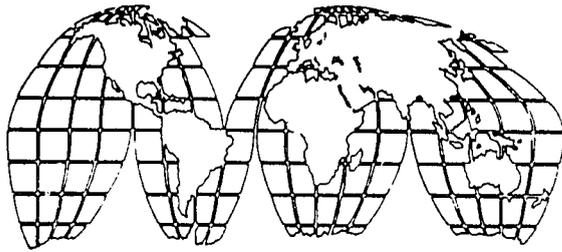


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USAID/Bolivia Social Services  
Projects in the Context of Macro-  
Economic Conditions in Bolivia --  
Mid 1960s - 1980s

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

DRAFT

USAID/Bolivia Social Services Projects in the Context of  
Macro-Economic Conditions in Bolivia -- mid 1960s - mid 1980s

by

Kerry J. Byrnes  
Senior Social Science Analyst  
CDIE/PPE

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## Executive Summary

Several conclusions may be drawn from this report's review of the sensitivity of USAID/Bolivia projects to the changing macro-economic environment in Bolivia over the past two decades.

### 1. Changing Macro-Economic Environment -- Growth to Decline

The Bolivian economy experienced a period of economic growth from the mid-1960s through 1977, at which point a marked period of economic decline began that was characterized by a downturn in revenues to state corporations, increasing deficits, and a growing inability of the Government of Bolivia (GOB) to meet debt servicing requirements on loans. (See section II)

### 2. Trends in Social Indicators

While key social indicators (e.g., infant mortality rate) improved during the period of economic growth and continued to improve during the period of economic decline, the rate of improvement during the decline period was not much greater or, in some cases, was even less than the rate of improvement during the growth period. However, the data do not provide a ready basis for identifying the cause of the reduction in the rate of improvement in key social indicators during the decline period as compared with the growth period. Of course, USAID/Bolivia expenditures on social services projects (see below) represented only a small proportion of the total donor support impacting on the government's capability to deliver social services.

It should be noted that the social indicators for more recent years were reported by the World Bank to be only estimates based on projections of social indicator trends from earlier years (i.e., the growth period). Thus, the resulting indicators may paint a brighter picture of Bolivian social wellbeing during the decline period than what actually may have been the case. On the other hand, if these social indicators truly reflect an improvement in health, education, etc., this improvement may only be a lagged impact of expenditures on social services made during the growth period.

Finally, one could argue that social indicators did not decline with the collapse of Bolivia's economy in the early 1980s because things were bad from the start. The majority of the country's population lives in the altiplano, where social services were and still are highly deficient. Thus, a large percentage of Bolivia's population never really received meaningful services from the government and, therefore, were not very effected when the government gave up the pretense or providing them. Over the years, the Bolivian people have come not to rely on their government for services. For many of them, the way of avoiding economic risk has been to stay out of the formal economy (i.e., remaining subsistence producers). Therefore, when economic chaos broke out in the early 1980s, the poor suffered much less than did the better off. (See section III.A)

3. Growing Limits on GOB Social Services Delivery Capability

With the decline in the Bolivian economy that began in 1977-78, and the accompanying problems of a growing deficit and debt servicing obligations, it became increasingly difficult for the GOB to allocate resources to delivery of social services. (See section III.B)

4. Changing USAID/Bolivia Development Strategy: From Meeting Basic Human Needs to Stimulating Economic Growth

USAID/Bolivia's development strategy for Bolivia changed over time from an early emphasis on meeting basic human needs of the rural poor in a target geographic region to the more recent emphasis on identifying and responding to those geographic areas (the La Paz-Cochabamba-Santa Cruz Corridor) offering the greatest opportunities for stimulating economic growth and, thereby, increased income and capability to demand and pay for social services. This shift included a deemphasis on strengthening the role of the GOB as a direct provider of social services and an increased emphasis on the role of the private sector to provide services on a self-sustaining basis (especially in health). Further, in the case of some projects during the decline period, the Mission minimized the requirements for government commitment of funding (e.g., required counterpart).

The increased emphasis that USAID/Bolivia placed on using non-governmental entities as development (or service delivery) agents reflected, more than anything else, that the GOB could not be expected to implement or provide counterpart to any meaningful development effort. The private sector needed to be involved to a much greater extent.

Further, one may question whether USAID/Bolivia's adoption of a growth-oriented strategy represented a shift from the Mission's earlier emphasis on meeting "Basic Human Needs." A former USAID/Bolivia official noted in this regard that:

We in the Mission would have strongly disagreed. Our principal objectives were very focused on the provision of basic needs to the poorer segments of the population. However, we recognized that these could not be provided in any substantial way via a welfare-type approach. Our goal was to deliver services on a self-sustaining basis through private means (which, in fact, our own studies indicated was what people did when the government failed to comply with its promises regarding services).

In this context, it was particularly important to try to help people improve their own income earning possibilities; thus the demand-pull strategy. Demand-pull developed as the result of our observations of the coca "industry" (that is, coca producers were very efficient producers regardless of the absence of government-assisted research, extension, marketing, etc. services; instead, the existence of a reliable, remunerative market was sufficient to "pull" productive behavior from what were otherwise traditional farmers). (See section IV)

Finally, the record indicates that USAID/Bolivia's development strategy was influenced by a host of considerations beyond economic factors narrowly defined. These other factors have included a policy to combat coca production and trafficking, to provide disaster relief, and to use U.S. development aid to hold together a nascent democratic structure. Even as USAID/Bolivia has sought to foster the growth of democratic institutions, particularly within the Government of Bolivia, the Mission's development assistance program, since its reactivation in 1982 following the July 1980 military coup d'etat, has been significantly redirected away from the government and toward greater involvement of and reliance upon the Bolivian private sector.

## 5. Changing Makeup of USAID/Bolivia Project Portfolio

USAID/Bolivia's evolving development strategy guided changes in the types of social services projects that made up the Mission's project portfolio. During the period of economic growth, Mission social services projects were primarily aimed at strengthening the GOB's social services delivery capability, particularly in education, health, and nutrition. However, with the decline in the Bolivian economy, and an increased emphasis placed by AID/W on such issues as the private sector, cost recovery, and sustainability, the makeup of the Mission's portfolio began to change.

- In education and human resources development, less emphasis was placed on reorganizing the public sector educational system that provides primary and secondary education in the rural areas, and more emphasis was placed on funding opportunities for Bolivians to acquire specialized training to enhance their ability to design more effective macro-economic policies and to compete in the market place.
- In health, less emphasis was placed on building up the Ministry of Health and outreach strategies dependent on volunteer health promoters in rural areas, and more emphasis was placed on testing ways to institutionalize "self-financing" (i.e., prepayment or fee-for-service) health delivery systems in the private sector.
- In nutrition, less emphasis was placed on the Ministry of Health distributing supplementary food or providing nutrition education, and more emphasis was placed on research on the nutrition situation and developing a policy environment that would encourage increased food availability at affordable prices. (See section V)

## 6. Adequacy of Sensitivity of USAID/Bolivia Social Services Projects to the Changing Macro-Economic Environment

It is not clear to what extent the change in the makeup of USAID/Bolivia social services projects was stimulated by Mission responsiveness to development policy guidelines emanating from AID/W, emerging trends in social services delivery, the Mission's hard analysis of Bolivia's changing economic conditions, or a combination of these factors.

The data reviewed in this report suggest that USAID/ Bolivia social services projects were sensitive to the changing macro-economic environment. But it is not clear whether the level of Mission support for development during the decline period was adequately sensitive to prevailing economic constraints and opportunities. After all, the Mission itself was operating under budget limitations imposed by AID/W. Further, there may have been less than optimal coordination of the development activities of the Mission, USAID/ Bolivia, and other donors.

Further, USAID/Bolivia's activities in social services must be considered in light of the Mission's development assistance portfolio and strategy which, in turn, must be considered light of AID's development assistance policies. In retrospect, a self-financing approach to primary health care in the private sector may now seem very appropriate as compared with the previous approach that erroneously assumed that a sustainable primary health care system could be developed in the public sector by the Ministry of Health. Yet that earlier approach to improving health in Bolivia was seen as appropriate given the emphasis by the GOB, during a period of economic growth, on continuing to stimulate development through an "import substitution"-led approach. Of course, one now sees that such an "import substitution"-led approach to development was not viable. Thus, one needs to be careful that less than satisfactory performance in the social services area is not made a scapegoat for AID's lackluster performance in stimulating development because of underlying shortcomings in the development assistance strategy.

Finally, social services investment does not have the direct and immediate impact on economic development of potentially more productive investment alternatives (e.g., agriculture). But this study suggests that USAID/Bolivia has been involved in a process of learning how the Mission's projects can effectively assist Bolivia in improving the country's capability to provide needed social services on a self-sustaining basis. Thus, the Bolivian case clarifies that the question is not one of whether USAID/ Bolivia should spend more or less on social services projects but rather what form of development assistance will most effectively stimulate socially equitable economic development.

USAID/Bolivia Social Services Projects in the Context of  
Macro-Economic Conditions in Bolivia -- mid 1960s - mid 1980s

I. Introduction

A. Purpose

The Center for Development Information and Evaluation (CDIE) was requested by the AID Administrator to review the Agency's experience in the social services sector (population, health, nutrition, education, and housing). The Administrator expressed interest in determining whether and how AID support for social services projects has been sensitive to macro-economic conditions in the countries in which these projects were implemented. An answer to this question would provide information that could be useful in determining the nature of future AID support in this sector, in light of the Agency's development assistance budget and the capability of host countries to support and sustain social services programs.

CDIE was asked to examine six countries that, over the past two decades, experienced either a growth/growth or growth/decline pattern of economic development, and in which AID has provided support for social services projects. The countries in the growth/growth category are: Botswana, Thailand, and Tunisia; the countries in the growth/decline category are: Bolivia, Ghana, and the Philippines. This report focuses on Bolivia.

B. Organization of Report

Section II summarizes the Bolivian macro-economic situation during the past two decades. Section III provides an overview of the Bolivian social sector, highlighting major trends in social indicators and social services (social services and resource allocations). Section IV reviews changes in USAID/Bolivia's development strategy for Bolivia, noting implications that changes in strategy had for the Mission's project portfolio vis-a-vis the social services sector. Section V identifies examples where Mission-supported social services projects responded to or were sensitive to the country's changing macro-economic environment. The study's conclusions are presented in Section VI.

### C. Methodology

To carry out the task, each member of a six-person CDIE team prepared a case study on AID assistance for social services projects in a specific country, and whether and how these projects took into account changes that occurred in the country's macro-economic environment during the past two decades.

The present study is based primarily on a desk review of a range of documents pertaining to the Bolivian social services sector, as follows:

- USAID/Bolivia Country Development Strategy Statements (CDSs) were used to identify descriptive information on the changing nature of Bolivia's macro-economic environment and the changing development strategy of USAID/Bolivia. Relevant information from the CDSs is summarized in sections II and IV.
- Information on the Bolivian social services sector was drawn upon to provide an overview of this sector, including trends in social indicators, social services, and Government of Bolivia (GOB) resource allocations for the sector. Relevant information is summarized in section III.
- Project evaluation documentation was used to identify data on specific project design and implementation experience providing an indication of the extent to which project-level experience was sensitive or responsive to the changing macro-economic environment. Selected information from the project evaluation documentation is presented in section V.

Beyond the desk review, the draft report was reviewed by a former USAID/Bolivia official who was familiar with the Mission's program between 1982 and 1987. The reviewer's comments have been incorporated into the final report to amplify or balance the author's conclusions.

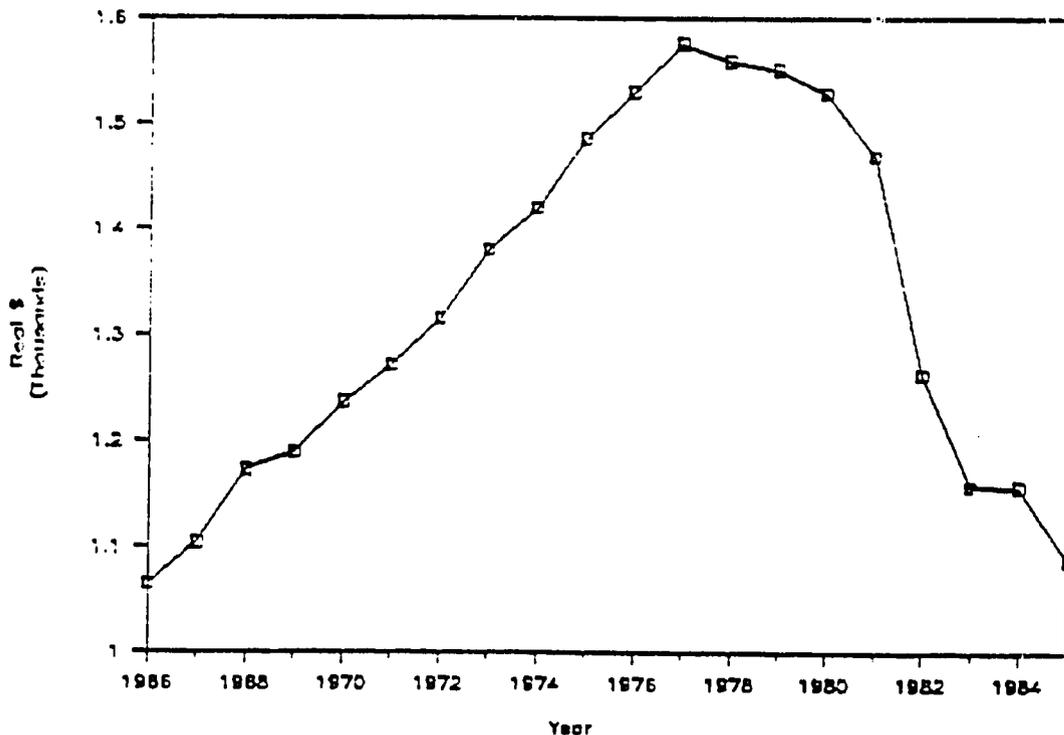
The study was carried out in a highly restricted time frame (i.e., a little over a month). The limited time frame did not allow for in-depth review of all potentially relevant evaluation documentation on social services projects. However, the information summarized here does provide an indication of whether and the extent to which AID-supported social services projects were sensitive to the changing macro-economic environment in which they were implemented.

## II. The Bolivian Macro-Economic Environment -- 1960s-1987

During the two decades from the mid-1960s to the mid-1980s, Bolivia's economy experienced consecutive periods of growth and decline. Per capita income increased 1.23% from 1950 to 1972, and 2.39% from 1972 to 1979; however, from 1979 to 1987, per capita income declined 4.12%. In terms of real \$ (1980 international prices) as reported in the Penn World Tables (1988), real \$ per capita GDP in Bolivia grew from US \$1065 in 1966 to \$1576 in 1977, but declined from \$1559 in 1978 to \$1089 in 1985.

This pattern of economic growth and decline, illustrated in Figure 1, is identical to the pattern for current US \$ per capita GNP as reported in the World Bank's 1987 World Tables. The only difference is that, based on the estimation procedure, the absolute magnitude of real \$ per capita GDP is larger than that of current US \$ per capita GNP. For example, in 1980, while real \$ per capita GDP was \$1529, current US \$ per capita GNP was \$480. A comparison of these measures is provided in Table 1 (see p. 13).

Figure 1. Real \$ Per Capita Gross Domestic Product for Bolivia -- 1966-1985.



Source: Table 1.

However one measures economic growth and decline over the past two decades in Bolivia, the figures trace a dramatic change in the ability of the GOB to provide and Bolivian citizens to pay for social services.

#### A. Background

Two factors are important to bear in mind as one reviews Bolivia's changing macro-economic environment: (1) the GOB's instability since the country's independence from Spain; and (2) the disproportionate role of the GOB in the country's economy.

##### 1. Instability of GOB

Since independence from Spain, Bolivia has experienced continuing governmental instability. When the FY 1982 CDSS was prepared in January 1980, the country had witnessed 168 governments in 155 years. In July 1980, a military coup d'etat brought yet another change in government. However, this event brought about a significant change in USAID/Bolivia's assessment of the capabilities of the Bolivian government. As a former USAID/Bolivia official commented: AID became "significantly less reliant on the capabilities of the Bolivian government after the...coup than it was before that watershed event."

The coup served to highlight the "incredible record of instability" of Bolivia's government. As a former USAID/Bolivia official observer:

I strongly believe that this instability is essential in trying to understand the severity of the country's underdevelopment. Even though Bolivia has an excellent and diverse natural resource base (agriculture, mineral deposits, forests, hydrocarbons), investment historically has been minimal. This is significantly attributable to the country's volatile political environment. People simply do not risk their capital when the "rules of the game" are so uncertain.

In the wake of the coup, U.S. foreign assistance policy required that USAID/Bolivia make dramatic cutbacks in the Mission's development program. For example, U.S. loans to Bolivia were cut to practically zero in 1981 (see Table 4 and Figure 2 that appear later in this report). The continuing instability of Bolivia's government required USAID/Bolivia to begin to rethink its development assistance program, with an eye to how that program should be structured once reactivated. An observer of this period recalled that post-1982 USAID/Bolivia policy was much more cognizant of "the role of instability in underdevelopment."

The government was unstable, and the economy, which ultimately suffered quintuple digit inflation, was out of control. The government was unable to furnish most of the social services (e.g. health, education) that the people expected from it. Moreover, political appointees in the government turned over more frequently than did the governments themselves, and the political appointees often were unqualified or gave no priority to providing "essential" services [to] the country's chronically poor population (personal communication, former USAID/Bolivia official).

Even in recent years, the problem of GOB instability has also been aggravated by rapid expansion of production and trafficking of coca. This economic problem led the Mission to develop specific projects aimed at solving the coca problem--Narcotics Awareness (511-0592) and Chapare Regional Development (511-0543).

## 2. Disproportionate Role of the GOB in the Economy

Commencing with a series of reforms which followed the Revolution of 1952, the GOB began to assume an increasingly larger and more active role in the ownership and operation of Bolivia's economy. A measure of the large role of the GOB in Bolivia's economy may be seen in the following statistic: the public sector accounted for 70% of the purchases of all imported goods and services in 1977 (FY 1981 CDSS). Looking back on over two decades of government ownership of major sectors of Bolivia's economy, the FY 1985 CDSS noted that:

Activities managed or undertaken by the state corporations have suffered almost constant losses and low productivity due to poor management, inefficient decision making, over-centralization, overstaffing, and corruption. It is... estimated that the GOB now controls approximately 80% of the productive resources of the economy, a factor which is considered central to the country's presently poor level of economic performance (FY 1985 CDSS, p. 5).

### B. Economic Growth Period

While Bolivia experienced rapid economic growth during the 1960s, the GOB was forced in 1972 to devalue the peso (to 20 pesos to US \$1) and to initiate a stabilization program. However, the oil price hike and sharp increase in world metal prices of 1973-1974 enabled the GOB to embark on a major expansion of public investment. Public investment increased from \$70 million in 1972 to \$439 million in 1977, and from 7.4% of GDP in 1974 to 12.3% in 1977. Between 1975 and 1980, sector budgets increased 11% in agriculture, 70% in health, and 44% in education (1982 FY CDSS). However, while GDP had increased in the period 1970-1977, allowing a 670% increase in gross domestic investment, 70% of the investment went toward the government's large export-oriented public corporations (FY 1981 CDSS, p. 19).

Bolivia experienced an average annual growth rate of 5-6% during 1971-78; but this improved economic performance did not substantially improve the living standard of the population. Most investment occurred in capital-intensive state corporations. There was little impact on labor-intensive, income-generating activities affecting broad sectors of the population.

The GOB's development plan was based on encouraging prospects for new petroleum discoveries and subsequent increased earnings from petroleum exports. "In the early 1970's, based on expectations of continued increases in production and exports, the GOB expanded public sector spending significantly, further contributing to the high growth rates achieved through the mid 1970's" (FY 1983 CDSS, p. 7). However, the economic situation began to change in the late 1970s.

### C. Economic Decline Period

Economic conditions began to deteriorate as early as 1977, with various indicators of economic decline becoming apparent by the late 1970s and early 1980s.

The real GDP slowed to 4.8% in 1977, 3-4% in 1978, and 1-2% in 1979; in per capita terms, growth turned negative in the period following 1978. Further, there was a steady deterioration in the late 1970s in Bolivia's balance of payments position. In 1978, the current account balance before interest payments on external public debt was a minus \$301 million, an almost twenty-fold worsening from 1970. In 1979, this figure rose to minus \$347 million.

Other indicators of economic decline apparent by the late 1970s and early 1980s were:

- Foreign exchange earnings from petroleum exports - down from \$164 million in 1974 to \$44 million in 1979.
- Deficit as a percentage of GDP - increased from 1% in 1974 to 14% in 1979.
- External indebtedness - increased by 180% from 1974 to 1979.
- Public sector debt as a percentage of total debt - increased from 52% in 1974 to 88% by July 1979.
- Percentage of outstanding debt having original maturity of less than 10 years - rose from 15% at the end of 1974 to 50% by 1979.
- Debt service on foreign loans as a percentage of GNP - rose from 2.2% in 1970 to 8.5% in 1978.
- Debt service on foreign loans as a percentage of exports - rose from 10.9% in 1970 to 49.7% in 1978.

During 1979, exports increased by 24%, while imports increased by 27%. The increasing gap between legal imports and legal exports resulted in an increase in the current account deficit of 47% during 1979. Measured by the GDP deflator, prices rose by an average of 9.7% from 1975-77, by 17.6% in 1978, by 24.9% in 1979, and an estimated 40% in 1980 (FY 1983 CDSS).

Despite the fall in foreign exchange earnings, capital inflows and increased public sector spending in the mid-1970s were maintained because of large short-term foreign borrowing against expected petroleum revenues. Most foreign loans received during this period were 3-5 year loans and were to come due by the late 1970s and early 1980s. However, when the anticipated revenues from exports did not materialize, repaying these loans became a major drain on foreign exchange. Further, these loans were insufficient to offset the deficit on current account and the balance of payments deficit increased to 11% of GDP in 1979.

The slowing in real economic growth was due in part to a decline in Bolivia's exports. The total value of Bolivian exports during 1978 increased by only 5%, due to the sagging petroleum exports (22% lower in value than those for 1977). The decline in exports was due to a delay in the production schedule of new oil fields, a leveling-off of tin prices, and a decline in tin production (5% lower than 1977 levels). At the same time, the total value of imports increased by 20%.

By January 1981, energy consumption had increased at an average of 11.3% annually, to a point where production no longer met internal demand. Further, imports had begun to increase to cover capital investment requirements of the increasing public sector spending. By 1977, imports exceeded exports. A large portion of increased public sector spending of the mid-1970s went to finance major infrastructure projects of the state-owned corporations (petroleum and mining), with the central government heavily subsidizing the operating costs of these corporations.

Another major internal pressure on government resources was a set of subsidies to maintain low consumer prices for basic commodities such as gasoline and wheat. High fixed costs of the central government put additional pressure.

In short, GOB revenues, heavily dependent on external trade, were adversely affected when expected increases in petroleum revenues did not materialize. "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...low level of international reserves" (FY 1982 CDSS, p. 8). As a result, GOB revenues did not increase sufficiently to match the government's expanded program of public investment spending. During this period, overall public sector deficit increased from 1% of GDP in 1974 to 12% in 1978, while the current account deficit rose from \$168 million in 1977 to \$370.2 million in 1978.

The ability of the GOB to increase its public investment spending during this period, despite a decline in export earnings, was made possible by a continuing increase in internal and external debt. Anticipating increased foreign exchange earnings from hydrocarbon exports, "the GOB stepped up its foreign borrowing increasing public debt to \$1.8 billion at the end of 1978 as compared with \$631 million at the end of 1974" (FY 1981 CDSS, p. 6-7). Correspondingly, service of this debt increased from 12.5% of export earnings in 1974 to almost 50% in 1978 (FY 1986 CDSS, p. 40).

Further, between 9/77 and 9/78, domestic credit increased by 37%, while internal financial savings increased by only 16%. The surge in public sector borrowing, accompanied by a rapid expansion of credit to the private sector, stimulated an increase in aggregate demand that outpaced the growth of output. This resulted in an inflation rate of 18% in 1978. By the end of 1978, Bolivia faced a substantial balance of payments deficit of \$132.2 million. As the FY 1981 CDSS noted:

Since 1978 Bolivia has had to face significant financial problems including a rising foreign debt service, a burgeoning public sector fiscal deficit, a decline in exports and petroleum production, and a fall in the GDP growth rate from an average of 6% in 1971-1976 to 4.8% in 1977 (FY 1981 CDSS, p. 31)

Economic growth in Bolivia during the 1970s was spurred by high world prices for exports, particularly tin and hydrocarbons (mostly natural gas). Further, current and projected export earnings facilitated access to development credits from bilateral and multilateral donors. However, by 1980, GDP growth was reduced to nearly zero because of reduced export earnings, a heavy debt burden, and declining production.

Public investment fell in absolute terms, and public finances began to deteriorate sharply. Heavy external borrowing resulted in a foreign debt service (medium and long-term) equivalent to some 60% of expected export earnings for the five-year period 1982-86. Moreover, Bolivia became very dependent on a high level of imports, not only to support the large investments of the 1970's, but also for consumer goods (FY 1985 CDSS, p. 6).

Further, the country began to incur deficits in both the current account and the balance of payments. Also, by January 1980, population was increasing at a higher rate (2.9%) than per capita income (2.1%); and there was government and church opposition to family planning.

In July 1980, a military coup occurred. In the coup's wake, AID terminated \$26.6 million in development assistance and suspended another \$51.1 million.

The economic decline accelerated during 1980-81, with rapidly expanding deficits. In 1981, donor assistance reached record low levels.

During 1982, a number of measures were taken in an attempt to arrest the economic decline. The GOB allowed the overvalued peso to float on the free market; however, de facto devaluation of the peso by more than 1000% in less than 10 months fueled rapid inflation. Food prices increased by 313% and the consumer price index increased by 397%. In dollar terms, many Bolivians were earning less than 20% of the amount they were earning at the outset of 1982. There was also sharp decline in the terms of trade for exports; the resulting lower export revenues reduced the resources available to the GOB to maintain essential services in education and health.

In October 1982, a democratically elected government was installed. The new government, in November 1982, announced a package of economic reform measures. These included:

- Devaluation of the peso;
- A tripling of the domestic price of gasoline;
- A decrease in the consumer subsidy for bread and increases in prices on basic commodities;
- Tighter control on the foreign exchange system;
- Establishment of exchange mechanisms to facilitate payment of outstanding local dollar denominated debt;
- 'Dedollarization' of domestic loans and savings accounts; and
- Limited wage increases as well as some wage controls.

However, these economic reform measures "were often counter-productive to the economy in general and to the private sector in particular in the absence of a strong and coherent stabilization program" (FY 1986 CDSS, p. 20). Further, the package failed not only to address the issue of how to reduce the GOB's large and increasing fiscal deficit, but also to take action to reduce budget expenditures and subsidies on hydrocarbons.

As of early 1984, Bolivia continued to face a large and increasing fiscal deficit. In 1983, the consolidated fiscal deficit of the GOB and the state-owned enterprises had risen to an estimated \$1.06 billion, approximately 16.5% of GDP. The Bolivian economy continued to be dominated (70%-80%) by "a large inefficient public sector, most of the 'productive' activities of which produce large, generally uncontrolled losses which constitute a substantial portion of the deficit" (FY 1986 CDSS, p. 4).

During 1983, export earnings dropped by 9% and "all segments of GDP declined, with the sharpest fall (-22.5%)...in the disaster devastated agricultural sector" (FY 1986 CDSS, p. 4). Debt service as a percentage of GDP, which had fallen as low as 3.8% in 1981, grew to 4.6% in 1983. Similarly, debt service as a percentage of exports, which had fallen from 49.7% in 1978 to 25.9% in 1981, climbed to 39.2% in 1983. Analyzing Bolivia's economic situation the FY 1986 CDSS concluded that the GOB, in

addressing the constraints hampering the participation of the private sector in the country's economic recovery, ... has stated its commitment to a 'mixed economy.' Its inability to take economic and ancillary measures, however, has negated the development of the potential role which the private sector could play in the country's economy (p. 2).

Overall, the GOB's "general inability to establish a coherent, consistent economic policy" and "continual acquiescence to perceived political pressures and populist demands" (FY 1986 CDSS, p. 19) had not provided an incentive structure for development.

#### D. Impact of Economic Decline on GOB Absorptive Capacity

The "reduced flow of budgetary revenues and the scarcity of foreign exchange" that characterized the period of economic decline made it very difficult for the GOB to meet its existing recurrent expenditure obligations and foreign exchange costs (FY 1985 CDSS, p. 24). While the earlier FY 1981 CDSS noted the attractiveness of "investment opportunities with the [Departmental Development Committees] or other less centralized organizations such as area development organizations or PVOs" (FY 1981 CDSS, p. 50-51), the FY 1985 CDSS noted the private sector's "substantial under-utilized capacity" (p. 24).

The FY 1981 CDSS noted that: "Generalizations about Bolivia's absorptive capacity are misleading. The analysis is best made sector by sector and institution by institution" (p. 50). However, the GOB's limited ability to meet recurrent costs, the FY 1985 CDSS noted, "seriously affected the implementation of GOB social and economic programs" (p. 37). For example, the 1982 operating budget for health was reduced by 70% in real terms as compared to the 1981 level.

The GOB's difficulty in meeting counterpart requirements was again noted in the FY 1982 CDSS. An indicator of this difficulty was the downturn in Mission disbursements from \$22.7 million in 1978 to \$18.0 million in 1979. Indeed, based on an analysis of 1980 requirements, the Mission reduced the estimated GOB inputs from slightly over \$19 million to \$12.6 million.

#### E. GOB Development Strategy

The GOB's development strategy during the decades of the 60s and 70s placed a heavy emphasis on rapid, export-led growth, with a concentration on minerals, hydrocarbons, and agricultural commodity exports. Low priority was placed on the social services sectors and the rural poor. The GOB's strategy has been to use

scarce resources in sectors which can produce the most immediate foreign exchange earnings. However, realizing the importance of integrating the campesino into the...economy, the GOB has acknowledged the imbalance in its plan and has requested other donors assistance in designing and financing projects for the social sectors (FY 1981, CDSS, p. 38).

The FY 1981 CDSS noted that the Mission's strategy at the time was consistent with the GOB's efforts to redress the imbalance and bring about equitable growth (FY 1981, CDSS, p. 38). As the FY 1981 CDSS, written in early 1979, noted:

The improved economic performance of recent years, while raising per capita GDP, could not have been expected to substantially improve the living standards of the majority of the population, since during this period there were no structural changes in the economy. Most investment and output occurred in capital-intensive, state corporations where a considerable number of economically unviable projects were undertaken. As a result, there was little impact on labor-intensive, income-generating activities affecting broad sectors of the population (p. 16).

The FY 1981 CDSS went on to state:

Because of the weak balance-of-payments situation, GOB's development strategy has been, and must continue to be, one of rapid growth of the main export sectors--hydrocarbons, minerals, agricultural commodities and agro-industry. The resulting relatively low priorities and projected investments for the social sectors..., although consistent with this strategy, have had a depressing effect on already low income levels and standards of living.... The GOB plans to overcome this constraint by acquiring the necessary social sector financing from bilateral and multilateral organizations (FY 1981, CDSS, p. 17).

At the time the FY 1981 CDSS was prepared, the GOB allocated approximately 70% of gross domestic investment to predominantly capital intensive, export-oriented public corporations, with only 30% going to central government operations which included the social services sector agencies.

### III. Overview of Bolivian Social Services Sector

A World Bank report, dated January 12, 1983, concluded that Bolivia remains one of the poorest countries in South America. Changes in social indicators for Bolivia are reviewed in the following section. The cited figures are drawn from Table 1.

#### A. Social Indicators Trends

The years from 1966 to 1977 roughly correspond to the period of economic growth in Bolivia, with per capita real GDP (in 1980 international prices) rising from \$1065 in 1966 to \$1576 in 1977, an increase of 48%. The years from 1978 to 1985 correspond to the period of economic decline, with per capita real GDP falling from \$1576 in 1977 to \$1089 in 1985, a decrease of 30%. Thus, per capita real GDP grew by only 2.2% between 1966 and 1985.

##### 1. Population

As of mid 1987, Bolivia's population totaled 6,310,000. The population growth rate has declined slightly over the past two decades, from 2.3% in 1970, to 2.2% in 1987. Between 1966 and 1977, the total fertility rate and the crude birth rate per thousand declined from 6.6 to 6.4 and from 45.7 to 44.8, respectively. Comparing the economic growth and decline periods, the total fertility rate fell 3% during the growth period and 7.8% during the decline period, while the crude birth rate fell 2% during the growth period and 5.8% during the decline period.

Table 1. Social Indicators Trends for Bolivia for the Economic Growth (1966-1977) and Decline (1978-1985) Periods.

Year	Per Capita		A	B	C	D	E	F
	Real \$ GDP	Current \$ GNP						
<u>Growth Period</u>								
1966	1065	200	6.6	45.7	158.4	44.6	-	-
1967	1105	210	6.6	45.6	157.0	44.9	-	-
1968	1174	220	6.5	45.6	155.8	45.3	-	-
1969	1190	230	6.5	45.6	154.6	45.6	-	-
1970	1237	230	6.5	45.5	153.4	45.9	76.0	24.0
1971	1272	250	6.5	45.5	152.2	46.3	-	-
1972	1315	270	6.5	45.4	151.0	46.6	-	-
1973	1380	290	6.5	45.3	148.4	46.9	-	-
1974	1420	320	6.5	45.2	145.8	47.3	-	-
1975	1485	350	6.4	45.1	143.2	47.7	85.0	31.0
1976	1530	390	6.4	45.0	140.6	48.1	89.0	30.0
1977	1576	400	6.4	44.8	138.0	48.5	89.0	32.0

Average for Growth Period (1966-1977): +48% in Per Capita RGDP

	1312	280	6.5	45.4	149.9	46.5	84.7	29.2
<u>Change</u>	+47.9	+100	-3.0	-2.0	-12.9	+8.7	+17.1	+33.3

1978	1559	430	6.4	44.7	135.2	48.9	-	-
1979	1551	460	6.3	44.5	132.4	49.3	-	-
1980	1529	480	6.3	44.3	129.6	49.7	84.0	36.0
1981	1469	530	6.3	44.2	126.8	50.1	86.0	-
1982	1264	530	6.3	44.0	124.0	50.7	85.0	35.0
1983	1159	500	6.1	43.4	121.7	51.0	87.0	35.0
1984	1158	510	6.0	42.7	119.3	52.5	91.0	37.0
1985	1089	490	5.9	42.1	117.0	52.8	-	-

Average for Decline Period (1978-1985): -30% in Per Capita RGDP

	1347	491	6.2	43.7	125.7	50.6	86.6	35.7
<u>Change</u>	-30.1	+13.9	-7.8	-5.8	-13.5	+7.9	+8.3	+2.8

Key for Column Headings

A = Total Fertility Rate	D = Life Expectancy at Birth
B = Crude Birth Rate	E = Primary School Enrollment Ratio
C = Infant Mortality Rate	F = Secondary School Enrollment Ratio

Source: Penn World Tables, 1988; and World Bank, 1987. Many indicators are based on census or household surveys which occur infrequently; some reported figures are interpolated estimates.

## 2. Health and Nutrition

Between 1966 and 1977, the infant mortality rate fell 12.9% from 158.4 to 138.0, while average life expectancy at birth climbed 8.7% from 44.6 to 48.5 years. This latter figure was more than ten years below South American standards. Comparing the two periods, the infant mortality rate continued to fall between 1978 and 1985 but at only a slightly higher rate (13.5%). On the other hand, life expectancy at birth continued to increase but at a smaller rate (7.9% during the decline period as compared with 8.7% during the growth period). This suggests a slowdown or stagnation in the improvement of these indicators during the period of economic decline as compared to the period of economic growth.

## 3. Education

Between 1966 and 1977, the primary school enrollment ratio rose from 76 (in 1970) to 89, while the secondary school enrollment ratio rose from 24 (1970) to 32. A comparison of the economic growth and decline periods shows that the primary school enrollment ratio rose 17.1% during the growth period but only 8.3% during the decline period, while the secondary school enrollment ratio rose 33% from during the growth period but only 2.8% during the decline period. This suggests a slowdown or stagnation in these indicators during the period of economic decline as compared to the period of economic growth.

## 4. Housing

About 40% (2 million) of Bolivia's population live in urban areas where services and shelter are scarce. Less than 57% of these people have access to piped water supply and less than 23% to any type of sewerage facilities. Rapid growth of two cities (La Paz and Santa Cruz) has led to severe housing shortages. While annual demand for housing units is estimated to be 10,000, the total units built annually throughout Bolivia has varied between 1,500 and 2,300. The lowest cost units built are estimated to cost over \$7,000, clearly unaffordable to the vast majority of the urban population.

A caveat should be noted in interpreting the trends in social indicators in Table 1. The higher (or lower) percentages or rates during the decline period as compared with the growth period may reflect one or a combination of two possibilities: (1) that the figures during the decline period are projections of the earlier reported (or estimated) figures for the growth period; and/or (2) that there was a lag in the impact of earlier expenditures on social services during the growth period. Thus, the appearance that social indicators continued to improve during the period of economic decline, despite reduced GOB expenditures on social services, may actually be the result of one, the other, or both of the two previously cited factors.

On the other hand, one might expect that, with the decline in GOB expenditures on social services, social indicators should have also declined. However, one should remember that a majority of Bolivia's population lives in the altiplano, where social services are highly deficient. In this respect, an observer of the period from 1982 to 1987 in Bolivia noted that:

Social indicators did not decline with the collapse of the economy in the early 1980s because things were bad from the start. The people never really received meaningful services from the government and, therefore, were not very effected when the government gave up the pretense of providing them. Over the years, the Bolivian people have come not to rely on their government for services. For many of them, the way of avoiding economic risk has been to stay out of the formal economy (i.e., remaining subsistence producers). Therefore, when economic chaos broke out in the early 80s, the poor suffered much less than the better off. An image I have always like is that one doesn't get very hurt jumping from the basement window (personal communication, former USAID/ Bolivia official).

## B. Social Services Sector Trends

### 1. Status of Social Services

#### a. Health

Medical resources in Bolivia are underutilized largely because of a continuous exodus of trained medical personnel. Most medical services provided by the GOB are curative and only a small portion goes toward preventive medicine. Medical service is "costly with no well-developed system of paramedics and rural health workers to take care of patients before they are passed on to fully trained medical personnel" (World Bank, 1983:40).

b. Water Supply and Sewage

Less than 40% of the population (85% in urban areas, 9% in rural) have access to piped water and less than 25% (48% urban, 4% rural) to sewerage facilities. Excepting Santa Cruz, the quality of services provided by most water systems was reported to be poor, most delivering water without prior disinfection and often discontinuously.

Present institutional arrangements are inadequate, a large number of weak institutions coexisting. The most serious shortcomings are: insufficient cost recovery from consumers, inadequate planning and project preparation and poor operation and maintenance in most areas, especially in rural areas (World Bank, 1983:40).

c. Education

As of 1983, Bolivia had experienced "no significant improvement" in terms of access to and quality of education in the country, despite "sizeable budgetary allocations" (World Bank, 1983 p. 39). Reasons cited by the Bank for the low productivity of expenditures in education included:

- Until the 1980s, two subsystems, one for rural, one for urban education, existed side by side--both with overcentralized, inefficient administrations in La Paz.
- High drop out and repeater rates because (1) children are taught in Spanish and not in their native language, (2) they are malnourished and often cannot walk the long distances to get to a school, and (3) they are taught an irrelevant and overly academic curriculum which bears little relation to future employment.
- Most of the expenditures go to salaries of untrained teachers, with few funds available to expand the system and improve quality (World Bank, 1983: p. 39).

d. Housing

Institutional capability to build housing in urban areas is inadequate. There are limited and scattered efforts by various employee councils and cooperatives to provide housing. CONAVI, the national housing council, has been "almost a complete failure; in 1981, for example it built only about 600 houses, and at an average unit cost of nearly US\$30,000" (World Bank, 1983: 39).

In 1974, BANVI, the national housing bank, was founded. This organization holds promise as a financial intermediary for housing and basic residential services projects. However, at the municipal level, the municipalities are financially strapped, "tend to spend their resources on works with high political visibility, and recover little of their investments" (World Bank, 1983:39). The savings-and-loan system has developed a program of housing credit for low-income families in semi-rural settlements.

## 2. Resource Allocations

Public investment in social services has averaged between 10% and 15% of the GOB budget. Much of this investment has been financed through external assistance from the World Bank, IDB, USAID, UNESCO, and UNDP. GOB resource allocations for the social services sector during the periods of growth and decline in the Bolivian economy are now reviewed.

### a. The Growth Period

According to the March 1978 USAID/Bolivia Development Assistance Program (DAP), the GOB's Development Plan for 1976-1980, the latter years of the period of growth in the Bolivian economy, included an investment plan for \$3.5 billion. Seventy per cent of the proposed investment was to be financed from domestic savings and the remaining thirty per cent was to come from external sources. The IBRD consultative group reviewed the development and investment plan in the spring of 1977. The group expressed concern over Bolivia's financial and technical capability to carry out the investment program as well as for the small number of social sector projects. At the time, most donors were anxious to expand activities in the social sectors and were encouraging the GOB to do so. The GOB welcomed other donor projects, particularly for the altiplano area.

Other donor projects in areas related to USAID/Bolivia's concerns totaled about \$700 million: 18% for agriculture, 7% for education, 10% for health and sanitation, and 26% to transportation improvement. This pattern complemented the investment plan of the GOB for 1976-1980: 9.6% for agriculture, 1.6% for education, 1.5% for health, and 3.5% for sanitation. While the major percentage of the GOB's planned investment (totaling 52%) was allocated for hydrocarbons, mining, transportation, and communications, this pattern was consistent with the GOB's development strategy for rapid, export-led growth concentrating on minerals, hydrocarbons and agricultural export development. But the DAP stated that "even within the GOB strategy the social sectors could receive more emphasis" (AID, 1978:54).

b. The Decline Period

Table 2 provides a summary of the allocation of public investments for the period 1982-1985, the period of decline in Bolivia's economy. As the reader may note, public expenditures for health and social welfare, water supply and sewerage, education, and urban and housing, as a percentage of total public expenditures, averaged less than public expenditures in directly productive sectors. On average, these four sectors constituted approximately 9.3% (14% including urban and housing) of total public expenditures. Further, a downward trend in public expenditures may be observed for education and urban and housing, indicative of the economic decline in the Bolivian economy during these years.

Table 2. Relative Allocation of Public Investments by the GOB during the Decline Period (1982-1985).

Sectors	1982	1983	1984	1985	Avg.
	----- % -----				
Agriculture	9.5	9.5	8.8	8.6	9.1
Hydrocarbons	25.1	23.8	35.8	36.6	30.3
Mining	8.7	11.2	14.5	14.9	12.3
Industry	15.1	6.2	5.1	5.3	7.9
Transport	11.8	19.7	13.7	13.1	14.6
Telecommunications	1.1	1.3	.9	.8	1.1
Power	8.9	11.3	8.7	8.7	9.4
Education	4.1	4.8	3.4	3.2	3.9
Water Supply & Sewerage	2.4	4.2	3.3	3.2	3.3
Health & Social Welfare	1.4	2.8	2.1	2.1	2.1
Urban & Housing	6.2	5.7	3.7	3.4	4.7
Others	<u>5.6</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1.4</u>
TOTAL	100.0	100.0	100.0	100.0	100.0
Public Investment as Percentage of GDP <u>1/</u>	17.0	11.0	15.0	16.0	

1/ Assuming zero growth rate of GDP for the period 1982-85

Source: World Bank, 1983:22.

c. Comparison of the Growth and Decline Periods

A comparison of the growth period (covering planned investments for the Development Plan years 1976-1980) and the decline period (covering actual investments for the period 1982-1985) is presented in Table 3. While the data and data sources are not directly comparable, Table 3 suggests that GOB public investment in social services did not increase dramatically during the decline period relative to the growth period. Increased public investment was marginal in the case of health, while the area of sanitation may have experienced a reduction in the level of public investment. The largest increment in public investment appears to have been in the education sector (increasing from 1.6% to 3.9%). In short, public investment in the social services sector was small to begin with, i.e., during the period of economic growth, and did not increase and may have decreased slightly in at least some of the sector's areas (e.g., health) during the decline period, more so in some years than in others.

Table 3. A Comparison of Government of Bolivia Investments in Social Services as a Percent of Total Public Investment for the Periods of Growth and Decline in the Bolivian Economy.

	<u>Growth</u> (76-80)	<u>Decline</u> (82-85)
	----- % -----	-----
<u>Social Sector</u>		
Education	1.6	3.9
Health	1.5	2.1 (health & social welfare)
Sanitation	3.5	3.3 (water supply & sewerage)
TOTAL	6.6	9.3

Source: AID, 1978:54; figures in decline column from Table 2.

#### IV. Changing USAID/Bolivia Development Strategy

A review of USAID/Bolivia Country Development Strategy Statements (CDSSs) over the past decade provides evidence of a gradual change in the Mission's development strategy for Bolivia. This strategy appears to have changed, albeit slowly, from the period of economic growth, to a transitional period, to the period of economic decline.

##### A. Growth Period

As outlined in the USAID/Bolivia Development Assistance Program (DAP) prepared in November 1973, the primary thrust of the Mission's strategy for Bolivia's development for the period through FY 1977 was agriculture, with a focus on the rural poor in a limited geographic area, primarily the southern valleys and Oriente, specifically the Departments of Santa Cruz and Cochabamba. This strategy was based on a desire:

- To avoid diluting the impact of AID's relatively limited resources;
- To focus on the geographic area that was the major source of Bolivia's agricultural production;
- To profit from and build upon the experience gained through previous AID-funded programs;
- To achieve interaction between AID programs and the large domestic and foreign investments in the area; and
- To provide an "implicit division of labor" between AID and other donor efforts whereby AID would concentrate its efforts in the selected geographic areas, while other bilateral and multilateral donors focused their development assistance on other areas, particularly the neglected altiplano.

However, following the November 1973 DAP, FAA legislation and subsequent A.I.D. policy became more sharply focused on directing AID's major effort toward the rural poor and the small farmer. This led USAID/Bolivia, in preparing the March 1978 DAP, to ask:

where are the rural poor in Bolivia; what is the nature and magnitude of the problems they face as obstacles to improving their income, health and education status; what sort of programs would be appropriate to help ameliorate those problems...; how could our programs be made to have a more direct impact (USAID/Bolivia, 1978:1)?

Compared with the November 1973 DAP, the March 1978 DAP contained two overall major strategy changes for USAID/Bolivia programs. First, USAID/Bolivia decided to focus on a different geographic area, based on the Mission's increased ability to use indicator data to define the location of its target group (i.e., the rural poor). In this regard, the DAP noted that the major thrust of other donors was in areas other than the Departments of Tarija, Chuquisaca, Pando, Beni, and Potosi'. These departments, which were to "comprise the bulk of the new areas" for new projects and programs under the Mission's changed strategy, were usually in the lower one-third of the rank order on a variety of socio-economic parameters indicating that major segments of the rural poor in greatest need were in these areas.

The second change in strategy was a commitment to work more directly with the Departmental Development Committees (DDCs) in order to identify projects and programs that are more immediately relevant to the needs of the target group and to achieve greater direct impact of projects on the target group by involving the target group in the project process via the DDCs.

The DAP provided a description of the "poor majority" in Bolivia, noting: "For the foreseeable future... , the Mission programs and strategy will continue to focus on the rural poor" (USAID/Bolivia, 1978:4). However, the Mission felt that its "target group identification procedure" had become "primarily needs oriented rather than geographic" and took "into consideration other factors such as development potential" (USAID/Bolivia, 1978:9).

...such needs are expressed in terms of relative incidence of a variety of indicators among the nine departments which comprise Bolivia. . . . The Mission has reassessed the earlier geographic concentration strategy. Through the improvements in our data base we have ascertained that large and accessible segments of the rural poor are located in areas where current USAID programs are not concentrated. The Mission will therefore orient its programs in terms of needs and development problems rather than geography (USAID/Bolivia, 1978:9-10).

A set of "physical quality of life indicators" (PQLI) were used to describe the level of living and identify the geographic location of the rural poor as a target group for the Mission's development assistance program. The focus on social problems such as infant mortality and illiteracy, in turn, led to an emphasis on social services projects that would directly impact on such problem areas.

Indeed, the lead sentence in the statement of the Mission's strategy read: "The most urgent problems of the rural poor in Bolivia are characterized by low income and deficient and inadequate public services" (USAID/Bolivia, 1978:51; emphasis added). Accordingly, the Mission placed a high priority on an approach that "alleviates human misery directly through improvement of basic services in such areas as health, sanitation, education, potable water and shelter" (USAID/Bolivia, 1978:51).

At the time the 1978 DAP was prepared, nearly 70% of Bolivia's population was living at subsistence levels in rural areas, practically outside the money economy. USAID/Bolivia saw that the role of the Mission's program was to assist "the GOB's limited capacity to address development problems due to scarce resources" (USAID/Bolivia, 1978:17). Indeed, the DAP noted:

Although satisfying the needs of the poor is ultimately the concern of the GOB, its resources to do so over the short run are very limited. Programs funded by the GOB to increase the delivery of services for the direct satisfaction of basic human needs as opposed to those which do so by raising incomes and increasing employment, use resources that could be employed in more immediately productive use (USAID/Bolivia, 1978:51).

The scarcity of resources for investment in social services was the direct result of the GOB's development strategy that was "based on rapid, export-led growth, concentrating on minerals, hydrocarbons, industrial infrastructure and commercial agricultural development" (USAID/Bolivia, 1978:73).

The DAP noted that the Mission's choice of target group had also taken into account other donor programs.

Of the total other donor activity less than one percent of current project funding is located in Chuquisaca, two percent in Tarija, two percent in Beni and none in Potosi' and Pando. These are areas containing a sizeable portion of the Mission's target group with major development problems ...not...addressed by other donors (USAID/Bolivia, 1978:17).

The following summarizes the Mission's proposed assistance program with respect to three social services areas: (1) population, (2) health and nutrition, and (3) education and human resources.

## 1. Population

Because of religious and political prohibitions in Bolivia, the development assistance program of USAID/Bolivia did not include population control or family planning programs. Mission activities with respect to these areas were to be restricted to studies to assess population growth.

## 2. Health and Nutrition

In health, the Mission's program would emphasize efforts to improve the quantity and quality of the GOB's infrastructure for health education, combatting communicable disease and malnutrition, and improving environmental sanitation. The DAP noted that an emphasis would be placed on "low cost services, using paramedical and auxiliary medical personnel, clinics and health posts and other means for community outreach systems" (USAID/Bolivia, 1978:53). Project activities in health were focused on the following areas of emphasis:

- Design and Implementation of Rural Health Services Delivery (RHSD) -- This project focused on the development of a pilot demonstration project for the provision of rural health services in the Montero area of Santa Cruz Department. The project utilized rural health promoters to provide services at the health posts in the communities, through community selected and supported paramedics, nurse auxiliaries at the health center level, and physicians in the hospitals. The system was designed to provide supervision, services, and referral at each level, and was to provide the Ministry of Social Welfare and Public Health (MOH) with a model tested and proven feasible in Bolivia. The expectation was that the experience developed through this project would provide the basis for a Rural Health Delivery Systems loan to the GOB in FY 1979.
  
- Improvement of Maternal and Child Health -- At the time, a Food for Peace program was providing food for 488 Mothers' Clubs reaching 271,000 children and over 11,000 pregnant and lactating mothers. Also, under RHSD, health services provided for 44 communities included maternal and child care.

- Elimination of Malnutrition and Nutrition Deficiencies  
 -- The Nutrition Improvement pilot project focused on improving the nutritional status of the poor. The project purpose was to increase the institutional capability of the Ministry of Planning and other GOB agencies to plan, implement, monitor, and evaluate a national food and nutrition plan. The Mission expected that a Nutrition Improvement loan would be proposed in FY 1980 and that this new project would build on the activities of the Nutrition Improvement pilot project to implement a national nutrition program.
  
- Provision of Rural Potable Water and Excreta Disposal Systems -- The Mission was financing a combined loan/grant project that would provide for construction of 200 rural potable water supply system and 7,600 latrines in villages of under 500 inhabitants in the departments of Cochabamba and Northern Chuquisaca. The project was designed to create an institutional capacity in the MOH that would enable it to carry out future rural sanitation programs on a scale that would make a significant impact on the need for potable water in rural Bolivia. According to the 1978 DAP:

The Mission anticipates that by developing a functioning institutional base in the Ministry it will become an attractive, effective vehicle through which future resources of the GOB and other international donors can be channelled (USAID/Bolivia., 1978:67).

### 3. Education and Human Resources Development

This area emphasized efforts to reduce illiteracy, extend basic education, and increase manpower training. Project activities were to focus on expanding and strengthening non-formal education methods; increasing the relevance of formal education to the needs of the rural poor, especially at the primary level through curricula reform; improving teacher materials and teaching methods; and providing more effective teacher training including that required for bilingual education. The following provides a listing of the projects in the education and human resources development program.

- Educational Management and Instructional Development  
This project was to support an administrative reform program by the Ministry of Education and Culture to:  
(a) strengthen its organizational capacity for administration and instructional development, its financial base, and its capacity for conducting research, information management, budgeting, and program and policy planning; and (b) provide a more responsive organizational structure required to move management functions and instructional support service closer to the people served by the educational system. The project included the establishment of District Education Development Centers to provide basic services and instructional development support functions for teachers and students in each department.
  
- Rural Education I -- This project was to support a comprehensive reform of rural education in 22 rural nuclear school systems and the Vacas Rural Normal School, all located in a five province area of the Department of Cochabamba. Educational reforms were to include curriculum improvement with the introduction of bilingual education methods in the first three grades, the development of new instructional materials, improved teacher training, and improved facilities.
  
- Rural Education II -- This project was to improve the professional capability of rural teachers to meet the educational needs of their students. The project was to be implemented by consolidating the existing ten rural normal schools in the seven Departments included in the project into six larger, more effective units and improving their facilities; training professors of the Institute of Higher Education (ISE), rural normal school teachers, and rural school teachers; developing new curricula and teaching materials for ISE and the rural normal schools; and improving the administration of the rural normal school system at the national, ISE, and rural normal school levels.

As the reader may observe, most of the Mission's projects in the social services sectors of health and education entailed large dosages of support to and the heavy involvement of public sector agencies, namely, the Ministry of Social Welfare and Public Health (MOH) and the Ministry of Education and Culture.

## B. The Transition Period

The term "transition period" is used to refer to the period from the late 1970s to early 1980s. During this period, economic growth began to slow and eventually turn into economic decline. During this period, there was a growing recognition of the increasing difficulty that the GOB faced in providing social services through centrally-funded, centrally-planned, and centrally-implemented programs. With the growing understanding of this problem, there came an increased recognition of the need to find alternative ways, particularly through greater involvement of key local and regional level actors (including the rural poor), to meet basic human needs for social services.

While per capita real GDP steadily grew in Bolivia throughout the early to mid 1970s, this growth was not equitably shared across socioeconomic groups. During this period, USAID/Bolivia's development strategy was focused on the so-called "Poor Majority" of rural and urban poor who were not direct participants in or beneficiaries of the country's economic growth. In the rural areas, in particular, the poor faced low incomes and deficient and inadequate basic public services. Relative levels of poverty continued to be defined and measured by USAID/Bolivia in terms of the so-called physical quality of life indicators (PQLI) for life expectancy, infant mortality, and literacy, ranked by department) (FY 1981 CDSS).

In response to this problem, the Mission's basic strategy continued to be threefold:

- To broaden productive employment via construction of model rural infrastructure projects such as irrigation systems, roads, electrification, and similar activities;
- To alleviate human misery and improve the quality of life via the direct provision of basic services such as sanitation, potable water, health, education, and shelter; and
- To emphasize "direct involvement of the poor in the country's development by expanding their integration into the economy through local level institutions" (FY 1981 CDSS, p. 39).

This strategy was to be focused on specific geographic areas of greatest need as identified by the Mission's socio-economic data package. Indeed, use of this data package had originally "triggered" the Mission to refocus "attention...on the lower one third of the rank order of the poorest Departments: Tarija, Chuquisaca, Pando, Beni and Potosi'" (FY 1981 CDSS, p. 39).

The Mission's development strategy for Bolivia was further articulated in the FY 1982 CDSS. The CDSS noted that the GOB's Five Year Development Plan (1976-1980) established sectoral objectives consistent with AID's concern with equitable growth and meeting basic human needs. To move toward the goal of growth with equity to achieve an improved living standard for Bolivia's poor, the Mission's objectives included increased agricultural production, higher per capita income, better protection of the human resource base, increased educational opportunities, and improved planning and implementation of activities in energy and in natural resource protection.

The strategy also entailed seeking greater participation of the target group, i.e., the rural poor, at the local and regional levels. Given the GOB's centralized nature,

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 (FY 1982 CDSS, p. 23).

This strategy envisioned the design and implementation of projects that would:

- Be decentralized, i.e., would operate through the Departmental Development Committees (DDCs), regional offices of central ministries, municipalities, and private sector organizations;
- Use private sector organizations including PVOs where effective and appropriate; and
- Involve national and local level policy changes needed to facilitate program objectives.

The aim of decentralization was to achieve a greater degree of local input and to decrease the dependence on national level support. According to the FY 1982 CDSS:

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 (p. 24).

Further, the CDSS noted that local institutions such as the savings and loan system, farmer organizations, the DDCs, and the municipalities "offer better prospects for future investments" because there had been less of an impact of "political unrest" on administrative and personnel changes at the local level (FY 1982 CDSS, p. 24).

The implication of this evolving development strategy for the social services sector was a reduced emphasis on support to centralized social services institutions within the GOB, and the initiation of a greater effort to include local and private sector involvement in the support of social services. For example, the FY 1982 CDSS noted in this regard that:

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 (p. 25).

The CDSS also reflected the Mission's concern that projects be designed to give special consideration to the economic and financial difficulties facing 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 (FY 1982 CDSS, p. 25; emphasis added).

Thus, the strategy recognized the GOB's difficulty in meeting counterpart financial requirements and the need to mobilize greater program support at the local and regional levels.

The FY 1982 CDSS also further articulated the Mission's strategic geographic focus as being the valleys and lowlands which have approximately 70% of the country's farm households. The CDSS cautioned that this focus was "not to say that the excluded regions, in particular the Altiplano, are not poor or important politically or economically, but rather that AID's efforts should be concentrated in those areas where the impacts and returns are greatest" (FY 1982 CDSS, p. 26; emphasis added).

The strategy also began to outline the types of social services areas that would be emphasized in the Mission's project portfolio. These are now briefly discussed.

### 1. Population

In response to continuing church and governmental opposition to birth control and family planning programs, the Mission proposed to continue developing an information base on population trends in the hope that making this information available would foster the development of a greater awareness and recognition of the need to address a growing population problem.

### 2. Health and Nutrition

In the social services area, the Mission's strategy sought to:

- Promote a more equitable distribution of health care for the rural poor by decentralizing administration and strengthening regional level delivery capacity;
- Encourage community participation by forming local health committees which elect their own health promoter, as a means of gaining community acceptance and utilization;
- Implement a simplified health care delivery system which can be managed with the limited financial and human resources of the Ministry of Health;
- Use 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;
- Shift health projects during the planning period toward the southeastern and southern parts of Bolivia; and
- Involve private health organizations to complement public sector efforts in health care delivery.

Mission efforts were to be concentrated in three areas: low cost primary health care, rural sanitation (including potable water), and nutrition improvement. The following comments on two of these areas: low cost primary health care and nutrition improvement.

Low Cost Primary Health Care -- This problem area was to be addressed by the Rural Health Delivery Systems project that would encourage community participation by formation of local Health Committees responsible for local program planning and fiscal management.

Nutrition Improvement -- Efforts in the area of nutrition improvement were to focus on institutional development to increase capacity to identify, plan, and execute nutrition improvement policies and projects; and implementation of specific nutrition improvement projects.

While the Mission's development strategy continued to evolve during the late 1970s and early 1980s, "political, economic, and administrative instability" slowed actual implementation of ongoing projects and resulted in

an unacceptably large build-up of unexpended funds. . . . 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.

Throughout this period the Mission will design its program with careful attention to the process of economic and administrative stabilization.... 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 (FY 1982 CDSS, p. 56; emphasis added).

Despite the difficult economic situation, the Mission held out the possibility of returning in FYs 84-86 to "broader and more ambitious institution building projects." (FY 1982 CDSS, p. 5).

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 (FY 1982 CDSS, p. 58; emphasis added).

The following year's CDSS (FY 1983) offered minor adjustments to the development strategy articulated in the CDSSs of the two preceding years. The Mission's goal over the 1983-87 planning period continued to be that of promoting growth with equity to achieve an improved standard of living for Bolivia's poor. However, the CDSS pointed at that, with the slowing in the rate of Bolivia's economic growth in the late 1970s and the onset of economic decline in the early 1980s, USAID/Bolivia sought to "narrow the thrust" of its development assistance program to income and production-related activities (emphasis added)." Priority was to be placed on:

- Increased agricultural production and farm income, and higher per capita income through expanded off-farm employment opportunities, increased access to cost-effective energy sources, and broader economic participation of women; and
- Enhancement of the human resources base through decreased malnutrition, morbidity, and mortality, and more appropriate educational opportunities for rural children and selected middle-level training programs tied to sectors of emphasis.

While Bolivia suffered a military coup in July 1980, the FY 1983 CDSS (published January 1981) again reiterated the key characteristics of the Mission's development strategy:

- An increase in decentralization, this entailing a geographic focus on five southern and eastern departments and an emphasis on activities involving regional, local, and individual participation in decision-making (DDCs, regional offices of central ministries, and private sector organizations).
- A reduction of counterpart requirements--"Given the critical financial and administrative situation of the GOB, projects will be designed to minimize government commitments of funds, particularly new recurrent expenditures" (FY 1983 CDSS, p. 16; emphasis added).
- An increase in private sector involvement "to expand the use of private entities to reach the target group" (FY 1983 CDSS, p. 16) and donor coordination.

With respect to this latter characteristic, the FY 1983 CDSS noted that the generation of off-farm employment in market towns "appears to be a viable area toward which to direct our private sector assistance strategy" (FY 1983 CDSS, p. 16; emphasis added). Further, the CDSS noted that the Mission proposed to "concentrate on a reduced number of project activities in human resources (health, nutrition, and education) based on GOB commitment of resources and U.S. capabilities" (emphasis added). Because of continued church and government opposition to birth control and family planning programs, population activities were to be addressed through private intermediaries.

In the wake of the July 1980 coup, some changes did occur within projects specific to the social services sector.

Population -- The CDSS indicated that the Mission would continue supporting studies on population and would indirectly support family planning services by local private providers.

Health and Nutrition -- Following the coup, the Rural Health Delivery Systems project was cancelled; and the FY 1983 CDSS indicated that nutrition and rural sanitation activities would be most likely postponed. However, the CDSS noted that projects involving PVOs working in primary health care and potable water would continue to complement ongoing public sector activities.

Education -- The CDSS noted that this area would be "deemphasized as a discrete sector over the planning period in response to the Agency's reduced emphasis and the Mission's continuing experience of disruptive, politically-motivated personnel turnovers and lack of continuity. These endemic problems have worsened following the July 17 coup" (FY 1983 CDSS, p. 20). However, the Mission indicated its continued support for a pilot effort to make a Quechua-Spanish bilingual education program self-sustaining in two departments and easily replicable in two others.

### C. Decline Period

A major change in the USAID/Bolivia development strategy appeared in the early 1980s, indicating a responsiveness to the slowing of economic growth in the late 1970s and the economic decline that began in the early 1980s. While the FY 1983 CDSS proposed that the Mission's project activities would "continue to be focused in the five southern and eastern departments" (FY 1983 CDSS, p. 39). the FY 1985 CDSS represented "a significant change in direction to a more concentrated effort designed to accelerate socio-economic growth and development in a specific geographic region: the La Paz-Cochabamba-Santa Cruz Corridor" (FY 1985 CDSS, p. 39; emphasis added).

The La Paz-Cochabamba-Santa Cruz Corridor has been selected...because it includes the country's strongest primary and secondary growth poles, high value agricultural and agribusiness potential, a marketing and infrastructure foundation, and the human resource base necessary to assure the quickest development returns. These combined factors offer promising investment opportunities to the private sector, a principal focus of the long-term strategy" (FY 1985 CDSS, p. 40; emphasis added).

The focus on this "Corridor" amounted to a reduction in the "target geographic area" of the Mission's development strategy. This reduction was made by the Mission in recognition of the following considerations:

- The probable lower amount of future A.I.D. program funding;
- A reduced USAID staffing level (relative to pre-1980 levels);
- A moderate financial and institutional GOB implementation capability; and
- The GOB's desire for a new approach to solve production and income problems.

Also, the revised strategy reflected the Mission's concern regarding "the limited development impact of previous assistance concentrating primarily on the rural poor" (FY 1985 CDSS, p. 40).

The change in the Mission's development strategy also had implications for project assistance in social services.

### 1. Population

The CDSS indicated that the Mission would seek to establish a low cost, private sector distribution system to improve over-the-counter availability of contraceptives; and would encourage other donors to support the expansion of local family planning organizations.

### 2. Health and Nutrition

Under the revised strategy, proposed assistance in health and nutrition had two objectives:

- Improved standard of health of agricultural and semi-urban workers as an input to increased farm productivity and production which, in turn, are inputs to a long-term strategy emphasizing agribusiness, marketing service, and export promotion; and
- Improved quality of life of workers and their families.

Further, project activities aimed at supporting the development of social services to achieve these objectives were to be provided through private sector mechanisms. For example, the CDSS expressed support for follow-on assistance to the pilot FY 1983 Self-Financing Primary Health Care (511-0569) grant; the CHSS also called for assistance aimed at increased availability of self-financing primary health care delivery systems in the Corridor, using existing cooperatives and Savings and Loan system affiliates.

The increased emphasis on private sector involvement in and sustainability (i.e., "self-financing") of primary health care delivery systems was a response to the past difficulties that USAID/Bolivia had encountered in trying to work with and through the Ministry of Health. Experience had shown that the Ministry

- Did not have capacity to continue to implement projects once A.I.D. financing terminated;
- Was unable to meet the recurrent costs of its services; and
- Had not been able to overcome its administrative inability to deliver rural health services.

Under the new strategic approach, project assistance was to emphasize:

- Primary health care delivery provided through private services;
- Preventive services and the use of community-based health centers;
- The construction of minimum new infrastructure making maximum use of existing facilities; and
- Self-help mechanisms, where the health services offered are fully integrated within the sponsoring private institutions and are financed by the membership.

With respect to nutrition, the Mission's strategy provided for Title I and Title III support to ongoing and new nutrition activities to address caloric and protein deficiencies and provide agricultural production and agribusiness opportunities (e.g., soybean production, wheat fortification, salt iodination). Title II inputs were also to reinforce nutrition objectives through the established PVO mechanism.

### 3. Environmental Sanitation (ES)

Assistance was to be aimed at providing potable water and adequate waste disposal through a variety of non-governmental mechanisms. Relevant projects bearing on this area were to include: Title I/III sub-project, PVO self-help efforts, the Departmental Development Corporation, and Title II Food-for-Work Projects. The CDSS also noted that future ES efforts would require increased community and user contributions (e.g., fees, taxes) to cover O&M costs.

### 4. Education and Human Resources Development

The CDSS recognized that improving the manpower resource base and management capability would be necessary to ensure the success of objectives in the agricultural and private sectors. Activities to increase management skills were to include a private sector program utilizing local management training institutions, private universities, and the chambers of commerce and industry. Training was also to involve AIFLD (American Institute for Free Labor Development) to strengthen campesino unions, cooperatives, and organizations directly involved in activities to increase agricultural production.

### 5. Housing

Efforts in housing were to build on the past HG and the FY 1983 HG-007 programs, particularly in strengthening the Savings and Loan system and cooperatives. HG programs were to provide a mechanism to develop and promote rural and urban savings mobilization and employment generating activities, and to expand the institutional role of the S&L affiliates to include the self-financing health delivery model developed in the Fy 1983 Self-Financing Primary Health Care grant.

D. Sensitivity of USAID/Bolivia Development Strategy to Changing Macro-Economic Environment

The decline in Bolivia's economy had a significant impact on the GOB's ability to undertake and support projects in the social services area. The FY 1985 CDSS reflects that USAID/Bolivia took this limitation into account in designing the level of effort of the Mission's development program. For example, this CDSS noted that the Mission contemplated:

2-3 new projects per year. This level of effort reflects the Mission's analysis of the GOB's current and projected absorptive capacity limitations and reduced ability to provide counterpart funding. It also reflects USAID's assessment of an underutilized Bolivian private sector absorptive capacity (FY 1985 CDSS, p. 59; emphasis added).

However, the Mission's development strategy for Bolivia was responding to other considerations in addition to the macro-economic environment. By January 1984, the FY 1986 CDSS noted that the Mission's development strategy was evolving to cope with a range of needs (e.g., building democratic institutions, achieving economic recovery, reducing illegal coca production and trafficking, etc.). Specifically,

- The 1982-1983 Short-Term Strategy (October 1981) concentrated on encouraging a return to a democratic form of government and developing a program of narcotics control.
- The FY 1985 CDSS (January 1983) emphasized support for the country's incipient democracy, GOB efforts to achieve economic recovery, and the institution of effective coca control activities.
- The FY 1985 CDSS Update (February 1984) priorities were to halt and reverse the deteriorating economy, address the severe effects of the 1983 natural disasters (floods and drought), reduce the illegal production and trafficking of coca, and address private sector development constraints.

In the FY 1985 CDSS, in addition to activities in disaster recovery and coca control and reduction, two strategic priorities were proposed for the Mission's development assistance program:

Economic Recovery -- The CDSS noted that the highest priority would be given to encouraging the GOB to reduce its chronic fiscal deficits.

La Paz-Cochabamba-Santa Cruz Corridor -- Here the CDSS noted that to develop the growth potential of and a productive private sector in the Corridor, the Mission's assistance would "utilize a demand-pull approach through which enhanced marketing of agricultural commodities will stimulate increases in production, and, by extension, improve the income level and standard of living for farmers" (FY 1986 CDSS, p. 29; emphasis added). The CDSS stated:

it is anticipated that increased market transactions will trigger ancillary 'demand-pulls' within the region. For example, increased farm production will heighten the demand for agricultural inputs (e.g., chemical fertilizers, improved seed varieties), as well as increase the demand for production credit and skilled technical assistance. The synergism of these factors will bring increased income and heightened expectations to Corridor residents, raising the demand for consumer goods and basic social services, which, when provided, will contribute to the overall development of the region" (FY 1986 CDSS, p. 29; emphasis added).

Specific projects will...expand the participation of the private sector..., which is presently constrained by inadequate investment incentives. Activities will focus on: (1) strengthening private sector institutions, (2) increasing private sector investment, (3) promoting non-traditional agricultural export commodities, (4) expanding the use of appropriate technology transfer to support production and processing, and (5) upgrading existing and developing new handicraft products...for export markets" (FY 1986 CDSS, p. 29).

This strategy reflected a dramatic change in the Mission's earlier approach to meeting social services needs, from efforts that emphasized strengthening the delivery capability of the GOB to supply social services to efforts that emphasized increasing incomes and, thereby, the effective demand for the private sector to have an incentive to supply these services.

In FY 1983, the Mission's new DA activities included the following:

- Chapare Regional Development, to reduce the cultivation of coca, while simultaneously developing one of the country's most promising agricultural frontiers;
- Agribusiness and Artisanry, to assist and expand private enterprise development;
- Policy Reform, to establish a policy analysis unit within the Ministry of Planning;

- Strengthening of the Savings and Loan System HG/Grant, to expand private sector capacity to address shelter-related needs of low-income families, increase savings mobilization, and generate employment opportunities;
- Self-Financing Primary Health Care, a pilot private sector self-financing health delivery model; and
- San Gabriel Health Care, an experimental PVO/OPG rural health insurance system and radio health education program.

In terms of meeting the shelter needs of the rural and semi-urban poor, the assistance program was to promote rural savings mobilization, provide increased employment opportunities in rural and secondary urban areas, and strengthen the institutional role of the private sector rural Savings and Loan System affiliates. In terms of expanding private agribusiness in secondary and semi-urban centers, the assistance program was to address local marketing and infrastructure needs for traditional and non-traditional crops, provide capital for private agribusiness investment, and strengthen cooperatives and farm associations. Housing activities were to build on the ongoing Strengthening of the Savings and Loan HG/Grant (FY 1986 CDSS, p. 38).

In reading the FY 1986 CDSS, one senses a reduced emphasis on assistance to directly benefit the rural poor with respect to social services, and an increased emphasis on assistance aimed at stimulating the growth of demand for labor and, thereby, increasing incomes and consumer ability to demand and pay for needed social services.

A summary of U.S. economic assistance (loans and grants) to Bolivia during the economic growth and decline periods (from 1966 to 1986) is provided in Table 4 and Figure 2. As Table 4 and Figure 2 show, USAID/Bolivia grant assistance tended to increase from the early to the late 1970s; loan assistance fluctuated during the first half of the decade but steadily increased during the last half of that decade. With the economic crisis of the late 1970s and the July 1980 coup, there was a dramatic reduction in loan funds (down to \$0.2 million in 1981). However, within two years, economic assistance was reinvigorated, with a dramatic increase in loan and grant funds (\$40.4 million and \$22.6 million, respectively). While loan funding increased to \$49.5 million in 1984, it fell to \$28.2 million by 1986. On the other hand, grant funding rose from around \$10 million in the early 80s to \$46.3 million by 1986. Thus, while fluctuations in the level of U.S. economic assistance partially reflect the influence of macro-economic conditions (increasing provision of grant relative to loan funds during the period of economic decline), they also reflect political conditions (e.g., the 1980 coup and the subsequent return to a democratic regime).

Table 4. U.S. Loans and Grants in Millions of Dollars to Bolivia for Economic Assistance - 1966-1986.

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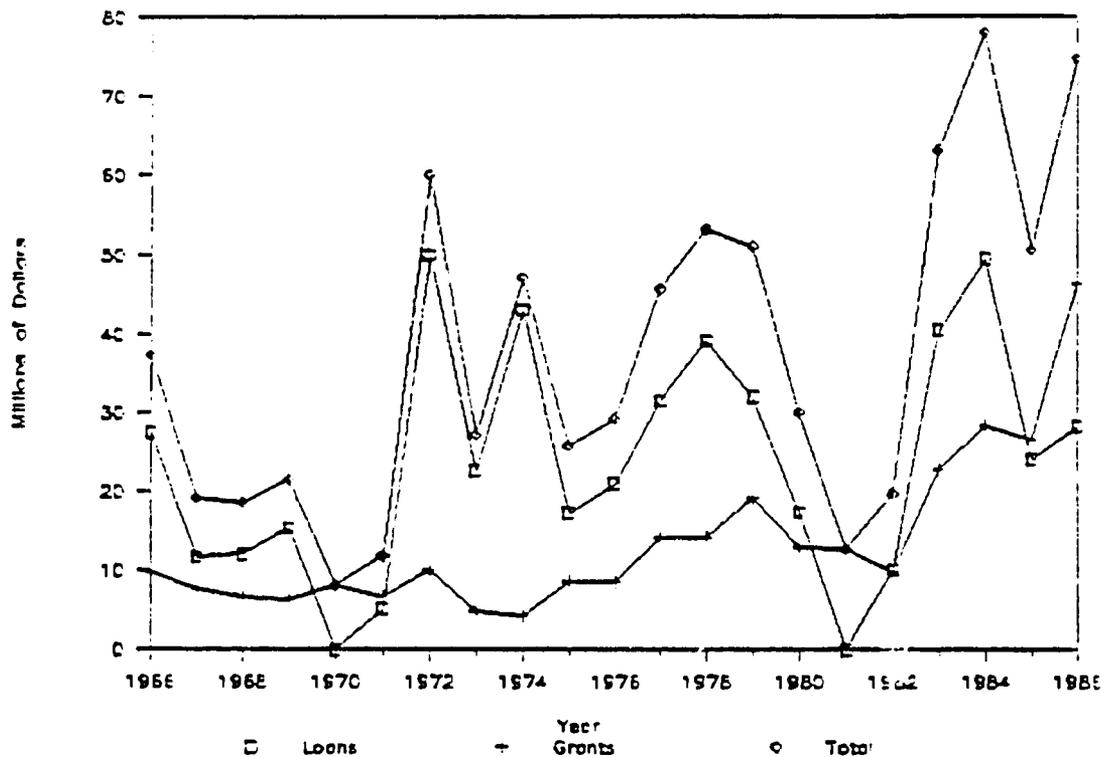
<u>Year</u>	<u>Loan</u>	<u>Grant</u>	<u>Total</u>
<u>Period of Economic Growth</u>			
1966	27.5	9.8	37.3
1967	11.6	7.6	19.2
1968	11.9	6.7	18.6
1969	15.3	6.2	21.5
1970	-	8.0	8.0
1971	5.1	6.6	11.7
1972	50.0	10.0	60.0
1973	22.5	4.8	27.3
1974	43.0	4.1	47.1
1975	17.2	8.6	25.8
1976	20.9	8.4	29.3
1977	31.5	14.1	45.6
<u>Period of Economic Decline</u>			
1978	39.1	14.1	53.2
1979	32.0	19.1	51.1
1980	17.3	12.8	30.1
1981	0.2	12.6	12.8
1982	10.0	9.7	19.7
1983	40.4	22.6	63.0
1984	49.5	28.5	78.0
1985	24.0	26.6	50.6
1986	<u>28.3</u>	<u>46.3</u>	<u>74.6</u>
TOTAL	497.3	287.2	784.5

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Source: U.S. Overseas Loans and Grants. Obligations and Loan Authorizations through the following dates: 6/30/67, 6/30/75, 9/30/77, 9/30/80, 9/30/83, and 9/30/86.

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Figure 2. U.S. Loans and Grants in Millions of Dollars to Bolivia for Economic Assistance - 1966-1986.



Source: Table 4.

#### V. Examples of Sensitivity of USAID/Bolivia Social Services Projects to Changing Macro-Economic Environment

The previous section demonstrated that USAID/Bolivia's development strategy for Bolivia changed over time in response to the country's changing macro-economic environment. This section focuses on reviewing information about specific projects on which U.S. loan and grant money was spent by USAID/Bolivia. A review of the design and/or implementation experience of these projects is useful in illustrating the ways in which the Mission's projects have been sensitive or, putting it somewhat differently, responsive to Bolivia's changing macro-economic environment.

It should be noted that the data available from the Agency's project documentation sources are not complete. Documents on older projects (prior to the mid-1970s) are not easily recoverable. The documentation provided by the Agency's DIHF tends to be restricted to projects from the mid- to late-1970s onward; even then documentation may be limited or totally lacking for certain projects or sub-sectors.

As the reader may observe, Table 5 provides the total expenditures of USAID/Bolivia projects in the social services area through 1986. The largest area of expenditure has been in the education and human resources area, followed by health, nutrition, population, and housing and urban development. Given the previously mentioned limitations on available documentation, this section will review four of these sub-sectors: (a) population, (b) health, (c) nutrition, and (d) education and human resources development.

Table 5. Total Expenditures of USAID/Bolivia Projects in the Social Services Area. 1/

<u>Area</u>	<u>Expend. in \$</u>	<u>GNP per cap in \$ 1986</u>	<u>Expend. as a % of GNP</u>	<u>Expend. per cap in \$</u>
Education	32,567	540	0.920	4.97
Human Resources	17,437	540	0.492	2.66
Health	7,893	540	0.223	1.20
Nutrition	1,663	540	0.047	0.25
Population	1,488	540	0.042	0.23
Housing/Urb Dev	164	540	0.005	0.03

1/ Source: AID/IRM. GNP and Population Data from IBRD. 1986 population in millions: 6.557.

#### A. Population

Excepting the use of PD&S (511-0000) funds for studies of Bolivia's population situation, USAID/Bolivia has had little or not activity in the population area, this owing to opposition to birth control and family planning by church and state authorities. Indeed, the family planning component envisioned in the original design of the Rural Health Services Delivery (511-0453) project was dropped due to Catholic Church influence on the Ministry of Health. In recent years, the Mission has provided limited support for private sector initiatives in the family planning area.

## 5. Health

After education, health has been the second largest social services area in the USAID/Bolivia portfolio of social services projects. Project design and/or implementation experience is now reviewed for five projects: Rural Health Services Delivery (511-0453), Mobile Health Program (511-0459), Rural Health Delivery Systems (511-0483), San Gabriel Health Project (511-0536), and Self-Financing Primary Health Care (511-0569).

### 1. Rural Health Services Delivery (RHSD) (511-0453)

Rural Health Services Delivery (RHSD) was designed to run from 1975 to 1981. RHSD is of particular interest because it represented "a new approach in Bolivia to rural health care..., emphasizing community-based paraprofessional health workers and volunteers" (A.I.D., 1980:7). While designed with the MOH as the project's "principal executing agency," RHSD marked

a significant shift in USAID/Bolivia health program strategies as a first attempt at a comprehensive approach to Bolivia's complex and interrelated health problems. Past programs were built around single-purpose issues. . . . Past approaches...applied predetermined technological solutions at the central agency level (AID, 1980:7).

RHSD financed a pilot program to deliver health services to rural areas. The project also reflected a GOB "decision to shift part of the MOH programmed budget for curative services" to "a broad range of preventive services" (USAID/Bolivia, 1976:30). The emphasis on improving health in the rural areas also reflected AID's Congressional mandate to focus on "programs reaching rural low income groups" and to improve "the administrative capabilities of the host country executive agencies in implementing such programs" (USAID/Bolivia, 1976:1).

While RHSD was concerned with developing the MOH's rural public health planning capability, the project also focused on the problem of developing a "low-cost" rural health delivery system. Indeed, because of funding shortfalls, USAID/Bolivia requested the project's participants (MOH and others) to increase their contribution to the project. The requested increases in contributions were made by the various parties. The importance of mobilizing a greater percentage of project resources from the private sector was also heightened by the difficult resource position of the GOB/MOH. Indeed, "the minimal budget resources available to the MOH coupled with over-centralization make it difficult for the MOH to shift from its urban, curative emphasis" (USAID/Bolivia, 1976:9).

The focus of project activity was to be on creating "an operational local, low cost, rural health services delivery capability (RHSD) within the MOH, by reinforcing and revising the MOH support systems at local, departmental and central levels" (USAID/Bolivia, 1976:9; emphasis added). The data generated by the project were to provide a basis for determining whether the Mission should develop a follow-on loan project that would support expansion of the system initiated in the pilot project.

In terms of project strategy, RHSD was designed to increase services by increasing the number of low-cost health promoters. This would have "the dual effect of minimizing increases in salary costs while...generating savings by reducing time spent on minor cases by more expensive personnel" (USAID/Bolivia, 1976:30). The strategy, which also emphasized shifting

demand for services from the high cost, curative facilities to the satellite community preventive services facility, ..., should result in reducing operating costs within the entire system (USAID/ Bolivia, 1976:31).

The project was also designed to provide data that would allow USAID/Bolivia and the MOH to determine which costs of the system were start-up costs and which were recurrent, the former being costs that would not need to be repeated if the project were replicated elsewhere. The ultimate aim was to provide better services at a reduced per unit cost (USAID/Bolivia, 1976:31).

However, implementation of the project was impeded by the location of the project within the MOH. Indeed, an October 1980 "Tracking Report on AID Sponsored Primary Health Care Projects" reported:

According to all sources consulted, deficiencies in the Bolivian administrative system have been a major cause of the project's problems and delays. The system in the [MOH] (and in the entire government) is highly centralized. There is little delegation of authority, especially regarding budget and personnel. (The project's effort[s] to encourage decentralization of these functions to the departmental level have not been successful to date, though there is evidence that the [MOH] is becoming increasingly aware of the importance of decentralizing its operations.... Delays in budget approval and funds disbursement caused major difficulties: salaries were delayed, sometimes for months, breeding discontent and attrition among project personnel; funds for vehicle maintenance and other supplies and equipment often were unavailable when needed, drastically slowing activities...(AID, 1980:13-14).

While RHSD was USAID/Bolivia's first effort at an integrated health project, a 1979 evaluation of the project noted that "its time/effort/personnel calculations were not realistic" (reported in AID, 1980:14). The project also encountered a serious problem in a high attrition rate among promoters and auxiliaries, mainly because of payment and logistical problems in getting drugs and supplies. The "Tracking Report" noted a need

for a more stable way of paying promoters (the present system of payment by community committees is highly variable in type of payment, amount and frequency) and for development of other, nonmonetary incentives (AID, 1980:16).

## 2. Mobile Health Program (511-0459)

The Mobile Health Program-Chiquitos Vicariate was designed to run from 1976 to 1980. The project was funded through an operational program grant (OPG) to Catholic Relief Services (CRS)/Bolivia. According to the PP, this project was to extend

the [Santa Isabel] hospital's reach through...provision of two mobile health-educational teams, which, together with ten rural health officers, located at distinct points throughout the project area and rural collaborators in each community, will form a network that will provide regular medical attention and education in health to the population through the project target area (USAID/Bolivia, 1975:1).

Further, the project was to include a health education program "to enable the populace in the target area to understand and participate in plans and procedures that will help improve their health levels" (USAID/Bolivia, 1975:4).

While most services and materials were to be offered at little or no cost to the beneficiaries, the project did collect small fees for services such as parasite treatments, maternal-child and general consultations, vaccines, etc. "to help defray projects costs and also make the people more active rather than passive recipients" (A.I.D., 1980:27; emphasis added). It was assumed that, in the long run, "other projects being implemented in Chiquitos [would] increase the income of the poorer segments of the population and thereby permit their greater financial support of the project" (USAID/Bolivia, 1975:15; emphasis added).

A July 1979 evaluation found that the project faced a lack of community organization and initiative in solving problems. There was evidence of community acceptance and support (e.g., communities had formed health committees, built latrines, housed and fed the medical team during its visits, and built dispensaries and housing for the auxiliaries). However,

the people tend to see the project's services as "manna from Heaven," a gift of the "Madrecitas" (nuns), making them recipients of charity rather than active participants in development (reported in A.I.D., 1980:33).

The evaluation found the project goals to be "unrealistic given the resources available" (reported in A.I.D., 1980:32).

### 3. Rural Health Delivery System (RHDS) (511-0483)

At the time the RHDS was being designed, the GOB sought to gain USAID/Bolivia support for an alternate project, a financing scheme called the Campeño Social Insurance (CSI) program. The Mission declined to participate directly in this program. Given the country's economic situation and the GOB's limited funding capability, the Mission proposed RHDS that would provide:

- voluntary community financial support for the health promoters located in the rural communities;
- preventative community-based activities but also improvements of curative services in rural areas;
- training, administrative reform, and the development of a logistics and maintenance system; and
- phased geographical implementation for the program in three departments and at the national level, rather than attempting to cover the entire nation initially.

RHDS was programmed to run from 1979 to 1984. AID funding included a \$10 million loan and a \$3 million grant. The project was to extend the health delivery system, developed under RHSD (511-0453), to three departments, with an emphasis on developing "a low-cost health and nutrition delivery system" (USAID/Bolivia, 1978:1). The PP indicated that the proposed "low-cost health system" had been "tested and improved over the past two years in the [Rural Health Services Delivery project (511-0453)] and was an effective and efficient system of delivering health and nutrition services" (USAID/ Bolivia, 1978:2).

When RHDS was designed, the GOB designated only 1.5% of its budget for public health services. RHDS sought to expand "coverage with minimal additional cost to the...treasury" (USAID/ Bolivia, 1978:13). With a view to sustainability, RHDS provided seed capital to establish a \$1,400,000 "rotating drug fund" to ensure the availability of medicines. The design provided for the Health Promoter's salary to be paid by the Community Health Committee from funds derived from the Promoter's charges for services and medicines. Further,

the Committee may decide to set the beneficiary charge from 10 to 30 per cent above the minimum required for transportation and distribution costs. The Committee can use these additional funds to support its other health and nutrition activities, such as paying its Health Promoter, building a health post or buying land and supplies for a community garden (USAID/Bolivia, 1978:23).

The project was also concerned with developing a financial assessment of the health delivery system. In this regard the PP noted that the project would

aggregate service and resource data, thus enabling it to develop cost information in order to permit adequate evaluation of...RHDS...in financial terms, and to permit programming and expansion of the project in light of available funds. Currently the [MOH] has no cost data by services, and little cost data in any terms, so that it cannot tell what it is costing to deliver services at any level within the...system. The cost data from...RHDS...will permit the Project Team to develop program budgets, which are not presently employed within the [MOH] (traditional line budgets are used) (USAID/Bolivia, 1978:28-29).

The economic analysis in the PP indicated that the cost per family served by RHDS would fall "well within their capacity to pay" (USAID/Bolivia, 1978:57). On the other hand, the financial analysis indicated "that only a small budget increase" would be needed "to cover the recurrent cost requirements of the program. Thus, there should be no undue hardship on the [MOH], and by extension the GOB itself" (USAID/Bolivia, 1978:63).

Project implementation was brought to a halt in the wake of the July 1980 coup, after which USAID/Bolivia terminated the project by deobligating \$10.9 million of the projects \$13.3 LOP budget (FY 1983 CDSS, p. 34).

#### 4. San Gabriel Health Project (511-0536)

The San Gabriel Health Project, also known as the Tiwanacu Health Project (THP), was programmed to run from 1983-1984. The project provided an OPG of \$300,000 to support Radio San Gabriel (RSG) in La Paz. A mid-term project evaluation was conducted in July 1985 (USAID/Bolivia, 1985; Institute for International Research, 1985).

The evaluation found that THP's preventive activities were limited and that there was a low utilization of the project's medical services (average 1-2 visits per day to each health post). The evaluation concluded that it was "unlikely that" the project "had a significant impact on the health of the beneficiary population" (USAID/Bolivia, 1985:3). However, the evaluation noted that competition from approximately ten other health projects in the same area reduced the use made of the health posts. The project levied modest charges for its goods and services, while the other projects did not charge for their goods services. This, the evaluation felt, caused many users to turn to the other health projects.

The evaluation noted that an original project objective had been to create a self-financing revolving drug fund that would be primed by AID-funded purchases of U.S.-source drugs. However, at that time, the inflation rate was 3,000-4,000% a year. The evaluation concluded that establishing the revolving drug fund was precluded by hyper-inflation which made it difficult to set realistic prices. "Also THP clients are not willing to pay for drugs which they can receive free from other projects in the area" (USAID/Bolivia, 1976:6).

Another objective had been to create a self-financing social security system for the project's beneficiaries. By project's end (May, 1986), the target population--through payments for drugs and/or payment of a monthly contribution--would finance its own health care system. The evaluation doubted whether this was ever a realistic objective, noting "that it has become all the more impossible due to the same factors that undercut the revolving drug fund -- high inflation and the people's unwillingness to pay for health services which were available for free or lower cost elsewhere" (USAID/Bolivia, 1976:7).

However, over time, the project "moved much more towards an integrated multisectoral approach to health improvement. This is particularly important where, as in the project area, health improvement is not the main priority of the population. . . . The people's major priorities are agriculture and education, not health" (IIR, 1985:9-10). The evaluation noted that agricultural projects and potable water were most often mentioned in a baseline survey of the project area, and by a two-to-one margin over health posts, the third-place item.

## 5. Self-Financing Primary Health Care (511-0569)

The Mission's quest to develop a viable health delivery system continued in the Self-Financing Primary Health Care project which was programmed to run from 1983 to 1990. As of the project amendment of 5/6/87, the LOP funding for this project is \$2.1 million. The project is being implemented by Management Sciences for Health (MSH) and Proteccion a la Salud (PROSALUD), a non-profit organization created under the Self-Financing Primary health Care project. The May 1986 evaluation of the project indicated that "USAID/B has stated that the project was established pursuant to an AID Health Assistance Policy calling for greater reliance on the private sector and cost-recovery mechanisms" (John Snow, Inc., 1986:17).

This project is concerned with testing the ability of the private sector to deliver non-subsidized health care to low-income families. As a pilot project, there is an emphasis on developing an information base for and tested models of self-financing health systems, employing both prepayment and fee-for-service approaches. The health system models being tested also include institution-based (e.g., cooperatives) and geography-based (e.g., communities) approaches to identifying and enrolling clients. A mid-term evaluation in May 1986 concluded that the original design and initial delays allowed insufficient time and resources to achieve the project's objectives.

While the evaluation noted that the project was employing elements of a social marketing approach to the development and testing of self-financing health systems, the project lacked "a clear marketing plan, strategy, activities and budget" (John Snow, Inc., 1986:5). The evaluation recommended that the project recruit a full-time marketing specialist who subsequently joined the project in fall 1986. Subsequently, the project created a marketing mechanism to promote the purchase of community, institutional, and individual memberships in its health care system.

The project has had to assume responsibility for developing the research component of the project, as the sub-contractor originally responsible for this task had failed to perform. The evaluation noted the importance of marketing research as a basis for developing the overall marketing plan and strategy that would guide project implementation. However, in the original project design, the responsibility

for analytic activities...was not incorporated into the central structure of the project nor supported within the project budget. The community economic studies, critical for the assessment of the potential for communities to generate sufficient revenue to make self-financing a possibility, the development of cost, revenue, and utilization projections, and the overall management of project resources, was treated as a "research" element entrusted to...an independent institution; and therefore, this facet was organized, funded, and technically supported outside of the project structure and not subject to its own timing and oversight (John Snow, Inc., 1986:19).

This oversight, in the evaluation's view, "seriously compromised" the project's ability to accomplish its goals of testing the feasibility of developing self-financing community based PHC systems. The evaluation noted in this regard that the

separation in the management of these functions and the treatment of the community baseline analysis as research, rather than the critical central element in the community selection and project management process that it is, has led to the current state where the community survey has not been done for any of the settings in which services are now being provided! . . . This means that service and financing experiences are being generated without financial projections, without utilization projections, and without the ability to assess the community selection and marketing activities being developed and tested as a central effort of the project (John Snow, Inc., 1986:19).

In short, the evaluation was concerned "that both marketing and program development activities have occurred without having thoroughly estimated the ability of the communities to self finance service and without a comprehensive analysis of community health needs" (John Snow, Inc., 1986:30). For example, project experience has shown that initial assumptions of user preference for membership by prepayment did not correspond to actual user preferences to pay on a fee-for-service basis. Further, the project identified that not more than 15% of Bolivia's population below the middle class can afford the kind of self-financed health care, including preventive as well as curative services, offered by PROSALUD. Thus, the information being generated by the project will provide the GOB with important data needed to determine to what extent and in what ways the GOB may wish to assist in providing health care for those who cannot afford it on a non-subsidized basis. As of 1986, the GOB's budget devoted only 2% of its resources to health services.

Great care is being taken to assess the system, especially with respect to financial management, operations research, and marketing. It is particularly of interest to note that,

in variance from procedures observed under the current (1985-1987) Cooperative Agreement between USAID/Bolivia and MSH, the grantee (MSH) will execute a sub-agreement with PROSALUD whereby the latter will be responsible for administration of project funds in support of PROSALUD salary costs, operating expenses, local purchases of commodities, rent, utilities, etc. As project grantee, MSH will be ultimately responsible to USAID for these funds, but the MSH-PROSALUD sub-agreement mechanism will provide PROSALUD with the added experience of managing virtually all financial resources with the exception of those for technical assistance. This arrangement will prepare PROSALUD for its anticipated role as a direct counterpart to USAID or other donors pursuant to post-project decisions to replicate self-financing health care programs elsewhere in Bolivia (USAID/Bolivia, 1987b:44).

The recent experience of the Self-Financing Primary Health Care project suggests that USAID/Bolivia has come to place an increased emphasis on developing a model of a health delivery system that will be able to function within the limits of the Bolivian economy. In other words, there is recognition of the importance of achieving a level of self-financing that will enable PROSALUD "to cover its operating costs fully by project closure, using only the proceeds from the sale of health services to the members of the target communities and institutions" (USAID/Bolivia, 1987b:69).

### C. Nutrition

Between 1969 and 1978, USAID/Bolivia supported the Family Care or School Feeding and Nutrition project (511-0439); this was followed between 1976 and 1982 by the National Nutrition Improvement project (511-0468).

#### 1. School Feeding and Nutrition (511-0439)

This project's origin may be traced to 1957, when the GOB and the Catholic Relief Services (CRS) initiated a project to reduce malnutrition in several "vulnerable groups" (USAID/Bolivia, 1969a:2). CRS' annual estimate of requirement (AER) of food commodities in FY 1959 was approximately 500,000 pounds; by FY 1965, the AER was over 20,000,000 pounds. Yet after eleven years of feeding children, mothers, infants and workers, the PP reported that Bolivia was "not yet close to the day when the GOB could assume on its own the commodity support" (USAID/Bolivia, 1969a: 4). This "indicated that...15 or 20 years would not be too long a time for...the project" (USAID/Bolivia, 1969a:4).

While the target for the food distribution program during FY 1970 was the supplemental feeding of 260,000 persons, with the expectation that the program would increase at the rate of 20% per year through FY 1973 "when the GOB should be in a position to assume full responsibility for the program" (USAID/Bolivia, 1969a:7), the GOB budget contribution of \$200,000 in FY 1965 had dwindled to \$120,000 by FY 1966 (USAID/Bolivia, 1969a:4). Thus, the record suggested that the GOB might not want or be able to "assume full responsibility for the program" by the target date. Indeed, the 11/28/69 Project Appraisal Report of the School Feeding and Nutrition project stated:

This volagency program commenced in 1957 and in 1959 reached an annual estimate of requirements of a half a million pounds of PL 480 commodities. Since that time the program has quadrupled. GOB support for this program has been adequate at only one point during its life span and that was between FY 1964 and FY 1968 when AID began supporting the program in 1964 through XGBS funds by 80 percent and reducing its assistance each year through 1968 until the program was supported 20 percent by AID and 80 percent by the GOB. It is believed that the GOB was enchanted with the XGBS package in which the Mission supported some 30 projects, many of which were very interesting to the GOB.

One of the projects with less appeal to the GOB was the CRS volagency program. However, since it was part of the XGBS package which included priority programs, the volagency program received the needed support which it lacks today. Since 1968 project targets have not been met as well as during the time of XGBS assistance due to the general lack of GOB funding. The volagency has had no alternative other than to reduce its program from 400,000 recipients in FY 1965 to 260,000 for FY 1970 (USAID/Bolivia, 1969b:1-1.a).

The PAR noted that the GOB had made "little progress" in terms of mobilizing sufficient resources

to carry out their own school feeding and mother/infant care program in Bolivia. For a number of years the GOB...has donated US\$ 90,000 in non-fat dry milk annually.... Increases in the donation of this commodity are not foreseen for the near future (USAID/ Bolivia, 1969b:3).

Further, the PAR expressed concern that

our US volagencies are not oriented toward a final program phase out and it is evident that they do not place sufficient responsibility on the GOB when possible. AID/W should indoctrinate volagencies on the importance of the phase out and should not encourage long tours of duty in LDCs (USAID/Bolivia, 1969b:3).

A key impediment to implementation had been irregular GOB payments for distributing commodities within Bolivia. While the approach of the original CRS project had been to distribute food, USAID/Bolivia proposed, in its School Feeding and Nutrition project, to augment the approach with nutrition education.

- The one item which has not been thoroughly exploited is education in nutrition. . . . Food programs combined with education programs will have a residual effect, while food alone may not leave anything tangible behind (USAID/Bolivia, 1969a:4).
- The food program formerly stressed food distribution. Today the Ministry of Public Health and CRS with AID/W grant funded support are placing more emphasis on nutrition education (USAID/Bolivia, 1969b:1.a).

In other words, in addition to continuing the food distribution program, the project would provide support for MOH personnel to travel throughout Bolivia, visiting schools and carrying out seminars in nutrition education and home economics.

By the 6/29/72 PAR, the Mission reported that the project had trained over 2,400 outreach workers between 4/16/71 and 5/26/72, an eight-fold increase over the number trained during the previous year. While the PAR noted that the CRS/Caritas program continued to be needed to supplement the food intake of a number of people, the Mission was terminating the grant project. Further, while the project's design had envisioned an end of project status (EOPS) whereby malnutrition would be reduced among pre-school children from 20% to 10%, this EOPS was being dropped because no funds were available to carry out the surveys necessary to provide reliable baseline and follow-up data.

But the project apparently was not terminated. Two later PARs appeared for the same project number, with the name "Title II Voluntary Agency Food Distribution Program" (covering 5/22/72-12/31/74 and 1/1/75-8/30/76). However, while the original project stressed food distribution and the follow-on School Feeding and Nutrition project stressed food distribution supplemented by nutrition education, the continued project in the early 1970s began to stress nutrition studies. As the 5/19/75 PAR noted, the project, since its inception, had compiled "little or at best incomplete information...to determine the nutritional impact of the program among the target population" (USAID/Bolivia, 1975:1). Further, the surveys that were conducted lacked the scope and depth required to assess the project's impact on nutrition and to provide the information needed for the GOB to formulate an integrated National Nutrition Plan and corresponding policies. The PAR recommended that USAID/Bolivia initiate a dialogue with the MOH to determine the capability within the MOH, as well as the resource requirements, to conduct the required study.

Further, the PAR noted that the GOB had been purchasing locally produced non-fat dry milk used in the CRS/Caritas food distribution program. In view of AID/W directives and "imminent gradual reduction of PL 480 Title II food commodities," the PAR recommended that

the GOB should start increasing gradually its cash contribution to purchase more milk as well as other local foods as a way to continue the food distribution programs with increasing local contributions. Tentatively, ...this contribution should be increased to US\$110,000 for CY 1975 and US\$220,000 for CY 1976. Future contributions should be determined ASAP, and included as part of the phase-out plan to be developed jointly by CRS/Caritas, MOH, MOF and USAID (USAID/Bolivia, 1975:1.b).

The PAR also recommended that a phase-out plan of action be prepared, with a "detailed plan for the increased, gradual assumption of all inputs by the GOB or other local entities" (USAID/Bolivia, 1975:1.b).

The following PAR (1/1/75-8/30/76) reported that the GOB increased its contribution to Caritas by 35% and the amount allocated for food commodities by \$110,000 in CY 75 and \$225,000 in CY 76 (USAID/Bolivia, 1976a:1.a). Further, the PAR reported that, while the MOH had conducted nutrition surveys during the reporting period, "there was no assessment made of the nutritional impact of this project" (USAID/Bolivia, 1976a:1.b). However, the surveys were reported to have provided "a basis for the development of a National Nutrition Plan" and that the GOB was formulating policies to improve the nutrition deficiencies in the Bolivian population.

The PAR also noted that the urgency of preparing a phase-out plan had been calmed when a significant increase of Title II commodities became available. However, the PAR stated that "a plan to progressively phase-in increasing GOB and community contributions for the school feeding program" would be "ready by December 31, 1976" (USAID/Bolivia, 1976a:3.a).

Finally, the PAR noted one of the project's EOPS conditions: "A food distribution program...operating without foreign assistance providing highly nutritious foods and nutrition education ...by 1988" (USAID/Bolivia, 1976a: 4.a). However, the PAR stated that the "GOB has indicated its inability to achieve this EOPS by 1981 at which time this program has been scheduled to conclude. Accordingly it has sought other donor assistance through 1988" (USAID/Bolivia, 1976a:4.a).

## 2. National Nutrition Improvement (511-0468)

The purpose of the National Nutrition Improvement project was to establish a multi-sectoral planning, implementing, monitoring and evaluation system for the GOB's National Food and Nutrition Plan (NFNP) at the national and departmental levels, under the direction of the Ministry of Planning and Coordination (MPC). Initiated in the late 1970s, the project grew out of the experience of the School Feeding and Nutrition project (511-0439). An evaluation of the project recalled that:

Beginning in the early 1970's many people working with traditional nutrition improvement interventions such as supplementary feeding programs and nutrition education threw up their arms and declared that no progress would be made in reducing malnutrition until there was an adequate supply of food available and people had access to the food. They needed sufficient resources to buy and/or grow the proper quantity and quality of food necessary for a nutritious diet. It was noted that diarrheal diseases also contributed significantly to malnutrition by decreasing the biological utilization of foods. Improved environmental sanitation, potable water and sewerage systems, as well as health services to combat diarrhea, are the only answers to this problem.

But how could a typical nutrition unit in the Ministry of Health deal with all these problems and solutions that were in the domain of other organizations like the Ministry of Agriculture, Ministry of Labor, Ministry of Commerce and Industry or even other divisions of the Ministry of Health? . . . As an alternative, both AID and the United Nations Inter-Agency Project for the Promotion of National Food and Nutrition Policies (UN/PA) suggested that Nutrition Planning and Programming organizations be established...in ministries of planning where they could define national nutrition problems, develop multisectoral nutrition strategies and programs, and coordinate the nutrition-related activities of the various ministries (USAID/Bolivia, 1980:1).

The evaluation added that GOB officials closely involved with the Bolivia's nutrition problem also concluded that a multisectoral approach was required. However, due to scarce resources, there was a need for careful analysis of the nutrition problem "in order to develop appropriate policies and programs and to determine ways each sector could contribute to reducing these problems. Thus, a systematic approach, which included data collection and analysis, was recommended" (USAID/Bolivia, 1980:2).

In 1976, USAID/Bolivia provided \$500,000 for a grant funded Accelerated Program Development (APD) project which would lay the basis for a more comprehensive follow-on loan project. The grant project, known as the National Nutrition Improvement project, was designed to assist the Ministry of Planning with the establishment of a nutrition planning and programming system capable of developing and coordinating national and regional policies and programs directed at improving the Bolivian nutrition situation.

It should be noted that this project was implemented during the period of economic decline in Bolivia's economy. Indeed, the 1980 evaluation noted that the

period 1978-1980 has been characterized by AID and U.S. Embassy economic officers as the worst time in recent Bolivian economic history. Inflation has seriously hampered the government's ability to maintain and expand services (USAID/Bolivia, 1980:9).

Of course, if the predecessor project (School Feeding and Nutrition) had encountered difficulties in getting the GOB to meet its counterpart obligation during the period of economic growth (late 1960s and early 1970s), then such a problem would be even further aggravated during the period of economic decline. Indeed, a PAR noted that the economic situation had "put increased pressure to reduce public sector spending and to refrain from contracting short term debt" (USAID/Bolivia, 1979a:6). Further, in response to this situation, USAID/Bolivia

reduced the counterpart requirement on new projects to the minimum 25 percent stipulated in the FAA. In addition, a proposed follow-on loan grant project may be delayed until FY 1981 the result being a requirement to extend the current grant for an additional two years...to sustain level of progress achieved thus far and to assure that a sound nutrition sector base will be in place once the follow-on project begins implementation (USAID/Bolivia, 1979a:6).

Yet the National Nutrition Improvement Project, while being implemented by a GOB agency (Ministry of Planning and Coordination), represented a dramatic change from traditional approaches (food distribution and nutrition education) emphasized during the period of economic growth. This project emphasized developing the trained personnel, data collection and analysis capability, and organizational development required to design and implement policies that would have a positive impact on the country's nutrition situation.

Further, the PP amendment provided an increase in funding for various project activities, including experimental projects to be implemented on a decentralized basis by the Departmental Development Corporation (USAID/Bolivia, 1979b:20). "These projects essentially will be pilot projects designed to test specific interventions on a limited scale prior to initiating efforts on a country-wide basis" (USAID/Bolivia, 1979c:16).

In addition to the economic constraints imposed on the project during the period of economic decline, implementation was also hampered by the general political instability existing in Bolivia during this period. Indeed, as of the 2/24/82 PAR,

four changes in government during the implementation period led to the replacement of key high level and administrative project related officials (e.g., three MPC Ministers, four DAN directors, five INAN [National Food and Nutrition Institute] executive directors) and a considerable loss in time and effort in familiarizing the new GOB personnel with the project (USAID/Bolivia, 1982a:3).

Further, in compliance with AID/W guidance following the July 1980 coup to reduce support to GOB institutions, USAID/Bolivia negatively affected implementation by the following actions: a reduction in short- and long-term technical assistance, the deferral of the initiation of planned activities, the limitation of implementation only to the completion of initiated basic studies and experimental sub-projects, and the deferral of institutional strengthening and policy development actions (USAID/Bolivia, 1982a:13-14).

Subsequently, USAID/Bolivia determined that the deteriorated administrative, economic, and political situation would not permit the completion of ongoing activities by the project's termination date (9/30/81). To provide sufficient time to complete these activities, the project was extended to May 31, 1982.

By the end of the project, a National Food and Nutrition System (NFNS) was a legally established framework for multi-sector nutrition planning, implementing, monitoring and evaluation activities. Also, a Department of Food and Nutrition (DAN) and the National Food and Nutrition Institute (INAN) had been institutionalized, fully staffed and functioning with defined administrative and financial procedures. As of January 1982, GOB financing of INAN had been obtained, and ten nutrition studies and three experimental projects had been completed by DAN and INAN. Studies and experimental activities undertaken by the project had enabled the GOB to focus its resources on the development of nation-wide programs addressing the major nutrition problems. The final evaluation concluded:

Project achievements are remarkable, considering that there were eight changes of government during the life of the Project, that normal US/Bolivia relations were suspended for approximately one year following the July, 1980 Coup, and that the economic...situation was one of the worst in the history of Bolivia, seriously affecting the GOB's ability to maintain the level of existing services (USAID/Bolivia, 1982c:3).

#### D. Education and Human Resources Development

USAID/Bolivia projects in education and human resources development during the 1970s were largely aimed at strengthening the capability of the public sector to deliver education to the country's population, particularly in the rural areas. The major projects in this respect included Educational Management and Instructional Development (511-0450), Rural Education (511-0456 and 511-0477), and Rural Education II (511-0482). These projects, in addition to including institutional development components (e.g., training), assisted in reorganizing and decentralizing education administration to local and regional levels.

Indications of the sensitivity of projects in the education sub-sector to Bolivian macro-economic conditions became evident in a number of projects designed or implemented during the 1980s. The four projects reviewed are: Bilingual Education (511-0520), Management Training (511-0580), Training for Development (511-0584), and Micro and Small Enterprise Development (511-0596).

##### 1. Bilingual Education (511-0520)

Bilingual Education was programmed to run from 1980 to 1984, supported by \$2.5 million of grant funds and \$5.0 million of loan funds. The PP identified this project as "a cornerstone for the [education] sector strategy in that its objective of keeping rural children in school longer to educate them better attempts to prevent their entrance into the poverty cycle" (USAID/Bolivia, 1980:7). The project aims at increasing "individual opportunity for economic integration and equity" (USAID/Bolivia, 1980:7). In view of Bolivia's limited economic resources, the project was

designed to address four efficiency measures identified in the FY 1982 ABS: 1) replication of a successful project activity using more local management; 2) geographic concentration; 3) utilization of other donor experience; and 4) increased utilization of host country analytical and managerial capabilities (USAID/Bolivia, 1980:7).

With respect to the project's sensitivity to the Bolivian macro-economic environment, the PP noted the Mission's concern that project-developed educational materials be produced in a "cheaper format" in order to extend bilingual education over wide areas at a minimum cost. The project design provided for each departmental center to establish a production unit that would be responsible for producing materials (worksheets, pamphlets, etc.). The PP stated that the separate production units would be justified on several counts (e.g., lack of economies of scale from a single, centralized center) (USAID/Bolivia, 1980:11, 25).

The PP was also sensitive to the question of whether the GOB would be able to continue to provide the public resources needed to sustain bilingual education after the project ended. While the Ministry of Education and Culture (MEC) was to make an annual contribution of \$540,000 to the project, this represented less than .5% of the ministry's estimated 1980 budget. The PP noted:

The additional cost to the GOB of expanding this project would consist of the cost of creating and staffing three new departmental centers, additional training costs (which would be low because the staff trained under this project would be available for that purpose), and additional printing equipment. Since the project is designed to have parents pay for the bilingual materials produced by the project (textbooks, etc.) the cost of materials will not have an impact on the MEC budget. The financial analysis...estimates that recurrent cost to the GOB for bilingual education is only a fraction of the annual MEC budget. Given the minimal costs that would be associated with an expansion of the project, the additional impact on the MEC budget would not be significant (USAID/Bolivia, 1980:13).

A recurrent cost analysis showed that, of the GOB costs associated with the project, two would continue to be incurred once USAID/Bolivia inputs terminated: materials development and production, and administrative costs (including salaries for specialists, technicians, and teachers). The PP reported that the estimated annual recurrent cost would be \$300,000 and \$540,000, respectively, and that these costs accounted for only 0.63% of 1980 MEC expenditures.

## 2. Training for Development (511-0584)

This project was programmed to run from 1985 to 1988, and to be supported by \$2.5 million in grant funds. The project is concerned with addressing the problem that the lack of policy-level and technical expertise within the GOB has adversely affected virtually all national policies, especially those related to the private sector. Indeed, owing to the decline of the economy in the late 1970s and early 1980s, many highly trained Bolivians left their country in search of economic opportunities elsewhere. As a result, Bolivia was "left with a generation of insufficiently prepared government, labor and private sector leaders to solve its complex and debilitating political and economic problems" (USAID/Bolivia, 1985:5).

This shortage of western-oriented, well-trained decision-makers...has constrained the effectiveness of the GOB Ministries of Planning, Finance, and Industry and Commerce and the Central Bank. With the departure of many of their most capable and experienced employees, GOB ministries have been characterized by inadequate analysis and understanding of macro-economic issues. Partly as a result, no lasting significant economic reform measures have been undertaken by the present Government (USAID/Bolivia, 1985:6)

The project is aimed at providing U.S.-based training and seminars to enable increased numbers of GOB officials to develop their abilities to analyze the Bolivian economy more effectively and to design macro-economic policies. Also, the project is providing private sector entrepreneurs with technical and managerial skills necessary to expand the role of the private sector in the economy. According to the PP amendment, the general criteria for the training and the seminars will be

their relevance to the USAID/Bolivia's strategy objectives of stabilizing the Bolivian economy, strengthening the country's democratic base, rationalizing the nation's macro-economic policy framework and expanding the role of the private sector in the economy (USAID/Bolivia, 1985:8; emphasis added).

The project's specific training activities will, in turn, feed into the Mission's overall strategy to preserve democracy

by promoting self-sustaining economic growth and by improving the well-being of the rural poor through increased small farmer production, expanded employment opportunities and larger real incomes. The Mission's...objectives are to bring about economic stabilization and...macro-economic policies which will allow the private sector to play a larger and more dynamic role...(USAID/Bolivia, 1985:12).

Further, the strategy maintains that

one of the most effective means of...stimulating economic recovery, once appropriate macro-economic reforms are taken, is through the nation's private sector. For this reason, the Mission has been encouraging the development of private sector enterprises in which Bolivia has a comparative advantage.... To be able to optimize its participation, the private sector must have a macro-economic environment conducive to its development and expansion. At this moment, partly from the absence of the necessary political stability and from a lack of expertise within the country at the policy level, the GOB has not been able to provide that setting (USAID/Bolivia, 1985:13).

In short, the PP amendment stated, the Training for Development project

will further the USAID strategy at the macro-economic and sectoral levels. By contributing to the human resource base at the GOB policy-making level (ministry officials, labor representatives and members of Congress and their staffs), the Government will have...the added expertise necessary to design a more rational macro-economic framework within which the nation's private sector can operate more effectively. Through training and seminars at more technical levels, the project will provide business managers, private sector association leaders and labor officials with the skills necessary to enable them to be more effective in their endeavors and to take advantage of opportunities which may arise through future GOB economic policies and programs (USAID/Bolivia, 1985:13).

### 3. Management Training (511-0580)

This project was programmed to run from 1985 to 1989, and to be funded by a grant of \$3,827,000. The project's objective is to establish an independent, private sector training institute to provide short-term entrepreneurial instruction to Bolivian businessmen and women at all levels, from support staff to top management. The project-supported institute, Instituto para el Desarrollo de Empresarios y Administradores (IDEA), is to be financially self-sufficient by its fifth year of operation, supported by course fees, dues paid into a membership system, income generation by a Service Center, and consulting charges. The institute has encountered a higher-than-expected demand for classes and has expanded its course offerings.

An amendment to the PP estimated that "the expansion would not impair, and would likely enhance, IDEA's plans for financial self-sufficiency within five years" (USAID/Bolivia, 1986:3). The PP amendment noted that the project's financial projections "are being regularly reviewed as the Project progresses to ensure that IDEA reaches economic self-sufficiency by August 1990" (USAID/Bolivia, 1986:3).

#### 4. Micro and Small Enterprise Development (511-0596)

This project, currently in the PID stage, is being planned for the 1988 to 1993 period, with a \$10 million grant for the LOP cost. With the stated objectives of strengthened private sector institutions, economic development, and more equitable income distribution, the project will seek to reduce Bolivia's unemployment rate that is currently at least 25%. The project's design is based on studies in a number of developing countries which have indicated that micro and small enterprises generate a relatively large number of jobs with relatively little capital. However, the micro and small enterprise development in Bolivia is hindered by a number of factors including the lack of appropriate business training. The project will address these various constraints by providing technical assistance, business management training, credit, and policy research and analysis concerning the legal impediments to the formation and growth of micro and small enterprises. In terms of human resources development, the project's training component will

help enterprise owners and operators to use more sophisticated management practices, increase efficiency, and prepare realistic plans for business growth. With such training, the enterprises will be better equipped to survive during downturns in the economy, and will be able to present themselves successfully to formal financial institutions for credit (USAID/Bolivia, 1988:16).

## VI. Conclusions

Several conclusions may be drawn from this report's review of the sensitivity of USAID/Bolivia projects to the changing macro-economic environment in Bolivia over the past two decades.

### 1. Changing Macro-Economic Environment -- Growth to Decline

The Bolivian economy experienced a period of economic growth from the mid-1960s through 1977, at which point a marked period of economic decline began that was characterized by a downturn in revenues to state corporations, increasing deficits, and a growing inability of the Government of Bolivia (GOB) to meet debt servicing requirements on loans. (See section II)

### 2. Trends in Social Indicators

While key social indicators (e.g., infant mortality rate) improved during the period of economic growth and continued to improve during the period of economic decline, the rate of improvement during the decline period was not much greater or, in some cases, was even less than the rate of improvement during the growth period. However, the data do not provide a ready basis for identifying the cause of the reduction in the rate of improvement in key social indicators during the decline period as compared with the growth period. Of course, USAID/Bolivia expenditures on social services projects (see below) represented only a small proportion of the total donor support impacting on the government's capability to deliver social services.

It should be noted that the social indicators for more recent years were reported by the World Bank to be only estimates based on projections of social indicator trends from earlier years (i.e., the growth period). Thus, the resulting indicators may paint a brighter picture of Bolivian social wellbeing during the decline period than what actually may have been the case. On the other hand, if these social indicators truly reflect an improvement in health, education, etc., this improvement may only be a lagged impact of expenditures on social services made during the growth period.

Finally, one could argue that social indicators did not decline with the collapse of Bolivia's economy in the early 1980s because things were bad from the start. The majority of the country's population lives in the altiplano, where social services were and still are highly deficient. Thus, a large percentage of Bolivia's population never really received meaningful services from the government and, therefore, were not very effected when the government gave up the pretense or providing them. Over the years, the Bolivian people have come not to rely on their government for services. For many of them, the way of avoiding economic risk has been to stay out of the formal economy (i.e., remaining subsistence producers). Therefore, when economic chaos broke out in the early 1980s, the poor suffered much less than did the better off. (See section III.A)

3. Growing Limits on GOB Social Services Delivery Capability

With the decline in the Bolivian economy that began in 1977-78, and the accompanying problems of a growing deficit and debt servicing obligations, it became increasingly difficult for the GOB to allocate resources to delivery of social services. (See section III.B)

4. Changing USAID/Bolivia Development Strategy: From Meeting Basic Human Needs to Stimulating Economic Growth

USAID/Bolivia's development strategy for Bolivia changed over time from an early emphasis on meeting basic human needs of the rural poor in a target geographic region to the more recent emphasis on identifying and responding to those geographic areas (the La Paz-Cochabamba-Santa Cruz Corridor) offering the greatest opportunities for stimulating economic growth and, thereby, increased income and capability to demand and pay for social services. This shift included a deemphasis on strengthening the role of the GOB as a direct provider of social services and an increased emphasis on the role of the private sector to provide services on a self-sustaining basis (especially in health). Further, in the case of some projects during the decline period, the Mission minimized the requirements for government commitment of funding (e.g., required counterpart).

The increased emphasis that USAID/Bolivia placed on using non-governmental entities as development (or service delivery) agents reflected, more than anything else, that the GOB could not be expected to implement or provide counterpart to any meaningful development effort. "Private entities offered the only possibility" (personal communication, former USAID/Bolivia official).

Further, one may question whether USAID/Bolivia's adoption of a growth-oriented strategy represented a shift from the Mission's earlier emphasis on meeting "Basic Human Needs." A former USAID/Bolivia official noted in this regard that:

We in the Mission would have strongly disagreed. Our principal objectives were very focused on the provision of basic needs to the poorer segments of the population. However, we recognized that these could not be provided in any substantial way via a welfare-type approach. Our goal was to deliver services on a self-sustaining basis through private means (which, in fact, our own studies indicated was what people did when the government failed to comply with its promises regarding services).

In this context, it was particularly important to try to help people improve their own income earning possibilities; thus the demand-pull strategy. Demand-pull developed as the result of our observations of the coca "industry" (that is, coca producers were very efficient producers regardless of the absence of government-assisted research, extension, marketing, etc. services; instead, the existence of a reliable, remunerative market was sufficient to "pull" productive behavior from what were otherwise traditional farmers).  
(Section IV)

Finally, the record indicates that USAID/Bolivia's development strategy was influenced by a host of considerations beyond economic factors narrowly defined. These other factors have included a policy to combat coca production and trafficking, to provide disaster relief, and to use U.S. development aid to hold together a nascent democratic structure. Even as USAID/Bolivia has sought to foster the growth of democratic institutions, particularly within the Government of Bolivia, the Mission's development assistance program, since its reactivation in 1982 following the July 1980 military coup d'etat, has been significantly redirected away from the government and toward greater involvement of and reliance upon the Bolivian private sector.

5. Changing Makeup of USAID/Bolivia Project Portfolio

USAID/Bolivia's evolving development strategy guided changes in the types of social services projects that made up the Mission's project portfolio. During the period of economic growth, Mission social services projects were primarily aimed at strengthening the GOB's social services delivery capability, particularly in education, health, and nutrition. However, with the decline in the Bolivian economy, and an increased emphasis placed by AID/W on such issues as the private sector, cost recovery, and sustainability, the makeup of the Mission's portfolio began to change.

- In education and human resources development, less emphasis was placed on reorganizing the public sector educational system that provides primary and secondary education in the rural areas, and more emphasis was placed on funding opportunities for Bolivians to acquire specialized training to enhance their ability to design more effective macro-economic policies and to compete in the market place.
- In health, less emphasis was placed on building up the Ministry of Health and outreach strategies dependent on volunteer health promoters in rural areas, and more emphasis was placed on testing ways to institutionalize "self-financing" (i.e., prepayment or fee-for-service) health delivery systems in the private sector.
- In nutrition, less emphasis was placed on the Ministry of Health distributing supplementary food or providing nutrition education, and more emphasis was placed on research on the nutrition situation and developing a policy environment that would encourage increased food availability at affordable prices. (See section V)

6. Adequacy of Sensitivity of USAID/Bolivia Social Services Projects to the Changing Macro-Economic Environment

It is not clear to what extent the change in the makeup of USAID/Bolivia social services projects was stimulated by Mission responsiveness to development policy guidelines emanating from AID/W, emerging trends in social services delivery, the Mission's hard analysis of Bolivia's changing economic conditions, or a combination of these factors.

The data reviewed in this report suggest that USAID/Bolivia social services projects were sensitive to the changing macro-economic environment. But it is not clear whether the level of Mission support for development during the decline period was adequately sensitive to prevailing economic constraints and opportunities. After all, the Mission itself was operating under budget limitations imposed by AID/W. Further, there may have been less than optimal coordination of the development activities of the GOB, USAID/ Bolivia, and other donors.

Further, USAID/Bolivia's activities in social services must be considered in light of the Mission's development assistance portfolio and strategy which, in turn, must be considered light of AID's development assistance policies. In retrospect, a self-financing approach to primary health care in the private sector may now seem very appropriate as compared with the previous approach that erroneously assumed that a sustainable primary health care system could be developed in the public sector by the Ministry of Health. Yet that earlier approach to improving health in Bolivia was seen as appropriate given the emphasis by the GOB, during a period of economic growth, on continuing to stimulate development through an "import substitution"-led approach. Of course, one now sees that such an "import substitution"-led approach to development was not viable. Thus, one needs to be careful that less than satisfactory performance in the social services area is not made a scapegoat for AID's lackluster performance in stimulating development because of underlying shortcomings in the development assistance strategy.

Finally, social services investment does not have the direct and immediate impact on economic development of potentially more productive investment alternatives (e.g., agriculture). But this study suggests that USAID/Bolivia has been involved in a process of learning how the Mission's projects can effectively assist Bolivia in improving the country's capability to provide needed social services on a self-sustaining basis. Thus, the Bolivian case clarifies that the question is not one of whether USAID/Bolivia should spend more or less on social services projects but rather what form of development assistance will most effectively stimulate socially equitable economic development.

Annex A. USAID/Bolivia Projects (511-) in the Social Services Sector - 1940s-1988 1/

Key DS = Date Started  
 DC = Date Completed  
 S = Status (A = Active, C = Completed, T = Terminated)  
 OTD = Obligated to Date (through FY86 in thousands of \$)  
 ETD = Expended to Date (through FY86 in thousands of \$)

	<u>DS</u>	<u>DC</u>	<u>S</u>	<u>OTD</u>	<u>ETD</u>
<u>Population</u>					
0000 PD&S (for studies)					
0689 Family Formation Survey-Fam Ca	67	68	C	73	73
<u>Health</u>					
0491 Inst Trans Disease	42	69	C	706	706
0909 Health Educ Welfare	43	59	C	59	59
0305 Oper Health Facilities	43	62	C	255	255
0913 Hlth Educ Soc Welf	45	58	C	53	53
0911 Occupational Health	46	58	C	47	47
0304 Environmental Sanit	46	62	C	165	165
0908 Const Hosp Hlth Centr	53	57	C	25	25
0910 Operational Health	53	58	C	62	62
0917 Opertl Ocup & Health	53	58	C	19	19
0303 Control Specific Disease	56	62	C	27	27
0312 Health Ser Joint FDS	62	62	C	1706	1706
0354 Water System	63	69	C	1065	1065
0492 Inst of Occupation Health	63	69	C	425	425
0688 Pub Health Adm Actv	66	71	C	42	42
0453 Rural Health Services Delivery (APD)	75	81	C	806	806
0459 Mobile Health Program	76	79		103	103
0479 Rural Water Systems (PVO)	77	80	C	450	450
0458 Rural Sanitation	77	86	A	4310	2603
0483 Rural Health Delivery Systems	79	80	C	5	5
0495 Rural Potable Water (CARE POG PVO)	79	82	C	305	305
0569 Self Financing Primary Health Care	83	87	A	1100	643
0536 San Gabriel Health Project (PVO)	83	84			
0590 Child Survival Initiation - OPG	85	89	A	436	0
0582 Olivia Water & Sanitation	86	88	A	2000	233
0599 Water and Health Services - OPG	86	90	A	2486	0
0600 Ntnl Oral Rehydration (ORS Packets)					
0603 AIDS Prevention and Control	88	91	A		
0601 Child Survival - OPG	88	91			
0594 Community and Child Health	88	92			

1/ Source: AID Project History List (through FY 1986), 9/2/87.

Nutrition

0439 School Feeding and Nutrition	68	78	C	3338	3338
0468 National Nutrition Improvement (APD)	76	82	C	1465	1465

Education and Human Resources Development

0900 Educ Coop Serv	44	61	C	1362	1362
0308 Indus Educ Project	48	62	C	280	280
0309 Rural Education	48	65	C	1017	1017
0311 Commercial Educ	53	62	C	22	22
0914 Tech Training Prog	54	55	C	14	14
0914 Voc Agr Education	54	61	C	218	218
0062 School Pub Adm	55	61	C	467	467
0043 Labor Training	55	76	C	1786	1786
0093 Tech Training	56	58	C	2	2
0210 Imp Ed Plan & Inst	60	62	C	6	6
0043 Labor Training	61	65	C	124	124
0319 Urban Schl Construc	62	64	C	800	800
0317 Textbook Publicat	62	67	C	376	376
0318 Rural Schol Construc	62	67	C	413	413
0356 Education Development	63	71	C	229	229
0404 Man Power Develop	64	66	C	40	40
0486 Human Resources Development	65	66	C	104	104
0487 Human Res. Dev - Ed Admin	65	66	C	14	14
0751 Educational Administration	66	71	C	368	368
0687 Univ Scholarship	67	71	C	70	70
0450 Educa'nal Mgmt & Instruc'nal Dvlpmnt	74	81	C	9913	9913
0456 Rural Education	75	79	A	4924	760
0477 Rural Education	77	81	C	6075	6075
0482 Rural Education II	77	87	A	12129	11092
0580 Management Training	85	89	A	2700	193
0584 Training for Development	85	89	A	2500	84
0592 Narcotics Education	86	88	A	250	0
0596 Micro-Enterprise Development	88	92			
0520 Bilingual Education					

Housing & Urban Development

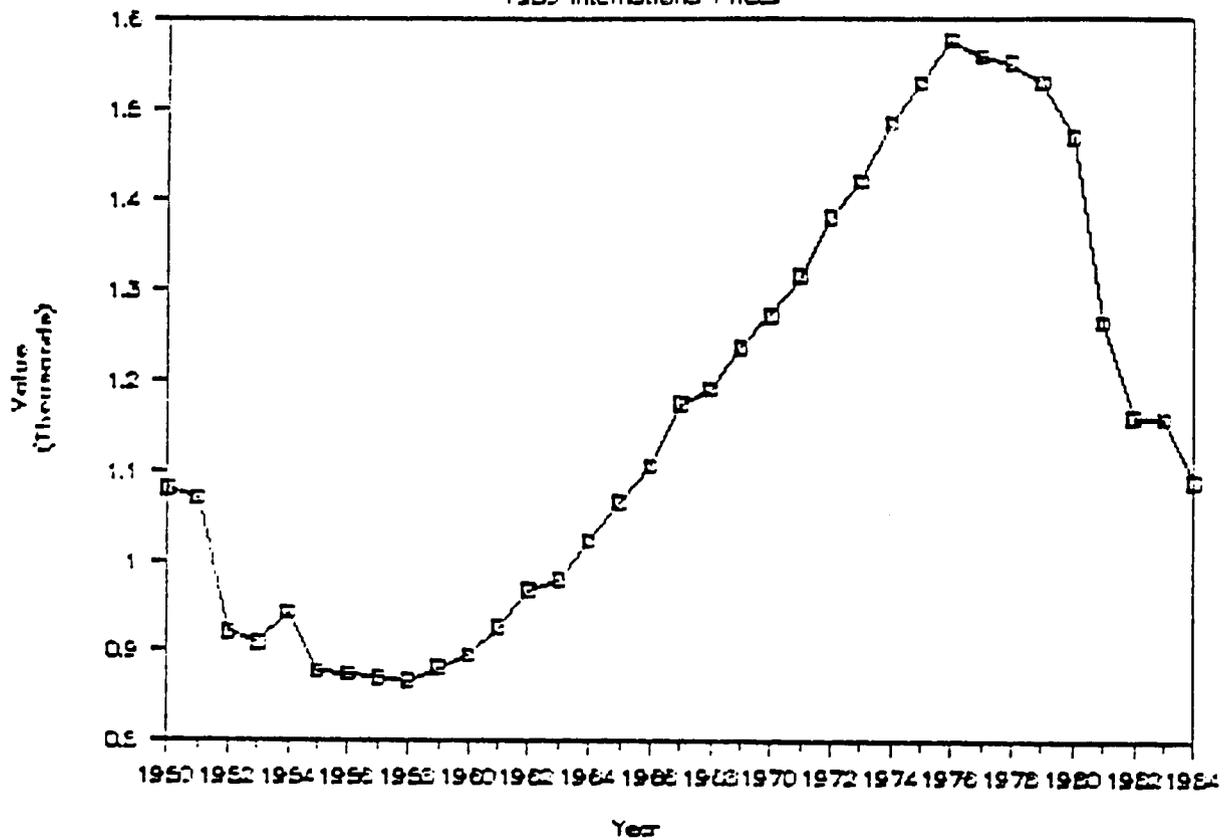
0725 Housing	67	71	C	33	33
0082 Natl Urban Develop Service	73	78	C	6170	6170
0510 Shelter for Low Income Families	79	82	C	164	164
0567 Low Cost Shelter thru Private Sctr	83	88	A	750	495

Annex B. Statistical Annex

Note: The tables and graphs in this annex were derived from various AID, World Bank, and other sources. A list of sources is being compiled.

## Bolivia Real GDP per Capita

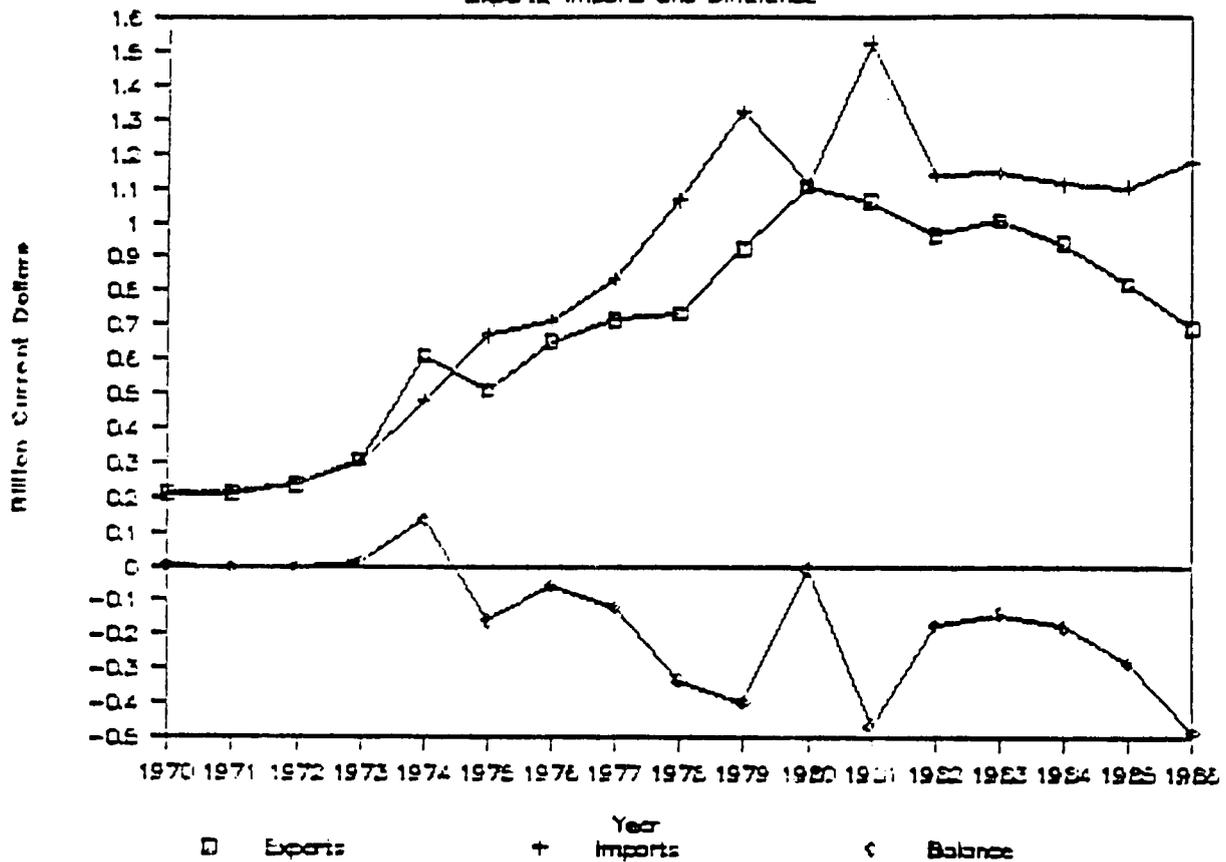
1990 International Prices



Year	RGDP per capita	Percent Change	Year	RGDP per capita	Percent Change
1950	1004		1968	1174	6.2%
1951	1080	7.6%	1969	1190	1.4%
1952	1069	-1.0%	1970	1237	3.9%
1953	921	-13.8%	1971	1272	2.8%
1954	909	-1.3%	1972	1315	3.4%
1955	943	3.7%	1973	1380	4.9%
1956	878	-6.9%	1974	1420	2.9%
1957	874	-0.5%	1975	1485	4.6%
1958	871	-0.3%	1976	1530	3.0%
1959	867	-0.5%	1977	1576	3.0%
1960	882	1.7%	1978	1559	-1.1%
1961	895	1.5%	1979	1551	-0.5%
1962	926	3.5%	1980	1529	-1.4%
1963	967	4.4%	1981	1469	-3.9%
1964	979	1.2%	1982	1264	-14.0%
1965	1022	4.4%	1983	1159	-8.3%
1966	1065	4.2%	1984	1158	-0.1%
1967	1105	3.8%	1985	1089	-6.0%

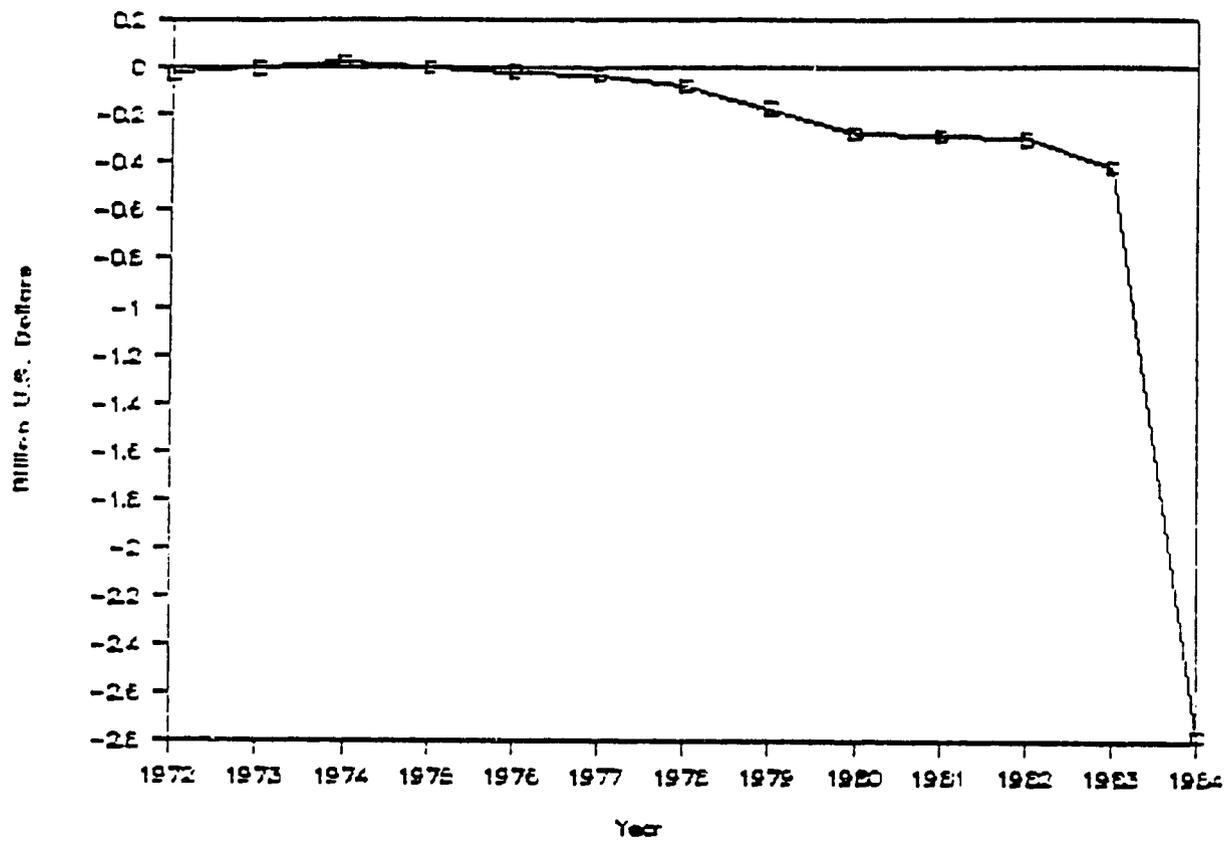
## Bolivia Trade Balance

Exports, Imports and Difference



Year	Exports	Imports	Export/Im Balance	Percent Change
1970	211	206.8	4.2	
1971	209.4	211.8	-2.4	-157.1%
1972	236.5	240.1	-3.6	50.0%
1973	309.5	297	12.5	-447.2%
1974	611.3	474.3	137	996.0%
1975	507.7	667.5	-159.8	-216.6%
1976	650.2	706.9	-56.7	-64.5%
1977	715.7	833.6	-117.9	107.9%
1978	733	1064.5	-331.5	181.2%
1979	924.6	1321.6	-397	19.8%
1980	1105.2	1111.6	-6.4	-98.4%
1981	1061.2	1525.9	-464.7	7160.9%
1982	963.9	1136.8	-172.9	-62.8%
1983	1005.2	1143.3	-138.1	-20.1%
1984	936.5	1110.7	-174.2	26.1%
1985	817.4	1099.3	-281.9	61.8%
1986	693	1174.8	-481.8	70.9%

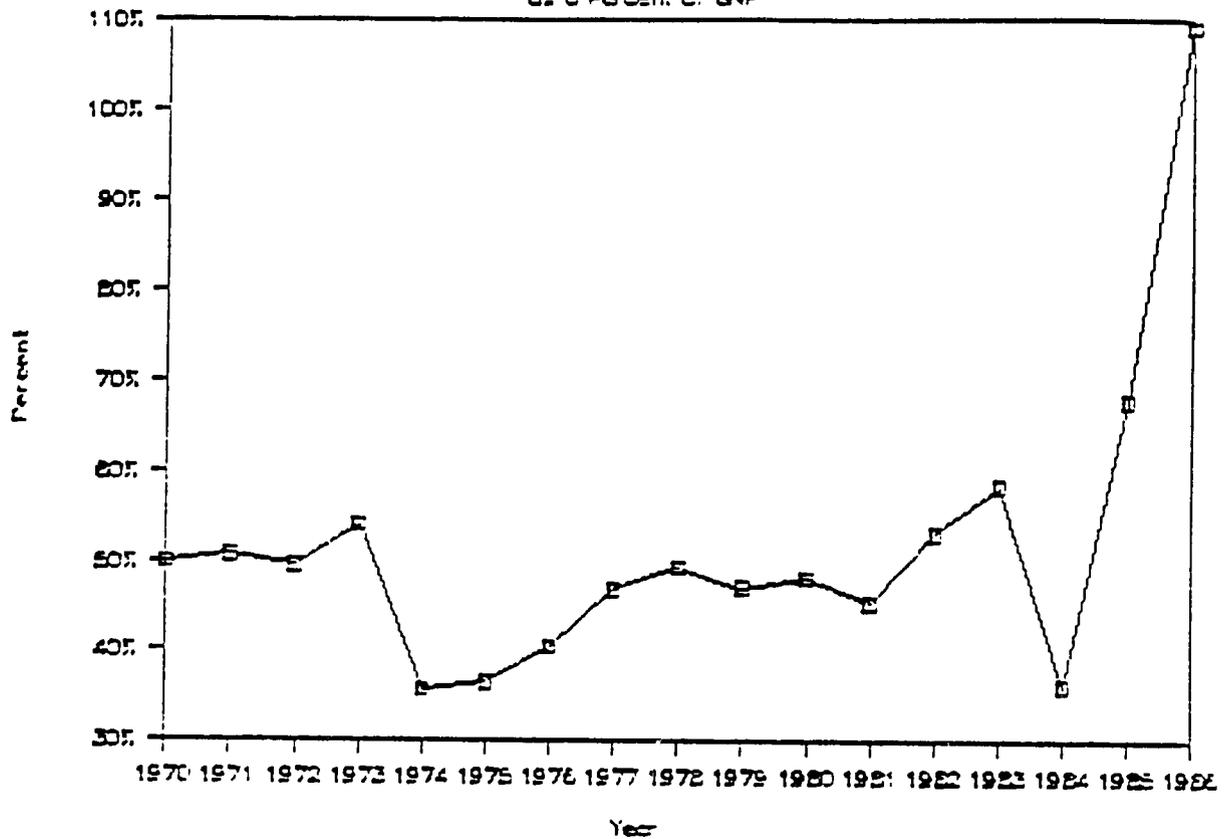
## Bolivia Budget Surplus



Year	Budget Deficit
1972	-23.1
1973	0.0
1974	25.0
1975	5.0
1976	-15.0
1977	-30.0
1978	-75.0
1979	-170.0
1980	-275.0
1981	-287.5
1982	-300.0
1983	-417.0
1984	-2772.7

# Bolivia External Debt

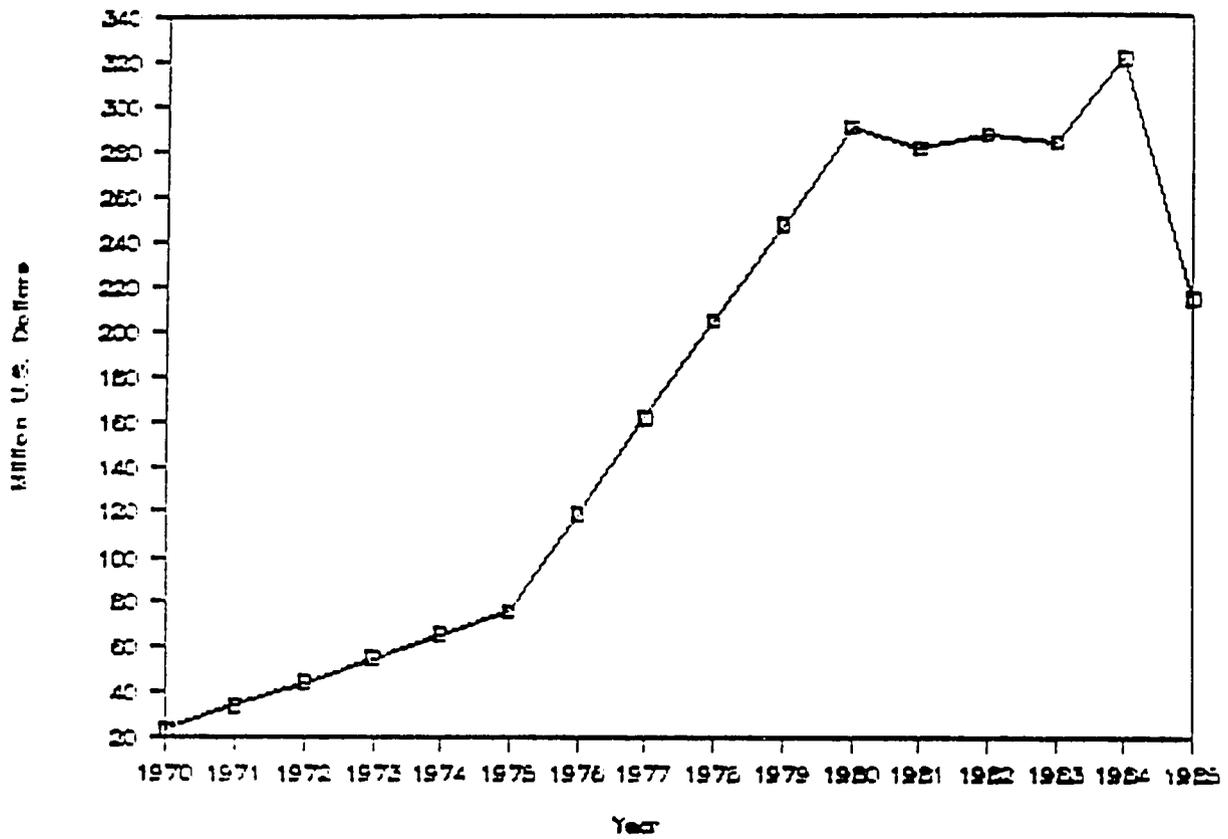
as a Percent of GNP



## Debt as Year % of GNP

1970	49.86%
1971	50.62%
1972	49.41%
1973	54.02%
1974	35.64%
1975	36.47%
1976	40.40%
1977	46.75%
1978	49.28%
1979	47.05%
1980	48.02%
1981	45.29%
1982	53.03%
1983	58.18%
1984	36.06%
1985	67.75%
1986	109.09%

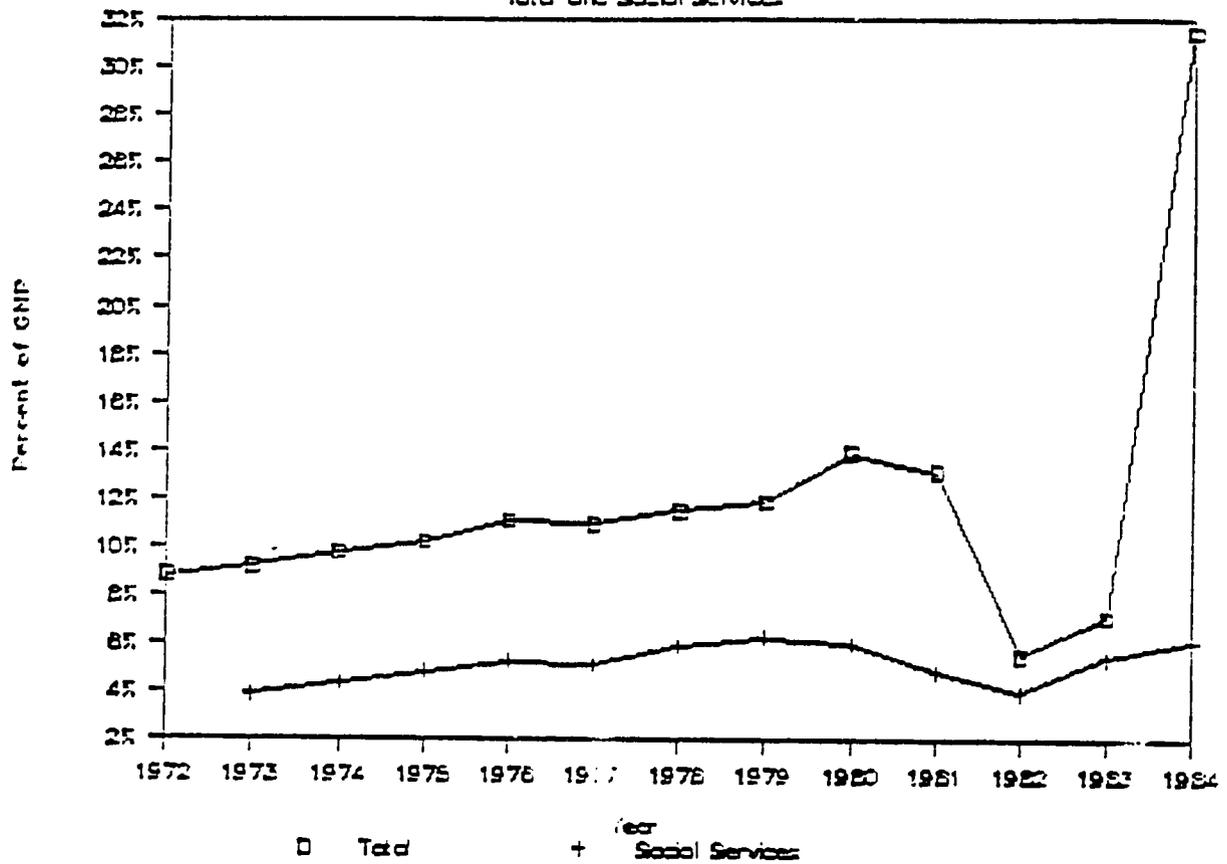
## Bolivia Debt Service



Year	Debt Service
1970	23.5
1971	33.98
1972	44.46
1973	54.94
1974	65.42
1975	75.9
1976	118.8
1977	161.7
1978	204.6
1979	247.5
1980	290.4
1981	281.3
1982	287.1
1983	283.7
1984	320.7
1985	214.4

## Bolivia Government Expenditures

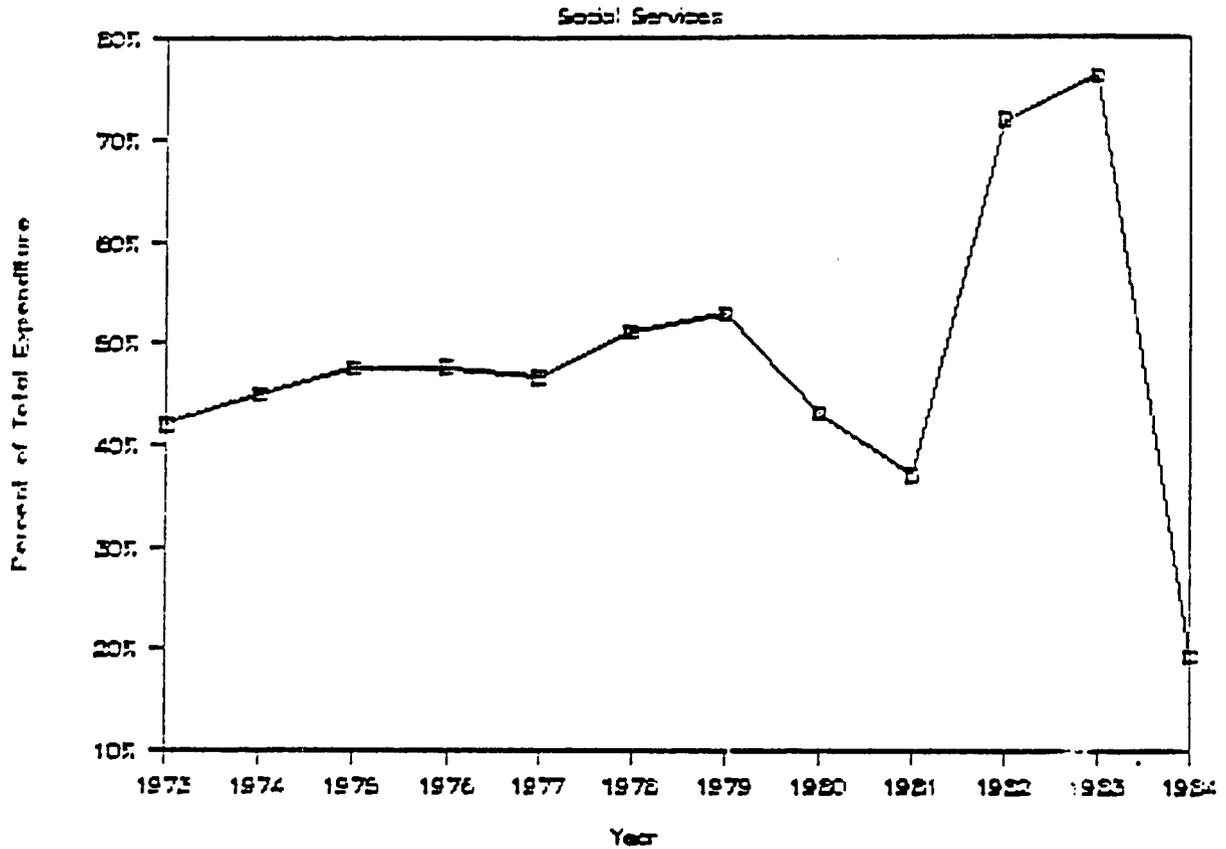
Total and Social Services



Govt Exp. Soc Services  
Year as % of GNP as % of GNP

Year	Govt Exp. as % of GNP	Soc Services as % of GNP
1972	8.82%	3.87%
1973	9.20%	4.38%
1974	9.76%	4.86%
1975	10.21%	5.11%
1976	11.11%	5.29%
1977	10.97%	5.89%
1978	11.51%	6.26%
1979	11.86%	6.00%
1980	13.92%	4.87%
1981	13.13%	3.97%
1982	5.53%	5.44%
1983	7.14%	6.10%
1984	31.48%	6.10%

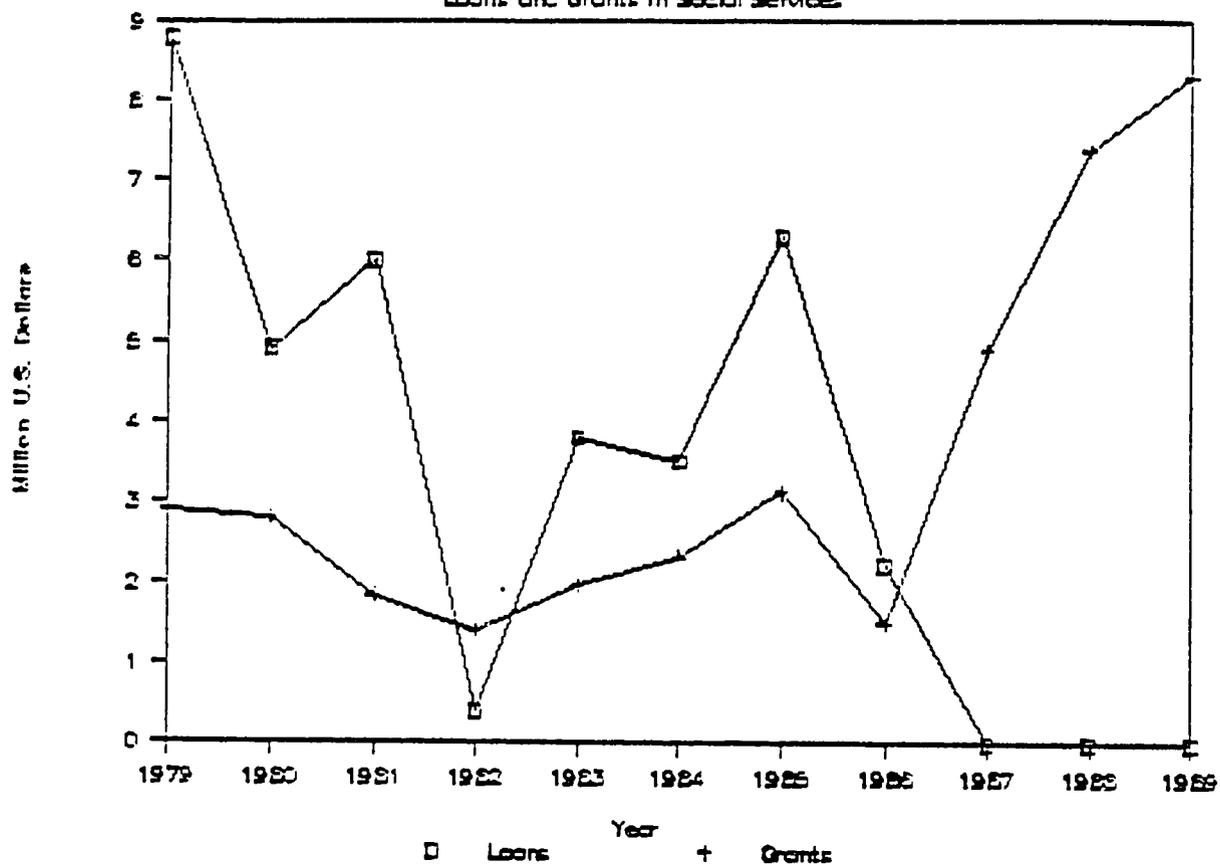
## Bolivia Government Expenditures



Year	Soc Services as % of Total
1973	42.03%
1974	44.88%
1975	47.54%
1976	47.61%
1977	46.62%
1978	51.19%
1979	52.94%
1980	43.11%
1981	37.06%
1982	71.89%
1983	76.20%
1984	19.39%

## Bolivia A.I.D. Expenditures

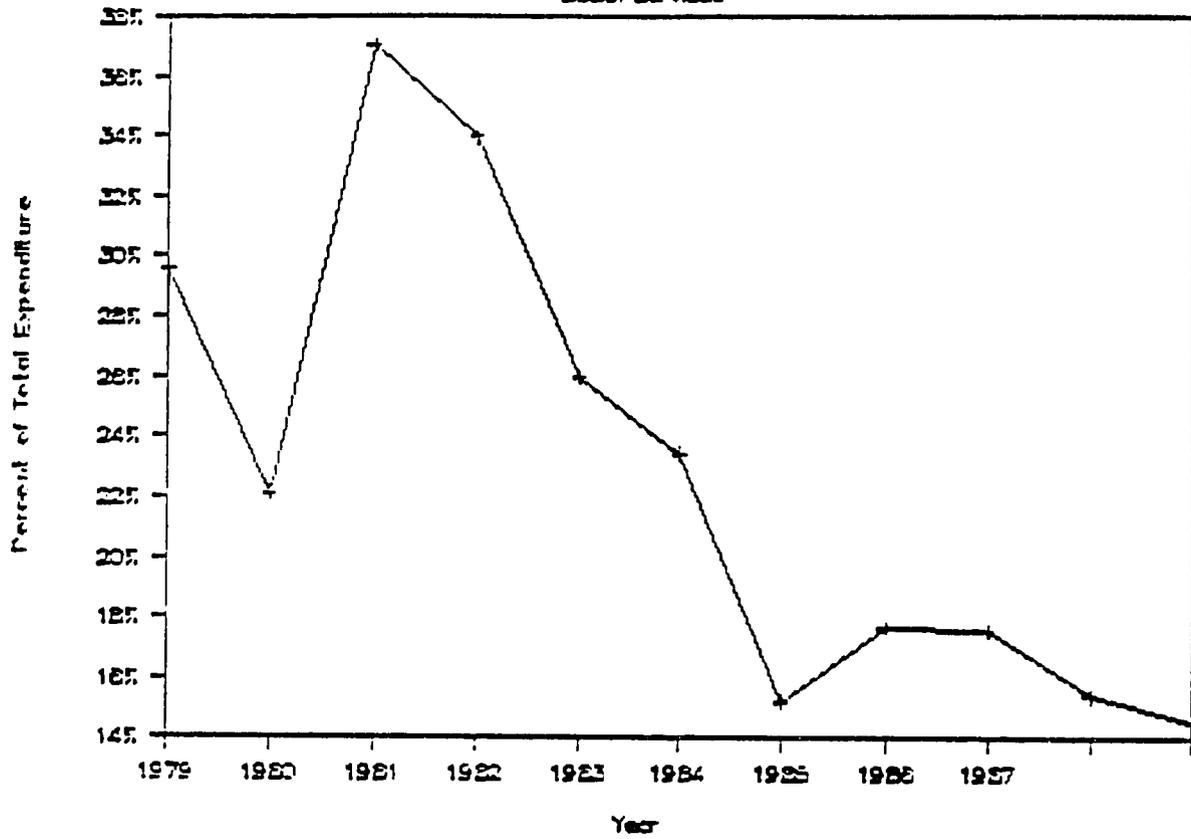
Loans and Grants in Social Services



Year	Soc Serv Loans	Soc Serv Grants
1979	8.795	2.9
1980	4.9	2.791
1981	6	1.847
1982	0.4	1.408
1983	3.788	1.968
1984	3.5	2.315
1985	6.3	3.119
1986	2.215	1.507
1987	0	4.893
1988	0	7.38
1989	0	8.304

## Bolivia A.I.D. Expenditures

Social Services



Year	Soc Serv as % Expend
1979	29.61%
1980	22.11%
1981	37.03%
1982	34.01%
1983	25.95%
1984	23.43%
1985	15.21%
1986	17.63%
1987	17.58%
1988	15.40%
1989	14.60%

## Official Assistance By Donor

Year	E.R.D.	Japan	U.S.S.R.	E. Eur.	Other
1976	20.5	2.6	0	0	6.4
1977	12.5	7.6	0	15	15
1978	12.73	14.4	0	0	13.87
1979	20.1	21.9	0	0	18.3
1980	22.2	19.2	0	15	18.6
1981	28.7	31.3	0	0	15.8
1982	10.6	29.9	2	0	19.2
1983	10.7	35.6	70	10	29.9
1984			2	10	

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