría del Pueblo*) and work with the National Electoral Court to improve its image and credibility.
3. Land Tenure and Natural Resource Utilization. Support the proposed GOB plan for land tenure (Plan Tierra). This could include direct technical assistance to making more efficient and transparent the formal process of land titling. This would signify changes in procedures or even in changes of the law. Improve donor coordination around land tenure issues to promote more economically efficient and environmentally sound and sustainable use of natural resources.
  4. Economic Growth. Improve GOB trade negotiating capacities through technical assistance in training of Government negotiators, and develop an outreach program and public information campaign to promote an informed national discussion of FTAA and its potential benefits for Bolivia as a member.

## ***2. Country Analysis of Tropical Forests and Biological Diversity***

### **Methodology**

The Bolivia Country Analysis of Tropical Forests and Biological Diversity is the result of two months of field research, interviews of local experts, workshops and literature review. The workshops –two in La Paz and one in Santa Cruz – were attended by about 75 experts in tropical forest management and biodiversity conservation. The team of consultants was headed by Charles Jordan (ARD) and included a total of nine people with a mix of expertise ranging from community forestry development to wildlife ecology to communication. This mix of expertise allowed for intense internal debates and a final report useful for the whole Mission.

### **Summary**

Since 1996, Bolivia has made important advances toward the goal of sustainable management and conservation of its tropical forests and biological diversity. USAID has supported these advances through model programs of policy development, technical assistance, training and research. The program has included not only the Bolivia Forest Management Project (BOLFOR) supported by the Environment SO, but also activities and projects executed under the Integrated Development and Economic Opportunities SOs, and PL-480. Partners of PL-480 and the Jatun Sach’a project have pioneered community forestry development activities in the Andean Highlands and in the Chapare, respectively. USAID has also been instrumental in defining and supporting a national system of parks and protected areas which now covers approximately 16 million hectares. Finally, markets for wood and wood products are being reached through promotion and quality improvement efforts.

Bolivians and USAID are rightfully proud of these achievements, and they are determined to continue Bolivia’s world leadership in sustainable tropical forest management. Nonetheless, significant constraints are currently hindering further progress toward sustainably managing and conserving Bolivia’s biodiversity and tropical forests. These threats include:

- A land and forest policy framework that provides strong incentives for deforestation and weak incentives for sustainable forest management, biodiversity conservation, and forest fire prevention;



- Forestry institutions that are financially insolvent and lack technical capacity;
- Insufficient silvicultural and forest product research to support strengthening of the sector;
- A poorly developed wood products industry; and
- Inadequate valuation of forest environmental services and use of non-timber forest products (NTFPs).

## **Recommendations**

The consultants consider that the USAID proposed environment strategic objective (Forest, Water and Biodiversity Resources Managed for Sustained Economic Growth) is appropriate. The following are the recommended areas of intervention:

1. Sustainable management of natural forests in the Bolivian lowlands through an improved system of incentives and with key forest management institutions working in a coordinated and efficient manner.
2. Improved community and private forest industries. This result could be accomplished by enhanced trade and marketing strategies, appropriate research and development, and a trained cadre of entrepreneurs.
3. Improved management of protected areas and biological conservation. It is recommended to search for alternative means for long-term financing, an increased involvement of the communities that live nearby, and a strengthened legal and institutional framework for managing these areas.
4. Improved livelihoods of rural communities through sustainable management of natural resources. The impact of any intervention can be greatly improved if communities are fully involved in the management of its natural resources.

In addition, USAID should consider the development of a crosscutting environmental communication and education program in support of priority areas. Close collaboration between the Environment, Health, Economic Opportunities, and Integrated Development SOs will allow elements of the Environment to be built into the design of activities within the other Strategic Objectives.

### **3. Gender Analysis**

#### **Methodology**

On January 2003, Deborah Caro (Devtech Systems) arrived in La Paz to help USAID/Bolivia to integrate gender into USAID/Bolivia's new strategy. Caro reviewed documents, such as Strategic Objective concept papers, the Conflict Vulnerability Assessment, other program-level and sectoral assessments, evaluations, and gender implementation plans. She also met separately with each of the strategic objective teams to learn about their current programs and plans for the new strategy period. The objective was not to have an intensive review of USAID/Bolivia proposed activities, but to give guidance of how to integrate gender issues and concerns in the planning stage of the new strategy.

## Summary

The ADS requires all Missions engaged in a strategic planning process to examine two key questions with regard to gender issues: (1) how will gender relations affect the achievement of sustainable results; and (2) how will proposed results affect the relative status of men and women? The ADS explains that in order to adequately address these two questions Strategic Objective Teams (SOTs) must take into account the different roles of men and women, as well as the relationship and balance between them and institutional structures that support them. When possible, gender concerns should be treated as an integral part of the broad range of technical analyses conducted in preparation of the strategic plan rather than as a separate issue. The four domains of activity used to analyze gender relations and to identify gender-based constraints in the gender analysis are:

1) *Access to resources, income, services, employment, and information.* Refers to access to the economic resources necessary to be a fully active and productive participant (social, economic, and political) in Bolivian society, as well as to the benefits generated from participation;

2) *Participation.* Refers to the act of being present in activities, meetings, training courses, and other development activities;

3) *Legal Rights and Status.* Refers to access to legal documentation such as identification cards, voter registration, and property titles, as well as to the way people are regarded and treated by the legal code and judicial system.

4) *Decision-making and Exercise of Power.* Refers to the capacity to freely make decisions and exercise power within an individual's household, community, municipality, and the state. This includes the capacity of adults to decide about: the use of household and individual economic resources and income, choice of employment, use of municipal resources, and the capacity to exercise ones vote, run for office, be an active legislator, and entering into legal contracts.

In developing its new strategy, USAID/Bolivia would benefit from building upon some gender related activities already fostered in its current strategy. This analysis provides some examples of ways for the strategic objective teams to move forward in grappling with the challenges posed by the gender issues above.

## Recommendations

1. **Democracy.** Examine whether the New Code of Criminal Procedures is being applied equitably with regard to gender, ethnicity, class, and other social categories. The “saneamiento legislativo” is another opportunity to examine laws under the inclusion/exclusion lens; consider gender training in any police training activity; look more closely at how decisions are made about resource use and who is empowered to make decisions. These questions apply both to the municipal and national level (the legislature).

2. **Economic Opportunities.** The SOT should consider what kind of gender-based constraints will affect the success of the microfinance and trade programs. This is especially important for the trade activity since it just began. While it has been observed that women participate intensively in production activities, it is not clear if they are benefited in a way commensurate with their efforts. It is recommended to explore this issue in the next round of MAPA's rural household survey.

3. Health. Identify and develop ways to track the impact of empowerment and equitable participation, as well as how to link these outcomes to the improved health of participants. Make explicit gender-based constraints to improving health in Bolivia.
4. Environment. The general new emphasis in this SO is increased community involvement in forestry and parks activities. Its new strategy, however, should be also broadened to take into account the different effects of participation of men and women in the community.
5. Integrated Development. The Chapare component of the Integrated Development program has already a Gender Strategy. The suggestion is to implement and monitor its implementation closely.
6. Food Security Unit. Work with the Health and Economic Opportunities SOTs to agree on common indicators with which to measure their objective of women's empowerment in Mother and Child Health and income generation programs.

#### **4. Land Tenure Policy Assessment**

##### **Methodology**

The land policy assessment was conducted in two phases. The first phase occurred in October 2002 with the visit of Rafael Diez (Chemonics). Diez collected documentation and interviewed, among others, local land experts and GOB officials. The second phase occurred in early 2003 with the visit of Jolyne Sanjak (USAID/Washington). Jolyne used the information collected by Diez and complemented it with in-depth interviews with relevant Mission staff.

##### **Summary**

A well-established and maintained system of property rights recognized by all as legitimate gives a country one of the critical institutional elements that are a prerequisite to development. Appropriate real property rights are a key element for expanding economic opportunity, facilitating municipal development, achieving the goals of Integrated Development, and to promote good stewardship of the environment. The coherence, economic rationality and legitimacy of a given system of property rights also has implications for public health, through its linkage to economic growth and opportunity.

In recent years, the issue of land tenure and property rights has been increasingly front and center in Bolivian politics, both as an issue in its own right and as a source of social conflict. Partly as a result of this, the Government of Bolivia (GOB) has officially designated land tenure and land access as national priorities. The GOB's policy framework in this area, known as *Plan Tierra*, summarizes the current GOB strategy. The Plan seeks to implement nationwide rural land tenure regularization, land distribution and human settlement programs. Land tenure is likewise increasingly prominent on the policy agendas of Bolivia's bilateral and multilateral donors. Donor support up to now has focused on regularization (*saneamiento*) of rural and urban land tenure (land titling) in selected locations, and improvement of the national property registry.

The process of land rights regularization and titling has been very slow. Required processes are full of inefficiencies (specifically, an excessive number of steps), bureaucratic delays and red tape. Aggravating this situation is the fact that redistribution requests have recently multiplied many-fold. The slowness of this process has served to fuel social protest in various regions of the

country. Protests have also started to focus on the basic legal framework underlying the process – the INRA (Instituto Nacional de Reforma Agraria) law. For example, protesters have demanded changes in the sub-soil property rights as currently set forth in the INRA, changes which would require a comprehensive overhaul of the entire national policy regarding property rights.

## **Recommendations**

1. General. The creation of Mission special objective on Land Policy managed by the Program Office or an inter-SOT working group that meets and consults regularly.
2. Integrated Development. Support the proposed Chapare pilot project that will demonstrate how the process of land rights regularization (*saneamiento*) can be made efficient, transparent and equitable. USAID should also identify potential pilot efforts to link municipal development (capacity building) programs with *saneamiento* efforts. These actions will contribute substantively to the INRA implementing agency's capacity for land title regularization.
3. Democracy. The proposed democracy activity to support an overall *saneamiento legislativo* (a 'straightening out' of all the laws of Bolivia, involving repeal of obsolete, contradictory and/or duplicative laws) should be supported as soon as possible. The laws related to land tenure, access, and utilization should be the first priority. The application of anticorruption tools and mechanisms to the national property registry and Plan Tierra implementation is also essential.
4. Policy Dialogue on Land Access and Economic Opportunity. Foster acceptance of policies that view land as an economic asset (land markets, collateral, valuation), so as to facilitate its use as an instrument for alleviating poverty through household income growth and diversification.

## **4. Integrated Development Assessment**

### **Methodology**

On early 2003, a team of consultants from Development Associates arrived in La Paz to review USAID/Bolivia's past and current Integrated Development strategy and to make recommendations for future adjustments. The team was headed by Donald Jackson and included David Bathrick, Patricia Martin and Danielle Rodriguez-Schneider. Beyond the normal review of documents and interviews, the team participated in a two-day workshop under the auspices of the Ministry of Foreign Affairs and Worship. The workshop was designed to give input into the preparation of a GOB's new counter-narcotic strategy. Finally, the team visited the two most important coca-producing regions (Chapare and Yungas) in the country. These trips allowed the team to have first-hand information about the results of the program.

### **Summary**

The USG's principal foreign policy goal of maintaining a fragile and incipient democracy in Bolivia is closely linked to its second policy goal of removing the country from the international illicit trade in coca/cocaine. While the pillars of both the USG and the GOB strategies with regard to illicit coca have been, and remain, Integrated Development, Eradication and Interdiction, and Public Information it is clear that, unless significant efforts are made, the very future of democracy in Bolivia is threatened, as opposition from pro-coca political forces becomes increasingly violent.

Illicit coca cultivation and processing is driven by a series of issues based on poverty and a lack of viable alternative economic opportunities, and is exacerbated by social and institutional factors. The closing of most of the country's mines in the late 1980s initially spurred migration by heavily unionized miners to the sparsely populated Chapare in the Cochabamba tropics, where they have responded to the enormous market demand for cocaine in the US, Europe, and elsewhere, and defended illicit coca production through a well-organized structure of unions and federations. Nevertheless, this has since changed in recent years with a majority of Chapare dwellers now emigrating from Bolivia's altiplano region according to the country's most recent census.

The lack of social cohesion in the region, due to waves of immigration which broke down social relationships, and a pattern of isolated, very small settlements with little social infrastructure or common traditions to bring people together, has made the union/federation structures the dominant social and political, as well as economic force. The lack of a viable state institutional presence, including functional services in the areas of justice, social services, land tenure and use, and municipal governance, has facilitated the ability of the well-organized unions and federations to dominate the existing institutional structure or impose a parallel, substitute structure where none exists. Social and institutional structures in the Yungas, the area near La Paz where coca has always been grown for traditional uses, are more robust, but still inadequate to respond to the needs of a population mired in endemic poverty, and attracted to the illicit coca trade not only for its economic benefits, but because coca is an accepted part of the culture, with the distinction between licit and illicit coca not always clear.

USAID began its support for Integrated Development in the Chapare in 1987, with an amendment to the Chapare Regional Development Project (CRDP). CRDP's goal was revised as "Reduced coca production in Bolivia," with the new purpose being, "To develop alternative sources of income for people who are engaged, or could be potentially engaged, in the production, processing, and marketing of coca in Bolivia." Crop substitution was the predominant guiding principle of the project. The CRDP was then followed in 1991 by the Cochabamba Regional Development Project or CORDEP. The goal of CORDEP was to increase investment, productivity, and employment in licit activities to help Bolivia transform its economy from one that was based on the production of coca, to an economy based on the production of licit commodities. The concept of crop substitution was replaced by the concept of economy substitution. Implementation of the Counter-Narcotics Consolidation of Integrated Development Efforts project (CONCADE), which began in 1999 and is ongoing, was designed to support the Integrated Development component of the GOB's Dignity Plan, which was based on the above-mentioned pillars of Integrated Development, Eradication and Interdiction, plus Prevention and Rehabilitation. CONCADE assistance has focused on developing and strengthening licit economic alternatives, conditioned upon the recipient's farm being free of coca. Supplementary funds provided through Plan Colombia enabled USAID/Bolivia to support GOB efforts to expand the Dignity Plan into the Yungas, to help eliminate coca production over the legal limit for traditional use by supporting measures to increase household incomes or reduce household costs. The Yungas Development Initiative (YDI) is a multi-pronged, two-year (2001-2003) program supporting social and productive infrastructure, alternative economic activities, citizen participation and municipal strengthening, and health and sanitation improvements.

Between 1997 and 2002, great progress was made in coca eradication—coca land declined from 45,800 to 18,900 hectares. An unintended side effect, however, was a 400% increase in the price of coca, and rapid expansion of coca cultivation in the Yungas, where there is no eradication program because of the difficulties in distinguishing legal from illicit coca, the topography, local resistance, and GOB weaknesses. So, while income from licit crops promoted by Integrated

Development (AD) programs has increased, it is evident that it cannot keep pace with coca. Further, problems within the AD program itself have hampered effectiveness, such as marketing problems, lack of development of off-farm income opportunities, lack of participation and attention to the effects of the social and institutional issues noted earlier, and lack of an effective communications strategy. The situation has been aggravated by overall economic decline, which has maintained or increased poverty at high levels, particularly in rural areas, and by the highly unstable political situation.

A new delicately balanced coalition government took power in August 2002 by the slimmest of margins, narrowly beating a pro-coca, pro-socialist/populist candidate. Since the election, the government has continued to lose popularity and effective control, especially regarding issues surrounding coca/cocaine. This has led to an increased attitude of empowerment and militancy on the part of coca growers. It is evident that the sustainability of the Integrated Development strategy is at stake, together with the sustainability of the broader anti-narcotics effort, and even, perhaps, of democracy itself. Accordingly, in support of the GOB's *Nuevo Compromiso* (New Commitment) anti-drug strategy, a new strategic approach is necessary. The GOB strategy calls for Integrated Development that is participatory, integrated and sustainable. Therefore, the recommendations for a new USAID/Bolivia strategic approach to Integrated Development, in line with these guiding principles, encompass a broad range of issues and interventions, addressing social and institutional, as well as economic development; emphasize participation and greater inclusion of groups which to date have benefited little from AD, including women and indigenous and young people of both genders; and are focused on achieving sustainability of the gains made by Integrated Development.

### **Recommendations**

While the Alternative Development (soon to be "Integrated Development" under the new, 2005-2009 USAID/Bolivia Country Strategic Plan) will continue working in generally the same geographic areas, and using much the same sectoral approaches USAID should seek to effectively consolidate gains made to date so as to prevent backsliding in illegal coca cultivation.

This includes consolidating gains made in developing a licit economy in the Chapare by increasing the capacity of licit enterprises and farmers to be economically viable without subsidies. Subsidies distort economic incentives and create additional long-term costs.

The increase in illegal coca planting in the Yungas will require an approach that will likely rule out forced eradication, given historical, political and tactical considerations regarding the difference between the Yungas and the Chapare, and the legality of much of the coca cultivation in the Yungas. The emphasis will need to be on a persuasive, incentive-based approach that responds to real basic needs of local communities, such as rural electrification, potable water and sanitation systems, improved roads and health services, and increased access to justice.