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**AGENCY FOR  
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DEVELOPMENT**



**BOLIVIA**

**COUNTRY DEVELOPMENT  
STRATEGY STATEMENT**

**FY 82**

January 1980

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
WASHINGTON, D.C. 20523

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COUNTRY DEVELOPMENT STRATEGY STATEMENT

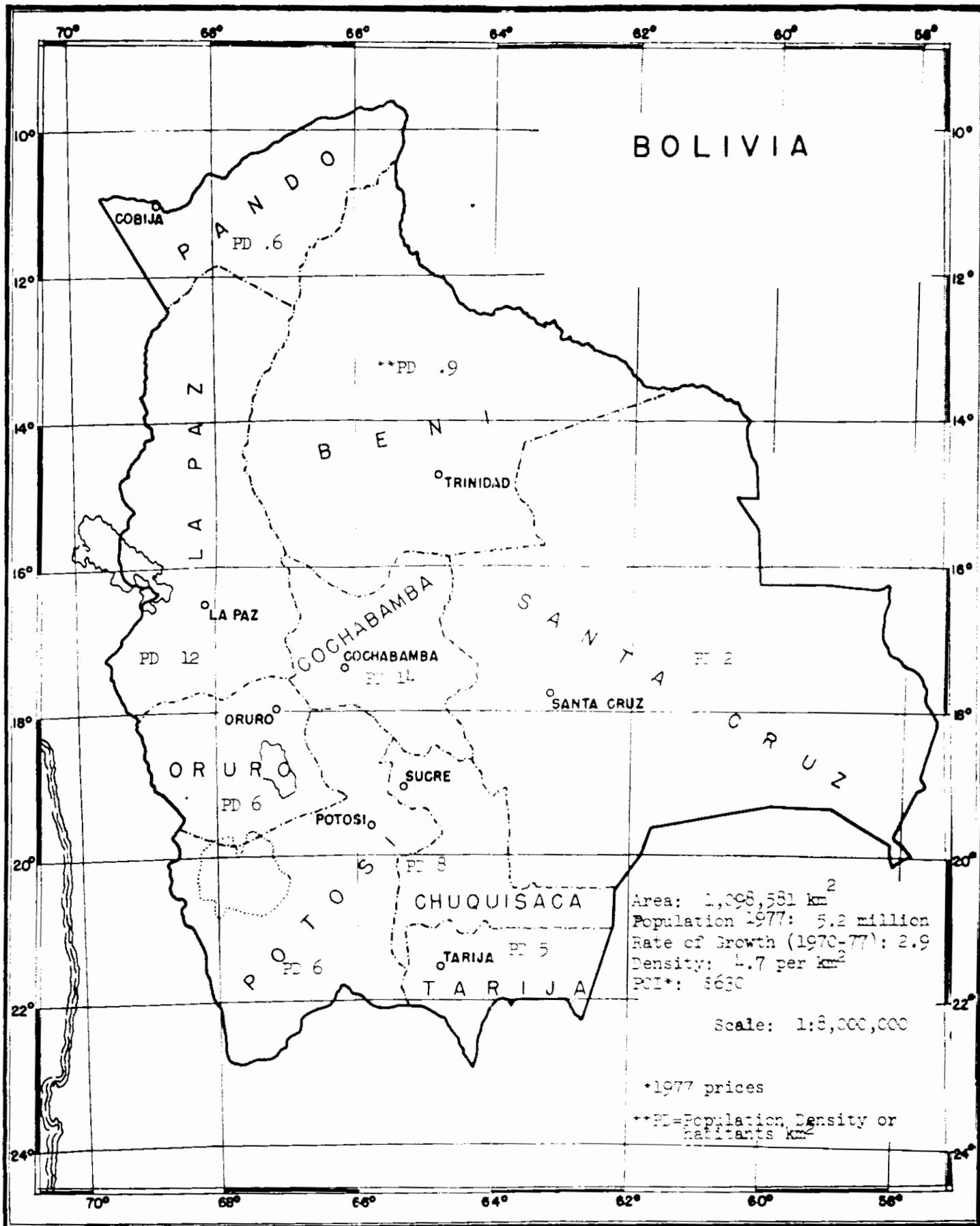
FY 1982 - 1986

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

LA PAZ, BOLIVIA

ABE M. PEÑA, MISSION DIRECTOR

JANUARY 1980



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## I. Analysis

### A. Bolivia: A Country Profile

Few countries in Latin America possess as much natural wealth as Bolivia. A variety of minerals are found in large quantities, and natural gas and renewable energy resources such as hydro power and solar power are abundant. Fertile valleys and wide lowland plains provide good soil and climate for a wide variety of crops. Even the more austere highlands produce large quantities of certain foods. Bolivia is self-sufficient in meat, cotton, wool, coffee, sugar, rice, citrus fruits, and there is potential for achieving self-sufficiency in corn, potatoes, cacao, oil seeds and dairy products. Large virgin forests and extensive savanna provide enviable lumber reserves and pastures for cattle, sheep and llama.

In addition, the emergency and continued growth of newer, dynamic regional centers offer considerable development possibilities. One such area, Santa Cruz, accounts for 20% of GDP and is one of Bolivia's most important agricultural centers. Other areas which offer greater potential are the Villamontes-Sachapera region (irrigated grain and oilseed production), the Alto Beni region (coffee, cacao) and the Beni (beef products, lumber resources and rubber).

Despite abundant hydropower and other renewable energy resources, Bolivia is heavily dependent on non-renewable energy sources. Petroleum continues to supply about 60% of the country's commercial energy needs, even though petroleum imports may exceed exports as early as 1981.

Historically, Bolivia's economy has been based on the exploitation of non-renewable resources. Roads and railroads were developed to move the mineral wealth from the Andean mines westward toward Pacific ports. During the colonial period, the great silver mines of Potosi alone produced metal worth \$ 1 billion. During the 19th and 20th centuries, tin replaced silver and has provided \$2 billion in export earnings, but production peaked during the 1920s, and the decline in the quality of ores caused the closing of many mines and a scaling down of operations in others. During the last twenty years, exploitation has concentrated on the petroleum and natural gas found principally in the Lowlands.

Major factors contributing to Bolivia's low level of development are political instability, the awesome terrain, and inadequate social and physical infrastructure. Approximately 80% of the rural population is concentrated in the Highlands (30%) and Valleys (50%), which together constitute 30% of the country's land area. In these regions, long distances between agricultural areas and markets, and the rugged topography result in high costs for transportation, communication, energy and social services. These problems are compounded by a division of the land into small parcels, limited productivity of soils, and frequent floods and frosts. The extremely uneven distribution of population results in inadequate access to resources by most of the 60% of Bolivia's population which lives in the rural areas. The relatively uninhabited Lowlands offer the greatest potential for agricultural growth.

At the macro level, Bolivia would not appear to have a population problem. In comparison to land area and potential resources, its population of perhaps five million is relatively small. However, population is increasing at a higher rate (2.9%) than per capita income (2.1%), and the absence of family planning, particularly in the rural areas, works a significant economic and social hardship on the people.

Bolivia's contemporary history is deeply influenced by the Revolution of 1952, which provided for universal suffrage and land reform. Land titles to millions of hectares and affecting millions of people have been distributed to individuals and cooperatives. The Revolution provided the opportunity for the rural Indian population to be incorporated into Bolivian society and led to a significant political consciousness among this previously disenfranchised group.

The historically unstable political situation in Bolivia (168 governments in 155 years of independence) has disrupted development plans and economic policies, resulting in constantly changing public sector policies and often inadequate planning for meeting the needs of certain groups of rural poor. During the Banzer government (1971-1978), the country experienced a respectable growth rate of 5-6%, albeit at the expense of domestic over-expansion and a heavy foreign debt burden. This improved economic performance did not substantially improve the living standard of the majority of the population, however, in the absence of structural changes in the economy. Most investment occurred in capital-intensive state corporations where a considerable number

of economically non-viable projects were undertaken. There was little impact on labor-intensive, income-generating activities affecting broad sectors of the population.

As early as 1977, economic conditions began to deteriorate, and by 1978 many difficult economic and financial decisions were needed. With the decision to hold elections and return the country to a democratic process, however, neither the Banzer government nor the ensuing series of military governments were willing to take the unpopular measures which might have posed a risk to short-term stability.

The stalemated election of July 1979, a significant test of the country's commitment to the democratic process, resulted in a compromise with the selection of interim President Guevara Arce. This commitment was tested again, more severely, by the November 1 Natusch coup. Following two weeks of repression, the Natusch regime collapsed, rejected by all elements of Bolivian society. The country again selected an interim President, Lydia Gueiler, consistent with the constitution and the democratic process. The GOB immediately moved to implement the long-needed but painful package of economic reforms, signed a stabilization and stand-by agreement with the IMF, establishing the strongest base for stable economic growth which Bolivia has had in recent years. General elections were called for June of 1980. Human rights have been scrupulously respected, and the government has undertaken the monumental political and economic task of stabilizing the national economy while minimizing the impact of reform measures on the country's poor.

TABLE IBOLIVIA: COMPARISON WITH MIDDLE AND LOW INCOME COUNTRIES (1977)

<u>Indicator</u>	<u>Bolivia</u>	<u>Median Value</u>	
		<u>Low Income Countries</u>	<u>Middle Income Countries</u>
GNP per capita in US\$	630	170	1,140
Life expectancy at Birth	52	50	60
Crude Birth Rate/1000	44	40	35
Crude Death Rate/1000	15	15	11
Percentage Change in Crude Death Rate, 1960-1977	-34.8	-31.8	-28.7
Child Death Rate (Age 1-4)	22	19	11
Percentage of Population with access to safe water	34.0	28.0	59.0
Daily per Capita Caloric Supply as Percentage of Requirements	77.0	91.0	107.0
Total Students Enrolled in Primary School as Percentage of Age Group	80.0	73.0	92.0
Percentage of Total Population living in absolute poverty	64.0	52.0	16.0

\*Does not reflect 25% devaluation of November 1979.

B. Description of the Poor Majority

Bolivia is beyond question the least developed nation in South America. Although recent World Bank information puts per capita GNP at \$630 in 1977, this figure has obviously been significantly lowered in dollar terms by the recent 25% devaluation. Thus, the country theoretically remains, at least for the moment, in the middle income country category. As Table I shows, however, on the basis of more meaningful and precise social and economic indicators, Bolivia must be regarded among the low income countries.

Bolivia's rural population, 60% of the total, is composed principally of subsistence farmers who work plots of one to two hectares and derive their income from potatoes, barley, corn, wheat, coca and small amounts of mixed livestock production. Manure and wood are used for cooking and heating and candles or kerosene lamps for lighting. Living standards are abysmally low as a result of low technology, marketing inefficiencies, transportation and communications bottlenecks, and low educational and health levels.

A majority of the small farmers live in the Altiplano and Andean Valleys, where the land is poor and climatic conditions harsh. Land holdings are small due to fragmentation, and often dispersed over large areas. Language is a major constraint to full participation in the Spanish-speaking economy; 60 percent of the Indian population speaks Quechua or Aymara as a first language.

Traditional farming implements and techniques dominate Bolivia's agriculture. On the Altiplano, a wooden hoe is the principal tool in the cultivation of potatoes, and a wooden club is used to break up clods. The principal instruments used in planting and harvesting cereals are the drawn wooden plow, the sickle, and a foot plow similar to a fork. Seeds are sown by hand. Crop residue and animal manure are sometimes used for fertilizer, but are more commonly consumed as fuel for cooking. Potatoes are the most important food crop and the basic diet of the Highland population. Sheep, llama and alpacas are the principal providers of meat, wool and fuel, while oxen are used as draft animals. Corn is grown mainly in the Valleys and Lowlands.

As indicated in Table V, health and education standards and services in the rural areas are completely inadequate. The average nuclear family has five members. It lives in an adobe dwelling with no basic sanitary facilities, and consumes only 77% of its minimum daily caloric requirements and only 49% of its minimum daily requirements of proteins. Full time electric service is available only in or near the eight major cities and towns and principal mines. Life expectancy is 52 years. Only 1% of the rural population has access to piped water and 11.2% of the total population to sewage systems. The nationwide death rate is 14 per thousand and the mortality rate for children under one, often considered the best indicator of a country's overall health status, is 118 per thousand, the highest in South America. These health problems persist largely because the rural population participates only marginally in the economy and in educational

programs of the country. Preventive and curative rural health care services are poorly distributed, staffed and equipped; they provide for only minimal community involvement, leading to mistrust and low utilization. With neither purchasing power nor knowledge of what to purchase in terms of food, clothing, or shelter, the poor continue in the cycle of poor health and malnutrition.

Of the total population over 15, 60% are illiterate. The school age population (5 to 19) is 1.7 million, or 37% of the total population. 61% lives in rural areas, but of these only a third were attending school in 1977; the dropout rate is almost 75% by the third grade. Deficient facilities and poor quality of both teachers and curriculum partially account for low attendance in the rural areas. Also influencing low attendance and high dropout rates is the fact that instruction is in Spanish, even though 60% of Bolivian children speak Quechua, Aymara, or Guaraní as a first language.

It is significant to note that twice as many women are illiterate as men. This disparity is critical given the central role women play in both the household and the economic processes of the country, particularly in the rural areas. Despite her central role, the Bolivian woman participates only minimally in decision-making affecting her community, her family and herself.

### C. Why the Poor are Poor

#### 1. Macro Economic Situation and Trends

Background -- The Bolivian government responded to the oil price hike and sharp increase in world metal prices of 1973-1974 by embarking on a major

expansion of public investment; it had high expectations of a large increase in oil production with related foreign exchange earnings and growth in government revenue. Initial attempts met with some success, and Bolivia's economic base was broadened through increases in the production and export of natural gas, accelerated industrialization of mineral resources, and the expansion of commercial agriculture. During this period, the country also achieved self-sufficiency in certain food products. This economic diversification was complemented by an expansion and improvement of the still primitive transportation network and the construction of large hydroelectric plants to serve urban centers with electrification networks for nearby rural areas. This expansion propelled the growth of real GDP at an average annual rate of 6 percent in the period 1973-1977.

These positive results, however, were achieved at the expense of increasing internal and external financial imbalance. When the expected high earnings and revenue growth ultimately failed to materialize, Bolivia found itself faced with an excessive public sector deficit, a mounting external debt, and a precariously low level of international reserves. The fact that the country still had easy access to the international money market, however, allowed the government to delay hard decisions aimed at controlling public spending and eliminating subsidies of domestic prices for petroleum derivatives. The result, obviously, was diminishing confidence in the peso and a steadily deepening financial crisis. The deterioration continued unchecked, and is reflected in the rates of growth of real GDP, which declined 3-4% in 1978 and 1-2% in 1979.

Overextension of public investment and inefficiency of public sector management resulted in a serious deterioration of the overall financial situation of the public sector, whose deficit increased from 1% of GDP in 1974 to 14% in 1979. Meanwhile external indebtedness of the country increased by 180% from 1974 to 1979, and the public sector debt as a proportion of the total increased from 52% at the end of 1974 to 88% by July of 1979. A growing share of the new public borrowing was from foreign commercial banks, and by 1979, 50% of the outstanding debt had an original maturity of less than 10 years, compared to 15% at the end of 1974. Debt service, which was equivalent to only 13% of exports in 1974, increased to 35% in 1979 and could reach 39% by 1981.

Legal exports during 1979 increased by 24% to \$791 million, due principally to record high tin prices. Unfortunately, Bolivia was not able to take maximum advantage of these high prices, since production fell by 11% during 1979 to 24,500 mt. Simultaneously, petroleum exports declined by 52%. Illegal exports, including cocaine (estimated at \$300 million, of which \$150 million returns to Bolivia) were about \$175 million in 1979. Legal imports during 1979 increased by 27% to \$1,009 million, and probably would have been higher but for economic uncertainty.

The increasing gap between legal imports and exports resulted in an increase in the current account deficit of 47% during 1979. Despite this deterioration, the international reserves of the Central Bank increased during the last six years because of large short-term foreign borrowing by the Treasury. These capital inflows were not sufficient to offset the

deficit on current account, however, and the balance of payments deficit increased to \$179 million or 11% of GDP in 1979, compared to a surplus of \$117 million in 1974. At the end of 1978, the net international reserves of the Central Bank were \$169.3 million, but by September 30, 1979, they had fallen to \$12.7 million and by October 31 they stood at minus \$36 million. In the first ten months of 1979, reserves decreased by more than \$200 million. In November 1979, following the coup, the Central Bank's liquid foreign exchange totalled only \$20 million, sufficient to meet foreign exchange requirements for only two to three days. At this point the Gueiler government announced the economic reform and stabilization program of November 30, 1979.

Economic Reform Program -- The stiff reform measures designed by the Gueiler government were similar to those proposed by the International Monetary Fund (IMF) a year earlier; previous governments had been unable or unwilling to implement them. The measures included:

- devaluation of the peso by 25%, and authorization of the Central Bank to make future adjustments;
- prohibition of foreign exchange accounts in or outside Bolivia by all public sector agencies and state enterprises, and processing of all foreign exchange transactions by these agencies through the Central Bank;
- establishment of new limits on total commercial bank short- and medium-term foreign credits;
- discontinuation of the maintenance-of-value provision and increased interest rates for peso savings accounts and certificates of deposit;

- lowering of bank reserve requirements for peso deposits and increasing of requirements for foreign exchange deposits;
- increasing of gasoline prices by an average of 140% and of public transportation prices to cover this increase;
- authorization of monthly cost-of-living bonuses for those earning up to 9,000 pesos (\$360) per month, with those at lower levels receiving proportionately more;
- limiting of the 1980 consolidated public sector budget to the 1979 total plus specified salary increases;
- prohibition of rent increases for all housing;
- temporary maintenance of price controls on certain basic consumer items including rice, flour, sugar, noodles and bread, with a commitment to future price increases to levels based on the cost of production;
- the creation of a National Council for Monetary Stabilization to strengthen the government's ability to deal expeditiously with economic and financial matters.

Impact and Possible Future Measures -- The Bolivian Labor Federation opposed these measures on the basis that they were unfair on the working-level population, but eventually tacitly accepted them. Price increases of many goods and services from 30% to as much as 100% were justified in terms of the devaluation and increase in transport costs. Farmers blockaded major highways to emphasize their plight as non-salaried workers who had to pay higher transport costs and who received no monthly bonuses to offset the economic measures. The government negotiated an interim settlement with

the farmers which included farmer-consumer markets at the municipal level to reduce middlemen profits, elimination of internal taxes on agricultural products, a ceiling on transport rates in rural areas, and higher farm gate prices for rice, wheat, sugar cane, meat and Brazil nuts. The Congress is also studying additional increases.

The international reaction to the economic measures was a cautious sigh of relief. An IMF mission arrived in Bolivia one week after the measures were announced to evaluate the program and determine what level of assistance would be required to stabilize and strengthen the economy. A stand-by agreement of approximately \$110 million was approved in January. This should enable Bolivia to renegotiate approximately \$280 million of short and medium-term debts with commercial banks. The Finance Minister believes that by July 1980 the GOB will be current on its external debt service. Bolivia can also request additional IMF assistance under the Extended Fund Facility at a later date. Debt renegotiation has apparently been rejected by the GOB.

Additional tax, price, and structural reform measures must be taken in 1980 to stimulate production, but the timing of these will probably be dictated by the status of the economy and the effect of these measures on the electoral process.

If the existing economic package and future actions can be carried out reasonably effectively, the government can restore a basis for reasonable growth rates. However, this requires that the government deal with political pressures from workers, small farmers, and state enterprises, and mobilize additional international support for its economic measures. It also means

the GOB will have to make its investments in social and economic infrastructure very carefully. In both efforts, continued USAID assistance, especially in the rural areas, can help make the economic recovery of Bolivia possible.

## 2. Social Structure

Three distinct social-ethnic groups --Indians, Mestizos and Whites (Spanish)-- make up Bolivian society. These groups represent 60%, 25%, and 15%, respectively, of the population. Bolivia's geographical barriers have kept these groups generally isolated, preserving distinct cultural patterns at the expense of an integrated national society.

The effects of land reform and universal suffrage have been dramatic, however. The 1952 revolution eroded the economic and political power bases of the elite and created a significant political consciousness on the part of the previously isolated campesinos. This resulted partly from their introduction into national politics and partly from an awareness of their membership in a defined socio-economic block with political power and the possibility of improving their welfare. The new political equation has begun to erode traditional class lines.

This early expression of increased human rights was not without its costs, however; the social organization of the rural sector remains in a state of flux. The once stagnant hierarchical structure, based on latifundio landholding and the rigid patron-peon relationship was dismantled by the agrarian reform program initiated by the revolution. In some cases, the Spanish-heritage elites abandoned the rural areas, leaving a power vacuum which either has

not been filled or is being filled by upwardly mobile mestizos and urbanized professionals who live and work in the country. In other instances, peasants who were once relegated to peonage on haciendas and in mines, or to subsistence farming in isolated free communities, are moving into rural towns where they are taking up artisan and small-scale merchant positions once denied them.

Rural leadership in Bolivia was traditionally vested in the headman who was elected from among his fellow campesinos to represent them to outsiders and to coordinate decision-making at the local level. The Agrarian Reform Act of 1953 replaced the headman with peasant syndicates in those areas where large estates had existed. These syndicates, functioning at the village level and composed largely of younger people, were fairly effective channels of upward and downward communication at the onset of the Agrarian Reform. They were responsible for a myriad of changes in rural areas. However, their effectiveness has diminished over time as leaders and young people have migrated to urban areas or to eastern lowlands in search of better opportunities.

Participation in democratic decision-making above the village level is not a well-established process among the rural poor. Bolivia is characterized by a centralized, top-down goal-setting bureaucracy which traditionally has not tapped local organizations for assistance in policy formulation. With some exceptions, such as the Departmental Development Corporations, local officials are appointed by the national government and respond to directives

issued from La Paz. Many decisions made by this hierarchy are based on political considerations.

### 3. Absorptive Capacity

Financial Constraints -- Bolivia's current financial difficulties have made it difficult for the GOB to meet counterpart requirements of assistance projects, particularly where new cash contributions are required. These difficulties, combined with political disturbances, were important factors in the Mission's poor disbursement record in 1979 (\$18.0 million versus \$22.7 million in 1978). Programs of other donors have been slowed by the lack of funds for counterpart. However the picture is improving. Recognizing that the counterpart problem will continue for the near future, the Mission has analyzed 1980 requirements and reduced the estimated GOB inputs from slightly over \$19 million to \$12.6 million. Further, the local currency generated by the World Bank's projected \$50 million program loans in 1980 and 1981 will be programmed against counterpart requirements of AID, IDB, and the Bank, providing short-term relief and sharply increasing the impact of new money by using it to draw down existing commitments.

Institutional and Administrative Constraints -- The Bolivian public sector is among the most highly centralized in Latin America. Although ministries such as Agriculture, Health and Education have field offices, almost all decisions are made in La Paz. This process overburdens central offices which are unable to respond quickly to field requests and results in administrative bottlenecks and delays in implementation. The decision-making process is also physically distant from the needs and requirements of the rural population, and is less sensitive and responsive to them. This further discourages participation of the rural population in the decision-making process. The

structure is, however, responsive to those with political power who can come to La Paz to influence decisions.

The political turmoil of 1979 resulted in frequent changes in key personnel in the central ministries; the year saw four Ministers in most key Departments. This has meant a further slowdown in decision-making, difficulties in focusing GOB officials on program direction and project problems, and adverse effects on the institution-building efforts designed into many of the Mission's projects.

Infrastructure Constraints -- Physical and social infrastructure in Bolivia is severely deficient and a major constraint in development. The formidable Andes mountains in the West give way to deep and isolated valleys, while the eastern lowlands are crisscrossed with rivers; transportation and communication in Bolivia are difficult, slow and expensive. Roads in particular are lacking; there are only 1,300 kilometers of paved surface and 6,800 kms of all weather roads. Telephone systems are available primarily in the major urban areas, and many areas of the country must rely on radio. Housing in rural and urban areas is substandard, as are educational and health facilities. Given these deficiencies, prospects are excellent for investment in light infrastructure including roads, energy, irrigation, potable water, sanitation, and flood control.

Cultural and Social Constraints -- Bolivia's heterogeneous population is characterized by marked language and cultural differences. Language is a particular constraint; many Aymara and Quechua Indians do not speak Spanish, the primary language used in business and commerce, and are thus limited

in their participation in the economy. Social differences also result in a strong sense of regionalism, particularly in the eastern lowlands.

D. Progress and Commitment

Although Bolivia's standard of living remains very low, the economic well-being of its people has improved somewhat in the last decade. A Mission evaluation of development performance based on PQLI standards shows measurable improvement in the overall quality of life for the average Bolivian.

Life expectancy is estimated to have increased from a 1968 average of 46 years to an average of 52 in 1977. Access to adequate sewage disposal by the rural population has risen from 4% in 1970 to 11.2% in 1977.

Functional literacy rates (based on a fifth grade education) rose 3% from 37% in 1970 to 40% in 1977; the primary school enrollment rate increased from 53% to 80%, and the female primary enrollment rate from 46% to 72%. Overall school enrollment rates show an increase of 11.4%, up from 56.1% of the school age population in 1971 to 67.5% in 1977. The number of rural primary schools rose from 432 in 1970 to 750 in 1977, and the number of rural teachers doubled in the same period.

Rates of per capita growth of agricultural and food production have been markedly higher than might be expected given Bolivia's per capita GNP. The annual growth of yields per hectare for traditional small farmer crops during 1971-76 were wheat, 7.3%; potatoes, 4.3%; coffee, 11.3%, bananas, 1.7%; and yucca, 7.6%.

The GOB has sponsored numerous colonization efforts, resettling over 60,000 low-income families on 1.5 million hectares through 1977. Efforts to provide employment opportunities have resulted in an unexpectedly high percentage of industrial workers in the total labor force (23%), effective use of labor intensive technologies as suggested by a low value of incremental capital-output ratio, and an increased percentage of women in the labor force (22.7% in 1976).

Bolivia's commitment to equitable economic development is long-standing. The 1952 Revolution brought the mass of subjugated campesinos into the country's political and economic life, and the 1976-1980 Five Year Development Plan established sectoral objectives consistent with AID's concern with equitable growth and meeting basic human needs. Yet political instability and erratic fiscal and monetary policy have limited advances in the standard of living.

It must also be recognized, however, that in recent years Bolivia's very determination to move toward "democratization" has contributed to current economic uncertainty; the uneasy transition has in a sense been the short-term price of the country's commitment to popular participation. This price must be seen in light of the overwhelming importance of an emerging democratic system, however, which is basic to AID's objectives and view of commitment. Thus, many present indicators reflect problems of past governments and transitional frictions rather than the strength of the GOB's recent level of commitment.

Bolivia's commitment to human rights and growth with equity is specifically noted in the IDCA FY 1981 budget document; the country's commitment to improving the quality of life of its poor is evident in the wide spectrum of programs benefitting the rural poor.

Although these extension, credit, health, and education programs still require considerable improvement, they have made significant contributions to the quality of life of the majority of Bolivia's population. Sector budgets have increased since 1975: 11% in agriculture, 70% in health, and 44% in education.

There have also been important institutional developments. The National Community Development Service was established in June of 1970 to assist in improving rural living conditions and facilitate the integration of the poor into the process of economic, social and political development of the country. This major effort by the GCB has directly affected the lives of over 500,000 campesinos through education, health and agriculture production programs. The Ministry of Health has continued to move toward the adoption of a National Health Service (NHS), to remove the daily operation of the Ministry of Health from the political sphere, and strengthen the regional health offices. In nutrition, there is greater emphasis on the initiation of programs through the Nutritional Coordinator assigned to each Departmental Development Corporation, where responsive programs can be designed and executed to meet local needs with a minimum of delay.

During 1979, two important commitments were made in the agricultural sector which highlight the GOB resolve to make the sector function more efficiently and deliver more resources to the small farmer. The first is a reorganization of the Bolivian Agricultural Bank, which resulted in a stronger emphasis on small farmer credit programs and more efficient credit delivery systems. The second is a blueprint for the reorganization of the Ministry of Campesino Affairs and Agriculture (MACA), which will result in a decentralization of planning, programming and service delivery so that farmer organizations and Departmental Development Corporations will have a direct input into all phases of MACA operations.

Finally, in education, a recent survey supports the GOB's commitment to providing greater employment opportunities. It shows that the GOB expends 11.1% of the large education budget on vocational training in secondary schooling, and also supports broad supplemental programs of non-formal adult education through agricultural cooperative training centers and rural schools. In addition, a new law was passed for the Ministry of Education giving it the necessary authority to make the administrative and educational decisions vital to an efficient educational system. A law was also passed to provide for a direct "plowback" of taxes within Departments for local school construction.

Despite the country's recent political turmoil and precarious financial situation, there can be no question of the commitment of the government to assist its poor through measures fully acceptable to and strongly

supported by AID. Following the contractionary economic measures, the Minister of Planning announced an Emergency Development Plan, with an initial investment of \$700 million, whose two goals are achievement of a better distribution of per capita income and a more balanced national economy. In announcing the Plan, the Minister gave its aim as "the development of a policy of social justice to achieve better living conditions for all sectors of the population."

## II. Strategy

### A. Goals and Objectives

The Mission's goal in planning for the 1982-1986 period is to promote growth with equity in order to achieve an improved standard of living for Bolivia's poor. The programs cannot themselves accomplish this enormous task; they must be designed to be effective catalysts. This means that AID's target population must be the primary recipients of the economic benefits of any specific development effort, but also that there be as much "multiplier effect" as possible. The benefits will come in the form of increased income and employment, improved health conditions, decreased malnutrition, and improved levels of both formal and non-formal education.

Key to achieving this goal, and consequently a common priority in all Mission program elements, is the active participation of the poor in determining basic economic and social priorities. This means increasing popular involvement in the functioning of public and private sector institutions through the development of systems which facilitate the upward articulation of local needs. It also means that these institutions,

which are the link between the growth process and an improved standard of living for the poor, must be more responsive to the requirements expressed by the poor.

To meet its goal of promoting growth with equity to achieve an improved standard of living for Bolivia's poor, the Mission has established the following interrelated objectives:

1. Increased agricultural production, through better small farmer access to credit and production inputs, diffusion of improved technology, increased use of renewable energy resources and improved management of natural resources;

2. Higher per capita income, through activities which increase productive employment, including increased development of the private sector, improved rural and small city infrastructure, increased access to inexpensive energy and increased economic participation of women;

3. Better protection of the human resource base, through decreased malnutrition, and decreased mortality and morbidity through the development and implementation of a simple, low cost primary health care system which assures equitable distribution of services in the rural areas;

4. Increased access to educational opportunities and services, through more relevant education, including skills needed for upward mobility in rural areas, expanded bilingual education programs, more appropriate teacher training, and integration of rural families into educational decision-making;

5. Improved planning and implementation of activities in energy and in natural resource protection, which in Bolivia are fundamental to the other objectives and to meeting basic needs.

B. Program Strategy

The Mission's strategy is based on the premise that to achieve growth with equity and an improved standard of living, Bolivia must have a social framework which allows and encourages the participation of the poor in decisions affecting their economic futures. That is, members of Bolivia's population must have the ability to express themselves in a way which brings about change and promotes the more equitable distribution of the economic and social benefits of growth. Equally important, the government and private sector must be sensitive to the needs of the people and responsive to popular articulation of means for achieving equitable growth. Bolivia needs strong national, regional and local leadership which is able to take appropriate economic decisions and which has the capacity --built on recognized responsiveness-- to mobilize the popular support needed to govern in an economically and politically difficult period.

Given the centralized nature of the Bolivian government, the Mission believes that to encourage increased target group participation, development efforts should be aimed at the regional and local levels. The strategy, therefore, will be to design projects which require local responsibility, develop local capacity, encourage upward articulation of local solutions for development problems, and sensitize the national government to the importance of these voices. These projects will:

--be decentralized i.e., operate through the Departmental Development Corporations, regional offices of central ministries, municipalities and private sector organizations;

--have a short-term impact on the target group;

--use private sector organizations, including FVAs where effective and appropriate;

--involve national and local level policy changes needed to facilitate program objectives.

This decentralization is aimed at achieving a greater degree of local input and decreasing the dependence on national level support. The Mission will search for local and private sector alternatives to national public sector activities, based on the conclusion that Bolivian government organizations cannot effectively implement the full array of activities needed to achieve the Mission's goals. This decentralization implies a somewhat reduced emphasis on institution building at the national level, but does not rule out targets of opportunity or particular bottlenecks at the ministerial level. Nor does it suggest that technical assistance and training components of projects will be curtailed; rather, such activities will be undertaken to a greater extent at departmental or regional levels. Also, because political unrest has had less impact in administrative and personnel changes at the local level, institutions such as the savings and loan system, farmer organizations, the DDCs, and the municipalities offer better prospects for future investments.

The focus of the Mission strategy will be rural development, broadly defined to take into consideration all those elements which go into economic, social

and environmental development of rural areas. This implies a functional focus, and the Mission will invest the largest portion of its resources in the agricultural sector. Investments in the health and education sectors will continue, but will be principally geared toward furthering development of rural areas. In education, for example, the longer term objective of strengthening central managerial capabilities will be phased down in favor of activities which will improve the ability of the rural population to make local decisions and provide support to activities in other sectors. In health there will be an increased emphasis on projects aimed at achieving a specific local impact and operated by regional or departmental entities, with links to the central institutions as necessary. The Mission will design these investments in a smaller number of simpler projects which will deliver resources to Bolivia with minimum management requirements for AID and the GOB.

To support the gains made in Bolivia under its present democratic framework, projects will also be designed with special consideration given to the economic and financial difficulties which currently exist in the country. Projects will be designed to minimize the counterpart financial burden of participating government institutions, particularly at the beginning of the planning period. They will be fast disbursing, to increase productivity and speed relief to needy population groups. To the extent these projects have a high local currency component, the effect will also be to provide financial support to the government's new economic reform program.

Geographically, the Mission's program will generally focus on the valleys and lowlands. This concentration is supported by data gathered under the Farm

Policy Study project which has concluded that approximately 70% of farm households are located in those areas. This is not to say that the excluded regions, in particular the Altiplano, are not poor or important politically and economically, but rather that AID's efforts should be concentrated in those areas where the impacts and returns are greatest. Other donors have significant activities in the de-emphasized areas and the Mission will still consider certain projects on a case by case basis in all regions.

In order to achieve a more effective allocation and coordination of resources, the Mission will continue to give high priority to the strengthening of the functioning coordinating group of major donors which has been re-established through the Mission's initiative. The Mission will continue to work to influence the role other institutions play in Bolivia and the individual investments they plan to undertake as well as strengthen the combined position of donors vis-a-vis the GOB.

Finally, the special areas of small-scale and alternate energy sources, natural resource protection, women in development, appropriate technology, and human rights merit special attention and offer unique investment prospects in Bolivia. The Mission will develop specific projects in these areas but it will also integrate them as significant components of other Mission projects.

#### C. Modes of Assistance

To support the strategy outlined above, the Mission will use the full range of investment resources at its disposal -- development loans and grants, P.L. 480 Titles II and III, Housing Investment Guarantees and the

Productive Credit Guarantee Program (PCGP). Where feasible, PVOs will be used as agents to bring development assistance to the target group.

Development loans will continue to be the main form of assistance. In the past, grants have been used to support the loans primarily by financing technical assistance and materials. During the planning period, grant funding for this purpose will be decreased, but will continue to be necessary for PVO funding, pilot activities in new areas, and limited technical assistance to loan projects. This minimum level of grant technical assistance will be necessary in view of the projected reductions of personnel and the refocussing in the Mission strategy to decentralized programs. One area which has caused implementation problems for current loan and grant projects is procurement of goods and services under host country contracts. The Mission, therefore, will be returning to a higher level of direct contracting, although during the planning period we will continue to work with the institutions to upgrade contracting capabilities.

The P.L. 480 program will continue to play a key role in the Mission's program. Under Title II, commodities are used in a variety of ways to support development:

--the school lunch program provides both an incentive for children to stay in school and basic nutrition which allows them to maximize their learning opportunities;

--Mother's Clubs serve as focal groups for health education programs by health promoters and agriculture extension personnel;

--the Maternal and Child Health programs distribute selected food commodities to pregnant and lactating mothers and children under 5; and

--food for work program participants receive a valuable food supplement while the community benefits from projects ranging from road improvement to school and clinic construction.

Bolivia's Title III program has become an increasingly important component of the Mission's assistance to Bolivia. At the policy level, it has provided leverage which the Mission has used to obtain a sharply increased level of resources devoted to the agriculture sector and a proposed reform and decentralization of the Agriculture Ministry. At the project level, local currency generations are an important source of GOB development financing, resulting in the implementation of thirteen discrete sub-projects in the first twelve months, with others under consideration. It has also had a remarkable institution-building effect, in that many of the Title III activities are being developed by and implemented through the decentralized Departmental Development Corporations. The program has also resulted in the creation of an extremely strong development organization in the GOB's Title III Secretariat, which administers the counterpart funds in coordination with the Mission. Experience to date shows that Title III projects are in place and reaching the target group more rapidly than those executed by centralized ministries.

Because Bolivia's requirements for wheat imports should decrease through the planning period, in part because of Title III projects to improve production and marketing, a follow-on Title III agreement planned for 1984 will probably be somewhat smaller in terms of volume.

Support for low cost housing for the urban and rural poor is provided through the HIG program. The Mission has channelled HIG funds to the Central Savings and Loan system to provide rural housing and develop rural housing markets, and to the Ministry of Housing and Urbanism's Housing Bank to provide loans for shelter solutions in urban areas. Private and public institutions being developed under on-going pilot projects will be used to expand the HIG program in the future to focus on reducing serious housing shortages, to upgrade services to existing and new units, and to stress integrated planning and development in the sector.

The PCGP program has added a further dimension to the Mission's development assistance in Bolivia by making it possible for target group members, who normally do not qualify for loans from commercial banks, to receive production credit from this source. The PCGP mechanism thus encourages target group participation in non-concessional institutions, in line with Mission's strategy.

The Mission will look to PVOs as much as possible to implement small projects which address local level concerns and priorities. A number of PVOs are operating in Bolivia; their areas of interest range from non-formal education and community development to credit advice to small farmers. The Mission is currently working with several PVOs to develop their ability to plan and execute projects as an investment in future cooperation.

D. Sector Strategies

1. Agriculture and Rural Development

Agriculture and Rural Development will continue to be the lead sector for the Bolivia program through the planning period. This decision is based on the belief that an increased per capita income and standard of living for Bolivia's rural poor depends on increases in rural productivity which are thoroughly feasible given Bolivia's resources. The Mission further believes that an improved rural standard of living both contributes to and depends on local participation in decision-making. To insure more equitable distribution of the benefits of development, the rural poor should be involved in project planning and implementation, as well as the sharing of benefits.

Although target group participation is extremely difficult to achieve, it remains the cornerstone of Mission rural development activities. Broader participation will be achieved through decentralization of sub-project planning and approval in the Market Town Development, DDC, and Village Development projects. Stronger rural-based organizations will be developed in the Small Farmer Organizations and Chapare Regional Development projects. Local para-professionals will be used in the Agriculture Extension, Technology Development and Diffusion, Village Development, and Resource Protection projects.

Agriculture and rural development activities will focus on the five productive southern and eastern departments of Santa Cruz, Cochabamba, Tarija, Potosí, and Chuquisaca. Projects involving national systems--

extension, integral cooperatives, resource protection-- will aim at decentralization of planning and implementation; initial development of national systems will be concentrated within the target region.

The Mission will concentrate on large projects in this lead sector to simplify AID and GOB administrative burdens and personnel requirements. For this reason and to better respond to local needs, many projects will use an integrated approach to deal comprehensively with local production constraints. For example, the Market Town Development project will include components for development of municipal infrastructure, including energy, credit for agro-industries, and assistance for development of marketing systems. Larger projects will also give the Mission additional leverage to work for needed sectoral policy changes. The Market Town project will provide a basis for negotiating significant changes in local revenue policy and thereby build decentralized financial bases. Agricultural Credit will be used to spur movement toward rational prices and interest rates. Technology Development and Diffusion will allow rationalization of agricultural research, with more local control.

Assistance to municipalities is another element of the Mission's rural development strategy. A weak financial resource base currently limits the ability of municipalities to provide needed services, and management capability is weak, resulting in inefficient use of funds. Addressing these weaknesses is particularly important for the Mission's program of decentralization. A stronger financial base and management capability

are essential to building viable institutions for planning and implementing development projects and to ensuring local independence and participation in planning. A specific type of municipality the Mission will include in its program is the market town --an urban nucleus to which farmers in the surrounding areas come to market their products, procure supplies and production inputs, pay taxes and obtain other services. Market towns also provide the center for the development of infrastructure in local environs, small scale rural industry, agricultural markets, and off-farm employment opportunities. The Mission will be working closely with centrally-funded projects in this area.

The proposed projects will assist small farmers in four major categories: increased access to production inputs, expanded product markets, improved rural infrastructure, and increased access to improved technologies.

Small farmer access to production inputs will be promoted through the Agriculture Extension and Technology Development and Diffusion projects. Small farmer credit is provided by current Mission projects, but will be expanded under the additional Small Farmer Organization and Rural Banks projects. Conservation activities will maintain productivity of land for future generations and the PL 480 Title III Irrigation sub-project will increase land productivity. Small Farmer Organization and Market Town projects will directly improve farmers' access to production inputs. The Title III Plant Protection sub-project will establish guidelines for safe use of pesticides.

Expanded market access for small farmer production will be provided by the Market Town and Small Farmer Organization projects. The Wheat Collection Center sub-project of Title III will increase marketing efficiency for wheat, as will the Chapare Regional Development Project for cacao and other selected products.

The Market Town project will improve infrastructure (roads, sewage systems, potable water, energy sources) in selected market towns. The DDC project will also provide infrastructure in small towns and rural areas. Ten Village Development and Chapare Regional Development projects will provide infrastructure in more remote rural areas.

Agricultural technology extension will be emphasized over research. The proposed extension system will be used to transmit appropriate mechanical and conservation technologies as well as tested agronomic practices; technology development and adaptation activities will be included.

	<u>Target</u>
<u>Small Farmer Input Availability</u>	
Small Farmer Credit	860 million
Land Irrigated (ha.)	10,000
Land under Improved Management (ha.)	50,000
Families with Access to Input Supply Organizations	50,000
<u>Product Market Access</u>	
Families in Marketing Organizations	60,000
Wheat Collection Centers	25
Agro-Industries Established	20

	<u>Target</u>
<u>Rural Infrastructure</u>	
Rural Roads (km.)	1,500
Rural Infrastructure Sub-projects	800
Market Town Infrastructure Sub-projects	40
<u>Agricultural Technology</u>	
Families Reached by Extension System	100,000
Extension Campaigns	100
New Technologies Introduced	100
Agricultural Service Centers	90

To accomplish these objectives during the planning period, the Mission will propose projects totaling approximately \$135 million. This will include about \$15 million in Section 106 joint funding of projects.

## 2. Population, Health and Nutrition

Population -- Bolivia's most recent population policy (1977) is aimed at improving the peoples' welfare and strengthening the family, while achieving in the future a larger population to enable the country to develop its natural resources properly. This pro-growth policy is primarily a reaction to the low density of population in the South and Southeastern portions of the country (1.1 per sq. km., compared to 12.6 per sq. km. on the Altiplano). It is motivated by the presence of economically aggressive Argentina and Brazil on the borders of these regions, and is focused on increasing local population through colonization efforts.

TABLE III

PROPOSED ASSISTANCE PLANNING LEVELS

USAID/BOLIVIA CDSS PLANNING PERIOD 1982 - 1986  
 (\$ Millions)

SECTOR	1982	1983	1984	1985	1986	Total
Agriculture, Rural Development and Nutrition	16.7	14.8	31.0	31.0	26.5	120.0
Grants	2.7	2.8	3.0	3.5	1.5	13.5
Loans	14.0	12.0	28.0	27.5	25.0	106.5
Health	1.9	7.5	0.6	19.7	9.6	39.3
Grants	1.9	0.5	0.6	1.7	1.6	6.3
Loans	-	7.0	-	18.0	8.0	33.0
Education	11.8	1.8	9.8	0.8	8.8	33.0
Grants	2.8	1.8	0.8	0.8	1.8	8.0
Loans	9.0	-	9.0	-	7.0	25.0
Selected Development Problems	5.5	11.9	0.8	3.2	15.2	36.6
Grants	0.5	2.9	0.8	0.2	0.2	4.6
Loans	5.0	9.0	-	3.0	15.0	32.0
Population	-	-	-	-	-	-
TOTAL	35.9	36.0	42.2	54.7	60.1	228.9
Grants	7.9	8.0	5.2	6.2	5.1	32.4
Loans	28.0	28.0	37.0	48.5	55.0	196.5

TABLE IV

PROPOSED ASSISTANCE PLANNING LEVELS

TOTAL PROGRAM PROJECTIONS

US\$ Millions

	1981	1982	1983	1984	1985	1986	Total
Functional Accounts	34.6	35.9	36.0	42.2	54.7	60.1	228.9
Title II*	18.6	21.9	25.2	31.5	36.2	41.6	156.4
Title III	17.3	16.8	18.1	15.0	15.0	15.0	79.9
HIG	15.0	-	-	15.0	-	-	15.0
Coca Zones	5.3	5.3	5.3	-	-	-	10.6
Total by FY	90.8	79.9	84.6	103.7	105.9	116.7	490.8

\* Includes cost of transportation.

TABLE 1  
COUNTRY DATA - BOLIVIA

<u>Basic Indicators</u>		<u>Production-Related Indicators</u>	
Population Mid-1977 (millions)	5.2	Average Annual Growth Rate of GDP (1970-77)	6.0%
Area (thousand square km)	1,099	Agriculture (1970-77)	4.7%
Socio-Ethnic Distribution:		Industry (1970-77)	6.1%
Indians	60.0%	Manufacturing (1970-77)	7.1%
Mestizos	25.0%	Services (1970-77)	6.3%
White	15.0%	<u>Merchandise Trade Indicators</u>	
Population Density (per km <sup>2</sup> )	4.7	Merchandise Trade (million US\$)	
Average Family Size (1979)	5	Exports (1977)	641
Rural Population as % of Total Population (1975)	67.0%	Imports (1977)	618
<u>Demographic Indicators</u>		Average Annual Growth Rate of	
Average Annual Rate of Growth of Population (1970-77)	2.9%	Exports (1970-77)	3.5%
Crude Birth Rate/thousand Population (1977)	44	Imports (1970-77)	11.5%
Crude Death Rate per thousand Population (1977)	15	Terms of Trade 1970 = 100 (1977)	127
Percentage Change in Crude Birth Rate (1960-77)	-8.3%	<u>Balance of Payments and Debt</u>	
Crude Death Rate (1960-77)	-34.8%	<u>Service Ratios</u>	
<u>Health-Related Indicators</u>		Current Account Balance before Interest Payments on External Public Debt (million US\$) 1977	
Life Expectancy at Birth (1977)	52	Debt Service as Percentage of GNP (1977)	4.3%
Infant Mortality Rate (1977)	158	Exports of Goods & Serv. (1977)	20.6%
Child Death Rate (1977)	22;	<u>External Public Debt and International Reserves</u>	
Population per Physician (1976)	2,120	External Public Debt Outstanding & Disbursed as % of GNP (1977)	39.2%
Nursing Person (1976)	3,520	Gross International Reserves in Months of Import Coverage (1977)	3.1
Percentage of Population with Access to Safe Water (1975)	34.0%	<u>Labor Force-Related Indicators</u>	
Daily Per Capita Caloric Intake as % of Requirements (1974)	77.0%	Labor Force Distribution	
<u>Education-Related Indicators</u>		Agriculture (1977)	51.0%
Adult Literacy Rate (1977)	40.0%	Industry (1977)	23.0%
School Buildings Distribution		Services (1977)	26.0%
Urban Areas (1975)	22.0%	Average Annual Growth of Labor Force (1970-77)	2.5%
Rural Areas (1975)	78.0%	Percentage of Total Labor Force Unemployed (1973)	16.0%
School Teachers Distribution		Percentage of Population of Working Age (15-64 yrs) 1977	54.0%
Urban Areas (1975)	65.0%	<u>Energy-Related Indicators</u>	
Rural Areas (1975)	35.0%	Average Annual Growth Rates of	
Numbers Enrolled in Primary School as % of Age Group		Energy Production (1974-76)	-1.8%
Male (1976)	89.0%	Energy Consumption (1974-76)	12.4%
Female (1976)	72.0%		
<u>Income-Related Indicators</u>			
Per Capita GNP, 1977 (US\$)	630 **		
Average Annual Growth of Per Capita GNP, 1960-77	2.3%		
Average Annual Rate of Inflation, 1970-77	24.3%		

\*Mission estimate based on fifth grade education.

\*\*Must be recalculated to reflect 75% devaluation of November, 1979

Family planning programs were under way in 1973-1976. The 1976 census, however, found one million fewer inhabitants than had previously been estimated. With this information and strong pressure from the Catholic Church, the GOB decreed that all family planning programs be eliminated; a few remaining programs have adopted an extremely low profile. It became clear that the GOB was not likely to take action to reduce the population growth on the Altiplano nor to reduce the rural-urban migration affecting the major cities. As a result, the Mission withdrew its direct support of family planning services in 1977.

There continues to be considerable interest in family planning, however, even on the Altiplano, and abortion has reached epidemic proportions in the major cities. Although family planning programs cannot be promoted in Bolivia to alleviate a "population crunch", services are clearly needed as a public health measure.

The Mission proposes to promote, in a low key manner and in concert with credible intermediaries and other donors, changes of attitude and policy toward family planning. It will also make its direct support available when conditions permit. This strategy includes surveying the current activities of existing providers, supporting studies that illustrate the consequences of the lack of family planning services, building the appreciation of key Bolivian professionals of the consequences of population growth and the steps necessary to create greater public awareness, supporting the 1980 Demographic Study and subsequent analysis, and continuing to support private family planning groups through intermediaries.

Health and Nutrition -- The Mission's goal in this sector is to improve the standard of health of the low income rural population of Bolivia so as to enable them to increase their income and improve their standard of living through active participation in personal, community and national development efforts.

The objectives are to decrease mortality and morbidity rates and improve the nutrition status of Bolivia's poor. These will be achieved through the following activities:

- promoting more equitable distribution of health care, emphasizing the rural population by decentralizing administration and strengthening delivery capacity at the regional level;

- encouraging community participation by forming local health committees which elect their own health promoter, as a means of gaining community acceptance and utilization;

- implementing a simplified health care delivery system which can be managed with the limited financial and human resources of the Ministry of Health;

- using PL 480 Title II food nutrition supplements for the most needy and for food-for-work projects and mothers' clubs, which become community focal points for education, small agricultural projects, and home industry;

- shifting health projects during the planning period toward the Southeastern and Southern parts of Bolivia; and

- involving private health organizations to complement public sector efforts in health care delivery.

To implement these objectives, the Mission will concentrate its efforts in three critical areas: low cost primary health care, rural sanitation (including potable water), and nutrition improvement. This concentration of effort will reduce the proliferation of less important programs, conserve limited Mission manpower, and establish program continuity with counterpart institutions.

In the area of low cost primary health care, a Rural Health Delivery Systems project will draw on the Montero Rural Health APD project experience to provide primary care in the Departments of La Paz, Santa Cruz and Potosí, with possible expansion in the future. This keystone project will coordinate at the community level services offered by the MOH in sanitation, nutrition, and basic personal health care, mainly to children and women of reproductive age. Community participation will be encouraged by the formation of Local Health Committees responsible for local program planning and fiscal management.

To provide services in the second area of concentration, the Rural Sanitation project in the Departments of Chuquisaca and Cochabamba will provide technical assistance and equipment for building potable water systems and latrines in small communities and instituting community education in sanitation needs. It will also contain an appropriate technology component in village sanitation.

Commencing in FY 83, additional funding will be provided to support the environmental sanitation needs of the RHDS project in the Departments of La Paz, Potosí, and Santa Cruz. This concentration of assistance in three departments will provide the critical mass of technical and financial

resources to assure the attainment of the project objectives and allow the in-depth institution building necessary for the continuation of the project once Mission support has been reduced. Moreover, because of the great need to promote changes in attitude toward sanitation, this project will need the support of the RHDS field staff.

The Mission will address the third identified area of concern --Nutrition Improvement-- through a 2-part program. The first part will be directed at institutional development to increase Bolivia's capacity to identify, plan and execute nutrition improvement policies and projects. Building on this, the second part will concentrate on the implementation of specific nutrition improvement projects.

Through the APD Nutrition Improvement project, the Mission supported the creation of the Food and Nutrition Technical Group and the National Institute of Food and Nutrition (INAN). The Nutrition Improvement loan, to begin late in the planning period, will implement food enrichment activities (based on fortification of wheat flour and iodization of salt), mass media education in supplementary foods, and training of nutritionists in the DDCs and MOH.

Nutrition programs will be coordinated with the Rural Health Health Delivery System described earlier, thereby using the system as one of the main mechanisms for reaching the rural poor with concrete steps for nutrition improvement, such as rabbit raising, home gardens and food demonstrations. The existing strong ties between the nutrition projects and the Title II program will continue to improve the use of food commodities.

Bolivia's FVOs represent for the health sector a promising way of dealing with problems and will be used as much as possible. During the planning period there will be at least three FVOs receiving OPGs in the health sector, operating in small Indian communities to provide potable water as well as health and nutrition delivery systems.

Major impacts, as measured by project outputs, are summarized below:

	<u>Target</u>
<u>Primary Rural Health Care</u>	
Persons in rural communities of Departments of La Paz, Potosí and Santa Cruz receiving care	650,000
Health and medical posts functioning with local supporting committees	290
Area hospitals or health centers incorporated into system and operational	157
<u>Rural Sanitation</u>	
Persons served by potable water systems and latrines	230,000
Potable water systems constructed	300
Latrines constructed	7,600
<u>Nutrition Improvement</u>	
Operational planning, implementation, monitoring and evaluation system for National Food and Nutrition Plan	1
Children under 14 and pregnant/lactating women experience 20% food gap decrease through Title II food distribution program	200,000
Pregnant/lactating women experience 20% decrease of anemia through iron supplement distribution	4,000
Iodine deficiency endemic goiter in population reduced through salt iodization by	12%

To accomplish this strategy in the Health Sector, the resource requirement will be \$39 million, of which \$6 million will be grant-funded.

### 3. Human Resources Development Strategy

A Bolivian study has closely linked the fact that 76% of the Bolivian labor force has little or no education with the low output level of workers. Low educational level also causes poor integration of the rural poor into the economic mainstream.

Beside a low retention rate in schools (218 of 1,000 reach the 5th grade), other factors work to economically alienate the rural poor of Bolivia. These include increasing numbers of rural school-age children, low enrollment in vocational technical training, and weak management by the heavily centralized Ministry of Education. Curricula used in rural schools are generally adopted from urban schools and inappropriate for rural children. There is also a serious lack of adequately trained teachers, relevant teaching materials and physically safe facilities in rural areas. Furthermore, there is an urgent need for trained bilingual instructors.

With these problems in mind, the Mission has identified the following goals in this area:

- integrate the campesino family into local educational decision-making,
- systematically improve the ability of local educational institutions to respond to urgent needs,
- thereby work to prevent the entrance of rural Bolivian youth into the cycle of poverty by increasing their capabilities for equitable participation in the economy.

These goals support overall Mission strategy because they emphasize increased access to opportunity, the use of basic education to strengthen participatory capacity, expanded institutional and technical capabilities for community development, and increased popular participation in setting local priorities.

In support of these goals, the Mission has identified three areas of emphasis for project concentration:

- access to schooling through locally relevant curriculum, especially bilingual education;
- teacher competence and retention in rural communities through incentives in housing, textbooks and training;
- assistance to communities in developing educational self-sufficiency at the primary school level through local problem-solving and participation in adult education.

Access to schooling and student retention will be promoted by the continuing Bilingual Education project. This project is designed to considerably lower the high dropout rate in the primary grades. It will be carried out through regional education resource centers and normal schools. Teacher competence and retention is a goal of all proposed projects; however, the emphasis will be on developing ability to meet locally identified and relevant needs. Community participation, the most neglected and potentially most important area of concentration, will be furthered by assisting primary schools in becoming economically self-sufficient through the use of seed money for locally controlled revolving investment funds through an Integrated

Primary School Self-Reliance project; community school boards would use the money to establish self-liquidating projects such as local building and maintenance efforts.

Major impacts, as measured by project outputs, are summarized below:

	<u>Target</u>
<u>Access to schooling through relevant Curricula</u>	
70% dropout rate for rural primary school students	50% less
Students in bilingual crosscultural education, grades 1-3	100,000 more
Bilingual textbooks printed and distributed	300,000

<u>Increase teacher competence and retention</u>	
Teachers trained in bilingual education	5,000
Teachers trained by education service units	4,000
Teachers trained in educational communication	4,000
Teachers trained in vocational technical education	500
a) Teacher housing units and b) new classrooms built through local efforts	a) 1,000 b) 1,800

<u>Community problem solving</u>	
Scholarships for rural secondary level students in vocational technical schools	2,000
Local School boards providing primary school support	350
Secondary schools constructed and equipped for instruction in vocational technical education	5
Desks constructed	30,000
Workshops built and equipped for primary schools	300

The education strategy provides front-end support for Mission goals in that it attempts to prevent entrance into the poverty cycle by providing upwardly mobile skills rather than trying to extract people from poverty. Decentralization

is also an emphasis which ties the education sector strategy to the overall program direction, as the vocational education thrust will complement activities in other sectors. The Mission expects more active FVO participation in the education sector, and plans to work closely with identified groups in the Departments of Chuquisaca and Tarija.

Resource levels needed to accomplish this program total \$33 million, of which \$7 million is grant-funded.

#### 4. New Emphases: Energy and the Environment

In Bolivia small-scale investments in alternate energy and resource management can have an immediate and measurable impact on the basic needs of the rural poor. Rivers tumble untapped from the Andes down into the Amazon Basin under brilliant high altitude sun, while the small farmer cooks with dung which would better be used as fertilizer or walks miles to cut the last brush from an eroded mountainside. Farm families struggle to survive on meager yields from depleted soils and rangelands. And problems are increasing, in terms of both extent and cost of treating them.

Energy -- Bolivia currently depends heavily on its oil reserves for the majority of its energy needs, despite the abundance of natural gas and hydro, solar and other renewable energy sources. With oil reserves depleting rapidly, this dependence could seriously hinder Bolivia's development efforts and exacerbate its balance of payments difficulties. Small farmers and other rural poor, in particular, will suffer because they have limited access to centralized networks and because of their dependence on increasingly expensive petroleum products to meet their energy needs. These higher prices

could also cause a return to traditional fuels such as wood and dung and thereby aggravate already serious fertilizer shortages and deforestation problems.

The Mission's strategy for this sector, therefore, is to promote the development and use of alternative and renewable energy sources in order to lessen the dependence on oil. Improvement of the GOB's capability for planning the use and management of renewable and other energy sources is a fundamental component of the strategy. Initial emphasis will be given to development of small scale hydroelectric resources, which could also be the centerpiece of small-scale energy-irrigation-fertilizer-food processing packages where economically and socially justified.

Project activities will support this strategy by:

- promoting the creation of an energy planning and coordinating committee in the Ministry of Energy and Hydrocarbons;

- funding management reviews of the various GOB entities involved with energy, with special emphasis on the institutional needs of the rural sector;

- training Bolivian personnel to plan, develop and manage rural energy programs;

- reviewing and analyzing Bolivia's energy resources, needs, and use patterns; and testing actual and alternative energy technologies and their relative costs, efficiency, environmental impact, and social acceptance;

- funding demonstration and first stage projects in small hydro-electric plants and low-cost distribution systems; solar energy systems for homes, schools, and agricultural applications; windmills for pumping water and

generating electricity; planned tree and vegetable fiber farming for fuel; biogas generation; alcohol for fuel; and energy conservation through new technologies.

In addition to specific projects in energy, careful attention will be given to energy needs and requirements in the design of projects in other sectors.

Resource requirements over the planning period total \$20.0 million, of which \$1.0 million will be grant.

Resource Protection -- Bolivia's institutional capacity to protect and manage its natural resources and develop policies to protect the environment is extremely limited, as is its resource base for such activities. Recent studies indicate that soil erosion and water loss due to poor farming practices and denuding of forest lands are increasing. Damage to water and land resources is also occurring through poor mining practices and ineffective solid waste management in urban areas. Lack of sound conservation practices has contributed to a general stagnation in crop productivity significantly below the potential, deficient meat and fiber levels among the country's flocks and herds, and a decreasing supply of fish and wildlife.

There are few national policies to safeguard Bolivia's resources, and problems are addressed, if at all, on an ad hoc basis through small, scattered individual projects. This situation limits particularly the small farm sector's ability to improve its living conditions and net income.

The Mission began its resource protection activities in 1979 by funding an environmental profile of Bolivia. This report provided important information for project development, ranging from recommendations on watershed and

wildlands management to reforestation and industrial sanitation concerns. Not only AID, but also other donors and public and private GOB agencies, are using this profile to plan future programming.

Mission efforts in natural resource management will begin by improving the capacity of GOB institutions to plan environmental policies and programs, and by putting in place specific pilot subprojects in forestation and reforestation, soil conservation, range management, and water pollution control. The initial grant project will also stress research for immediate application, integrated watershed management effort, and environmental education among its subproject activities. Activities appropriate to extension services will be carried out through the project discussed in the agriculture section. Subproject activities will be carried out at the departmental level by the DDCs in conjunction with national level agencies, and will be closely coordinated with ongoing and projected activities of the UNDP, FAO, and the WFP.

A follow-on project, based on the policies and programs developed during the initial stage, will carry out expanded subprojects to directly impact on the environmental constraints on small farm production and income. Greater investments will be made in replicating successful activities through national institutions. Resource requirements will be \$9.0 million.

##### 5. Other Priority Concerns

The Mission is mounting activities in areas of special emphasis for AID programs, such as human rights, women in development, appropriate technology, and narcotics. It will pursue specific smaller projects

aimed at critical constraints in each of these areas. The true test of our commitment to these priorities, however, will be our ability to integrate them into the full project portfolio.

Human Rights -- During 1979 Bolivians took significant strides in their efforts to establish a democratic government after years of military rule; the year's overall record shows dramatic progress toward democracy and respect for human rights.

The elections held on July 1, 1979, were probably the fairest in Bolivian history, but none of the presidential candidates received the required majority of the popular vote, posing a particular test. Compromise interim President Guevara Arze formed a civilian cabinet and called a new presidential election for 1980. The Natusch coup of November 1 ended Guevara's government. Natusch imposed press censorship, declared a state of siege, and invoked martial law, suspending all constitutional civil and political rights. The regime made arbitrary arrests of opposition leaders, killed innocent citizens, censored the press, radio and television, and closed the Congress. The Bolivian Permanent Assembly on Human Rights estimates that 208 persons lost their lives, 207 were wounded; approximately 124 persons remain missing.

Under severe pressure from all elements of Bolivian society, Natusch resigned November 16, and Congress elected as new interim President Lidia Gueiler, President of the Chamber of Deputies. The state of siege and martial law were lifted, and Congress resumed its functions. Gueiler set general elections for 1980 and ended incarcerations for political

purposes. The Constitution is in effect again, guaranteeing the rights of accused and detained persons to trial and counsel, ending censorship, and restoring freedom of speech and press.

The Mission's strategy provides strong support to enhanced respect for human rights. There are no specific projects which directly affect the first category of human rights, but the AID program is designed to support increased popular participation -- "democratization" in Bolivia terms -- which in turn helps guarantee integrity of the person. Certainly the U.S. suspension of aid to the Natusch government contributed to its ouster. The program directly assists, however, in securing for the poor the second category of human rights, including the right to vital needs such as food, shelter, health care, and education.

The Mission will also continue to design projects specifically to encourage the poor to practice the civil liberties which make up the third set of human rights. The program both supports and depends on freedom of assembly, freedom of speech, and freedom to participate in decisions made by government and private entities. In cooperative projects, small farmers have voice and vote in major management decisions. Projects implemented by regional entities such as the DDCs permit and encourage beneficiaries to dialogue directly with project designers and administrators. The Agriculture Bank has recently added a campesino to its board of directors.

The Mission will also continue to develop projects specifically aimed at human rights problems. A departmental legal aid project which will assist small farmers with land title problems to assure respect for their

property rights will be extended to other regions and perhaps a national foundation in the future.

Women in Development -- The rural woman in Bolivia suffers not so much from a lack of productive opportunity as from a lack of acknowledgement of the high degree to which she already contributes to the economic life of her family and community. She devotes approximately 48% of her working hours to economically-productive activities, in comparison to 42% by men; she is an agriculturist, a businesswoman, and a homemaker.

Although involved to a great degree in the full economic cycle of production and consumption, the rural woman rarely takes a role in local organizations which make the decisions that vitally affect her community, her family and herself. Thus, one goal of the Mission's program is to integrate women further into the economic decision-making process of their homes and communities. Toward this goal, the Mission will work to institutionalize in both public and private sectors mechanisms to bring about greater participation. These include increasing women's access to improved agricultural and artisan technologies, marketing services, and non-formal education in health, nutrition, and sanitation; providing training and encouraging local institutions through which economically productive women can participate in the community decision-making process; and promoting public and private sector programs, on both national and local levels, which address the needs and enhance the contributions of women.

The Mission will implement this strategy through research activities, operating program grants to local PVCs, coordination with other donors for possible replication of activities, and development of project activities at the departmental level through the DDCs.

The Mission feels, however, that women's concerns should ultimately be addressed not through distinct development activities, but rather as basic, integrated elements of all sector programming. Therefore, the most important focus of the Mission's strategy will be the inclusion of strong WID components in all our project activities to emphasize the integral nature of women's social and economic contributions. For example, agricultural extension activities will be designed to insure that rural women's needs for improved technologies, as well as for marketing for food and handicraft products, will be included; the Bolivian woman is a full participant in the rural economy, and her productivity as well as the man's must be enhanced.

To implement this strategy, the Mission will also focus on establishing local offices for women's concerns, perhaps managed through the DDCs with a coordinating office at the national level. Regular communication with these decentralized entities will lead to more effective national coordination and will assist AID in identification of programming needs.

Appropriate Technology -- Appropriate technology has been a significant Mission concern over the past several years. An assessment of the status and potential for appropriate technology, carried out in 1979, revealed opportunities in every sector. The Mission, however, has come to view appropriate technology less as a separate discipline requiring separate project activities than as an approach which should be utilized as much as possible in all projects.

Future Mission projects will stress developing, integrating, and introducing appropriate technologies through various sectoral projects. Agricultural

Extension, Rural Energy, and Rural Sanitation are particular examples. The Agriculture Extension project will include a component for adaptation and extension of intermediate agricultural technologies such as tools, small threshers, and animal traction. The Rural Energy project will fund trial and adaptive efforts in solar devices, small hydropower plants, and wind power. Rural Sanitation will employ compost privies and solar-powered water pumps and heating.

Narcotics -- The Mission narcotics strategy is focused on agricultural development in the coca zones to provide a viable alternative to coca cropping. The Mission avoids the term "crop substitutions" as a simplistic approach to the problem; only as general development occurs will other crops offer a return to the farmer which, in connection with effective control, will turn him away from the coca leaf. Reduction of illegal coca production cannot be achieved solely through development activities, however. A "carrot and stick" approach is needed; effective interdiction of illegal coca traffic is absolutely essential.

AID efforts will be directed toward a regional development project in the Chapare region, source of three quarters of Bolivia's illegal coca production. Many production inputs can be applied to coca as well as other crops, but their use increases the comparative advantage of the other crops vis-a-vis coca. For example, roads can contribute to coca production, but coca can be produced and marketed without good roads while other crops cannot. Thus, a comprehensive development approach will be used, involving basic infrastructure; production and processing credit; integrated production and marketing for cacao, rubber and tropical fruits; and experimental work on spice crops, heart of palm and other vegetables.

Requirements for the coca project through the planning period are not known. The project will link provision of development services to compliance with agreement by producers to phase out of coca planting, and funding will therefore depend on success of the control effort as well as factors internal to the project. Current plans are for annual incremental funding beginning in FY 1980 and extending into the planning period, with a total requirement of \$20 million.

E. Donor Coordination

Overview -- The United States has traditionally been the largest single provider of foreign assistance to Bolivia. Recently, however, other donor assistance, primarily that of the IBRD and IDB, has surpassed the U.S. Other bilateral donors are in the same range as the U.S.; a review of DAC figures reveals important commitments by Japan (\$25.5 million), Germany (\$13.5 million), and Belgium (\$25.9 million), with another \$9.3 million from the U.K., Switzerland, Denmark, the Netherlands, Canada, France, Austria, Italy and others. Recently the programs of the major bilateral donors have moved in the direction of non-industrial social welfare projects. Currently, there are significant bilateral efforts in nutrition improvement, agricultural credit, potable water, small-scale irrigation and health research. The bilateral assistance flow in 1978 totaled \$136.2 million.

Multilateral assistance to Bolivia is also a composite picture, with a total among all donors of \$265.9 million in 1978. The IDB portfolio of \$135 million, the largest, is composed of a major road construction program from Cochabamba to Santa Cruz, urban potable water and sewerage in the Department of Cochabamba, and irrigation and agricultural development

in the Chaco. In 1979 the IBRD opened its soft window for three small loans totalling \$19.5 million, to finance mineral exploration, potable water, sewerage facilities in Santa Cruz, and a small integrated rural development project in the Altiplano. The IBRD also is involved through its hard loans in financing heavier infrastructure activities, such as traditional electrical power generation, development of oil and gas production, and road maintenance in the Departments of La Paz and Santa Cruz. An \$18 million integrated rural development project on the Altiplano is co-financed by the IBRD and the IDA. The WFP contributes food to Mothers Clubs, normal schools, a recolonization project, and community self-help construction. The WHO, the FAO, UNESCO, and UNICEF administer programs through the UNDP which provide financial, technical and food assistance in social welfare activities such as disease control, nutrition improvement, ecological research, sociological research on women, integrated rural services for improving the standard of living of children, and related activities.

Strategy -- As the annual program of external assistance to the GCB is varied and uncoordinated, the donors' challenge to provide the most effective and catalytic assistance possible to Bolivian development is a complex one. Essential to the success of this assistance is a viable communication system among donors to discuss policies and priorities. In 1977, an international donor consultative group (CG) for Bolivia was formed, but economic and political instability resulted in successive changes of government and the CG never really functioned. Recently, the Mission received support from other donors in its initiative to form a related but local assistance coordination group, and the first meeting was held in January 1980. A follow on sector-specific meeting on agriculture took place in February.

There is also the possibility that the formal World Bank-led CG will be re-established. This could result in even greater support from donor governments, and the local coordination group would become a local operational complement to the CG.

This Mission proposes to cooperate with other donors through both simultaneously and time-phased sharing of project responsibility. Simultaneous project responsibility implies that AID and one or more other donors will each implement distinct elements of an integrated project, operating in the functional aspect to which each is best suited and coordinating activities throughout the life of the project. For example, AID has initiated a four-way package for a forestation program. To complement AID's project, Title III will execute through the DDC's a series of community forestation projects. The WFP will contribute \$1.9 million in Food for Work commodities, and the FAO will provide a forestation technician. Another possibility would be AID providing the watershed management component of another donor's irrigation and poorer project.

In time-phased coordination, AID will initiate activity in a new effort, often an unproven, non-traditional area, establish the feasibility of the effort, and do a pilot project. After the first phase, the activity is turned over to an appropriate donor with larger resources (ordinarily a multilateral development bank) who will replicate the project on a greater scale. There are several examples. The World Bank plans to continue AID's initial work in rural road development and road maintenance

in the Southeast, and will likely finance a Phase II of AID's initial colonization efforts in the San Julián (eastern lowlands) area. The IDB will finance a third phase of the rural electrification program begun by AID in 1973, and is considering following AID-initiated SENDU municipal development activity.

This coordination strategy must encompass multilateral and bilateral cooperation, with consideration of all effective combinations of donor contributions within single projects, integrated phased projects, in all sectors and in all Departments. It is difficult to overemphasize the importance of a coordinating group for donors determined to get the most effective development impact from resources which, even in combination, are invariably insufficient.

### III. Assistance Planning Level

Section I of the CDSS analyzes the development problems which Bolivia faces. Section II sets forth the Mission's strategy in assisting with the resolution of these problems. This section discusses the funding strategy the Mission will use to implement the program strategy described in Section II.

For this purpose, the planning period can be divided into two phases:

-- In the first phase, which actually begins before the planning period, in FY 1981, and continues through 1983, the Mission will focus on implementation. The current \$100 million pipeline is of concern to the Mission, but it is distinct from the classic "pipeline problem" in that it is composed overwhelmingly of newer projects. Nonetheless, the

political, economic, and administrative instability of the last two years has resulted in an unacceptably large build-up of unexpended funds. The GOB has recognized the importance of utilizing these available funds as it implements its basic economic and administrative reforms, and will continue to move aggressively to break bureaucratic bottlenecks. Conditions for drawing down the pipeline should continue to improve as Bolivia's economic and political situation stabilizes further. To support this focus on implementation, the Mission plans to hold its program at roughly the 1981 nominal level through the first two years of the planning period. This represents a decrease in real terms.

Throughout this period the Mission will design its program with careful attention to the process of economic and administrative stabilization described above. This means limiting the number of new projects, but also minimizing counterpart requirements and recurring costs, using tested institutions and models, planning new projects that can disburse rapidly and have a significant impact on productive employment, and using the considerable leverage of our program to support movement toward continued reform, in particular rational pricing in the agriculture sector.

-- In the second Phase, FY 1984 through FY 86, Bolivia's political stability and administrative capacity will have been restored and the bases for significant new investments prepared. Therefore we will return to broader and more ambitious institution building projects, consistent with the country's long-term potential for raising the standard of living

of its poor. During this period, the Mission will increase its programming to levels commensurate with the country's fundamental requirements.

The Mission program strategy will guide both phases. During the first period, the numbers of projects will be held to a minimum to focus on implementation. Through both phases the Mission will focus on projects which have a direct impact on the poor by improving their productive employment, which support participation of the poor in decision-making and the development of responsive institutions, and which implement the overall Mission strategy of decentralization.

In the tables below, the Mission summarizes the program level requirements to achieve this strategy. While the proposed level for FY 1986 is significantly higher than the IPA level proposed for Bolivia,\* it represents only a slight increase in real terms over the FY 1981 program. An effort of this magnitude is consistent with AID's policy of directing assistance to poorer countries and mandated on the policy of maintaining reasonable assistance levels in countries having "strong records in human rights and development performance". (Bolivia is so identified in the IDCA FY 81 Budget Submission.)

Within the overall funding levels, agriculture and rural development will remain the lead sector; over half of the project funds will go to this area in the planning period. The 8% increase in the program in real terms

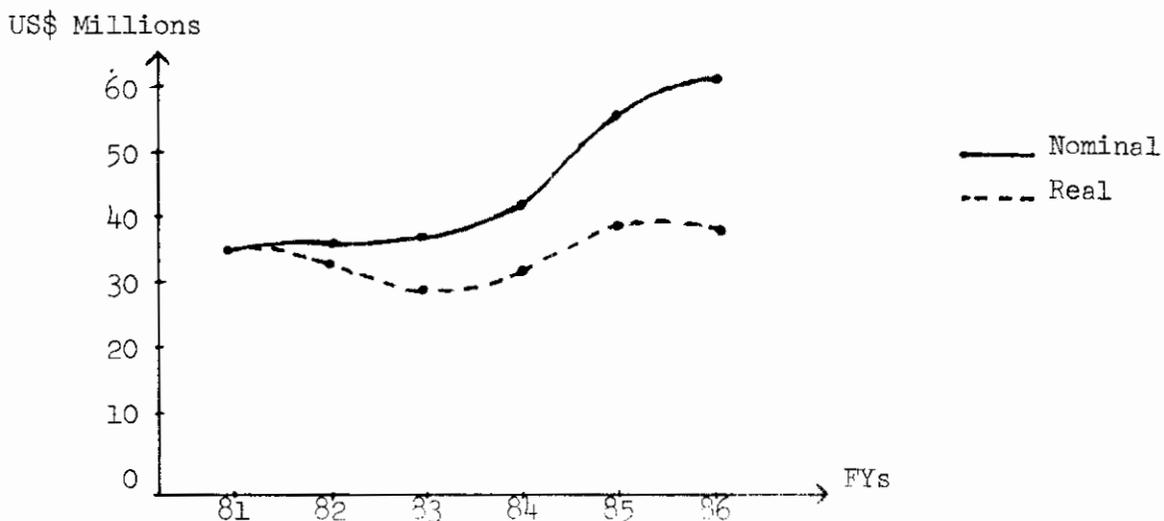
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\*The Mission has not received the justification for the IPA as the CDSS goes into final.

will be in this sector and in the new emphasis programs. Our focus on delivery of health and sanitation services and improving nutrition among the rural poor will continue, with funding levels remaining essentially constant in real terms. Our education program will be reoriented from central government institutions towards more decentralized activities and support of other sectors, and will be reduced in real terms. We are placing important new emphases on small-scale and alternate energy sources, and on conservation or natural resource protection, since in Bolivia these new activities can have an immediate impact on the well-being of the poor; funding for these areas will rise sharply. In the case of human rights, the role of women, and appropriate technology, it is difficult to measure the Mission's increased commitment of resources, since these concerns will be thoroughly incorporated into every new project.

TABLE II

APLS IN NOMINAL AND REAL TERMS\*



\*Assumes a 9% deflator.