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USAID BOLIVIA **STRATEGIC PLAN**

FY 1998 - 2002

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Embassy of the United States of America

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For the past four years, Bolivia has courageously embarked on a series of second generation reforms: popular participation, administrative decentralization, education, privatization, and others, following the major structural adjustments begun with the restoration of democracy in the mid-1980s. These reforms set the stage for fundamental changes in how Bolivians relate to one another and the world, and mark Bolivia's emergence as a maturing and increasingly stable democratic society.

The USAID assistance program in Bolivia will play a critical role in helping to achieve overall U.S. goals: slowing and ultimately halting production of and trafficking in cocaine, encouraging open-market economic growth and modernization, and nurturing the institutionalization of Bolivian democracy. Through five objectives, the strategy described in this document directly supports advancement in the key areas of democracy, economic opportunity, health, environment, and counternarcotics.

The upcoming national elections in June 1997 will bring, no doubt, new faces to the political landscape. We are hopeful that the incoming leadership will continue on the path of progress begun with the current administration. The U.S, with USAID on the front lines, stands ready to work with the new leaders and the Bolivian people to strengthen democracy, expand economic opportunities, improve family health, reduce degradation of the environment, and defeat the narcotraffickers. With this help, and that of our development partners, Bolivia stands to become an even stronger ally and itself a partner in hemispheric development.


Curtis Kamman

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USAID BOLIVIA
FY 1998-2002**

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LIST OF ACRONYMS

ADL	Administrative Decentralization Law
ADR	Alternative Dispute Resolution
ADRA	Adventist Development and Relief Association
ADS	Automated Directive System
AIDS	Acquired Immunodeficiency Syndrome
AOJ	Administration of Justice
AVSC	Association for Voluntary and Safe Contraception
BAOJ	Bolivian Administration of Justice
BOLFOR	Sustainable Forestry Management Project
BOLINVEST	Export and Investment Promotion Entity
BOP	Balance of Payments
BPSP	Bolivian Peace Scholarship Project
CABI	Alto Beni and Bajo Izozog Captaining
CARE	Cooperative American Relief Everywhere
CCH	Community and Child Health Project
CFR	Code of Federal Regulations
CICOL	Chiquitanos Indian Federation
CICON	Legislative Support Services Center
CIDEM	Center for Documentation and Information on Women
CIDOB	Bolivian Confederation of Indigenous People
CIES	Center for Research, Education and Services
CISTAC	Social Research, Appropriate Technology and Training Center
CITES	Convention on International Trade in Endangered Species
CMI	Industrial Chamber of Commerce
CML	Congressional Modernization Committee
CNSS	National Social Security Institution
CORDEP	Cochabamba Regional Development Program
COSUDE	Switzerland Technical Cooperation
CPR-M	Contraceptive Prevalence Rate - Modern Methods
CSP	Customer Service Plan
DA	Development Assistance
DDCP	Democratic Development and Citizen Participation
DDM	Data for Decision Making
DEA	Drug Enforcement Agency
DHS	Demographic and Health Survey
DIRECO	Office for Agricultural Reconversion and Coca Crop Substitution
DOA	Delegation of Authority
DPP	Office of Population Policy
EAI	Enterprise for the Americas Initiative
ENAF	National Railroad Company
EO	Economic Opportunities
EP3	Environmental Pollution Prevention Project
ESF	Economic Support Funds
FAN	Friends of Nature Foundation

E

FIE	Center for Economic Investment
FOB	Free on Board
FONADAL	National Fund for Alternative Development
FONAMA	Bolivia's National Environmental Fund
FSN	Foreign Service National
FY	Fiscal Year
G/DG	Global Bureau Center for Democracy and Governance
GDP	Gross Domestic Product
GOB	Government of Bolivia
GTZ	German Technical Cooperation
HIV	Human Immunodeficiency Virus
HRD	Human Resources for Development
IBTA	Bolivian Institute of Agricultural Technology
IDB	Interamerican Development Bank
IEC	Information, Education and Communication
IJI	Initiative for Joint Implementation
INE	National Statistics Institute
INL	International Narcotics Control and Law Enforcement Bureau, Dept. of State
IPPF/WHR	International Planned Parenthood Federation/Western Hemisphere Region
IR(1)2)(3)	Intermediate Result
LAC	USAID's Latin American and Caribbean Bureau
LOP	Life of Project
MERCOSUR	South American Common Market
MOJ	Ministry of Justice
MSH	Management Sciences for Health
NAFTA	North American Free Trade Association
NAS	Narcotics Affairs Section of US Embassy La Paz
NEC	National Electoral Court
NGO	Nongovernmental Organization
NMS	New Management System
OE	Operating Expenses
ORS	Oral Rehydration Salts
OYB	Operating Year Budget
P.L. 480	Public Law 480
PACD	Project Assistance Completion Date
PAHO	Pan-American Health Organization
PCI	Project Concern International
PD&S	Program Development and Support
PDAR	Regional Alternative Development Office
PHN	Population, Health and Nutrition
PIP	Parks-in-Peril Program
PP	Popular Participation
PPL	Popular Participation Law
PROCOSI	Coordinated Program for Integrated Health
PSI	Population Services International
PVO	Private Voluntary Organization
R4	Results Review and Resource Request
REFORM	Reengineering Effort for Reorganization and Reform Efforts
RF	Results Framework
RTI	Research Triangle Institute
SDA	Special Development Activities

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SDZs	Special Development Zones
SNIS	National Health Information System
SNPP	National Secretariat of Popular Participation
SNS	National Secretariat of Health
SO	Strategic Objective
SOS	Strategy and Operations Services
SOT	Strategic Objective Team
STD	Sexually Transmitted Disease
UDAPSO	Social Policy Analysis Unit
UMOPAR	Special Police Force for Chapare Region
UNICEF	United Nations Children's Fund
UNFPA	United Nations Fund for Population Activities
USDH	United States Direct Hire
USG	United States Government
USIS	United States Information Services
WCS	Wildlife Conservation Society
WFP	World Food Program
YPFB	Bolivian Petroleum Company

USAID BOLIVIA
STRATEGIC PLAN
FYs 1998-2002

INTRODUCTION

USAID Bolivia's Strategic Plan for FYs 1998-2002 represents nearly two years of study, customer surveys, and participatory discussions involving our customers, development partners, and stakeholders. Development results achieved during the last strategy period (FYs 1993-1997) are well documented in our separate Results Review and Resource Request (R4). This Strategic Plan describes the assistance environment and rationale for a new five-year strategy and treats the current FY 1997 transition year as more like the future than the past.

1997 marks a major transition year for Bolivia, as well as for the USAID Mission. Presidential elections will bring a new administration into power on August 6. The next administration must come to grips with the structural reforms undertaken by the administration of President Gonzalo Sánchez de Lozada (1993-1997). These reforms, over time, will touch the lives of all Bolivians, rich and poor, in every department and community in the country, and in profound ways. Tangible impact, however, has been limited to date, as demonstrated by the citizenry's low approval ratings for the President and general lack of interest in the upcoming elections.

The reforms introduced during the past five years, Popular Participation, Administrative Decentralization, Capitalization, Pension Reform, Education, and a host of others, have been broad in scope and are sometimes referred to as Bolivia's "second revolution." The impact of these reforms, however, has not yet been directly felt by the majority of Bolivians, and new politicians could reverse them. As of this writing, most major political parties support a continuation of the majority of the fundamental reforms. The next administration will shoulder the responsibility of continuity.

The political and social climate over the past five years has proven fertile ground for the achievement of USAID's development objectives in Bolivia. Rarely has a country's reform program so closely matched the foreign policy objectives of the United States. Specifically, key USG concerns in Bolivia are to help Bolivia reduce and eventually eliminate the illegal coca and cocaine industry; to encourage sustainable development, including concern for the poverty alleviation, health, and social stability; and to nurture Bolivian democracy. The GOB and the Bolivian people have met the U.S. much more than halfway in elevating these concerns to the highest priorities, both in word and in deed.

USAID Bolivia's Five Objectives. The Strategic Plan for FYs 1998-2002 builds on past successes and contains no major surprises. Our four Strategic Objectives (SOs) of Democracy, Economic Opportunity, Health, and Environment remain and fully support Agency goals and objectives. While we are able to demonstrate impressive results in each of these four areas, we recognize that much remains to be accomplished. We fully expect our high-performing Strategic Objectives to continue to achieve outstanding results. Accordingly, we argue for continued support of all four Objectives, with a special appeal for the Economic Opportunity SO, which is fundamental to our overall strategy. We believe the new Bolivian Government should place economic growth at the top of its priorities; USAID can play an instrumental role in an accelerated rate of growth and in creating jobs and increasing income for the poor.

To highlight the importance of Bolivian counternarcotics efforts to both the United States and Bolivia, and the collaborative interagency approach adopted to achieve results in this area, we propose a new Special Objective for Counternarcotics. The new Counternarcotics Special Objective will allow us to better focus limited resources, improve team-based results management, and better show the link between our activities and USG foreign policy goals.

Cross-Cutting Themes. USAID Bolivia recognizes three cross-cutting themes that apply to all five objectives: citizen participation, equity, and poverty alleviation. We believe these themes reflect the current social, political, and economic reality in Bolivia.

Of the important reforms mentioned above, Popular Participation, the devolution of political and economic power and resources from La Paz and a few departmental and regional capitals to 311 municipalities, offers the most promise and challenge for Bolivia in the coming years. The Popular Participation Law (PPL) enjoys the support of all major political parties, and all major candidates for the 1997 Presidential elections propose to continue or improve Popular Participation reforms.

As a cross-cutting theme, USAID will pursue opportunities within every Strategic Objective to support the Popular Participation reform, and to involve key development partners and stakeholders in the design, implementation, and evaluation of USAID-financed activities. Participation means involving people in "locally owned" solutions, and USAID's strategy seeks to involve locally elected officials and citizen groups in decision making and implementation of activities that directly affect their lives. USAID is well positioned to help the next administration expand Bolivia's democratic reform and local decision-making agenda.

In addition, USAID's strategy focuses on equity. Equity in

Bolivia involves two dimensions: equity of access to better incomes and quality of life, and equity of treatment before the law. Throughout our strategy, we will encourage Bolivian solutions and support activities that enhance equity between and among Bolivia's many disparate groups: rich and poor, indigenous and European ancestry, and men and women.

Finally, poverty alleviation means focusing on removing barriers to greater income for the poor. Bolivia is the second poorest country in the Western Hemisphere, with a per capita GNP of about \$800 in 1996. With Guatemala, it is one of two countries in the hemisphere with a majority indigenous population -- 57% are indigenous. A staggering 70% of the population lives below the poverty line defined as an income of \$18.50 or less per month. Of these poor, about 67% or 3.5 million, are indigenous. Approximately one-half of the total population is indigenous and poor. In a country of 7.5 million people, only about one million have jobs in the formal sector and only 350,000 have bank accounts. While the economy has grown for ten straight years, a 3.2% average rate of economic growth since 1986 has been too small to make a major dent in the country's extreme poverty and generally low standard of living.

With a population rate of growth of 2.4%, per capita economic growth has averaged only 0.8 percent per year. To this day, incomes have not fully recuperated from the catastrophic hyperinflation of the early 1980s. Per capita income remains about 10-12% below the 1980 level. Only a higher rate of economic growth (at least 6 percent annually) will permit per capita income to double in twenty years and lift Bolivia from its extreme poverty into the mainstream of Latin American economies. However, per capita growth alone will not be sufficient to raise the poor indigenous majority out of poverty. To achieve the kind of broad-based growth that benefits all, structural adjustments must continue.

I. Analysis of Assistance Environment and Rationale for Strategy

A. U.S. Foreign Policy Interests

The U.S. Mission Program Plan for FYs 1997-2001 articulates the principal U.S. foreign policy interests in Bolivia through a series of achievable goals. These goals are interrelated with the Summit of the Americas Agenda and the global development partnership as presented by the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD).

1. Counternarcotics

USAID, through the Counternarcotics Special Objective and the

Democracy Strategic Objective, will contribute to the achievement of the USG's goal, "Sustained and substantial net eradication of coca plantings and thus of the primary input to cocaine production." The corrupting influence of the coca/cocaine industry affects all aspects of life in Bolivia. Legal business interests face unfair competition from money laundering schemes. Local and national courts, elections, and political parties risk infiltration and influence of drug cartels and narcodollars. In addition to being a key USG foreign policy interest, combating illegal drug production and trafficking is part of the Summit of the Americas Plan of Action.

2. Sustainable Development

USAID, through the Economic Opportunity, Democracy, Environment, and Health Strategic Objectives, will contribute to the achievement of the USG's goal, "Bolivian social stability and poverty alleviation through sustainable economic growth, openness to international trade and U.S. investment, and human resource development." Consistent with this goal, USAID also supports the Summit of the Americas Agenda initiatives of (i) promoting prosperity through economic integration and free trade; (ii) eradicating poverty and discrimination in our hemisphere; and (iii) guaranteeing sustainable development and conserving our natural resources for future generations.

Vice President Gore, addressing the December 1996 Hemispheric Summit on Sustainable Development and the Environment in Santa Cruz, stressed the need for improved policies in support of sustainable economic development, environmental preservation, and decisive action against poverty. Bolivia's central position in the heart of South America makes it an ideal country from which innovative environmental policies and practices can be tested, perfected, and disseminated throughout the region. USAID, through Economic Opportunity, Health, and Environment Strategic Objectives, will contribute to this USG goal.

OECD Development Goals

USAID shares the theme of sustainable development with the nations of the Hemisphere. In addition, our strategy, directly supports the global development partnership effort as presented by the Development Assistance Committee of the OECD. The convergence of the Hemispheric and OECD goals with our own makes USAID's strategy all the stronger.

Of the six OECD goals, USAID will support five in Bolivia through this strategy period: a reduction by one-half in the proportion of people living in extreme poverty by 2015; demonstrated progress toward gender equality and the empowerment of women by eliminating gender disparity in primary and secondary education by 2005; a reduction by two-thirds in mortality rates for infants

and children under age 5 and a reduction by three-fourths in maternal mortality, all by 2015; access through the primary health care system to reproductive health services for all individuals of appropriate ages as soon as possible and no later than the year 2015; and an effective reversal of trends in the loss of environmental resources at both global and national levels.

At the December 1996 First Ladies of the Hemisphere Summit in La Paz, Hillary Rodham Clinton underscored the importance of the role of women in society. Clinton focused on the importance of education and training for women and girls, on women's health issues, on extending sanctions against violence in the family, on enhanced participation of women in the political process and decision making, and on the rights of children and adolescents. USAID will pursue these equity themes in our discussions with development partners and stakeholders in the democracy, economic opportunity, and health sectors, and particularly with the GOB and other donors involved in education reform.

"As Bolivia has ably demonstrated, educating women about their own health -- about the benefits of spacing births, breastfeeding, good nutrition, prenatal and postpartum visits and safe deliveries not only reduces maternal mortality but decreases the number of abortions."

-- First Lady Hillary Rodham Clinton, Sixth Conference of Wives of Heads of State and of Governments of the Americas, La Paz, Bolivia, December 1996

3. Democracy

USAID, through the Democracy Strategic Objective, will contribute to the achievement of the USG's goal, "Bolivian democratic institutionalization through enhanced integrity, accountability and the rule of law in civilian and military public institutions." U.S. support for Bolivia's Popular Participation, Administrative Decentralization, and Judicial reforms has been amply articulated in many fora. The USG includes human rights and corruption among its key concerns for Bolivia's and the region's democratic development. USAID contributes to these through work with the Bolivian judicial branch, the Ministry of Justice, and the Public Ministry, and plans to design and implement additional specific interventions during the Strategic Plan period. USAID's strategy directly supports Summit of the Americas Agenda items: strengthening democracy, protecting and promoting human rights, invigorating society and community participation, and combating corruption.

B. Overview - The Development Context

Twenty years ago Bolivia had an inward-looking, state-managed economy with a protected and inefficient private sector, governed

by a dictatorial regime. Fifteen years ago, the military gave way to an elected, civilian democracy. Twelve years ago, following a period of extreme hyperinflation, political consensus formed across all major parties to fully support policies aimed at macroeconomic stability and sustainable economic growth. Since then, Bolivia's commitment to economic stability and growth, democratic political reforms, and increased social welfare has made it an exceptional partner with whom we can achieve the USG's foreign policy goals. On the eve of national elections in June 1997, Bolivia's situation is dramatically different from what it was, but its democracy and economy remain fragile.

1. The GOB's Structural Reforms

Bolivia is often cited as having one of the world's most successful economic stabilization models. The profound structural reforms begun in 1985 at the height of hyperinflation is progressing. The Sánchez de Lozada Administration introduced a new generation of reforms that sets the stage for more rapid and broad-based economic growth in the coming years and seeks to promote the socio-economic integration of the poor, largely indigenous majority.

While USAID considers these reforms critical to Bolivia's sustainable development, not all receive direct USAID support. USAID will focus during the Strategic Plan period on popular participation, judicial reforms, and environment -- areas in which the USG has a strategic concern and USAID has a significant comparative advantage relative to other donors. Similarly, USAID will support significant second-order reforms in the health sector, including decentralization of the health care delivery system. We will continue to maintain a supporting, yet modest role in pension reform, capitalization/privatization, and education reform.

Capitalization/privatization reform began in 1995. Thus far, six major state-owned enterprises have been "privatized," resulting in pledges to invest more than \$1.6 billion (24% of GDP). The GOB's complementary program of privatizing some 60 medium-sized and small state-owned enterprises should be completed during 1997 and will raise more than \$80 million. USAID played a significant role in capitalization early on, primarily in laying the

The GOB Reforms (1993-1997)

- Popular Participation
 - Administrative Decentralization
 - Capitalization/Privatization
 - Pension Reform
 - Education Reform
 - Executive Branch Restructuring
 - Abolition of Prison for Debt laws
 - Judicial Sector Reforms
 - Electoral Reform
 - Hydrocarbon Law
 - Forestry Law and Regulations
 - Agrarian Reform Law
 - Mining Reform
 - Environmental Law and Regulations
 - Health Sector Restructuring
-

groundwork for the corresponding pension reform. The Pension Reform Law enables for the first time ever, the creation of individual retirement accounts managed by private firms and transfers proceeds from capitalized state enterprises to fund annual retirement payments for Bolivians who qualify for the program. This effectively creates a small safety net for the poor indigenous majority. We expect our further direct involvement in this area during the Strategic Plan period to be minimal.

Implementation of **education reform** began in 1996. This reform is aimed at delivering effective basic education to the entire school age population. While full implementation is likely to require 10 to 20 years, the reform establishes a new institutional framework for the sector that will enhance educational quality by developing improved curricula, material, texts, and teacher training programs; improving access, equity, and efficiency of education, including strengthening sector finances; and encouraging multi- and bilingualism. The reform address historical racial, social, and cultural divisions in Bolivia and a dual society made up of the "haves" (of European background and descent) and the "have nots" (mostly indigenous people). The World Bank, Interamerican Development Bank, UNDP, and several bilateral donors are directly involved in this sector.

Throughout the Strategic Plan period, USAID will support education reform through a targeted P.L. 480 school feeding program implemented through U.S. and local NGOs. This program builds on USAID's years of experience and the GOB's interest at the highest levels to continue the program. USAID's, small but model distance learning (radio) program reaches remote populations and strengthens the skills of teachers who have little access to training. These two programs support a constant dialogue with the GOB and other donors on the importance of girls' education and nongovernmental approaches to learning.

The Administrative Decentralization and Popular Participation reforms represent two sides of a major devolution program. The Administrative Decentralization Law transfers power to officials at the departmental level to administer all economic resources from revenue generated within the department, as well as financial resources from the central government. The PP law complements this decentralization and incorporates local governments into the Bolivian public

"For democracy, the next revolution is devolution... After an era of instability averaged a coup d'etat every 10 months for 162 years, Bolivia is trying to stabilize its young democracy by transferring power and resources to its 311 municipalities."

-- Robin Wright, The Los Angeles Times

administration framework. The PP law formally divides the country into 311 municipalities and transfers 20% of national tax revenues on to these newly constituted municipalities on a per capita basis. For the first time, rural and mainly indigenous populations have been given both the power and the resources to fund sorely needed public projects and services. Municipalities headed by the first-ever locally elected mayors in Bolivian history now have authority and responsibility to manage local health, education, environment, agriculture, and related activities. By 1996, resources flowing to these municipalities nationwide increased to about three and a half times the pre-PPL level. USAID is the only major donor with a long-term, grassroots approach to the democratic engagement of municipal governments and local communities in programming, spending, and accounting for the PPL funds.

USAID also has been instrumental in helping the GOB move forward with its critical **judicial reforms**, initiated in 1992. As Bolivian democracy deepens, citizens need to believe they have a stake in its outcome and that their daily lives will improve because of it. Similarly, the investment community must have the assurance that effective rule of law will protect their interests, allowing them adequate legal security. Key aspects of the judicial reform include passage of the Criminal Code in March 1996, and the drafting of enabling legislation for the Code of Criminal Procedures and the Judicial Council and Constitutional Court, all preconditions for efficient, transparent, and fair justice.

2. Development Realities

In spite of the GOB's impressive structural reforms, Bolivia lags well behind its neighbors and its own expectations in key areas.

Democracy. Significant progress in establishing legal structures has opened the way to truly participative democracy, but most Bolivians have yet to see palpable change in their daily lives. In Bolivia, the urgent challenge is to deepen and broaden the reach and effectiveness of democracy, attracting the poor indigenous majority into useful and satisfying forms of social action that produce material benefits. The main institutional engines of citizen participation, representation, and social service are in the midst of reform, as Congress, regional governments and, most important, local governments are restructured to serve as efficient conduits for citizen action. But most citizens remain ignorant of these changes or of how to take advantage of them to better their lives and their communities.

The legal system has made fundamental and positive changes in the way it deals with the dispossessed majority, whose members are far more likely to be caught up in the criminal justice system.

The public defense system has doubled its coverage in each of the four years since its establishment. New laws have been passed, abolishing prison for debt, installing non-money bail procedures for pre-trial release, eliminating counternarcotics law provisions that allowed continued detention after judicial acquittal, and establishing strong protections against domestic violence. While these reforms have changed laws that affected the poor majority most heavily, their application is still uneven. Many who qualify for release from detention still remain there beyond legally prescribed times. Ignorance of a citizen's constitutional rights is common among citizens and justice authorities alike. The public defender's budget, straightlined for the past two years, is stretched to the breaking point, with 24 offices now operating on the same financing that supported six. A crisis in representation for poor defendants is imminent.

For the first time, voters in the upcoming elections will be able to vote directly for candidates running from single-member districts for seats in one half of the lower house of Congress, instead of voting for fixed party lists. Single-member districts will increase local choice and broaden representation. However, the arrival of newly elected members, who will now owe their allegiance at least as much to a local constituency as to a national political party, also threatens governability in Congress. Party leaders fear that party discipline, key to the durability of past years' political coalitions, could break down and lead to a return of revolving cabinets and political instability. While this fear is probably exaggerated, it is not without foundation, based on similar changes in other countries in the region. In the face of the coming election, there is reason for discomfort and anxiety. The moment is at once one of great opportunity and great uncertainty for Bolivian democracy.

The Economy. Bolivia has one of the highest per capita dependencies on foreign funds in the hemisphere. The country's external debt of about \$4.9 billion is 74% of GDP. The total debt to export ratio is almost 4 to 1 and debt service accounts for a staggering 32% of export revenues. This debt burden remains one of the most significant impediments to economic growth. Bolivia's position in a competitive world market remains in doubt unless productivity is improved and foreign exchange needed for debt payment and growth is generated through permanent export growth.

A major event that will shape Bolivia's development agenda for at least the next decade is the signing of associate membership into MERCOSUR, the Southern Cone regional trade block with Brazil, Argentina, Paraguay, and Uruguay. Bolivia's entry in March 1997 into MERCOSUR, the largest trade block in South America and the fourth largest in the world (after the North America Free Trade Association, the European Union, and Japan), will also have important trade and investment ramifications for the United

States. Given Bolivia's central location in the Southern Cone, and its full membership status within the Andean Trade Association, a significant portion of all regional commerce may one day pass through Bolivian borders, converting Bolivia into a hub for the region's commerce.

This prospect is of pivotal interest to the United States as it looks to South American markets for enhanced trade and development in the 21st Century.

Within five years, Bolivia expects to be a full member of this integrated, growing, and relatively open market of at least 240 million people, with an output of well over \$1 trillion per year. Depending on a variety of factors, not the least of which is the receptivity of the new Bolivian Administration and the availability of economic growth Development Assistance (DA) funds, USAID will support MERCOSUR-related initiatives during the Strategic Plan period. Bolivia's neighboring countries represent the fastest growing export market, and early entry of Bolivian labor-intensive manufactured products will help prepare Bolivian business for worldwide competition, particularly with the establishment of a hemispheric free trade zone by the year 2005. Capitalizing on this opportunity will be critical to creating the growth needed to alleviate pervasive poverty.

With 65% underemployment and widespread poverty, Bolivia must promote greater value-added production in labor-intensive enterprises. At present, the modern agricultural and forestry sectors are probably more ready to compete with MERCOSUR countries than any others, though expansion of agricultural production should be done in ways that protect Bolivia's resource base. Similarly, open strip mines and lead leaching techniques being introduced by foreign concerns in joint ventures with Bolivians point to the need to build local capabilities to insure that these activities are carried out in environmentally sound ways. New companies in search of precious metals are concentrating on eastern Bolivia, particularly near the Brazilian border. The new mining law eliminates many judicial loopholes, provides better guarantees to potential investors, and establishes a single tax regime. The 1996 forestry law (developed with substantial USAID assistance) provides clear ground rules for investors, and protects biological diversity.

Moreover, Bolivia can use its geographic location to satisfy a growing demand for electricity in surrounding countries, which have poor supply and high prices. The idea of serving as an energy "bridge" and exporting natural gas and electricity to its neighbors is becoming a standard Bolivian political and economic

"MERCOSUR will open possibilities for development never before imagined by the Bolivian population. This is a challenge both for the private sector and for the government."

-- Gonzalo Sánchez de Lozada, President of Bolivia

refrain. Bolivia's hydroelectric power has scarcely been touched, with only 2% of that potential now being exploited. Bolivia is therefore depicting itself as a trading and market center -- particularly for energy and transport -- for South America's Southern Cone.

Bolivia's indigenous poor will benefit from increased employment as export-oriented growth takes off. But to prevent a widening gap between the rich and poor, additional efforts will be needed to integrate Bolivia's poor urban and rural households into local, regional, and international markets. For example, in rural areas, resource-poor households face difficulties gaining access to markets and diversifying income sources. With better functioning markets and greater competition, there is an opportunity to spread the benefits of economic growth among all Bolivians. But equitable growth is not a foregone conclusion. Despite a decade of liberalization, Bolivia's poor are far from enjoying equal opportunity. Opportunities for Bolivia's indigenous poor are essential as competition with MERCOSUR countries grows. If democracy does not bring economic benefits to the poor, its sustainability will remain in doubt.

Health. Despite progress in recent years, Bolivia still ranks among the lowest in the hemisphere in health indicators. Thirty-eight percent of Bolivian children under five suffer from some degree of malnutrition, which is associated with four out of every five deaths of children under five. Poverty is the leading cause of infant mortality. Recent estimates show that average (rural and urban) access by Bolivians to potable water is only 57%. Only 51% of Bolivians have access to basic sanitation.

The GOB made important progress to incorporate women into the development process during the past four years. The Popular Participation and other laws and actions seek to eliminate discrimination of and violence against women, and the GOB Sub-Secretariat of Gender Affairs is represented in national health and education policy-making fora. Nonetheless, the overall conditions of Bolivian women remain precarious and uneven. The illiteracy rate among women remains more than twice as high as that of men (11.8% for men; 27.7% for women). In urban areas 1 in 8 women are illiterate; in rural areas that number is almost 1 in 2. The average rural girl attends school for only 2.5 years.

USAID is a major donor in the health sector, contributing nearly \$80 million over the current five-year period (1993-1997). Areas of USAID support include reproductive health, child survival, and AIDS/sexually transmitted disease prevention. USAID supports the Bolivian public health system through direct grants to the GOB, including its Social Security health system, and to NGO and private sector organizations. A national "Strategic Action Plan" supported by USAID, emphasizes the need to rapidly lower infant, child, and maternal mortality by focusing on the major causes of

death for these groups and improving maternal and obstetrical care for women. Innovative public/private sector collaboration has introduced locally produced and commercially distributed oral rehydration salts and vitamin A fortified sugar, and efforts are under way to produce flour fortified with iron.

Because the Bolivian population is young (in 1995, 47% of the population was under the age of 17), every Bolivian worker supports (on average) five dependent nonworkers compared to two dependents per worker in most developed countries. A slower growing population will reap extra economic benefits for Bolivia.

Before 1990, reproductive health and family planning were nearly forbidden topics. The GOB presently supports a major expansion of reproductive health services throughout the country based on a high-level policy determination that access to reproductive health information and services should be promoted by the Government as a right of every Bolivian couple. This viewpoint was effectively and vocally presented by the Bolivian delegations to both the Cairo Population and Sustainable Development (1995) and Beijing Women's (1996) summits. The improved atmosphere has opened the door to addressing the high unmet demand (close to 60%) for family planning services, a key intervention in improving both maternal and child health in the country. USAID expects that these forward-thinking policies will remain in effect during the Strategic Plan period.

Bolivia's Popular Participation and Administrative Decentralization Laws have empowered municipalities to take responsibility for the social welfare of their communities and have given them economic resources to do so. Political support from the Office of the First Lady of Bolivia led to the resumption of the school feeding program and the creation of a National Committee for Safe Motherhood. This Committee and a national program focusing on adolescents will address, among other things, the high rates of pregnancy among teens. The quality and coverage of community health care is improving rapidly in Bolivia. Many USAID-supported institutions currently have the absorptive capacity to use technical and financial assistance efficiently to improve both service to customers and sustainability.

Environment. Bolivia has become a hemispheric leader in recognizing and addressing the importance of sound environmental management for sustainable development. Deforestation is the main cause of soil degradation and loss of agricultural productivity; it also is directly linked to global warming and a declining genetic base, which reduces the possibilities for enhancing or maintaining productivity in the future. Conserving forest cover and biological resources is critical to Bolivia's long-term economic growth.

USAID's environment strategy is strongly consistent with GOB priorities, in both the public and private sectors. In the forestry sector, these are sustainable forestry management, voluntary ecocertification, research and training, increased participation of indigenous communities, and institutional strengthening. The fit with the LAC Bureau's environmental priorities is just as close, through a focus on the dry tropical forests of Santa Cruz and on the Chaco -- both areas classified as "Regionally Outstanding in Biological Value" by USAID's Biodiversity Support Program. USAID will support key activities in the three most important of South America's five Major Habitat Types (tropical moist broad leaf forest; tropical dry broad leaf forest; and grasslands, savannas, and shrublands). This focus was defined in close coordination with Bolivia's public and private sectors and with other donors to insure maximum efficiency of resource use and to enhance program synergies.

Counternarcotics. The problem of controlling the illicit coca/cocaine industry in Bolivia continues to be the major focus of USG and GOB foreign policy discussions. This industry boomed in the 1980s during the years of hyperinflation and negative growth rates, as unemployed miners and others moved to the Chapare region to seek inflation-protected incomes in the dollarized drug trade. Coca plantations grew unchecked for several years until the GOB, with USG support, began aggressive counternarcotics efforts including coca plant eradication. The main measure of progress since then has been gross coca eradication rates. Despite persistent efforts over the past ten years and some notable successes both in eradication and against drug trafficking organizations, there have been no significant breakthroughs to date in reducing the overall size of the coca/cocaine industry in Bolivia.

However, recent changes suggest that renewed efforts are warranted. In the past two years, the GOB rebounded from a slowdown in coca eradication, to achieve a near record 7,512 hectares of eradication. This produced the first net decrease in coca cultivation since 1992. Both the tenor of media coverage and public perceptions of counterdrug efforts have also changed significantly. A recent analysis by USIS shows a dramatic increase in the percentage of news commentary in supporting counternarcotics efforts, from 25% of all drug-related commentary in late 1994 to 80% in early 1997. The Bolivian public is now much less likely to see Chapare coca producers as innocent and oppressed farmers, and much more likely to see them as the first stage of a large and threatening cocaine industry.

This change in perception is related to the vertical integration of the industry in Bolivia. Whereas in the past, coca leaves were converted to coca paste and base for export to Colombia and other countries where it was then processed into cocaine hydrochloride (HCL), it is now estimated that one-half of

Bolivia's coca crop destined to cocaine is now converted into HCL in Bolivia itself. Last year's "narco-avion" case, where 4 tons of cocaine were seized on a plane enroute to Mexico, shocked many in the Bolivian elite. Finally, local HCL consumption has risen dramatically as it has become more available locally.

While the challenge of the drug trade are formidable, there is now more public support than ever before for law enforcement on the part of the Bolivian Government. The current Presidential candidates have noted this shift, and now all of them support firm government action. These important changes, combined with growing successes in USAID's alternative development efforts, provide new opportunities to tackle the problem more effectively and directly.

USAID, in close collaboration with NAS, USIS, GOB partners and other members of the U.S. Embassy country team, has developed what can be considered in many ways a new counternarcotics strategy. By capitalizing on these changes and setting forth bold objectives, we believe it may be possible to achieve for the first time a real breakthrough in the long-term goal of eliminating the drug trade from Bolivia.

C. Customer Focus

USAID's Strategic Plan for FYs 1998-2002 is the product of an interactive and iterative process that engaged beneficiaries, partners, and stakeholders in ascertaining their needs and testing the feasibility and appropriateness of expected results against these needs. New SO teams were formed in January 1996 with 48 expanded team members representing a wide range of partners, stakeholders, and beneficiaries ranging from the local World Bank representative to the Chief of the Izoceños. These expanded team members have been directly involved in preparation of the strategies described in Section II.

1. Democracy

USAID's main democracy customers in Bolivia comprise: (1) justice sector, congressional, and municipal officials; and (2) the literally thousands of PPL-activated urban, rural, and indigenous civil society groups who seek to democratically engage local and national state institutions in a desired outcome.

We have employed three approaches in including our customers in the design and implementation of our democracy strategy. First, we recently conducted a major democracy sector assessment with the help of Bolivian and U.S. democracy experts to better define the constraints to Bolivia's democratic consolidation. Second, the Expanded Democracy Strategic Objective Team has in-depth surveys to determine customer needs as they relate to our justice, representation, and municipal governance results.

Third, through the work of our implementation partners, we regularly gauge customer needs through ongoing dialogue as part of the day-to-day implementation of our portfolio. The results of this systematic customer engagement are regularly fed back into activity design and implementation.

For example, participatory planning workshops with AOJ partners and customers have helped craft the technical assistance agendas for legal reform, justice sector training programs, and automated court administration tools which more effectively contribute to a faster, more transparent administration of justice. These workshops have also influenced our decision to continue alternative dispute resolution activities that allow poor indigenous people more appropriate avenues for conflict resolution outside the formal court system.

With regards to our work in strengthening national representation, USAID funded the first-ever comprehensive survey on the needs of congressional members. We are using the survey results both as input for this strategy and for improvements in the oversight, legislative, and constituent outreach services provided by the USAID-funded congressional technical support services unit.

A thorough municipal diagnostic needs assessment in support of our municipal governance result has helped us identify and design effective interventions to build the capacity of local governments and the urban, rural, and indigenous communities in their jurisdictions to more constructively engage each other and national democratic institutions in solving local problems. Because of our customer-oriented interventions, the GOB recently asked us to serve as its only partner in implementing a nationwide Popular Participation Training of Trainers program.

2. Economic Opportunities

The ultimate customers in this area are Bolivia's unemployed and underemployed poor. To develop an effective strategy, USAID has had to better understand the nature of Bolivian poverty in both rural and urban contexts. We have done this directly through a major survey of microcredit clients through a USAID-sponsored food security study, and through numerous studies carried out by the USAID-supported economic and social policy units within the GOB. This information has provided the basis for the strategy contained in this document.

In formulating the strategy, USAID conducted a formal, interactive dialogue with intermediate customers and partners. These included financial institutions, NGOs, a private foundation, government institutions, chambers of commerce and other membership associations, and numerous bilateral and multilateral donors and private consultants. The resulting

strategy synthesizes common themes and proposes realistic solutions to low incomes and underemployment. We intend to share the strategy with the new Bolivian Government and believe it can guide national economic policy and programs over the next administration.

USAID values customer and partner relationships and considers them essential to the Economic Opportunities (EO) strategy implementation. The limited availability of DA economic growth resources demands such an approach. The EO strategy is focused on institutional strengthening of intermediate customers. Therefore, ongoing interaction through assessments and technical assistance will be required. Collaboration with other donors, both programmatically and financially, will be emphasized in all EO programs. In 1996, USAID increased its collaboration with the GOB in several areas, including finance and export promotion. The EO strategy includes major policy and regulatory components and, therefore, an active working relationship with the Government.

3. Health

Popular participation and decentralization of government health services have allowed USAID to shift its programs to a new set of customers at the community level. USAID's primary sources of information on the health status of customers are the Demographic and Health Survey (DHS) and the National Health Information System of the National Secretary of Health (SNIS). The integration of child survival and reproductive health, including HIV/STDs, at all levels of the Health Results Framework responds to customers' expressed desire to attend to their health with a minimum demand on their scarce time and energy.

USAID's primary source of data on what our customers want and need to improve their access to child survival and reproductive health care services and information is local level quantitative and qualitative research conducted by our partners. This information, along with the practical hands-on experience of our partners, contributed directly to the design of the Health Results Framework.

USAID's health Customer Service Plan describes how the Health SOT gathers, analyzes, and incorporates information on customer needs into the formulation of results, design and implementation of activities. In addition, the plan describes the types of services USAID provides and the specific points of contact (i.e., individuals, subteams, SOT chair) for each service. The standards guide the tenor of the interactions between the SOT, customers, and partners, and the physical arrangements and procedures for implementing these standards.

4. Environment

USAID's customers played a dual role in developing the environment strategic objective results framework. First, the Expanded Environment SOT includes representatives of key customer and stakeholder groups (e.g., the Izoceño indigenous peoples, NGOs, local academic institutions, the GOB). These representatives provided critical input into the results framework and indicators.

Second, broad-based customer input came through a comprehensive customer survey, sent to almost 200 institutions (NGO, GOB, urban, and rural) throughout the country. The objective of the survey was to revisit the priorities identified by more than 350 Bolivian institutions in 1992, which formed the basis of the Environment Strategic Objective. Based on the responses received from 60 institutions (roughly 30% of those surveyed), four areas of action surfaced as by far the most important for Bolivia. USAID will continue to directly address three of these priorities: loss of forest cover, water contamination, and loss of biological diversity, during the Strategic Plan period. USAID will indirectly address the fourth priority identified, soil erosion and degradation, by helping Bolivia maintain forest cover and reduce industrial pollution. The survey results strongly indicate that USAID is right on target for the Strategic Plan period, responding directly to the needs and interests of the Bolivian people, the ultimate customers.

USAID's environment customer service plan identifies key customer groups, and defines a strategy for incorporating their continual input into the design, implementation, and evaluation of USAID-supported activities. For example, a proposal currently under review for expansion of the biodiversity conservation activity in the Chaco was prepared in consultation with the 21 Izoceño communities; further, the proposal calls for the scientists to present their results to the communities every six months, to keep them abreast of progress and to receive their evaluation and feedback.

5. Counternarcotics

One of the primary purposes of the Counternarcotics Special Objective is to more effectively involve stakeholders in the U.S. Embassy in La Paz and higher levels of the GOB in key decisions about USAID's role in the joint USG/GOB counternarcotics program. Regular participation of the Bolivian National Fund for Alternative Development (FONADAL) and representatives of the Embassy's Narcotics Affairs Section (NAS) and the U.S. Information Service (USIS) in major strategic planning and key implementation decisions has improved the quality of these decisions and broadened the sense of ownership of development activities in the field.

GOB commitment to the joint counternarcotics program is reflected

by the assignment of top-quality nonpolitical professionals to the top three tiers of the hierarchy for this program. The Popular Participation reform has turned at least some of the mayors in the coca-producing Chapare region from constant critics into partners. USAID-supported road construction and maintenance and bridge construction programs are all closely coordinated with the municipality in which the work is to be performed, and each of these activities appears in the annual operating plan of the respective municipality and that of the National Road Service which implements the transport infrastructure activities.

In addition to partnering at the GOB level in strategic approaches and key implementation, USAID has close working relationships with local and international NGOs, associations of producers of licit products and with private firms engaged in the purchasing, processing, transport, and marketing of those products. Input from these entities readily finds its way into the annual operating plans of the GOB implementing agencies and USAID's prime contractor. This input influences decisions as to which roads are to be maintained or improved, where bridges are to be built, and where packing facilities will be built. Furthermore, producers' associations weigh in regularly on the types of studies and consultancies needed for planning.

D. Transitional Issues

The Strategic Plan for FYs 1998-2002 builds on the previous five year plan (Program Objectives and Action Plan 1993-1997) approved in February 1992 and on subsequent Action Plans and R4 presentations. USAID Bolivia's four Strategic Objectives in Economic Opportunity, Democracy, Health, Environment, and the new Counternarcotics Special Objective all contribute to the achievement of Agency and USG goals. The basic themes have not changed.

Near-revolutionary changes in Bolivia's political, economic, and administrative climate over the past five years will profoundly influence USAID's efforts for the coming years. The GOB reforms will allow USAID resources, channelled through the public and NGO sectors, to tailor assistance more appropriately to regional and local needs, thus avoiding an unwieldy central bureaucracy.

During the next five years, these reforms will need continued support from USAID and other donors to help reduce the social, political, and economic gaps between indigenous, mestizos, and European ethnic groups, and will increase equity between these now widely separated groups.

Internally, the USAID Mission is grappling with three major change processes: a new strategic plan which adjusts our programs to a rapidly evolving operating environment; a 33% downsizing of Mission staff despite increased program funding levels; and

reengineering which has changed fundamental ways of operating. These changes can be likened to three trains leaving the station. Our challenge is to make sure that all reach a common destination. If we succeed, we will have developed a new model for operating a large USAID field mission. If we fail, then the development results we seek will remain unmet. Now that the directions of our proposed new strategy are clear and our painful downsizing process will soon be completed, we are left with one major process and tool for success -- reengineering. Over the past two years, USAID Bolivia has sought to make maximum use of new modes of operation created by reengineering. We see no choice but to keep evolving and refining our methods of working using these new precepts so that we can adapt ourselves to the new realities. The following describes the main changes that we are implementing.

To better manage for results, we propose the creation of a Counternarcotics Special Objective. During the present Strategic Plan period, USAID has managed counternarcotics activities under the Economic Opportunity Strategic Objective. We believe this arrangement has outlived its management usefulness and will hamper our ability to focus fully on the results in either economic opportunity or counternarcotics. The key development partners supporting our Economic Opportunity Strategic Objective (e.g., microcredit institutions, nontraditional exporters, and the Superintendency of Banks) often have little in common with those involved in counternarcotics activities (e.g., coca farmers in the Chapare, the Ministry of Government). This resulted in divergent goals and purposes and much difficulty in developing common themes and strategies. The highly politicized nature of USAID's counternarcotics objective, both in the United States and in Bolivia, detracted from our ability to achieve the relatively apolitical economic opportunity objective. In creating a Counternarcotics Special Objective, we involve our stakeholders (other USG agencies and GOB ministries) more directly and are able to focus on the results intended by Congress, notably, a reduction of the supply of coca/cocaine at the source.

Second, we literally reinvented our Project Development, Program, and Economics offices and created a new Strategy and Operations Services unit (SOS). This team-based unit will provide USAID Bolivia's Strategic Objective Teams and Senior Management with high-quality, more customer-focused planning, achieving, and judging services consistent with ADS requirements.

Third, under revised Delegations of Authority (DOA) approved by the USAID Mission Director, a transitional team-based organizational structure was created to transfer most technical office functions, including all activity management, to Strategic Objective Teams. With input from the Reengineering Effort for Reorganization and Reform Efforts (REFORM) team, USAID Bolivia will continue to refine a long-term, team-based structure under

which we will manage our FYs 1998-2002 Strategic Plan. As of this writing, we expect all technical offices to phase out completely by July 1, 1997.

Fourth, beginning with the new SOS unit, USAID Bolivia is testing a new results-focused employee evaluation system for FSNs for Mission-wide implementation. The system is similar to the USDH EEP system, which stresses Agency core values, the employees' contribution to sustainable development work objectives, and measurable results.

Fifth, key USAID personnel (e.g., Regional Legal Advisor, Regional Contracting Officer, Controller, and SOS staff) will provide regional implementation training to ensure that all Mission employees are familiar with reengineered procedures and authorities for activity design and implementation as defined in the ADS. This is the latest in a series of USAID Bolivia-designed training efforts to support reengineering. These contributions and comprehensive training are critically needed throughout USAID and should be considered for replication elsewhere.

Sixth, a new Budget Planning Team, comprising SOS and P.L. 480 support officers, will for the first time integrate all USAID resources (DA, ESF/INC, Title II, and Title III) in program planning. This will better assure that all resources throughout the Strategic Plan period are directed at achieving strategic objective results.

Seventh, USAID Bolivia is New Management System (NMS) ready. We have maintained our NMS skills and hardware despite lingering worldwide problems in the system. We fully expect that early in the new Strategic Plan period USAID will have moved successfully to the new system. One issue not considered in the current downsizing plan is the enormous additional workload required to provide adequate NMS support to our two neighboring missions, Paraguay and Brazil. This issue is under review, and we hope that relief will be found soon.

USAID Bolivia's aggressive downsizing program will take the total staff from 225 to 151 employees by the end of FY 1997, a 33% reduction over two years. These cuts have reduced USAID staff to the absolute minimum required for its program size. The effect on overall performance and ability to achieve development results has yet to be fully assessed. Further cuts would inflict immeasurable damage to an outstanding program.

II. STRATEGIC PLAN

A. Democracy

1. Statement of the Democracy Strategic Objective

Agency Goal: Sustainable Democracies Built

Summit of the Americas Agenda: Strengthening Democracy, Invigorating Society/Community Participation, Promoting and Protecting Human Rights, Combatting the Problem of Illegal Drugs and Related Crimes, Combatting Corruption.

Strategic Objective: Social Base of Democracy Broadened and Governance Strengthened

Sustainable democracy in Bolivia must stand on two fundamental pillars: 1) the capacity of elected, representative governments to govern with legitimate and generally accepted authority; and 2) the capacity of the governed to participate in government decisions through legitimate and effective channels.

Bolivia has already achieved substantial gains, both in the reforming state and governmental institutions and in empowering citizens and communities within urban as well as traditional rural indigenous civil society, and the base is laid for progress toward sustainability. Though some politicians and traditional mass organizations continue to resist, the interaction of ordinary citizens with the state -- through participatory and representative institutions -- has been transformed profoundly, and probably permanently. Nevertheless, many promising aspects of the new laws and institutions still are largely unrealized, and the challenge is to adapt Bolivian institutional development more fully to the needs of a multi-ethnic, multi-cultural and increasingly enfranchised society.

All of the activities in USAID's democracy strategy will center on the critical need for constructive engagement between civil society and the relatively new democratic forms of government, which together must produce concrete societal progress and, ultimately, sustainable democracy.

2. The Problem

a. Using the Unprecedented Opportunity to Consolidate Democracy

Bolivia's surprisingly smooth and successful democratic transition is due primarily to the solid political consensus on the main features of political and economic restructuring. In the wake of the early 1980s debacle of economic mismanagement and hyperinflation, which discredited the extremes of left and right,

this broad policy agreement has brought democratic stability. And with it have come: civilian control over the military; free, fair, and open elections; several strong political parties; growing numbers of registered urban and rural voters; increasingly responsible behavior by opposition and ruling parties; an increasingly pluralistic and democratic civil society; and the tacit consent of politicians and citizens alike to abide by the rules.

The nation is vigorously consolidating national, regional, and local democratic governance structures, and has created new avenues for real citizen participation and access for the active civil society that has emerged over the past 12 years of increasing political and economic stability. Recent reforms are creating unprecedented opportunities, giving the tools to previously excluded elements of civil society for their participation in local and national government decision making. These citizens, particularly the poor indigenous majority, now actively seek ways to effectively and democratically articulate their demands while weak state institutions remain unable to effectively respond. Thus, most citizens have yet to see tangible benefits from these reforms or from democracy.

Through the new Popular Participation Law (PPL), the Administrative Decentralization Law (ADL), and key constitutional amendments, the preconditions for more representative, participatory, accountable, and just governance have been created. Bolivian society presently is engaged with reform and democracy, and that involvement is not likely to change in the near future, no matter who wins the June 1997 general elections. And for USAID, the progressive strengthening of participatory democracy is essential to the achievement not only of this Democracy Strategic Objective, but of all five strategic objectives.

Accordingly, the constructive evolution of Bolivia's innovative new structures for channelling societal demands, plus the ability of the great indigenous and poor majority to use them effectively, will decide the sustainability of Bolivian democracy in the years ahead.

b. Threats and Constraints to Democratic Sustainability

Despite the major opening to participation in governance, and current citizen engagement, sustainability will be threatened if citizens, in particular the poor indigenous majority, conclude that the democratic system fails to satisfy their basic needs and expectations. Though positive, innovative, and widely accepted, the new reform structures and mechanisms were designed and decided by a political and economic elite -- in the main without significant civil society participation, understanding, or consensus. So the key challenge for governing elites and civil

society alike is to develop effective and productive ways to use the opportunities created. USAID will help Bolivians to address key constraints and potential threats to democratic sustainability. Among these are:

i. Limits to Inclusion, Representation, and Participation

Constructive inclusion, representation, and participation of a newly active citizenry are constrained by two factors. First, much of Bolivia's population holds to a longstanding custom of confrontational tactics to obtain redress of grievances -- as opposed to representative democratic avenues. Second, political parties and state institutions do not work effectively as representational channels for response to citizen demands. To overcome this, civil society, particularly the multi-ethnic indigenous majority, and the formal political system must interact more effectively.

The 1952 revolution shaped modern Bolivian civil society. With the revolution came the highly organized and class-based labor, mining, agrarian, and teachers unions of the highlands and valleys. Semi-feudal traditional civil society was transformed by these groups, which practiced often belligerent, direct action politics in place of negotiation, consensus building, and constructive opposition. But during the 1980s, spurred by deep economic restructuring and the decline of the left, the unions declined in influence, and formerly class-based civil society then began to reorganize around ethnicity, culture, and indigenous languages. This second, and more fundamental transformation -- in effect a return to ancient values -- was recognized and fortified by the 1994 enactment of both the PPL and a constitutional amendment committing Bolivia to pluralism and multi-culturalism. More than 15,000 rural, indigenous, and urban communities have gained legal status under the PPL, which mandates their participation in and oversight of their 311 new local governments. Moreover, the PPL also provides for the incorporation of traditional indigenous authority structures as part of the recognized local government system, and indigenous municipalities and submunicipalities have been formed.

While confrontational attitudes are still widely prevalent, Bolivia's increasingly ethnically and culturally organized civil society is responding vigorously to the opportunities created. An emergent democratic culture, characterized by consensus building, tolerance, respect for law and order, and rejection of authoritarian or violent change, is taking shape as citizens actively participate in local and national government and thus are exposed first-hand to democratic practices and values.

The growth of democratic culture is crucial, since Bolivia's extraordinarily high number of grass-roots organizations and

indigenous community groups have normally functioned outside of formal representative democratic institutions. Until the 1994 PPL, the Bolivian State lacked adequate institutional representation channels to address local citizen demands, usually expressed via combative unions, citizen committees, and peasant organizations. Bureaucratic inefficiency and indifference are additional impediments to sustaining public belief in democracy. Many avoidable problems, such as late paychecks and pensions, and poor central government services undermine public confidence in the system.

The legal essentials of the new framework for increased participation and representation are provided by PPL and a 1994 constitutional amendment mandating direct election of half of the lower house of Congress from single-member districts. But political parties need to democratize their own internal structures to realize the full potential of these reforms. At the national level, parties must retain party discipline to form governing coalitions and also to respond to the needs of millions of voters directly electing local representatives to Congress for the first time. At the local level, parties must develop programs and policies responsive to increased participation through new municipal governments. Parties must radically retool to allow democratic reform to continue through clear institutional procedures and not through the whims of a cadre of powerful "caudillos." An important breakthrough -- and a positive sign that the political class is adjusting -- are the just-enacted electoral law changes mandating that 30% of each party's candidates for office must be women.

ii. Weak and Distrusted Rule of Law

Sustainable participatory democracy in Bolivia requires clear rules and efficient, accessible and fair dispute resolution. For effective rule of law, citizens must know their rights and obligations and be confident that if those rights are violated, either by the state or other citizens, an accessible justice system will provide impartial and reliable remedies. Thus, citizen security under rule of law requires fair and effective dispute resolution, both formal and informal.

At present, the formal Bolivian justice system does not consistently provide reliable and impartial conflict resolution. In particular, the judiciary's inability to ensure legal security, transparency, and efficiency generate deep citizen distrust. A 1996 UNDP Human Security Report states that only 3% of Bolivians have confidence in the judiciary; 76% of those surveyed believe the judiciary is highly corrupt; and 57% believe that human rights are not respected. A citizenry that lacks confidence in the judiciary is more likely to distrust the entire democratic political system. Within the rule of law, a fair, efficient and well controlled criminal justice system is

indispensable to popular confidence in the entire system, since it is the government's chief instrument for potential misuse and coercion of citizens. This concern extends to foreign and national investors and are therefore absolutely key to Bolivia's economic growth. Currently, investors are materially constrained and deterred by the lack of legal security under the rule of law.

iii. Failure of the Political System to Address Poverty

In Bolivia, still South America's poorest country, most citizens (70%) live on less than the 60 cents per day poverty income line. Of the 5.2 million living in poverty, 67%, or 3.5 million people, are of indigenous origin. The situation is more difficult for women and particularly dramatic in rural indigenous Bolivia, where development indicators are comparable to those of the poorest countries in Africa. Disturbingly, the perceived inability of the political system to alleviate poverty has widened the gap between citizens and the political class just at a time when the political elite is striving to set in place new avenues for improved communication between citizens and governing groups. If citizens are to continue to support democracy, the political system must increasingly enable sustainable and broad-based economic growth.

While the PPL is a major stride forward in addressing this problem, and places 20% of national revenues under the control of local communities for development activities, available funds are not remotely commensurate with the population's basic needs. Ultimately, a key measure of the Popular Participation Law's success will be the degree to which local communities can leverage these newly available funds to mobilize local resources to generate employment and income.

iv. Corruption

Corruption affects all levels of Bolivian government and society and reduces citizen confidence in the state. As a cross-cutting element of the democracy strategy, USAID will help justice and regulatory institutions, the Congress, and local governments to improve transparency and to reduce opportunities for corruption. We also will actively seek to help interested civil society organizations hold public officials accountable. Nevertheless, for a major assault on corruption, the high-level political will of the national government is needed. Depending on political will in the next GOB, and sufficiently committed local partners, USAID may seek to more directly address corruption in later years of the strategy.

v. Illicit Coca/Cocaine Industry

Bolivia and the United States are critically aware of the dangerous influence wielded by the illicit coca/cocaine industry

on the democratic system. Local and national courts and elections risk infiltration and influence of drug cartels and the corrupting influence of narcodollars. At the same time, stepped up GOB law enforcement efforts, openly supported by the USG, can create their own problems for democratic governance. Efforts to interdict illegal precursor chemical shipments, eradicate illegal coca plantings, discover and destroy illegal manufacturing sites, and arrest persons involved in such activities, if poorly executed, carry risks to due process and human rights. If ill-trained or panicked enforcement police commit abuses, it may appear to some that standards for human rights compliance by law enforcers do not apply equally to all areas of criminal activity. This can undermine credibility and confidence in the entire system.

3. Results Framework Description

a. Strategic Choices

USAID's democracy strategy in Bolivia is shaped by:

- the need for productive engagement of civil society and the state;
- the need for high levels of commitment from Bolivian partners;
- USAID's comparative advantage in assisting ongoing legislative, justice, and local governance reform in Bolivia;
- the limited availability of unrestricted Development Assistance (DA) funds;
- limits on use of International Narcotics Control (INC) funds to certain rule of law activities; and
- political sensitivities that limit our potential actions.

Thus, USAID's democracy strategy will focus primarily on the creation of linkages between civil society and the state through strengthening: 1) rule of law; 2) national representation; and 3) participatory local governance. We fully expect that focused investments in these areas will broaden the social base of Bolivian democracy and strengthen governance.

While the persistence of poverty is addressed by USAID's Economic Opportunity Strategic Objective, the Democracy Strategic Objective also directly addresses the issue by helping the political system to effectively channel citizen demands to the state. Through increased participation of the poor in municipal and community government, improved representation of the poor before national-level government bodies, and greater legal security for the poor through a fairer and more accessible justice system, the government and society will be able to more directly address poverty alleviation.

b. The Results Framework

The Strategic Objective is stated as: "Social base of democracy broadened and governance strengthened." Through pursuit of this objective, we aim to reduce the threats to democracy and help ensure its sustainability.

Our development hypothesis is that the Strategic Objective can be achieved if key judicial, legislative, and municipal government institutions continue their structural development, and civil society interaction with these institutions increases. The three proposed intermediate results are directed at each of these key institutions and civil/society interaction with them.

IR1. The Intermediate Result "Key elements of rule of law become more transparent, efficient, effective, accountable, and accessible" is sought through three sub-Intermediate Results: "Key legal reforms which guarantee rule of law are enacted and implemented" (IR1.1); "Institutional capacity of key justice sector entities is strengthened" (IR1.2); and "Access to and understanding of the justice system is increased" (IR1.3). Activities will promote:

1) A modern accusatory system of criminal justice providing speedy, fair and transparent public trials, protective of human rights, with adequate public defenders, through a new Code of Criminal Procedure (CCP). This will require increased judicial efficiency and public confidence in the impartiality of justice. The corrupting effect of money laundering will also be addressed through direct support to the newly created Bank Superintendency Financial Investigation Unit.

2) Increased public confidence in the justice system, via depoliticized, merit-based selection of judges and promotion and increased judicial ability and professionalism. This will take place by establishment of a Judicial Council charged with applying uniform standards in judicial interpretation and performance.

3) Increased legal security and predictability of the justice system through the installation of the Constitutional Court. The Court will centralize constitutional review of laws and provide a new direct forum for citizen redress of governmental abuse.

4) Increased access to justice through an expanded Public Defenders system, a citizenry better informed of its rights and duties, expanded alternative dispute resolution, and formal justice system recognition and respect of traditional indigenous dispute resolution methods. Implementation of the new Code of Criminal Procedure will expand legal protections for indigenous defendants, including requirements for translation and

interpretation of proceedings in indigenous languages.

IR2. The Intermediate Result "National representation more responsive to constituent needs and demands" (IR2) will be produced through two sub-Intermediate Results: "Congress becomes more representative while improving its legislative and oversight functions" (IR2.1) and "Citizens' demands are effectively channeled to national representatives" (IR2.2).

Activities will promote:

1) Civil society's ability to understand and interact with Congress' functions and limitations, gain access to representatives, and obtain results.

2) Understanding by members of Congress, particularly new single-district representatives, of their representational, oversight, and legislative functions, and improving their ability to respond to constituents.

IR 3. The Intermediate Result "Local governments effectively respond to citizen needs and demands" will occur through two sub-results: "Civil society participation in and oversight of local government becomes broader and more effective" (IR3.1) and "Municipal governments become increasingly capable of effective management with a high degree of citizen participation" (IR3.2). Activities aim at:

1) A target group of 200 municipalities, and the many more urban, rural, and indigenous communities within their jurisdictions, and will promote democratic, participatory planning and decision making related to PPL revenue-sharing funds.

2) Development of annual operating plans by the mayor and municipal council, with genuine community input through a broad range of civil society organizations (CSOs) and citizen oversight committees.

3) Improved delivery of municipal public works and services in accordance with participatory processes and community priorities, with regular technical and financial reports to citizen oversight committees and communities.

4) Enhanced electoral participation via local involvement of civil society organizations in voter registration and education, in coordination with the electoral system.

c. Critical Assumptions

Achievement of the Strategic Objective will depend on three critical assumptions:

The first assumption is that Bolivian political and economic elites continue to steadily broaden their 15-year-old commitment to establishing the basic institutional elements of a functional democratic society, and support continued structural and functional reforms which open political participation to the poor majority.

The second critical assumption is that citizens will perceive the benefits of participation, and proactively and constructively seize upon these new opportunities for real political participation to derive material gains.

The third critical assumption is that Bolivian democratic institutions will rise to the challenges posed by narcotrafficking and corruption and survive these corrosive influences without losing broader public credibility and support.

4. Commitment and Capacity of Other Development Partners

Commitment of partners to advancing key elements of the rule of law (IR1) is uneven. The Supreme Court has not led judicial reform. Indeed, much of the political elite's judicial reform effort has aimed at reducing its responsibilities. Bolivia's legal profession does not rank high in performance or prestige. NGOs with a stake in the formal justice sector are focused on individual human rights abuses and protection of rights and have not actively supported judicial reform.

Nevertheless, USAID has had progressively greater impact, based primarily on the close relationship with the Ministry of Justice (MOJ) since its creation in 1993. Combined with dynamic ministerial leadership since mid-1994, our support has been a key factor in making the MOJ the main justice sector reform actor. Increased MOJ strength, professionalism, and political will have moved access to justice to center stage and onto the political agendas of all parties. The Ministry also secured civil service slots to assure continuity of key professional staff beyond the upcoming elections. To maintain reform momentum, USAID will work to assure that the MOJ remains at the forefront of justice sector reform.

Other donors are actively involved in strengthening the justice system, and together with the Swiss, USAID has initiated a Justice Donor Coordination Group. The Swiss are backing an expansion of USAID-supported public defense into rural areas. The Germans plan to support the MOJ's work to revise the Criminal Code with USAID's cooperation in program design. We also coordinate with the World Bank, whose \$11 million, five-year program with the MOJ and the court system seeks to improve civil justice protection of property and contractual rights.

The bicameral, nonpartisan Congressional Modernization Committee

(CML) is USAID's main partner in helping to make national representation more responsive to constituents' needs and demands (IR2), with the National Electoral Court (NEC) and the National Secretary of Popular Participation (SNPP) playing complementary roles. After the June 1997 elections, the CML will be reconstituted when new Members of Congress take office, and the SNPP will likely have new leaders under the next GOB. USAID will work with the new members to help ensure continuity of past efforts. USAID will continue close collaboration with several other donors in this area including the Konrad Adenauer Foundation and IDB's "PRONAGOB" governance project.

For IR3 efforts, the GOB's National Secretariat of Popular Participation has organized a donors' coordination group which currently includes five bilateral donors in addition to USAID (Denmark, Holland, Japan, Switzerland, and Spain), and five multilateral donors (World Bank, IDB, UNDP, UNICEF, and EU). Total donor funding in support of the PPL over the next five years is expected to be in the range of several hundred million dollars. USAID's focus is on supporting participatory planning and governing processes in the large number of rural disadvantaged municipalities. While USAID is the sole donor concentrating specifically on governance and participation, others focus more on providing infrastructure financing and related municipal services and processes.

In addition to the existing GOB and donor partners mentioned above, USAID will seek over the course of this strategy, new partnerships with selected CSOs. These may include NGO networks, voluntary nonpartisan associations such as consumer or producer groups, departmental or municipal-based organizations supporting decentralization and popular participation, or other interest groups committed to improving national-level citizen representation.

5. Illustrative Approaches

During the past few years, USAID worked principally to develop new norms and structures for crucial democratic entities including the justice sector, the electoral system, Congress, and local government. As the GOB moved decisively to expand participation, decentralization, and representation, USAID undertook a major commitment to improve citizen access to political processes. This has become a central program element that we expect will continue to grow throughout the next five years. USAID will therefore continue to promote legal security, effective justice administration, respect for human rights, and access to justice.

The USG and GOB counternarcotics policy interests serve to undergird our efforts to improve the criminal justice process. Nevertheless, we must emphasize that our ability to maintain a

balance in our justice strengthening program between institutional efficiency in processing narcotrafficking cases, and expanding access to justice for the poor majority is presently in doubt. To ensure that we are able to adequately pursue the later, we must receive early funding from the LAC Bureau's DA account. As was plainly demonstrated this fiscal year, when INL is our sole funding source, it is extremely difficult to obtain funding for activities aimed at expanding equity and access to justice.

a. Intermediate Result 1 (Rule of Law)

To achieve transparency and accountability of key elements of the rule of law, USAID plans to:

1) Continue focused technical assistance to MOJ-coordinated committees drafting the new laws for the Code of Criminal Procedures (CCP), the Judicial Council, and the Constitutional Court, and working for enactment by no later than early FY 1998. Prompt enactment of legal frameworks for these institutions is the critical prerequisite to our assistance.

2) Support subsequent implementation of the Code of Criminal Procedures throughout the strategy period, via intensive technical assistance and training for key implementing entities (Public Defense, Judiciary, Public Ministry). Major assistance will build capacity for oral and public hearings while encouraging public advocacy for successful functioning of reform efforts.

3) Educate Bolivian citizens on justice sector reforms and its impact on due process. This will also include: alternative conflict resolution methods drawn from indigenous cultural traditions; human rights education; legal literacy; the role of justice of the peace (to be established by the CCP) and community justice initiatives. All these education activities will be closely coordinated with other donors.

4) Co-finance replication of USAID-developed criminal case tracking and judicial statistics systems, to all nine District Courts (assuming Supreme Court approval). This will immediately reduce corruption opportunities and allow supervising judges to monitor judicial performance.

5) Engage the Supreme Court and the GOB in a joint analysis of recurrent cost funding levels needed to sustain restructured judicial institutions. Early and substantially greater GOB funding will be sought for the Public Ministry and national investigative police (Policia Técnica Judicial), to assure the future success of the new Code of Criminal Procedures.

6) Provide intensive technical assistance and training to

the Constitutional Court and Judicial Council to increase legal stability and predictability and promote merit-based judicial selection. These efforts will be closely coordinated with related World Bank programs.

b. Intermediate Result 2 (National Representation)

To make national representation more responsive to constituent needs and demands, USAID will:

1) Promote use of public hearings by committees and sub-committees by providing technical assistance and training through the legislative support services center (CICON).

2) Provide targeted technical assistance and training to CSOs to improve civil society's ability to gain access to Congress and to demand more efficiency and accountability from national representatives.

3) Expand CICON's municipal data base to include the 68 new single-member districts, and disseminate its availability and utility to all members of Congress and all CSOs.

4) Through the CML, help the President of Congress and Upper and Lower House leaders to manage the floor, the agenda, committee assignments, and the operations of party caucuses, while taking into account new single-member district representatives and the demands of the multiple grassroots constituencies they bring to Congress.

c. Intermediate Result 3 (Local Government)

To help participatory local governments effectively respond to citizen needs and demands, USAID will:

1) Continue the "20-200-2002" approach, developing replicable experiences in 20 "teaching" municipalities through direct assistance to the principal PPL actors. Disseminate positive experiences over a three-year period to approximately 200 municipalities with jurisdiction over 8,000 communities, by December 2000.

2) Promote replicability via a competitive \$2 million Participatory Investment Fund (PIF) for groups pursuing ends compatible with PPL. These may be neighborhood organizations, women's or indigenous groups, farmers' organizations, local or external NGOs, citizen oversight committees, and groups partnering with municipalities. The overarching objective will be to establish specific linkages between citizens at the local level, the civic organizations where their interests are articulated, and the authorities who can respond to these local interests and demands.

3) Collaborative with the SNPP donor coordination group to maximize assistance opportunities. USAID will work to assure that external assistance makes a significant difference, matching receptive and capable local communities with donors.

4) In accordance with USAID Bolivia's cross-cutting commitment to PPL principles, coordinate USAID-supported local level activities across all USAID strategic objectives to assure that assistance reaches all sectors in ways that promote local participatory decision-making.

6. Sustainability

As GOB agencies are our partners in most of our efforts, sustainability of the three IRs depends principally on the political will and financial commitments of successive Bolivian governments.

The ultimate success of reformed national institutions and new local government mechanisms will be determined by 1) empirical analysis of their function, and 2) citizen's effective use and satisfaction of these institutions and mechanisms. If both criteria are met, and political will, citizens' confidence, and political consensus holds, the elements of the strategy should be sustainable through and beyond the strategic period.

Under IR1, fundamental sustainability, and our ultimate ability to claim success and progressively withdraw, are uncertain. These depend on the GOB's and the Supreme Court's political will (the latter's remains in question), and on their joint capacity to financially support modern judicial systems. A persistent ongoing policy dialogue is essential to sustainability, as is increased citizen confidence in the justice system.

Sustainability of all IRs requires the GOB to commit substantial public financing on a predictable schedule, and to project that spending through future years as an anticipated long-term charge on GOB financial resources. For IR2 and IR3, GOB financial commitment has been firm. CICON gained legal status and GOB funds over a year ago. As for IR3, over \$150 million were disbursed under the PPL in 1996, and future governments will find it nearly impossible to reverse these commitments. USAID will closely monitor to ensure the next GOB's continued financial commitments.

For IRs 2 and 3 in particular, we must note that a key element for sustainability will be the willingness of political parties to maintain a non-partisan consensus to implement these changes, while resisting the temptation to use these processes for short term partisan political gain. The latter would discredit much of the reform process in the eyes of the citizenry and cause the reforms to lose critical political support.

Over the strategy period, all USAID democracy activities will include a specific Annual Sustainability Analysis, tracking progress on the real capacity to maintain gains over time.

7. Judging Success

To measure progress at the SO level, the Democracy SOT will develop a Bolivian Democratic Consolidation Index that annually measures citizen and societal satisfaction and commitment. To derive a baseline and develop this Index we will constitute a team similar to the one formed for the 1996 Democracy Assessment. During the next year, this team will convene focus groups in five cities (La Paz, Santa Cruz, Cochabamba, Sucre, and Potosi or Oruro), and administer a series of questions designed to elicit perceptions of participation, governability, justice, etc. The team will also interview a cross-sections of 100 Bolivians, at least half of whom will be indigenous citizens. Based on this first exercise, the index will be defined and the degree of satisfaction, participation, and commitment will be recorded. Subsequent annual exercises will permit a charting of trends. Thus, the FY 1998 R4 will contain the baseline index, the FY 1999 R4 will have the first year's results, and subsequent annual updates will track citizen satisfaction, participation, and commitment to democracy over the strategy period.

USAID began this planning period with five USAID-supported bills pending congressional action. Two, the Arbitration and Mediation Law and the amendments to the Criminal Code, have now passed. USAID will support the new oral and public criminal trial system (included in the CCP) and two new institutions (the Judicial Council and the Constitutional Court) and to implement the Criminal Code's money-laundering provisions.

The IR-level indicator, "Percentage of judges re-appointed on the basis of merit by new Judicial Council," (Table A-1) will measure the number of judges re-appointed on the basis of merit by the new Judicial Council. The target is 100% of sitting judges evaluated on technical merit by 1999, the end of the first phase of the Council's implementation. We will begin to measure a phase two indicator after the 1999 target is met.

USAID will track progress made in the transition from a written criminal procedural system to an oral and accusatorial one (Table A-2), "New Code of Criminal Procedures put into effect nationwide". The CCP provides for oral and public trials, considerable reduction in the time allowed for a criminal process, and fast-track mechanisms for minor crimes. The CCP provides for special procedures in crimes committed by indigenous people, recognizing traditional methods of solving conflicts. It also encourages broader access to the total system through court translation into the major indigenous languages. Thus, a principal measure of success will be access to due process by

those previously excluded.

Table A-3's indicator, "Number of cases handled by Public Defenders in nine judicial districts," will measure the extent of free legal assistance for the indigent. For both judicial and police cases, the target is a 148% increase from the 1996 baseline by 2002.

Case-work contacts of members of Congress have taken on new dimension under the PPL. These contracts can involve the 15,000 Civil Society Organizations (CSOs) expected to register and be formally recognized by the National Secretariat of Popular Participation (SNPP). The IR-level indicator in Table A-4 will show effective case-work contacts and, indirectly, the effect of CSO's congressional access and congress responsiveness to local demands.

The ultimate power of Vigilance Committees (VCs) is to cause the Congress to suspend revenues-sharing disbursements to municipal governments violating PPL mandates. The indicator in Table A-5 will measure how well civil society engages national government: complaints and request originate at the local level, while decisions to suspend disbursements are made at the national level. This indicator also indirectly measures popular participation in municipal government.

The IR-level indicator in Table A-6 will track civil society's interaction with municipal governments. The more annual municipal operating plans with documented civil society participation received by SNPP and the Secretariat of Finance (SNH), the more likely popular participation is occurring in municipal governments. Over time, this indicator will indirectly measure popular participation's effectiveness, since disbursements to municipal governments are directly tied to approval of the plans, and citizen confidence tied to actual execution of these plans.

The primary concern represented by Table A-7 is municipal governments' capacity to spend revenue-sharing funds. SNPP and SNH also track the proportion of funds going to operating costs, which the PPL limits to 15% of total revenue sharing funds; this more detailed indicator may be added in future years. The progress indicator, "Municipal revenue-sharing funds at USAID-assisted municipalities spent with significant civil society participation," indirectly measures municipal capacity to consult CSOs and VCs, lack of which can suspend disbursements.

8. Democracy Indicators. (See Annex A)

B. Economic Opportunities

1. Statement of the Economic Opportunity Strategic Objective

Agency Goal: Broad-based economic growth achieved.

Summit of the Americas Agenda: Free Trade in the Americas, Encouraging Microenterprise and Small Business, Capital Markets Development and Liberalization, Universal Access to Education, Strengthening the Role of Women in Society.

Strategic Objective: Increased employment and income opportunities for Bolivia's poor.

2. The Problem

a. Stable, but Still Poor

Bolivia is often cited for its successful economic stabilization program. In 1985, at the height of hyperinflation, the Paz Estenssoro Government enacted a set of sweeping macroeconomic reforms. These policies, maintained by subsequent governments, have brought over a decade of economic stability. During this period, prominent businesses have generally done well, and the middle class has grown. The majority of Bolivia's population, on the other hand, remains as poor as before. Between 1990 and 1996, the per capita incomes of the bottom 25% of Bolivia's urban population dropped by 20% in real terms (INE/UDAPSO). This persistent income gap, along remarkably well defined ethnic lines, continues to economically isolate the majority indigenous population.

Bolivia has a strikingly dualistic economy consisting of a mainly urban, industrial base and a marginalized, mostly indigenous, urban and rural poor. The poorest of the poor are small-holding peasants of Indian ancestry in the Central Andes. A staggering 88% of the rural population is poor, and 80% lives in extreme poverty with incomes of less than \$14 per month. In urban areas, 62% of the population lives in poverty.

- Urban industries, although growing at marginal rates, have not been a major provider of new jobs. Bolivian productivity is the lowest in the region. A weak entrepreneurial culture, combined with inadequate managerial talent and low worker productivity, are major hindrances to creating competitive industries. Industrial capacity in Bolivia is severely underutilized, and technology is outdated and inefficient. The private investment rate, although rising slowly, represents only 7.6% of GDP.

- The marginalized poor, both urban and rural, have limited access to opportunities that could enhance their standard

of living. They tend to fend for themselves by creating microenterprises and by pooling the incomes of family members. Informal jobs now represent 50% of the total workforce. Yet the informal sector is a temporary solution, mainly for immigrants to peri-urban areas. Further, in some cities the informal sector's absorptive capacity is quickly being reached. In rural areas, agricultural activities are plagued by low productivity and poorly functioning rural markets. Resource-poor rural families face constraints in increasing and diversifying household production and in gaining access to markets.

On both sides of the dual economy, extremely low productivity poses a major threat to future economic growth and higher real incomes for the vast majority of Bolivians. Sustainable economic opportunities are not available for the poor, either in the industrial or rural areas.

b. Institutional and Structural Constraints to Growth

Paz Estenssoro's stabilization program is often referred to as Bolivia's first generation of reforms. A second generation, launched by President Sánchez de Lozada, comprises a series of major structural reforms. These reforms, particularly capitalization, promise growth in certain sectors, notably utilities and hydrocarbons.

Labor productivity of the manufacturing sector in neighboring countries is between 3 and 12 times higher than in Bolivia. Bolivia's per capita exports of \$147 is the lowest among Andean and MERCOSUR countries. With the exception of soybeans, Bolivia's agricultural productivity is below the South American average for all products.

Ultimately, they will provide the resources and environment for long-term development. But capitalization, because of its capital intensive nature, may generate disappointing levels of employment and limited demand for related services. Thus it threatens to enlarge the income gap if complementary measures are not taken to increase opportunities for the poor.

In the coming years, Bolivia requires a third generation of reforms to overcome specific institutional and structural constraints in four areas:

i. The legal and regulatory environment for both businesses and rural households is still inadequate. Small and large Bolivian businesses believe that the GOB has done nothing to improve the business environment. The historically cool relationship between the private and public sectors has escalated into antagonism during the present government. This antagonism threatens dialogue on needed reforms. For example, the current tax structure discourages business growth by taxing both transactions and value added, in addition to imposing a stiff flat 25% tax on profits. The tax structure for imports, and

immeasurable red tape, pose significant obstacles to both foreign investment and export development, and hence Bolivia's competitiveness. In addition, a slow and unreliable judicial system, despite favorable investment laws, worries potential foreign and domestic investors. Bolivia's antiquated labor law, originally designed to protect workers, has in fact retarded employment and income generation. In rural areas, the GOB has essentially abdicated its role as facilitator of private economic transactions. The regulatory reforms of the 1980s were designed to promote competition, but monopolistic practices persist.

ii. Despite the growing success of institutions providing financial services to groups without previous access, most Bolivians have no access whatsoever. The Bolivian financial system is still narrow and conservative, and its intermediaries are weak. Access to credit is further constrained by legal restrictions on collateral. Bolivian banks usually accept only real estate as collateral; inventory, accounts receivable, livestock, or industrial equipment are unacceptable. While credit is becoming increasingly available to microenterprises and large enterprises, small enterprises and the rural poor have been almost entirely excluded. For those who have access to credit, interest rates are high and repayment terms are typically short-term.

iii. Despite the far-reaching macroeconomic reforms of the 1980s, many elements of Bolivian society, from urban businesspersons to resource-poor rural households, face institutional and structural constraints that impede access to national and international markets. Inadequate competition and persistent monopoly power create bottlenecks in the marketing chain for a great variety of products. As a result, transaction costs are high and there is little ability to take advantage of emerging market opportunities. Also, in most developed economies the government has an acknowledged role in facilitating market transactions by providing such public goods as market and price information, transport and communication infrastructure, and institutional mechanisms that help assure product quality, such as norms, standards, and certification requirements. To date, the Bolivian government has neglected this market-facilitating role that is so essential to assuring market access across all segments of society.

iv. Finally, Bolivia has lagged behind the region in primary education and vocational training. Insufficient human capital seriously constrains economic growth. In rural areas, educational opportunities are often extremely limited and primary school drop-out rates are high. In urban areas, firms often have difficulty obtaining the skilled and semi-skilled labor they need to be competitive in the region. In the long run, low completion rates in primary education mean a poorly trained, unskilled workforce, creating a vicious cycle that perpetuates endemic

rural and urban poverty. Although the Popular Participation Law and the GOB's educational reform offer some hope, insufficient human capital seriously constrains economic growth.

With the exception of education reform, the current government has not focused on these constraints. Its limited human and financial resources have been dedicated to achieving the key second-generation reforms described above. The Ministry of Commerce and Industry was relegated to secretarial status and has become virtually inactive. As a result, business, donors and development experts agree that the next government must address these constraints if it is to increase income and employment throughout the population.

c. MERCOSUR: A Challenge to Productivity

For years the Bolivian economy has been plagued by low productivity and has been uncompetitive in international markets. Until the mid 1980s, Bolivia's only internationally competitive industry was mining. The great majority of Bolivia's exports continue to come from the extractive sectors, although important export niches have emerged in jewelry, textiles, furniture and agroindustry. Improving Bolivian productivity, the lowest among the regional competitors, is the key to broad-based growth and opportunities. But to assure that the fissures that have created a dualistic economy do not widen, productivity must increase across many sectors in both urban and rural areas.

With its new status as an associate member in MERCOSUR, Bolivia has no choice but to set its sights beyond its borders. As Bolivia is integrated into MERCOSUR, products from Brazil and Argentina will enter the Bolivian market with greater ease and at lower cost. But if Bolivia can rise to the challenge, MERCOSUR offers tremendous opportunities. Most observers agree that Bolivia's small, weak domestic market cannot provide the demand necessary for rapid growth and increased employment and incomes in urban and rural areas. MERCOSUR offers free access to a much wider market and the potential for much higher rates of economic growth through trade specialization.

Regional cooperation and trade is an important step to a hemispheric market and efforts to increase U.S. exports in the region. The Summit of the Americas Agenda includes economic integration and free trade among its pillars. Hence, the USG, through USAID, should support Bolivia's integration and competitiveness in the region. President Sánchez de Lozada has done much to reorient the conventional wisdom that Bolivia's land-locked location and historical circumstances means that the nation is isolated and disadvantaged. By exploiting its central location, Bolivia can become a focal point of South American communications and trade.

3. Results Framework Description

Low incomes, unemployment, and underemployment afflict all of Bolivia, although the degree of severity varies from region to region. The dualistic nature of the economy demands that USAID adopt a dualistic growth-promoting strategy. Our strategy is directed at both the rural and urban poor, the former in agriculture and the latter in manufacturing. In urban areas, efforts will be directed at making productivity gains in the small and informal sectors. These gains will feed into medium and large industries, creating increases in income and employment, and eventually a more efficient and productive urban-based economy. The same logic extends to the rural poor, whose productivity gains allow them to better integrate into the formal economy via the sale of produce to agroindustries and urban consumers. Again, this will increase incomes and employment in rural areas. USAID is well qualified to engage in this strategy on both fronts, and is committed to doing so.

To realize the Strategic Objective of increased incomes and employment, USAID will focus on two intermediate results. IR1, "Expanded nontraditional value-added products," is primarily urban-based and short-term. IR2, "Improved agricultural and food system productivity," equally critical to equitable economic growth and opportunity, is a more costly and protracted goal. These results will be supported by four common sub-results:

- an improved legal and regulatory framework;
- increased access to financial services for micro and small firms;
- better functioning product markets; and
- improved human capacity in targeted rural areas and industrial sectors.

IR1 responds directly to the MERCOSUR challenge. Recent experience in other countries, from Asia to Colombia to Chile, demonstrate that internationally competitive businesses are a major source of new jobs for the skilled as well as relatively unskilled poor. The goal of IR1 is to create jobs through the emergence of a more competitive industrial base. Given its location, natural resources and relatively inexpensive labor, Bolivia can compete favorably in many industries. Success will depend on increased investment, foreign and domestic.

USAID's contribution to IR1 depends on adequate financial resources. IR1 will be supported by highly focused interventions that require technical assistance, as opposed to more costly programs such as infrastructure, operating costs, and credit lines. Nevertheless, a significant commitment in annual unrestricted Economic Growth Development Assistance funds will be crucial. These resources will allow USAID to exert leadership and to leverage other donor resources, GOB resources, and P.L.

480 funding.

IR2 responds to the reality that Bolivia is still essentially an agricultural nation, where the majority of Bolivia's population depends for its livelihood on the performance of the "food system." Bolivia's "food system" is a major area of economic activity that encompasses not just agricultural production, but also food processing, transportation, wholesaling, and retailing. Sustained increases in incomes for Bolivia's rural poor will only come about with greater food system productivity and improved market access by producers and consumers. IR2 recognizes that productivity increases cannot be confined to the farm, but rather that productivity must increase throughout the entire food system.

The success in achieving IR2 hinges on collaboration with four Title II Cooperating Sponsors, which work in some of Bolivia's poorest, most food-insecure areas. USAID/Washington recently approved the Sponsors' Development Assistance Plans, which outline the activities and funding levels contemplated to achieve productivity increases. The Cooperating Sponsors will work closely with municipal authorities that, due to the Popular Participation Law, now have financial resources to complement those of the Cooperating Sponsors. IR2 will also depend on overcoming key institutional and structural constraints that have impeded income growth. In some cases, overcoming these constraints will involve complementary Title III resources for investments that the Cooperating Sponsors are unable or unwilling to make.

Four sub-results will contribute to the Intermediate Results:

(i) Improved legal and regulatory environment. Both businesses and rural residents are constrained by the legal and regulatory environment. With respect to IR1, USAID will first focus on improving public-private sector collaboration to develop strategies for reducing constraints that increase the cost of doing business. USAID's counterparts will be the leaders that emerge from this public-private dialogue. IR2 activities will focus on sectoral and micro-level regulatory reforms that remove disincentives to production and entrepreneurship in rural areas. The new Bolivian Government's commitment of financial and human resources to economic growth is a prerequisite for success in both IR1 and IR2. If spurring economic growth is not one of the GOB's highest priorities, the probability of success will be low.

(ii) Increased access to financial services for micro and small firms. Bolivia's traditionally small, elitist financial system is improving but still far from adequate. Urban and rural enterprises cannot grow without increased financial capital. This is true for small rural farmers, microenterprises, and the largest companies alike. Microfinance services for the poor have

proven to help microenterprises grow and increase employment. Furthermore, these programs have had a profound impact on improving opportunities for women. About two-thirds of the growing microfinance institution client base is made up of women. Studies in Africa and Latin America have shown that about half of all small enterprises begin as microenterprises with under five employees. These small enterprises, the technological innovators, are the greatest potential source of jobs. But they face severe difficulties obtaining financial services.

After only four years in business, USAID-assisted BancoSol has 70,000 microfinance clients, nearly as many as are served by the rest of Bolivia's commercial banks combined.

(iii) Better functioning product markets. Greater productivity in industry, agriculture, and the food system is a necessary but not a sufficient condition to increase incomes and employment. Without greater market access for small and/or new entrants, the benefits of greater productivity will not be realized. Currently, a combination of institutional and structural constraints impede access to national and international markets. Both IR1 and IR2 will focus on technical assistance to diagnose bottlenecks in the marketing chain for specific industrial and agricultural products. For IR2, food-for-work programs will focus on building and maintaining transport infrastructure such as roads and bridges in food-insecure areas. In addition, GOB-owned Title III resources may complement productivity-enhancing Title II investments. These resources will ensure that supply-side increases find markets and produce higher real incomes.

(iv) Improved human capacity in targeted rural areas and industrial sectors. The Title II school feeding program is a major activity designed to improve human capacity and to complement Bolivia's education reform program. Since an educated, well trained labor force is a prerequisite of economic growth, school feeding will contribute to expanded economic opportunity by providing incentives for children to stay in school. The program is directed toward the poorest primary students in rural and peri-urban areas. It is tied directly to the GOB's education reform program and complements the World Bank and other donor support in this area. Under IR1, targeted technical assistance and training will also enhance the skills of Bolivia's entrepreneurs and workforce. Assistance will be channelled through institutions that support high-potential productive sectors in the most cost-effective way. Given the benefits to be derived from enhanced skills, IR1 training will recover costs to the greatest extent possible.

4. Commitment and Capacity of Other Development Partners

In developing the Economic Opportunities results framework, USAID's EO Strategic Objective Team conferred extensively with customers, stakeholders, and partners, many of whom are members of the Expanded Team. Over the past year, the team has conducted or financed extensive client surveys in micro, small, and large industries. We discussed our strategic plan with implementing institutions: contractors, NGOs, Cooperating Sponsors, and cooperatives. We invited representatives from the GOB, private sector, donor community, and independent experts to meet with our SO team. Over the past few months, the team has formally discussed and analyzed this information. Although shades of difference, based mostly on self-interest, existed among these groups, there was strong agreement on the obstacles to economic growth. These are described in the problem analysis above.

Over the past five years, coordination and collaboration with other donors has been an important element of the Economic Opportunity SO's program design and implementation. With relatively modest resources, USAID has led the way in enormously successful pension reform and microfinance programs. We expect that DA resources will continue to be scarce for the next five years. Therefore, donor collaboration and leveraging is fundamental to our strategy.

IR1's success will not be possible without support from other donors and partners. Fortunately, shared commitment exists. Collaboration in policies and regulations, essentially a new focus for the EO SOT, has already begun. USAID is discussing with the World Bank-supported Technical Assistance Service program (SAT) ways in which we can build private-public sector consensus and spur competitiveness in small businesses. Multilaterals will continue to finance infrastructure programs, especially export corridors to MERCOSUR neighbors. While the World Bank works with the GOB on educational reform (reinforced by USAID's Title II school feeding program), several European bilaterals will finance vocational training. USAID-supported institutions, such as the export promotion entity BOLINVEST, will continue to collaborate with the Fundación Bolivia Exporta, an institution supported by the World Bank, Switzerland and the Netherlands. BOLINVEST is developing a new private sector "think tank" in collaboration with the German development agency GTZ, Bolivia's Confederation of Private Entrepreneurs and USAID.

The USAID-initiated donor group for microfinance will continue to coordinate donor activities and to interact with the GOB. While USAID will emphasize technical assistance to strengthen and expand financial services, multilateral donors will provide credit and equity to expand the financial services frontier to areas where demand has been generated by the PPL. Again, the Mission coordinates closely with numerous bilateral donors in this area, especially COSUDE and GTZ.

IR2's success depends heavily on collaboration with Title II Cooperating Sponsors and complementary investments from GOB-owned Title III resources. Realizing greater agricultural and food system productivity will also depend upon the degree to which constraints to well functioning rural product markets are overcome. Improved marketing systems are a key component of the draft GOB food security strategy. In addition, the European Union recently signed a \$6.6 million agreement with the Bolivian government for a food security support program, and the EU may disburse another \$20 million. The European Union's food security initiatives and IR2 have much in common, we may be able to achieve a greater effect through collaboration.

5. Illustrative Approaches

The "Growth of the Nontraditional Value-added Products Sector" (IR1) will be achieved through targeted interventions, primarily in the form of technical assistance. The program is aimed at increasing nontraditional exports, attracting local and foreign investment, and facilitating the transfer of technology to small and medium producers. Given the limited carrying capacity of the informal sector, we believe this is the best means of providing employment and increased incomes for Bolivia's poor. USAID will support local institutions, such as the BOLINVEST Foundation and the Center for Economic Investment, which provide integrated technical assistance and training to adapt and develop new products and markets. The program will also conduct market research in local and overseas markets and offer technical and commercial information on trade.

"Improved Agricultural and Food System Productivity" (IR2) will be achieved through close collaboration with four Title II Cooperating Sponsors conducting agricultural programs in some of the most food-insecure areas in Bolivia. With Title II resources, USAID and its Cooperating Sponsors will focus on increasing the volume and value of food production utilizing improved technology, management practices, and small-scale irrigation initiatives. But increased production alone is not sufficient. To translate production into higher cash incomes, rural food markets must function better. Many rural producers simply cannot compete because of high marketing costs due to poor infrastructure, lack of market information, and monopolistic power in rural markets. To improve the functioning of rural markets, providers of technical assistance will diagnose specific bottlenecks. These bottlenecks will then be addressed through a continuing dialogue on policy and regulatory reforms and the appropriate government role in facilitating private sector transactions.

USAID is engaged in discussions with the GOB and the World Bank to design an agricultural foundation that would support IR2. Agricultural productivity in Bolivia is low, due in part to a

lack of public and private sector research initiatives. For many food-insecure households, the way out of the low productivity-poverty trap is improved technologies and farm management practices. Applied research carried out by this foundation, disseminated through the Bolivian Agriculture Technical Institute (IBTA), will be a key to sustained productivity increases in the agricultural sector. The GOB and USAID have set aside \$12 million from Title III local currency proceeds for the proposed foundation. The World Bank would also provide major financial support.

Both of the Intermediate Results described above are supported by four sub-Intermediate Results:

In "Improving the Legal and Regulatory Framework," USAID will bring major donors together to build an economic growth and expanded opportunities platform. This will be followed by a program to enhance public and private sector dialogue and collaboration. Should committed leaders emerge from this first phase, USAID will embark on a second phase. Without committed leaders from both the private and public sectors, this activity will have little promise and will be dropped from the strategic objective. The second phase, to be implemented throughout the next Government's five-year term, will attempt to establish laws and regulations that facilitate competitiveness and improve their implementation.

To "Increase Access to Financial Services for Micro and Small Firms," USAID will provide short- and long-term technical assistance to financial intermediaries as they expand and diversify services while pursuing financial viability. The program will support NGOs, credit unions and licensed financial institutions. Emphasis will be placed on helping institutions improve their capacity to provide credit to small businesses and nontraditional borrowers, as well as their ability to expand services to rural areas. Technical assistance and training will support the Superintendency of Banks and Financial Institution's efforts to regulate and supervise nontraditional institutions, especially microfinance institutions. Bolivia is generally regarded as a world leader in this field.

In achieving "Better Functioning Product Markets," USAID will provide technical assistance for diagnostic studies of marketing constraints for specific industrial and agricultural products. Such studies will be carried out by contractors with specific sector-based experience and will be used as empirical evidence in the continuing dialogue with the GOB on regulatory and institutional reforms. In addition, diagnostic studies of marketing bottlenecks will find alternative marketing channels for emerging rural and urban entrepreneurs. Food-for-work programs will focus on building and maintaining transport infrastructure such as roads and bridges. In addition, Title III

resources will complement the Title II programs with investments so that supply-side increases find markets and fetch higher real incomes for rural households.

"Improved Human Capacity in Targeted Rural Areas and Industrial Sectors" will focus on two fronts. First, using DA resources, it will target business training to enhance

the skills of entrepreneurs in particular and the workforce in general. Second, the Title II school feeding program will operate in the most food-insecure areas. Changes made in the school feeding program based on AID/W's recommendations will enhance the program's effectiveness. The goal of the school feeding program is to provide incentives for students to stay in school, which in the long run will contribute to a better trained workforce.

For both IR1 and IR2, USAID will explore ways to integrate its programs at the municipal level. For example, the secondary city of Sucre is considering ways of enhancing economic activity by using funds generated under the PPL. The financial area also presents opportunities, because the great majority of Bolivia's municipalities do not have access to convenient financial services. Through technical assistance and other support, USAID will encourage existing rural financial institutions to open branches in many of these municipalities. We believe that local involvement and support will greatly enhance the probability of success in making businesses and rural households competitive.

6. Sustainability

Sustainability for the EO Strategic Objective is best described using two categories: the sustainability of those institutions providing assistance to the target beneficiaries; and the sustainability of Bolivian businesses and agricultural producers.

Prospects for the long-term economic sustainability of IR1's activities will be closely linked to the program's initial successes. In most developing countries, international competitiveness usually improves when a small number of visionary entrepreneurs are successful. Their success creates a "demonstration effect" that leads larger numbers of businesses to replicate these initial successes. At these early stages, exports can grow at impressive rates and can generate significant employment. Thus, the sustainability of this growth process depends upon the degree to which USAID can provide the impetus for initial successes that lay the groundwork for long-term

Even resource-poor, food-insecure farmers benefit from Bolivia's trend toward greater trade integration. Caritas, a Title II Cooperating Sponsor, has worked with small farmers in Tarija to increase productivity and enhance market access for agricultural products. These small farmers in Tarija now export garlic to Peru, raising household incomes and contributing to Bolivia's regional competitiveness.

opportunities and growth. Of course, long-term sustainability is also influenced by many factors outside of USAID's control, such as international prices, economic cycles, and domestic politics.

USAID's activities to increase access to financial services will not finance recurring costs. Instead, they will be directed explicitly at improving the financial viability and sustainability of financial intermediaries through technical assistance. Depending on the availability of funds and future needs assessments, USAID may provide donations for equity investments in financial institutions. These investments will be aimed at increasing institutional capital and leveraging additional financing (for loans), and therefore are also instruments to achieve sustainability.

Activities designed to provide technical assistance and training to small and medium businesses and farmers are rarely sustainable in the short run. Therefore, these types of institutions may require operating cost support at the outset. Nevertheless, USAID will emphasize some level of cost recovery, as well as support from other donors to build the foundation for institutional sustainability.

Given the focus of IR1 and IR2 on nontraditional exports and increasing agricultural and food system productivity, environmental sustainability will be a key component of our programs. Bolivia's biodiversity and fragile ecosystems require that the nation's valuable resource base be exploited in a manner that is both sustainable in the long-term and in the interest of all Bolivians. Export-oriented firms that receive any degree of USAID assistance will be required to observe relevant national laws and certification procedures and international agreements (e.g., CITES). In the agricultural sector, USAID will work with Cooperating Sponsors to promote environmentally sustainable crop management.

In general, USAID will work with existing institutions, chosen for their strong leadership, commitment, effectiveness, and efficiency. Technical assistance and training will be structured to strengthen their capacity, contributing to institutional sustainability. Support to the GOB will be based upon a mutual commitment of financial and human resources to pursue our common objectives. In particular, activities will focus on improving the GOB's ability to develop and implement policies, laws, and regulations.

7. Judging Success

The achievement of the Economic Opportunities Strategic Objective will be measured by increased employment and incomes of Bolivia's poor. Through the next five years, the activities supported by USAID will steadily increase new permanent jobs. For micro-

finance and export promotion activities, the number of jobs created will increase from 32,000 in 1997 to 58,500 in 2002 (Table B-1). The increase in real income from agricultural activities for the target population will increase by 40% by the year 2002 (Table B-2).

Growth in nontraditional value-added products contributes to Bolivia's international competitiveness. This goal will be achieved through assistance to mainly small, informal businesses to produce high quality manufactured products. Net production is projected to grow from \$1.1 million in 1997 to \$1.6 million in 2002 (Table B-3).

New domestic and foreign investments promoted by USAID-assisted institutions will furnish capital to expand small manufacturing industries. Levels of achievement through 1996 are higher than those planned for the next five years, since USAID funding for this activity will be reduced. However, the total value of USAID-attributable foreign and domestic investment will continuously increase from targets of \$6.3 million in 1997 to \$11.4 million in 2002 (Table B-4).

USAID will also help small firms selling nontraditional value-added products with high potential for sustainable growth. We plan to increase the number of small firms assisted from 60 in 1996 to 350 in 2002. Even though this number represents a small portion of Bolivia's manufacturing sector, USAID will focus on industries with high growth potential that can have a demonstration effect in their sectors.

The value of USAID-attributable export sales will increase to six times our 1991 baseline by 2002. Results will be tracked through quarterly reports by USAID-assisted institutions that provide technical assistance or credit (Table B-6).

To measure achievement in the agricultural sector, the sales of selected crops will be measured; the target is a 40% increase in sales by the year 2002 (Table B-7). Market margins for this group of selected products will also be monitored. Since marketing margins fall as a result of greater food system efficiency, this indicator provides a good proxy for program performance. The target is a reduction in the marketing margin from 61% to 46% by the year 2002 (Table B-8).

For both agricultural indicators, USAID Bolivia has developed a monitoring system to be used by all four Title II Cooperating Sponsors. Additional data on market prices will be confirmed with data obtained from the GOB. More complete baseline data, currently being collected, will be available by August 1997; at that time, baselines and targets may change.

8. Economic Opportunity Indicators (See Annex B)

C. Health

1. Statement of the Health Strategic Objective

Agency Goal: World's Population Stabilized and Human Health Protected in a Sustainable Fashion

Summit of the Americas Agenda: Equitable Access to Basic Health Services, Strengthening the Role of Women in Society.

Strategic Objective: Improved Health of the Bolivian Population

2. The Problem

Despite substantial economic and social progress in recent years, Bolivia's population is among the most disadvantaged in the hemisphere. Recent health improvements have occurred principally in urban centers, while the rural indigenous poor have been excluded from the benefits of better and more accessible health services. Geography, dispersed settlement, limited economic opportunities, low levels of education, and diverse indigenous cultural traditions challenge Bolivian governmental and nongovernmental health care agencies' ability to reach the neediest, mainly indigenous populations.

Women with small children have to walk long distances over difficult terrain to reach even minimal health care facilities. Men are often absent from rural areas, in search of income in more dynamic urban and agribusiness centers. Economic reflows to rural areas are scarce and sporadic; this limits the amount of disposable income and time that women can dedicate to their own health care and that of their children. The average rural girl goes to school for only 2.5 years. It is estimated that 50% of women in rural areas are illiterate, which hampers the effectiveness of information, education, and communication (IEC) campaigns based on written materials and formal educational techniques. A recent analysis in El Alto revealed that women clients did not notice prominently displayed posters with reproductive health and child survival messages.

Due to these factors, improvement in health indicators has been much slower in rural than in urban areas. Rates of maternal mortality among rural, mainly indigenous, women is triple that of women in urban centers. Women in rural areas also have nearly twice the number of children as women in urban areas and nearly double the number of children they say they want (6.3 rather than 3.3). Yet at the time of the last Demographic Health Survey (DHS) in 1994, only 6.9% of rural women used a modern contraceptive method compared to 25.4% of urban women. Infant and child mortality rates are also higher in rural areas -- 54% and 56%, respectively. In addition, more than one-third of rural children are chronically malnourished, and thus stunted, compared

to one-fifth in urban centers. Low educational levels of women also contribute to the poor health status of women and children. Forty-six percent of children of women with no education are chronically malnourished, compared to only 15% of women with high school education or above. Women with no formal education have nearly 2.5 times more children than women who have completed high school.

Bolivia has about 34 different indigenous ethnic groups with distinct linguistic and cultural traditions. This diversity hampers these groups' access to information and services, which are offered almost exclusively in Spanish. Indigenous populations are often discriminated against, particularly in public health facilities. A recent study demonstrated that health care providers did not see the need to improve their technical or interpersonal skills. They attributed all quality-of-care problems to infrastructural deficiencies and the cultural "backwardness" of their clients. Thus, health care workers need sensitizing and training in gender and intercultural skills.

3. Results Framework Description

The development hypothesis of the Health Strategic Objective is that the health of the Bolivian population will improve if: 1) Bolivian women, men, and adolescents engage in healthful child survival and reproductive and sexual health practices; 2) the quality and coverage of health care services administered by communities, municipalities, and NGOs improve; and 3) the health system is decentralized and participatory.

Each of the three primary Intermediate Results in the Health Results Framework articulates one of the critical conditions that contributes to achieving the SO. The critical assumption is that the Bolivian population's health will not improve until health practices, the quality and coverage of services, and the structure of the health care system change. Corollary assumptions are:

- High-level political and fiscal support for the Popular Participation and Administrative Decentralization laws, and in particular for decentralizing and improving the health care system, will continue;
- Bolivian women, men, and adolescents are committed to being active participants in improving their health and that of their families;
- Health care providers and administrators are interested in and committed to improving their technical and sociocultural skills;
- Financial support is available in both the U.S. and Bolivia for reproductive health and child survival interventions; and
- The national maternal and child health insurance program

offering free services will not undermine NGO health care service or bankrupt the national health care system.

Our key USAID strategy is to stimulate local governments and NGOs to improve the quality of health services according to established technical norms and culturally acceptable standards. These services will also motivate Bolivians to take an active part in their own health care. A second strategy is to help central, departmental, and municipal governmental organizations to assume new, complementary roles in a decentralized health care system. Each of the Health SO's Intermediate Results responds to elements of these strategies.

IR1, "Improved Child Survival and Reproductive and Sexual Health Practices by Bolivian Women, Men, and Boy and Girl Adolescents and Children," establishes changes in individual, family, and community health practices as necessary and essential conditions for improving the health of the Bolivian population. IR1 is supported by two sub-IRs. The first, "Increased Design, Dissemination, and Use of Culturally Accessible Child Survival and Reproductive and Sexual Health Messages and Social Marketing Products for Defined Populations" (IR1.1), responds to customers' needs for reproductive health and child survival messages and social marketing strategies that are attuned to cultural, gender, and age differences. The second, "Increased Knowledge and Broadened Participation by Women, Men, and Boy and Girl Adolescents in Child Survival and Reproductive and Sexual Health Activities" (IR1.2), establishes broadened participation and increased knowledge as two other key factors for changing health practices.

IR2, "Improved Quality and Increased Coverage of Community Health Care Established by Local Governments and Nongovernmental Organizations," addresses two factors that constrain the Bolivian population's access to health services: quality of services and coverage. "Improved Technical and Sociocultural Skills of Health Care Providers and Administrative Staff at All Levels" (IR2.1) will improve the technical and interpersonal skills of providers to respond to the needs of different ethnic, gender, and age groups. "Improved Capacity of Communities, Municipalities, and Departments to Finance, Administer, and Sustain Culturally Acceptable Health Care Services" (IR2.2) addresses the needs of municipalities that, as a consequence of new laws, are now charged with planning, supervising, and administering health services.

IR3, "Decentralized and Participatory Health Care System," directly responds to the GOB's 1996 efforts to legally establish and implement a health system aligned with Bolivia's Administrative Decentralization and Popular Participation Laws. "Municipal Health Planning and Evaluation Systems Strengthened and Made More Participatory" (IR3.1) will strengthen the capacity

of municipal authorities and community groups, particularly in rural areas, to assess health care needs of their populations and to plan, budget, and evaluate services. "Increased Health Service Delivery Options at the Municipal Level" (IR3.2) will help USAID's NGO and GOB partners adapt and market health care delivery models to municipalities and assist them in choosing among different options. "Improved Health Resource Allocation to Municipalities by Departmental Governments" (IR3.3) strengthens the ability of Departmental Secretariats of Human Development to provide technical support to the municipalities in their jurisdictions and to allocate medical personnel more rationally. "Strengthened Health Regulatory, Normative and Coordinating capacity of the National Secretariats of Health and Popular Participation" (IR3.4) will help USAID's intermediate customers in the National Secretariats of Health and Popular Participation strengthen their coordinating and normative capacity to develop, disseminate, and supervise high-quality national health standards and protocols.

4. Commitment and Capacity of Other Development Partners

Multilateral donors such as the World Bank, the Inter-American Development Bank (IDB), the Pan American Health Organization (PAHO), UNICEF, the United Nations Family Planning Agency (UNFPA), and the World Food Program, and bilateral partners such as the Germans (GTZ), the British (ODA), and the Dutch all provide assistance to Bolivia's health sector. These organizations meet periodically to coordinate financing and activities such as national-level work plans.

UNFPA takes the lead in support to the public sector national reproductive health program. USAID complements this support through technical assistance and training and by developing national standards and norms. ODA has just begun to finance contraceptive commodities through UNFPA for the public sector program. USAID will collaborate with both these agencies by training the public sector in contraceptive logistics management. USAID also provides contraceptives for a rapidly expanding social marketing program, the Social Security Health System, and NGO partners throughout the country.

USAID combines efforts with UNICEF, the World Bank and the IDB in support of public sector efforts to improve maternal and child health. USAID complements them with an NGO support strategy that reaches some of the most isolated areas of the country. Recent World Bank and IDB Programming missions have expressed interest in joining with USAID in some NGO programming, recognizing that this is the most efficient way to reach some of the most under-served populations with the worst health indicators.

The GOB is a committed partner as well as a customer of USAID's services. The Popular Participation and Administrative

Decentralization Laws have profoundly affected the health sector. The National Health Secretariat (SNS) has implemented a decentralized health model by which local governments and communities now have the possibility of financing and managing their own health services. The SNS benefits from support from UNFPA, technical assistance from PAHO, provision of contraceptives from ODA, and commodities and equipment from the GTZ. Reproductive health services have been introduced in all 311 Bolivian municipalities. The need now is to consolidate services and upgrade their quality. The Social Security Health System, with USAID's assistance, will expand coverage to 92 establishments nationwide in 1997, with consolidation and quality improvement to follow.

USAID also finances the Community and Child Health (CCH) project, a GOB-supported activity, which over the last ten years has provided technical and commodity assistance at the central level for key national programs such as immunizations and diarrheal disease control. CCH has improved management and administrative capacity and played a key role in increasing access to services in hard-to-reach rural areas. In addition, CCH has developed delivery models that fit into the new decentralized health structure and can be replicated elsewhere in Bolivia.

Through its Sexually Transmitted Disease/Human Immunodeficiency Virus/AIDS (STD/HIV/AIDS) Prevention and Control activity, USAID Bolivia has helped the GOB develop interventions that improve health providers' capacity to diagnose and treat STDs by improving laboratory diagnostic capabilities and by training health personnel in STD case management. The activity's intensive outreach and education of commercial sex workers, their employers and customers, and of the gay community has helped reduce the incidence of STDs markedly among these target populations.

Nongovernmental organizations and Title II Cooperating Sponsors also will play a significant role in achieving SO results. The Coordinated Program for International Health (PROCOSI), a 24-member network of NGOs working mostly in rural areas, is committed to bringing health services to under-served populations primarily by strengthening local public facilities. PROCOSI members bring extensive community experience and established relationships with community groups to the new environment of popular participation and have developed culturally acceptable and accessible programs to improve health knowledge. Title II sponsors work in the most food-insecure areas of the country to improve nutritional and child survival practices of parents and children.

The Center for Research, Education and Services (CIES), Bolivia's largest private-sector provider of reproductive health services, has the capacity to improve its quality and coverage through

clinics in eight major cities in seven departments. CIES will further expand services and strengthen a growing social marketing program. CARE develops training and monitoring programs for community health providers and capacity building programs for local government authorities and NGOs. They have the greatest experience in both the public and NGO sectors in rural water system installation and management.

Fundación San Gabriel develops and implements urban, community-based health programs with improved quality-of-care strategies. It emphasizes community outreach and health education programs to increase participation in health matters. Its community-based birthing centers improve access to and acceptability of birth services for poor urban women who previously have preferred to give birth at home without medical care. PROSALUD, a local nonprofit NGO which provides high-quality primary health care services to low-income urban populations, has expanded into a nationwide network with 28 health centers. It will graduate from USAID assistance in five years with the help of a USAID-proposed endowment designed to permit PROSALUD to cover its operating deficits while expanding into other regions. Contributions from other donors to the endowment are planned. The decentralization of responsibility for health to municipalities is an ideal context for PROSALUD.

Population Services International and Johns Hopkins University develop and implement mass media health communication and education programs and social marketing strategies for contraceptives and water purifying systems for home use. Finally, the BASICS project, which provides technical assistance to both CCH and PROCOSI, has developed a comprehensive rural communication strategy and is working with the GOB to develop an integrated approach to treating sick children, focusing on the most common causes of sickness and death for children under five.

5. Illustrative Approaches

a. Intermediate Result 1 (Health Behavior Change)

USAID will fund IEC, research, and social marketing activities to change health behavior under IR1. USAID will build upon an award-winning reproductive health media campaign by launching a rural campaign in 1997 and consolidating both rural and urban efforts in future years. The rural campaign will develop messages and use a variety of media to meet the needs of audiences segmented by gender, age, and ethnicity. Social marketing activities will be diversified from an emphasis on condoms to include oral contraceptives, Depo Provera, insecticide impregnated bed nets, a home-based water purification system, and more aggressive commercial marketing of oral rehydration salts. Social marketing to rural areas, via mobile video units, will be expanded. The dramatic television series "Historias del Vecino"

(Neighborhood Stories) will air additional shows dealing with reproductive health issues faced by Bolivians. PSI social marketing and IEC activities in the STD/HIV/AIDS Prevention Project have developed a wide variety of attractive products (promotional T-shirts, key chains, and match books), and attractive packaging for condoms and lubricants. IEC materials have included posters, comic books, and brochures that communicate safe-sex messages to commercial sex workers and the general population.

In response to a cholera outbreak in Yacuiba in January 1997, Population Services International successfully marketed "Agua Claro," a locally produced, home-based, water purifying system. Cholera cases declined from 900 to 93 in a month's time. The town's mayor was so impressed that he used municipal funds to purchase 1,500 additional containers for distribution to high-risk, less accessible communities in the municipality to prevent further expansion of the epidemic.

USAID Bolivia's health-related research program will continue to expand and diversify. In the past two years, there has been innovative research on men's and women's attitudes toward family planning, prenatal and birthing care, management of diarrheal disease, and cultural and family determinants of under five mortality. Research findings will continue to guide IEC strategies and health care delivery models. Increased responsibility for research will be assumed by national researchers. Bolivia will be included as a focus country by the Global Bureau's Girls' and Women's Education Activity. Research will examine the comparative impact of girls' primary school attendance and women's literacy training on women's reproductive health and economic decision-making and on their political participation.

Development of innovative participatory educational methodologies for illiterate and minimally literate rural and peri-urban populations will continue. CIES and the Social Research, Appropriate Technology and Training Center (CISTAC) use creative approaches to educating adolescents about reproductive and sexual health. Greater effort will be placed on systematizing and disseminating locally produced materials so that a greater number of organizations and customers can benefit from them.

USAID plans to implement a maternal and child health feeding program with Title II resources, focusing on children under the age of three, to address the continuing problem of high levels of malnutrition. Four Title II Cooperating Sponsors will work in the poorest areas of Bolivia providing supplementary food assistance, associated health services, and health education to high-risk mothers and children. They will also work to increase family nutrition levels and family income by building local roads, greenhouses, micro-irrigation, and local water and sanitation systems.

a. Intermediate Result 2 (Improved Quality and Coverage of Health Services)

USAID Bolivia will continue to support effective training interventions to improve the capacity of health personnel to deliver quality services. With USAID support, the SNS has established nine in-service training centers throughout the country for doctors, nurses, and nurse auxiliaries. These centers will continue to update medical personnel on changes in reproductive health and child survival technology, techniques, and quality of care protocols. Through the STD/HIV/AIDS activities, USAID will work with these centers to integrate training in STD/HIV/AIDS laboratory diagnostic techniques. USAID also will transfer training courses in STD/HIV counseling to NGOs to reach a broader population and to better integrate STD/HIV training into reproductive health services.

In 1997, the Association for Voluntary and Safe Contraception (AVSC) will initiate training on reproductive health and surgical contraceptive techniques for NGO practitioners and private doctors. AVSC also will develop a training program on family planning and obstetrical risk for indigenous midwives. Mothercare will continue to strengthen municipal service providers in prenatal and obstetrical care. Management Sciences for Health will continue to train the National Social Security Institution and PROCOSI members on quality of care for reproductive health. Support will be given to increase research and training of private and public providers in post-abortion care. CIES has begun a collaborative training effort with the Center for Information and Documentation on Women to train administrative and medical personnel to incorporate gender considerations into their services. This will be a model for other agencies during the next five years. BASICS will continue to promote integrated management of childhood diseases in pre-service training facilities, including medical schools.

Through grants to NGO providers, USAID Bolivia will expand support for innovative approaches to increasing quality and coverage of health care, especially for the poorer and more remote segments of Bolivian society. PROSALUD has signed agreements in five cities to provide high-quality health care at reasonable prices that still allow PROSALUD clinics to be largely self-financing. USAID will support an expansion of this capacity to five additional areas.

At the door of a PROSALUD health clinic, an indigenous woman was crying. When a staff member approached her and asked her why she was so upset, she indicated that it was her first visit to PROSALUD and that she was crying because it was the first time she had been treated like a human being.

PROCOSI will continue to promote creative partnerships between

its members, municipalities, and departmental governments to increase coverage and provide quality health care in under-served rural areas. In order to receive subgrants, member organizations must have signed agreements with the municipalities in which they work. Some have gone far beyond signed agreements to engage in joint planning and co-financing with municipal partners to support community health care.

CIES plans to become the official International Planned Parenthood Federation (IPPF) affiliate in Bolivia. IPPF will continue to strengthen CIES' managerial, leadership, and technical capabilities in reproductive health while supporting its expansion and sustainability in eight major cities in Bolivia.

c. Intermediate Result 3 (Decentralized and Participating Health System)

USAID Bolivia will fund a series of technical assistance, training, and social marketing activities to realize a decentralized and participatory health system. USAID will fund activities that strengthen the capacity of municipal health authorities to work with communities to better plan, finance, and evaluate health interventions. Interventions will help elected officials engage communities to identify health priorities, develop appropriate interventions, and understand the costs and benefits of the range of possible interventions.

Decentralized funds under the PPL create significant opportunities for public-private health care partnerships at the municipal level, offering municipalities increased options for better health care delivery and technical assistance. While some USAID-financed NGOs are taking advantage of these opportunities, much more can be done. USAID will fund social marketing to strengthen NGOs' ability to undertake joint ventures with municipal governments for the provision of health care to local populations. To support their negotiations with mayors, NGOs will draw on the wealth of municipal level demographic and health data funded by USAID.

USAID will fund activities that strengthen the capacity to plan and assign health resources at the departmental level and activities that strengthen the capacity of the SNS, the SNPP, and other related GOB institutions to regulate, coordinate, and enable a decentralized and participatory health sector. Specifically, USAID's support to the national health service statistics system to improve the reliability of health information down to the municipal level will continue.

6. Sustainability

Sustainability will continue to be a key issue for USAID

Bolivia's health sector support. In 1994, through a debt swap that included a \$2.5 million "premium" from the GOB, USAID established a \$7.5 million endowment fund for the long-term sustainability of PROCOSI's national coordinating office. Through the endowment, PROCOSI's executive secretariat now devotes increasing attention to technical assistance and coordination. USAID will continue to provide grant funds to PROCOSI, which PROCOSI will sub-grant to its members for child survival and reproductive health activities in poor, rural, and isolated areas. The endowment has allowed USAID grant funds to be used more efficiently for direct service provision instead of administration.

In addition, USAID has proposed an endowment (awaiting USAID/Washington's approval) for PROSALUD. Sustainability was one of the key factors in USAID's interest in PROSALUD from the beginning. Thirteen community health centers in Santa Cruz now routinely recover over 90% of their total operating costs with modest, affordable user fees for curative services. Together with the endowment, USAID plans to support a further expansion of the PROSALUD model to other areas of the country, with a medium-term goal of extending health services to 500,000 people. The endowment will allow the model to be fully self-sufficient by 2002.

In July 1996 the Government of Bolivia implemented an insurance plan which provides a series of mother and child services free to public sector clients. The plan was developed to remove the economic barrier to access to services as a way of rapidly reducing maternal and child mortality rates. Over the last three years, two attempts to provide free public health care for these same groups failed because the GOB did not address financial sustainability. During the earlier attempts, USAID raised the sustainability issue at the highest levels of the GOB and the SNS. The present insurance plan addresses some of these problems and is an interesting alternative. USAID will provide technical assistance as necessary to evaluate and assess the health insurance plan.

In the view of the Health SOT, sociocultural differences, racial and gender discrimination, and the traditional poor service quality in the public health system limit access to health facilities as much as or more than does the economic barrier. Much of USAID's proposed program will be targeted at these issues.

A final issue on sustainability is the potential effect of the public sector insurance plan on other health institutions. The plan could damage private and other NGOs with which USAID has worked for years to promote financially sustainable programs. USAID will give close attention to this issue to assure that its investments are not damaged.

7. Judging Success

USAID Bolivia's Health SOT is developing a powerful system of performance indicators and efficient reporting mechanisms. In March 1996, the Expanded SOT, with members from all sectors, developed a preliminary Results Framework and immediately began work on indicators at the SO, IR, and activity level. Full time consultants provided technical assistance to USAID's development partners on measurable indicators.

The results have been excellent. Health service providers now have a set of uniform indicators for which data will be aggregated at the IR level. Other IR indicators measuring adoption of sound health practices and health sector policy reform have been developed jointly with partners with input from GOB officials, other donors, and Expanded SOT members. The system will be fully functioning by FY 1998.

Pathfinder, with USAID support, has developed a computerized information management tool to aggregate data at the national level for all USAID funded reproductive health service providers. They instituted new record-keeping forms at the clinic level, training of personnel nationwide in the new system, and a strict system of verification.

USAID also supports an effort to upgrade the national health service statistics system (SNIS) within the SNS to improve data collection, connect hospitals and clinics in remote areas of the country by modem, and verify the quality of information entering the system. To insure continued high level support throughout the change in government, the Harvard University Data for Decision-Making (DDM) activity has developed a user-friendly data analysis program that the Secretary of Health and other officials are using to make daily management decisions based on SNIS data.

To establish empirical baselines and targets, USAID plans to conduct an interim DHS in 1997. Tremendous progress has been made since the full 1994 DHS, and waiting until 1999 will not provide the necessary information to track recent progress. Based on improvements already made in our monitoring systems, our grantees' annual workplans already incorporate Results Framework indicators with ambitious activity level targets.

Our partners have begun data collection on 48 intermediate results and activity level indicators and the Health SOT has begun using these indicators as a management tool. Those included in the 1998 R4 will have solid baseline data from the interim DHS, reliable performance data from mature monitoring systems, and realistic targets developed in close concert with our partners.

Success for this SO is defined by three indicators.

1. If USAID's child survival programs are successful, infant mortality will decline from 58 per thousand live births in 1997 to 47 per thousand live births in 2002. A proxy indicator, the percentage of infants 0-11 months who received three doses of DPT at CCH sites, of 80 percent for 1997 and beyond is the World Health Organization's target. This level of coverage yields a "herd immunity level" of community protection that significantly reduces the chance of these diseases' transmission.

2. Data for another measure of success, reduced maternal mortality, will not be available until the full DHS in 1999. We are using an interim proxy indicator, percent of births attended by a trained birth attendant, because births attended by trained health personnel have been shown to reduce maternal deaths from obstetrical complications. Bolivian women have been reticent to seek trained health care providers to deliver their children because of the prejudice shown toward them. This issue of service quality, with a focus on customers, has been a primary target of all of USAID/Bolivia's health programs. The planned estimate for this indicator represents a 110% increase over the baseline.

3. The SO-level indicator for modern contraceptive prevalence rate is expected to show a percent change of 166% between the baseline and target years.

The IR-level indicator, "Total number of couple years of protection (CYPs) provided by USAID-assisted activities," is a new IR-level indicator. Between 1995 and 1996 we saw a 28% increase, and we anticipate a 175% increase between the baseline level and the planned target.

The IR-level indicator, "New acceptors of modern methods of contraception at USAID-assisted facilities," is another new IR level indicators. Between 1995 and 1996 we saw a 17% increase, and we anticipate a 180% increase between the baseline level and the planned target.

The IR-level indicator, "Number of municipalities with formal agreements with a USAID-funded NGO that have provided a cash or in-kind counterpart contribution," demonstrates direct USAID support to local government units. We anticipate a 400% increase between the baseline figure and the target level.

The IR-level indicator, "Number of Comites de Analisis de Información (CAIs) in USAID's area of influence using the SNIS," measures the extent to which the National Health Secretariat is providing departments and municipalities with information from the SNIS to use in CAIs. We anticipate this number to increase from a baseline of 1 to a target of 85.

8. Health Indicators (See Annex C)

D. Environment

1. Statement of the Environment Strategic Objective

Agency Goal: Environment Managed for Long-term Sustainability

Summit of the Americas Agenda: Partnership in Biodiversity, Partnership for Pollution Prevention, Invigorating Society/Community Participation, Cooperation in Science and Technology.

Strategic Objective: Degradation of forest, water, and biodiversity resources reduced

2. The Problem

Bolivia's forest and biodiversity resources are unquestionably of global significance. The country has roughly the same amount of natural forest as do all the countries of Central America and Mexico combined and with this safely sequesters billions of tons of carbon and protects world-class biological diversity. The GOB's commitment to protecting these resources is also exceptional, and Bolivia has increasingly assumed leadership among the developing nations on matters of sustainable development and the environment.

Nevertheless, the rate of decline in Bolivia's forest cover is alarming, with extensive conversion of biologically rich areas (many inhabited by poor indigenous groups) to often unsustainable agricultural use. For example, the Bolivian Chaco contains high levels of biological diversity, with at least 10 endemic mammal species. At the same time it is subject to severe conversion pressures: according to the Wildlife Conservation Society, between 1 and 2 million hectares of dry tropical forest could be converted to large-scale soybean production during the Strategic Plan period. The same may be said for other parts of the Bolivian lowlands, where -- despite the high short-term economic payoffs that can accrue to commercial interests -- the long-term environmental impact of such developments is easy to predict: increased global warming; significant reductions in biological diversity; increased desertification and flooding; and costly damage to the country's productive infrastructure. These problems are felt disproportionately by the country's poor and indigenous peoples, and paradoxically, the downward spiral in productive potential they imply actually increases the pressures for further forest conversion.

Bolivia has made major strides in recent years in addressing these issues: it has developed and promulgated landmark environment-friendly legislation, ranging from the General Environmental Law (1992) and its comprehensive regulations (1995) to control air, water, solid, and toxic waste pollution, to a

greatly improved Forestry Law and regulations (1996) and Agrarian Reform Law (1996). Similarly, it has developed a new institutional context for improved environmental management, including the hemisphere's first Ministry of Sustainable Development and Environment (1993), created with technical assistance from a team sent to Bolivia by Vice President Gore; a National System of Protected Areas (1993); and a Secretary of State for Ethnic Affairs (1993), collaborating on resource management activities with indigenous groups in different parts of the country. These measures lay the groundwork for responsible, equitable, and participatory stewardship of the country's rich biological resources.

USAID is working with a broad range of customers, stakeholders, and partners (in particular with tropical lowlands indigenous peoples groups like the Chiquitanos and Izoceños, and with NGOs, private sector business associations, and the GOB) to find win/win solutions to the problems of environment and development. These include increasing the capabilities of indigenous peoples to monitor the biological diversity in their areas, and to develop sound wildlife management plans to assure stable wildlife populations far into the future -- as well as the subsistence harvests these provide, with their vital dietary proteins for these poor rural people. Similarly, research and training in forestry management is paying off in a big way, with development of environment-friendly forest management plans that protect biological diversity while increasing rural incomes. Thanks to USAID assistance, Bolivia's Chiquitano indigenous peoples are the first in Bolivia to access high-value "green markets" in the U.S. and in Europe. And work with factory owners is reducing urban environmental contamination, while improving their financial "bottom lines." The base to build on in Bolivia is outstanding, and while the challenge is serious, the opportunities -- for both the USG and the GOB -- are unsurpassed.

3. Results Framework Description

In 1992, USAID's environment program developed the current Strategic Objective based on the priorities of Bolivia's National Environmental Action Plan, with the participation of more than 350 representatives of civil society from across the country. These priorities were revisited in December 1996 with a broad-based questionnaire. Almost 200 public and private sector institutions were contacted, and the results clearly indicate that USAID's Environment SO is right on target.

a. Intermediate Results and Causal Relationships

The Mission's strategy is based on the development hypothesis that encouraging sustainable forest use and wildlife management, and reducing industrial pollution, will reduce forest and water degradation and protect biodiversity. The Results Framework shows

a clear causal relationship between the various levels of action. Sustainable forest and wildlife management directly reduces forest and water degradation and protects biodiversity. Here the term "sustainable" implies that resources are used to benefit local populations, but at a rate in which the environment can regenerate them as fast or faster than the rate of harvest; in effect, this means a zero net impact on the environment, while still meeting basic human needs. Similarly, by reducing industrial pollution, USAID is contributing to the improvement of water resources, as well as to the protection of biodiversity by reducing pollutants that find their way into Bolivia's fragile Amazon Basin region.

The Results Framework identifies three key results which lead to sustainable forest and wildlife management in target areas (IR1). From the policy perspective, a legal and regulatory framework to promote sustainable management of renewable natural resources (IR1.1) is a crucial step towards achieving such management, providing clear "rules of the road." Without such a framework, powerful resource user groups are not legally responsible for the manner in which they carry out their activities, for example, logging. A second important component is the effective management at the local level of areas critical to biodiversity (IR1.2). This component assumes that, in order for an area to be effectively managed, participation at the local level must be high. Such participation reflects the support generated by a sense of ownership, and experience around the world demonstrates that this is decisive to success and sustainability. This approach is also strongly consistent with the GOB and USG's joint emphasis on increasing public participation in local and national decision making. Over the Strategic Plan period, local management of areas critical to biodiversity will be achieved by systematically bringing together the key players (in particular indigenous peoples communities, municipalities, citizen oversight committees, and civil society organizations) in the context of Bolivia's new PP Law. However, in addition to participation, sufficient technical and institutional capacity are vital for sustainable management of the resource base. Building these capacities is a basic thrust of the Environment SOT.

The third component contributing to sustainable forest and wildlife management is increasing the value of these resources (IR1.3). For example, by developing new sustainably harvested forest products and identifying appropriate "green" markets, USAID-funded activities are meeting new demands for higher-end products which often carry substantially higher market prices (in the case of ecocertified timber, the price premium can be as high as 100%). Similarly, increasing wildlife populations can play a key role in increasing the access of poor indigenous peoples to adequate dietary proteins. The higher commercial or subsistence values for these environment-friendly goods directly affect IR1, as they give local communities and resource users an incentive to

manage forests and wildlife more sustainably.

As part of the Results Framework, the Mission will seek to reduce industrial pollution in target areas (IR2). The approach taken is to promote the voluntary adoption of cost-effective pollution prevention practices (IR2.1) which in many cases actually increase factory profits. Clearly, if companies reduce their inputs into the production process (chemicals, water, energy, etc.), they also reduce their pollution. Moreover, experience worldwide indicates that pollution prevention is the most efficient and effective method of reducing environmental contamination. It also avoids costly end-of-pipe solutions and targets longer-term, environmentally sustainable pollution reduction.

b. Critical Assumptions

Given the magnitude of Bolivia's resource base and the level of development assistance available, USAID Bolivia places strong emphasis on priority setting, and on working in carefully selected target areas. Except at the very macro level of the Strategic Objective, the Results Framework reflects what is happening in those specific areas. Here USAID exerts a degree of direct management control, and, therefore, takes responsibility for the results.

Nevertheless, these target areas are huge and are of national significance: over the Strategic Plan period USAID will play a decisive role in establishing sustainable protection for an area larger than the combined total land area of El Salvador, Haiti, and Costa Rica. In addition, experience with the private sector response to Bolivia's new forestry law suggests that the environmental policies and activities that USAID is supporting will likely have ripple effects that reach other institutions, communities, and enterprises in other parts of the country.

With respect to IR1.1, USAID will help develop and present a sound legal and regulatory framework to the Government of Bolivia (building on USAID's major achievements in this area). Bolivian Congress approval and GOB enforcement, however, are beyond USAID's management control. The causal relationship between IR1.1 and the higher-level IR1 assumes that the GOB will approve the framework and effectively enforce it. USAID-funded activities will provide technical assistance and training to the GOB, NGOs, and local municipalities for this purpose, but ultimate responsibility lies with the GOB. An additional assumption under IR1.1 which could have an impact on other intermediate results (especially IR1.2) is that the GOB will approve the management plans presented for USAID-supported areas.

On a more general level, one critical assumption applicable throughout the Results Framework (as well as with all USAID's

Strategic Objectives) is that the political and legal climate in Bolivia will remain favorable towards USAID's goals. The present administration recognizes the need for economic and social development compatible with long-term resource sustainability. It is difficult to predict the administration's policy towards the environment and sustainable development. Nevertheless, the SO was originally based on the previous GOB administration's Environmental Action Plan. There is good reason to believe that these same issues will continue to be key throughout the Strategic Plan period. Similarly, it is widely anticipated that the incoming administration will support the PP law. This will also support USAID's focus on building local capabilities to manage sustainably the country's rich resource base.

4. Commitment and Capacity of Other Development Partners

The GOB's commitment to sustainable development and the environment is strong. Its legislative and institutional accomplishments are clear indications of support for improved environmental management. So is its successfully hosting the Hemispheric Summit on Sustainable Development and Environment in December 1996, as a follow-on to the Miami Summit of the Americas. Other donors are also playing an important role in this area, and the Environment Strategic Objective Team (ENVSOT) is coordinating closely with the Dutch in the forestry sector, and with the Swiss, World Bank, and Germans for biodiversity conservation in the Chaco. Bolivia is eager to assume leadership among the developing nations on these issues, and with help from the donor community has been increasingly successful in doing so.

Under the PP law, municipalities will play a much bigger role in environmental management, and the ENVSOT will target additional resources to building their now weak capabilities in this area over the Strategic Plan period. For example, Bolivia's new forestry law assigns significantly increased responsibilities to municipal governments, for everything from actual forest management to oversight of concessionaire compliance with the provisions of the new law. With that, the USAID-supported Bolivian Sustainable Forestry Management (BOLFOR) activity has already begun training representatives from more than 40 municipalities to help these new players better meet the challenges and opportunities of the new legal framework for forest use. Similarly, the regulations to the General Environmental law transfer significant responsibilities for urban environmental management and monitoring to the Prefectural and municipal levels, yet local capabilities are extremely deficient. The Environmental Pollution Protection Project (EP3) will target technical assistance to this area. USAID and EP3 technical staff have initiated contacts with selected municipalities to better define collaborative mechanisms for assistance.

USAID's customer groups have also matured significantly in recent

years and will play a decisive role achieving results. One example is CICOL, the Chiquitano indigenous peoples federation. Thanks to steady USAID support, the Chiquitanos have the first enterprise in Bolivia to be "ecocertified" by the SmartWood Program of the Rainforest Alliance. Similarly, with USAID assistance the Izoceño indigenous people are developing a model program for community-based wildlife management and conservation, and are already lending advice and technical assistance to other indigenous peoples groups, nationally and internationally. Both will continue to be important development partners for USAID activities under the Environment SO. Another example of increased capabilities and improved collaboration is the National Chamber of Industry's growing role in encouraging pollution prevention. The Chamber is co-financing USAID's EP3 activity and has developed cost-sharing mechanisms with factory owners to insure the long-term sustainability of EP3 services. These are just three of USAID's serious and committed development partners, and they underscore the positive development context for improved environmental management. This context is expected to improve in the years ahead with Bolivia's path-breaking efforts in popular participation.

One issue that will require monitoring over the Strategic Plan period is the status of Bolivia's Enterprise for the Americas (EAI) facility in its National Environmental Fund (FONAMA). Created on the basis of significant USG debt reduction in 1991, Bolivia's EAI grew to become the country's most important source of support for nongovernmental initiatives in improved environmental management; in 1996 just three of the almost 40 on-going activities funded by the EAI directly supported the efforts of more than 1,000 poor rural women. Unfortunately, the program's performance declined seriously in 1996 with growing institutional weakness in FONAMA. USAID, in collaboration with six other donor institutions (Swiss, Dutch, World Bank, Canadian, British, German) worked with the GOB to get FONAMA (and the EAI) back on track. Thanks to that steady engagement, an outstanding new Board of Directors (made up of representatives of civil society) and Board President were installed in February 1997; this gives real cause for optimism. EAI resources (from Bolivia's national treasury) should play an important complementary role to USAID's Environment Strategic Objective.

5. Illustrative Approaches

Activities to achieve the results projected over the Strategic Plan period were carefully defined with information from four different sources: the comprehensive customer survey, the ENVISOT's external expanded team members, BOLFOR's expert Advisory Council, and an analysis of USAID's comparative advantage, based on our experience in Bolivia and on close coordination with other donors. These are described in more detail below.

In addition, the ENVISOT will continue to use two basic strategies to achieve results, across all activities: 1) involving broad public participation, and 2) emphasizing win/win solutions.

For example, under BOLFOR's leadership public participation in developing the new forestry law was intense. BOLFOR made sure that more than 20 NGOs and indigenous peoples groups, as well as local universities and

"(The new forestry law is)....a pride for the nation and an example for the continent".

-- Gonzalo Sánchez de Lozada
President of Bolivia

business associations, had several opportunities (both public and private) to weigh in on evolving versions of the law. Their comments played a decisive role in structuring the legislation, and in particular in assuring greater equity of access to the nation's forest resources. Similarly, the biodiversity conservation activity in the Chaco involves the broadest possible participation of the 7,500 Izoceños who live there. All 21 Izoceño communities (women as well as men) were directly involved in community resource mapping of traditional uses of local plant and animal species, and this will form the basis of a "bottom-up" resource management plan for the region. In fact, the Wildlife Conservation Society scientists who are helping the Izoceños implement this activity regularly present their findings to representatives from the communities for their comments and evaluation. Support for this kind of community-based management is an excellent example of how USAID is harnessing democratic practices and values to achieve the SO's results. In fact, the Izoceño/WCS proposal for an extension to current activities (now under review in the Mission) was also shared with each of the communities for their input and approval, before being presented to the Mission. This kind of serious public participation is a prerequisite for shared ownership and responsibility, and it greatly enhances the prospects of long-term sustainability.

USAID's other basic, cross-cutting strategy is to seek win/win solutions to environmental problems and to emphasize approaches that favor the "carrot" rather than the "stick." For example, BOLFOR is working with indigenous communities and concessionaires to help them achieve "ecocertification." While this implies substantial extra effort on their part to help protect biological diversity, it also can mean important economic benefits. In Lomerio, the Chiquitanos are now exporting lesser-known ecocertified wood species at twice their previous price. In the Chaco, the Izoceños understand that biodiversity conservation will help protect the animal populations they depend upon for their dietary protein. Similarly, EP3 is helping local industries to dramatically reduce environmental contamination while improving profit margins (largely by recycling byproducts of the production process, rather than dumping these as untreated wastes).

Additional activities to achieve results over the Strategic Plan period include expanding BOLFOR's success in building local capabilities for responsible, environment-friendly forest management. This will be done in three additional areas, where outstanding opportunities have been identified.

First, the successful biodiversity and wildlife management program in the Chaco with the Izoceños will be expanded. This region contains the largest expanses of dry tropical forest left in the hemisphere and has exceptional biodiversity (e.g., an estimated 70 mammal species with at least 10 endemics). It was classified by USAID's Biodiversity Support Program as "Regionally Outstanding in Biological Value," and it is currently under more threat than the Amazon rain forest. This activity also offers an ideal social environment in which to achieve significant results with broad public participation. The 21 indigenous communities already engaged in the program see the long-term sustainability of this resource base as central to their survival as a people, and their fierce dedication to its wise management offers a powerful resource for conservation. In addition, the Izoceños are anxious to engage neighboring Chiquitano and Ayoreo indigenous communities in these important biodiversity conservation efforts, and have plans to translate the environmental education materials they are now developing into those two languages; with this, they hope to encourage their full participation in programs of biodiversity monitoring and protection.

The Izoceños are also acutely aware of the new opportunities at the municipal level to support their long-term objectives, thanks to the PP law. Under this new legislation the Izoceños have been recognized as constituting the country's first Indigenous District, and their Great Chief is legally a Deputy Mayor of the Charagua municipality; here the traditional and the new civil authorities are the same. In addition, the Izoceños are already well on their way to converting to full and independent municipal status. This would further increase their role in the country's new decision-making processes, including priority setting and allocating revenue-sharing funds, in those municipalities which embrace their territory. Fortunately, a representative from this important customer group is an active member of USAID's expanded ENVISOT. This has also provided the Izoceños with an important forum for donor coordination with other key players in the Chaco, including the Swiss, World Bank, Germans, Dutch, and the United Nations Development Program.

"USAID's relationship with the Izoceños should be a model for all the donors in Bolivia."

-- The Great Chief of the Izoceño people, Bonifacio Barrientos.

The Izoceños have made impressive strides in including women in

decision making. Just five years ago women were rare at meetings of the Izozog General Assembly, and those who attended rarely spoke (channeling their comments instead through their husbands at home). Now women make up roughly one-third of the participants in the General Assembly meetings, and they speak out; in fact, two years ago the Izoceños modified their statutes to allow a woman to be selected as Great Chief.

The second outstanding opportunity to build on results is to help develop the technical and institutional capabilities necessary to attract carbon-offset investments. As the recent \$8 million agreement between The Nature Conservancy, Friends of Nature Foundation and American Electric Power demonstrates, these resources can be substantial. The agreement

doubled the size of Noel Kempff Mercado National Park, one of the first sites to graduate from the Parks in Peril program. Vice President Gore and Bolivian President Sánchez de Lozada signed a statement of support for this initiative during the Hemispheric Summit on Sustainable Development and Environment in December 1996. This lays the groundwork for highly promising additional efforts during the Strategic Plan period.

However, carbon-offset agreements require reliable data on amounts of carbon present, as well as long-term monitoring to insure compliance with agreements. Developing independent and reliable local capabilities to perform these functions is vital if Bolivia is to attract additional carbon-offset investments, and doing so now could give Bolivia an important comparative advantage with respect to other developing nations. It could also play a major role in increasing private sector resources to support USAID's objectives. Fortunately, several outstanding groups (e.g., the Missouri Botanical Garden, in association with the National Air and Space Administration and the Santa Cruz Museum of Natural History; Winrock International) are eager to focus increased efforts in this area, and there are existing capabilities to build on.

Progress with sustainable forestry management has been excellent, and Bolivia's new legislative framework (developed with USAID's assistance) offers the additional opportunity of expanding the program's geographic focus. In terms of conserving biological diversity the most promising new additional area is the Pando, an isolated region that may very well be one of the most biologically rich sections of the Amazon basin. Pando also is one of the country's poorest areas, with 25% of its total

"...this breakthrough agreement (the first U.S.-Bolivian Joint Implementation Project, the Noel Kempff Mercado Climate Action Project) offers a compelling model for achieving our international environmental goals..."

-- Vice President Al Gore, Hemispheric Summit on Sustainable Development, Santa Cruz, Bolivia. December, 1996

population made up of four indigenous rain forest groups. Here the potential for forestry is huge, and the pace of logging has picked up dramatically. Nevertheless, there is no institutional capability for sustainable forest management in Pando, and USAID's support would be critical. The Mission plans to expand efforts in this region during the second half of the Strategic Plan period as activities in the Santa Cruz department become more sustainable.

USAID plans other key initiatives to achieve environment results. The Parks in Peril (PIP) Program has been very successful in Bolivia, with two of the first four parks in Latin America to graduate from the system. Nevertheless, Parks in Peril resources for Bolivia have declined dramatically in the last two years, with only one active site (Tariquia) -- and that one nearing termination of PIP support. Additional resources are urgently needed to continue USAID's activities in this sector and to support Bolivia's fledgling National System of Protected Areas. Highest priority for a new PIP site is the Eduardo Abaroa Wildlife Reserve, a high Andean region classified by USAID as "regionally outstanding in biological value." This large (714,745 hectares) reserve protects endangered fauna, including the three species of South American flamingo, as well as the Andean condor and vicuña. It also is Bolivia's only Convention on Wetlands of International Importance site. Support for this reserve would contribute directly to biodiversity conservation in the high-priority Andes region.

USAID's EP3 activity has also been extremely successful and in little more than a year has begun to change the way the industrial sector views environmental contamination. It is also well on its way to achieving sustainability (with cost-recovery measures now being implemented), and one additional year of modest funding would be key to meeting that goal. Our customer survey shows that water contamination is one of Bolivia's highest priorities in the environmental sector, and recent problems in the mining and sugar refining areas (associated with massive fish kills, which brought international criticism to Bolivia) indicate that additional USAID support to help address these issues would pay high dividends.

Future progress towards the SO will also rest heavily on the GOB's regulatory and enforcement capabilities, in particular with respect to the new forestry law. With Bolivia's huge forest resources -- yet extremely limited human and financial resource base -- the challenge will be enormous. USAID will target additional support to these needs over the Strategic Plan period. In addition, in late 1996 BOLFOR's expert Advisory Council proposed creation of an independent "watchdog" NGO to monitor concessionaire compliance with the new law. This would help empower Bolivian civil society to oversee resource management on public lands and offer powerful support for implementation of the

law. It could also help USAID monitor and measure the effectiveness of its own environmental program.

Finally, USAID has planned limited support from Global's Biodiversity Support Program, for a range of different activities. These include:

- training to help Bolivia meet its responsibilities under the Convention on International Trade in Endangered Species (CITES), all the more important now that Bolivia has agreed to back the U.S. position to list mahogany on Appendix II (if approved, all mahogany exported will require a scientifically based export permit certifying that trade in the species is not detrimental to its survival in the wild or to its role in the ecosystem);
- technical assistance to help rank activities in Bolivia's National System of Protected Areas; and
- independent assessments of the impact of USAID's activities on biodiversity conservation in Bolivia.

6. Sustainability

USAID has laid the foundations for the sustainability of its environmental activities by imparting a strong sense of shared ownership to its customers, stakeholders, and partners. Support of human resource capacity building is critical for the sustainability of these efforts. The expanded ENVISOT includes some of Bolivia's finest experts in the environment field, and their strong commitment to the program will enhance prospects for long-term sustainability.

Specific efforts have been made to assure sustainability in each activity. For example, in late 1995 USAID negotiated successfully with the National Chamber of Industries to house and co-finance the EP3 program. BOLFOR is also focusing on the long-term sustainability of its efforts, not only with the successful development of a new legislative framework, but also through targeted training and institutional development in both the public and private sectors.

USAID also intends to follow the example of its partners, the Friends of Nature Foundation and The Nature Conservancy, who recently secured more than \$8 million in private funding through a carbon-offset initiative. USAID is exploring ways to encourage these investments, and to target them to parallel other USAID activities in the environment. Finally, the main thrust of the Chaco activity is to increase the Izoceños' technical and administrative capabilities to better manage this fragile area. Our partners are contemplating a private sector endowment to help meet recurrent expenses associated with management of the Chaco

National Park.

7. Judging Success

The participatory process of defining indicators for the Environment Strategic Objective took several months to complete. The core and expanded Environment SOTs met on different occasions to define how SO performance will be measured, and one member of the core team was assigned the near full-time task of developing consensus-based indicators with team colleagues in different parts of the country. The final indicators therefore reflect the perspectives of expanded team members from several partner NGOs, the GOB, and the Izoceño indigenous peoples federation. They also reflect the shared ownership and commitment that the expanded team feels towards achieving the Strategic Objective results.

The principal indicator measures hectares under improved management, with biodiversity protected. As noted previously, the target (6.4 million hectares) is exceptionally ambitious; nevertheless, progress has been so solid with this indicator that it can be achieved with the levels of funding planned. In addition, the data to demonstrate such achievement will come largely from independent sources, such as the Rainforest Alliance and the GOB's new Forestry Superintendency. The second indicator (Table D-2) tracks a subset of the first, focusing specifically on production areas under sustainable management. It is expected that these numbers will be supported by a continually evolving legal and institutional framework for improved environmental management, as measured in Tables D-3 ("Technical norms and recommendations to the legal and institutional framework for the Forestry Law presented to the GOB") and D-4 ("Management plans for protected and integrated management areas presented and approved by the GOB"); note that these include measurable, process-oriented intermediate benchmarks.

Table D-5, "Institutional and technical capacity to effectively manage area established," focuses on building local capabilities to support the SO and presents the illustrative case of Taruma, a forestry concession. The criteria to measure progress towards this strengthening are based largely on a proven process developed by The Nature Conservancy. Beginning in 1997, nine such companies or NGOs will be monitored and scored, with a target of 18 institutions with improved capabilities. This is quite likely the most ambitious of the SO's targets, as well as the hardest (and most subjective) to measure.

Similarly, the indicator in Table D-6, "Number of institutions and people ... implementing a sustainable technique, as compared to total number of people trained," is an attempt to get closer to a true field-level measure of the impact of training -- rather than just numbers exposed to improved information -- and to focus

ever more seriously on results.

Table D-7 is a straightforward counting of nontraditional, sustainably harvested species and products exported, and along with Table D-8 (tracking the value of such products) is intended to insure that new "green" product development responds to evolving market demands; this will help to further achieve the goal of increasing forest value so as to discourage forest conversion to other uses. While the figures in Table D-8 are modest in the early years, the target of \$2 million for niche markets is ambitious. Tables D-9 and D-10 in a sense mirror the previous indicators, but track adoption and positive environmental impacts in the "brown" sector, with pollution prevention.

While much of the data to measure progress with these indicators will come from external sources, the ENVSOT itself will make results monitoring a priority -- as well as a source of constant feedback to refine program development and implementation. Several of the SOT's activities (e.g., BOLFOR's geographic information systems and the Chaco's inventories of biological diversity) will also provide the GOB and other partners with greatly improved and up-to-date information on the health of some of the country's most important portions of forest and biological diversity. Finally, the SOT's plans to build local capabilities to monitor carbon balances in Bolivia's forests could also offer a powerful, independent way to monitor the SO's performance.

8. Environment Indicators. (See Annex D)

E. Counternarcotics

1. Statement of the Counternarcotics Special Objective

Summit of the Americas Agenda: Combatting the Problem of Illegal Drugs and Related Crimes.

Special Objective: Illicit Coca Eliminated from the Chapare

USAID Bolivia, with full support from the U.S. Embassy Country Team, proposes the creation of a new Counternarcotics Special Objective to eliminate all illicit coca from the Chapare.

Suppression of cocaine production and trafficking continues to be the USG's major foreign policy interest in Bolivia. USAID and other USG entities have been engaged in eliminating the cocaine industry, in partnership with the GOB, since the early 1980s. Over half a billion dollars have been spent in the last 10 years.¹ Despite these efforts, Bolivia is currently the third largest producer of coca in the world. While past efforts to control the drug trade have achieved notable progress, it cannot be said that significant breakthroughs have occurred. For example, 38,455 hectares of coca have been eradicated since the GOB's current eradication policy begun in 1987 and licit agricultural production has increased from about 40,000 hectares to over 94,000 hectares due to alternative development programs. But about 18% more coca is grown in the Chapare today than in 1987.² Increasingly, questions are raised as to why USAID should continue to invest in the Chapare's economic growth if this does not contribute directly to a decline in coca production. We cannot continue to justify large investments in the Chapare on the grounds of promoting broad based economic growth unless it is clear that these investments produce clear results in the fight against narcotrafficking.

Fortunately, USAID's new reengineered programming directives (ADS 200) provide new options in resolving this dilemma. We strongly feel that a new Special Objective with clearly defined counternarcotics results more directly links activities on the ground with the ultimate U.S. foreign policy interests they support. This greatly improves transparency of decision making at all levels of programming. Furthermore, the accompanying creation of a dedicated counternarcotics special objective team,

¹ This includes USG expenditures of approximately \$200 million in balance-of-payments support for coca eradication, \$170 million for interdiction and enforcement, and \$100 million for alternative development. GOB expenditures are estimated at \$50 million. Additional funds have also been spent by the United Nations Drug Control Program (UNDCP).

² Coca cultivation in the Chapare has increased from an estimated 28,000 hectares in 1987 to 33,000 hectares in 1996.

which includes membership from key U.S. Embassy agencies, such as NAS and USIS, enables much closer coordination between various USG entities. We believe that such improved coordination is essential to achieving the USG's counternarcotics goals.

A counternarcotics Special Objective Team was created in December 1996, with the major task of developing a new five-year strategy for USAID. The team, including members from NAS and USIS, developed the new results framework and strategy described below in collaboration with key GOB partners. The Special Objective is consistent with President Clinton's recently proclaimed goal of eliminating Andean cocaine production in the next 10 years. All major political parties participating in Bolivia's Presidential elections this summer have clearly indicated their support for President Clinton's overall goal and for the Mission's Special Objective.

Given the constraints summarized below, the objective of eliminating coca from the Chapare in five years has to be seen as a lofty goal which depends on many factors. Nevertheless, we feel that this goal statement is extremely useful as a means of focusing political support and financial resources. Our aim in creating this Special Objective is to significantly improve performance in achieving USG and GOB counternarcotics goals. If we are unable to demonstrate substantial progress during the next five-year period with the requested funding levels, a substantial change in counternarcotics policies and tactics or a redirection of funding to more effective programs will be clearly warranted.

2. The Problem

The constraints to achievement of the proposed Special Objective are formidable. They are summarized here in four main groups: overwhelming market demand; wide availability of production inputs; weak law enforcement institutions; and weak public support.

a. Overwhelming Market Demand: Cocaine consumers worldwide are estimated to spend between \$47 billion to \$74 billion annually to obtain the drug. About \$31 billion is spent by U.S. consumers alone. This incredible demand is ultimately focused on just three producing countries (Peru, Colombia, and Bolivia). Since Bolivia represents approximately 23% of worldwide production, it can be said that between \$12 billion and \$19 billion of annual worldwide demand is directed at purchasing cocaine which originates in Bolivia.³ Spending on all cocaine

³ Bolivia's annual production of cocaine base is estimated at 185 MT. Some 50% is exported to be refined into HCL in other countries and 50% is refined in-country. World supply of cocaine base is estimated at 840 MT, making Bolivia's portion 23% of the total.

supply control efforts in Bolivia, by contrast, has averaged about \$50 million annually in the last ten years.

Translated into coca hectare equivalent, these figures mean that the cocaine production from one hectare of mature Chapare coca in full production is worth approximately \$820,000 in the U.S. consumer retail market.⁴ Of this amount, most (77%) remains in the pocket of U.S. retailers; 22%, or about \$180,000, goes to wholesale exporters who move the drug from Bolivia to the U.S.; and about 1%, or \$8,200, stays in Bolivia. In contrast to traffickers who keep most of the proceeds, coca farmers receive approximately \$2,100 for a year's production of coca leaf, \$4,430 if they convert the leaves to coca base, or a one time payment of \$2,500 if they chose instead the GOB's cash compensation for eradicating that same hectare. This wide divergence in value between coca producers and cocaine consumers gives narcotraffickers significant maneuvering room to adjust the prices (and other incentives) paid to farmers for coca products. Traffickers use this to ensure a stable supply of product.

b. Wide Availability of Production Inputs: Production of coca and cocaine requires suitable land, labor, planting materials, and precursor chemicals. It is roughly estimated that less than 1% of land potentially suitable for growing coca is currently used as such.⁵ In terms of labor availability, Bolivia's current population of 7.5 million will double in about 15 years. After Haiti, Bolivia is the poorest country in the hemisphere, which means that for the many unemployed and underemployed, there is little or no opportunity cost to entering coca production. The coca plant is one of the easiest and cheapest commercial crops to grow. It thrives in a wide range of climate and soil conditions where other crops fail. Control of precursor chemicals, most of which originate in neighboring countries has been very difficult to achieve, so that many coca farmers in the Chapare are now producing their own cocaine base. This situation of abundantly available production inputs presents a difficult law enforcement challenge, as it gives producers many options in adjusting to interdiction and enforcement.

c. Weakness of Law Enforcement Institutions: Several different GOB entities are involved in combatting narcotrafficking. Unfortunately, as in most Third World countries, these entities face inherent limits that are difficult

⁴ One hectare of mature Chapare coca yields an average of 7.44 Kg of cocaine HCL. The US national average retail price of 1 Kg of HCL is around \$110,000.

⁵ The total estimated net number of hectares of cultivated coca in Bolivia in 1996 (legal and illegal) was 48,100. This represents 0.1% of the 41 million hectares of humid tropical forests in Bolivia where suitable areas for growing coca are found.

to overcome even with significant levels of direct assistance. As with other GOB entities, these institutions are hampered by persistent shortages of trained and educated manpower. Wages will always be relatively low despite USG financed subsidies and bonuses. The judicial system as a whole is based on an antiquated "inquisitorial" adjudication process which is not up to the challenges posed by well financed narco-trafficking interests. While important legal and code reforms are under way with USAID's assistance (see section on Democracy strategy), significant institution-building is still needed before the judicial system as a whole will assume its proper role as a major force against narco-trafficking. Until this occurs, police enforcement will have a limited effect. Finally, these institutions face little domestic public demand for performance and accountability.

d. Weak Public Support: Cocaine consumption in Bolivia is only recently becoming a concern.⁶ While drug awareness programs have raised the Bolivian public's consciousness of this threat, it is not easy for many Bolivians to appreciate the problems caused by cocaine consumption in far-away countries. This, combined with a revolutionary tradition of well organized rural unions created to protect campesinos' economic and political rights, has caused much of the Bolivian public to be neutral on, if not outright hostile to, coca eradication. It has been relatively easy for populist political leaders to portray coca eradication as a modern version of peasant oppression and in turn use this to generate political support. In this environment, it was impossible for democratically elected governments to obtain the public support needed to make large-scale forced eradication of illegal coca possible. To date, over 90% of coca eradication has been voluntary and compensated, despite current laws which effectively make most if not all Chapare coca grown today illegal and subject to forced eradication. Fortunately, it seems that significant changes in public attitudes are taking place. Thanks to a persistent USG interagency campaign over the past year, public opinion as reflected by newspaper editorials and articles has, according to a recent USIS study, shifted to a much more anti-cocaine stance, making strong government action increasingly feasible.

In this environment, coca production and processing has grown and evolved in the past decade. For example:

⁶ A recent study by CELIN (Centro Latino-Americano de Investigación) showed a dramatic increase in reported lifetime prevalence of cocaine use from 1.2% of respondents in 1992 to 2.4% in 1996. The latter figure approaches US levels and is most likely due to the increase in Bolivian cocaine HCL production. In the past, coca paste and base were shipped to Colombia and other countries for processing into consumable HCL, and little HCL was consumed in Bolivia.

- Coca cultivation in the Chapare has expanded from an estimated 28,000 hectares in 1987, when the eradication program started, to an estimated 33,000 hectares in 1996.
- While coca production has been pushed further from roads, new production areas have opened in more remote locations such as the Isiboro Sécure National Park, where alternative development is prohibited.
- In recent years, Bolivian coca growers have started to vertically integrate their production, and many now process coca leaf into cocaine base, thereby generating more income for themselves. Rather than being exported to Colombia as in the past, coca base is increasingly converted into cocaine hydrochloride in Bolivia.
- The importation of precursor chemicals and export of cocaine and intermediate products continues despite successful intermittent control operations. The arrest and prosecution of a considerable number of violators of narcotrafficking laws apparently have not deterred drug trafficking.

Would the coca problem in Bolivia be significantly worse today had USG and GOB counternarcotics efforts not taken place? Probably, yes. Over the past ten years, an average of eight tons of cocaine have been seized annually in Bolivia (4% of estimated potential production), 5,500 individuals arrested on cocaine related charges, 4,100 hydrochloride labs and 7,000 maceration pits destroyed, some major trafficking organizations dismantled, and 38,455 hectares of coca eradicated, representing the equivalent of well over 200 metric tons in annual cocaine production (though, as discussed above, the same or more was replanted).

Can renewed GOB and USG efforts make a greater impact in the next five years than in the past ten? While the overall USG counternarcotics goals in Bolivia are broader than the Chapare-focused results framework presented below, we believe that this strategy, supported by the annual counternarcotics certification process, can produce clear and measurable results.

3. Results Framework Description

This Special Objective concentrates on the Chapare region of Bolivia. The reasons for this geographical focus are 1) 91% to 95% of all illicit coca is grown in the Chapare; and 2) conditions -- such as presence of regional export infrastructure, topography and soil conditions -- make USAID's alternative development activities feasible and sustainable. Illicit coca grown in other regions of Bolivia is addressed by GOB law enforcement programs supported by various USG entities and UNDCP

programs. USAID, however, will remain focused on the Chapare region. The Special Objective of eliminating illicit coca from the Chapare can be achieved if all of the intermediate results outlined below are reached.

a. Hypothesis

The hypothesis underlying the results framework is that a combined mix of eradication, enforcement, and alternative development is necessary to achieve the objective of a coca-free Chapare. More specifically, if current coca hectareage is decreased through eradication and suppression of new plantings, the risk/reward ratio for producing and marketing coca products is sufficiently high, and alternative income sources for farmers are adequately developed, then the Chapare can be converted to a coca free zone. Progress must be made on all four intermediate results in order to arrive at the objective. Achieving these intermediate results depends in turn on the achievement of six sub-intermediate results shown in the results framework diagram. If any one of these sub-results is not achieved, then the program will be out of balance, making success improbable and previously achieved progress unsustainable.

b. Critical Assumptions

The achievement of this special objective and its intermediate results depend on several critical assumptions. First, this strategy critically depends on sustained political and financial support for achievement of this objective by many different USG and GOB entities. Major budget or personnel cuts, or lack of sustained focus on the part of key agencies, will prevent achievement of the objective. Second, the strategy assumes that the GOB will be able to maintain its recently acquired control over the Chapare region to permit USG and GOB agencies, other donors, and private investors to operate in a relatively peaceful environment. Third, the strategy assumes that the GOB will be able to muster sufficient political will and public support to persevere in a politically difficult task. Finally, the strategy assumes that natural threats to alternative development, such as the current outbreak of black sigatoka fungus attacking banana plants, can be effectively controlled and managed.

c. Narrative Description of the Results Framework

USAID will directly contribute to achievement of the results in the solid boxes. Results shown in broken boxes are critical to the achievement of the objective, and will be directly supported by other USG entities. For results in three of the boxes -- IR3, "Existing coca eradicated"; IR3.1, "Farmers accept eradication conditionality;" and IR1.1, "Effective CN law enforcement established" -- responsibility for results is shared between USAID and other USG and GOB entities. Several intermediate

results are mutually supportive as shown by the horizontal arrows. Two results, "Effective CN law enforcement established" (IR1.1) and "Bolivian public rejects the cocaine economy" (IR2.1) are directly linked to the first three intermediate results and are therefore particularly critical to success.

The overall results framework is aimed at a sustainable socio-economic transformation of the Chapare from the current mix of licit agroindustrial and coca production, processing, and trafficking, to a situation where coca production and processing will have been largely eliminated. Since licit crops cannot completely substitute for the income generated from coca leaf and paste sales, per capita incomes are likely to drop. It is important to note therefore that economic incentives will not be sufficient to create this socioeconomic transformation. Two other types of incentives are critical for success: general public disapproval of coca production for nontraditional uses, and the fear of loss of personal freedom due to illicit activity. These two negative incentives have generally been lacking until very recently. The constraints described in the problem statement above make it clear that economic incentives will play only a supporting role.

4. Commitment and capacity of other partners

Bolivian leaders across the political spectrum increasingly recognize that the cocaine industry presents a grave threat to Bolivia's democracy as well as to its stable and growing economy. President Sánchez de Lozada and the leading candidates for the June 1997 presidential elections have repeatedly stated that all illegal coca in Bolivia can and should be eradicated by the end of the next presidential term (2002). The current government's counternarcotics policy calls for the eradication of all coca in excess of the 12,000 hectares authorized for traditional licit uses. Since most licit coca is grown in the traditional Yungas region, this effectively means eradication of all Chapare coca.⁷ The growing commitment to this goal and the recent effectiveness of GOB programs have been amply demonstrated, particularly since 1995.

The Bolivian Government, using P.L. 480 Title III and ESF local currency, co-financed major infrastructure activities in the Cochabamba Regional Development Project (CORDEP) area and financed voluntary eradication campaigns in compliance with the annual counternarcotics certification process. This support will continue until the end of 1998, when existing Title III and ESF local currency resources will have been exhausted. Due to USG budget reductions, it is not anticipated that these resources

⁷ An estimated 2,000 hectares of traditional, licit coca is cultivated in the Yungas de Vandiola area of the Chapare.

will be refreshed. Stringent IMF-imposed deficit financing restrictions and many other budgetary constraints mean that the GOB's primary contribution during this Strategic Plan period will be political will and authority to eliminate illicit Chapare coca. Donor assistance to finance counternarcotics programs will therefore remain critical.

While the U.S. continues to be by far the most important donor in this area, assistance provided and pledged by others has been steadily increasing. The United Nations Drug Control Program (UNDCP) is currently the second largest contributor to the counternarcotics strategy. It uses funds provided by the Governments of Italy, Great Britain, Sweden, and the United States among others, and has focused assistance in the areas of road improvement, water, electrification, and drug abuse prevention and treatment. The Inter-American Development Bank (IDB) is assisting in the construction or improvement of major roads which will serve as export corridors for Chapare produce. In recent months, the European Community (EU) began negotiations with the GOB to provide major assistance in alternative development. The total estimated amount of this endeavor is \$30.3 million, of which the EU will provide \$23.9 million and the GOB \$6.4 million. The four main activities to be carried out with EU support cadastre and land titling, infrastructure development, production credit, and environment/conservation activities.

5. Illustrative approaches

In addition to the normal tools of policy dialogue, conditioned balance-of-payments support and programmed assistance, the achievement of this result framework will be directly supported by the annual counternarcotics certification process. Certification conditions are expected to place increasing emphasis on net coca eradication targets. The following paragraphs describe in more detail both the results to be achieved and the types of activities that will be undertaken to achieve them. Although more emphasis is given here to activities directly financed by USAID, all are considered equally important in achieving the objective.

IR1, "New Coca Planting Prevented," is a key result that has been missing in the past few years. While eradication progressed, new plantings equaled or surpassed the number of eradicated hectares, leading some to conclude that mainly older, less productive coca was being voluntarily eradicated. The GOB's newly established Ecological Police is responsible for achieving this result, in cooperation with the civilian eradication agency DIRECO, which verifies amounts eradicated. Both of these entities are directly supported by NAS.

IR2 - "Increased Risk and Reduced Incentives for Coca Production

and Marketing" seeks to increase the risk/reward ratio of coca production to the point where few farmers will be interested in pursuing this line of work, particularly if viable and licit alternatives are available. For this to be achieved, both financial and nonfinancial incentives are key. Coca producers and processors must not only believe that their investments are at risk of not paying off, but also that their personal freedom is put at risk. Until recently, coca producers faced little of either risk and thus did not feel compelled to curtail their activities. The GOB entity most directly responsible for this result in the Chapare is the NAS-supported UMOPAR police. In addition, a number of other USG and GOB enforcement entities have resources deployed nationally which can be periodically focused on the Chapare region to disrupt trafficking patterns. The key issue here is to make these disruptions more and more constant and to increase the probability of incarceration for illegal activity.

IR3 - "Existing Coca Eradicated" is an area where recent GOB performance has shown significant improvements. Eradication in 1996 reached 7,512 hectares, the highest level since 1990. DIRECO is responsible for negotiating voluntary eradication and verifying forced eradication. It is financed and equipped by NAS. Since 1990, USAID has administered ESF, and now INC-funded balance-of-payments support programs which required eradication progress and, at times, other counternarcotics-related performance as a condition for disbursement. This gave the GOB resources to offset the costs of eradication programs and enforcement. During the next five years, use of performance-based disbursements for balance-of-payments support will be continued. Specific conditions will be determined annually through multi-agency consultations and negotiations with the GOB.

For the above three intermediate results to be achieved, the following three results and related activities are critical:

IR1.A - "Effective CN Law Enforcement Established." This result encompasses a broad range of activities both within and outside the Chapare. Achieving it requires two additional intermediate results: IR1.1.1, "Police properly enforce CN laws," and IR1.1.2 "GOB Agencies effectively investigate and process CN cases." Throughout the 1980s and into the early 1990s, the Chapare was controlled by narcotraffickers and it was impossible to conduct any operations other than military. Since then, persistent GOB and USG efforts have caused this security situation to change completely. This has permitted the growth of much licit commercial activity including ecotourism.

The challenge for effective counternarcotics law enforcement in the Chapare over the next five years is to enforce Law 1008 within the framework of the Bolivian constitution, while respecting due process of law and fundamental human rights. Law

1008, approved in 1988, provided for a transition during which existing coca was legal but new coca plantings illegal. Because the majority of coca was considered legal the GOB established a cash compensation program to induce voluntary eradication. As mentioned above, little was done until the past year or so to suppress new plantings. The dual status of coca according to date of planting helped provide a practical excuse for avoiding real enforcement. However, this situation is quickly changing. Since most coca plants have a productive life of about 10 to 12 years, this means that most coca found today was planted after passage of Law 1008. By 1998/99, it will be possible for the government to affirm that the great majority of coca planted in the Chapare is illegal. As a result of this shift, USG policy dialogue with the GOB has increasingly focused on reducing and eventually eliminating cash compensation payments, which some analysts argue actually encourage coca production by providing a guaranteed "price floor" for producers. The GOB has been increasingly responsive, and forced eradication rates have risen significantly. This point will be a continuing focus of dialogue between the Embassy and the GOB.

Beyond coca production itself, achievement of the "effective CN law enforcement" result requires that all narcotrafficking-related activity be subject to criminal penalties. DEA and NAS are working closely with GOB counterparts in this area. DEA has recently focused its efforts in the Chapare, and seizure rates there have increased 1,500%. Sustaining this effort will be key to achievement of IR2. However, for criminal penalties to be applied, it is not enough for police forces to make arrests. Prosecutors must then investigate and prosecute narcotics cases, and in turn the judicial system must process and adjudicate these cases. NAS and USAID provide critical financial and technical support in this area with the assistance of the USDOJ and others. NAS will continue to shore up prosecutorial capacity in the short term by financing and training special narcotics prosecutors, while USAID will focus on strengthening the entire judicial structure.

To help achieve IR1.1.2, "GOB Agencies Effectively Investigate and process CN cases," USAID will support the establishment of a new "Investigative Financial Unit" -- created by recent USAID-supported amendments to the Criminal Code -- which is charged with pursuing money laundering. USAID will also continue longer term justice-sector institutional capacity building, which includes CN law enforcement but also aims at more effective, transparent, efficient, accountable, and accessible rule of law. These broader strengthening efforts are essential if Bolivian justice is to meet the challenge posed by narcotrafficking. USAID's results in this area are described under IR1 of the Democracy Strategic Objective.

IR2.1, "Bolivian Public Rejects the Cocaine Economy," is critical

to the achievement of IRs 1, 2, and 3. Until recently, most Bolivians believed that Chapare coca growers were innocent producers of traditionally consumed coca leaf. Few were aware that production of this leaf greatly exceeds the amounts needed for traditional uses such as chewing, herbal tea, and religious offering. This widespread perception of coca farmers as oppressed campesinos has until very recently greatly hindered the GOB's political ability to take effective law enforcement action. USAID-financed drug awareness programs and related USIS programs have contributed decisively to the gradual changing of these perceptions. Over this strategy period, public relations will be continued by USIS and NAS in partnership with the GOB. The main objective will be to convince the general public that coca production in the Chapare is illegal and harmful to Bolivia's interests and that coca farmers have received a disproportionate amount of outside donor assistance.

IR3.1, "Farmers Accept Eradication Conditionality," is a new result. It reflects the much closer coordination that will take place between NAS-supported eradication and USAID's alternative development programs. The basic idea is to require that farmers agree to eradicate coca to qualify for continued participation in alternative development programs. NAS and its GOB partner DIRECO will set conditions in collaboration with USAID, and DIRECO will verify that the agreed upon eradication has taken place. This approach would have been impossible in the past when USAID's alternative development programs had not reached the visibility and credibility they enjoy today. The shift is consistent with the policy of treating coca as an illegal product. Conditioning USAID assistance at the farm level will be carried out in tandem with the "special development zone" (SDZ) concept described below. Since conditions vary greatly from location to location, it is not possible to describe in advance the specific conditions that may be applied. USAID and NAS will seek to use whatever means available for leveraging cooperation in eradication.

IR4, "Sustainable Alternative Development Established," will be the primary responsibility of USAID, its GOB partners such as the National Fund for Alternative Development (FONADAL) and PDAR, various private sector partners, and other donor organizations such as UNDCP, GTZ, and EU. The idea is to give Chapare farm families economically sustainable sources of farm income which can provide decent living standards without the need to grow coca. This intermediate result will be obtained through the following three sub-results.

IR4.1, "Sustainable Farm-Level Production Capacity Established," will be achieved through the continuing development and expansion of high-quality tropical produce on a scale sufficient to consistently attract large-volume purchasers. The Bolivian Institute of Agriculture Technology (IBTA/Chapare), with support from USAID, other donors, Bolivian and international NGOs,

promoters, and extensionists will continue working with farmers to improve land preparation, planting, and crop management techniques. Aggressive efforts to expand use of proven highly marketable crops such as bananas, pineapples, hearts of palm, black pepper, and maracuya will continue, as will development of other potential crops. The recent infestation of black sigatoka fungus in banana plantations demonstrates the need for a reliable, responsive, and vibrant agricultural research and extension system to develop and disseminate technical knowledge focused on the region's needs.

To better support achievement of the special objective, USAID will seek to greatly increase the linkage between farm and community-level assistance and coca eradication. Farmers and communities which agree to eradicate their coca will be given preferential access to improved planting material and related infrastructure and technical assistance. USAID will increasingly concentrate its alternative development efforts in SDZs, selected in close collaboration with NAS and DIRECO, for their development potential and the farmers' willingness to eradicate coca. Agreements will be negotiated between the communities in the SDZs and the appropriate GOB agencies for a package of development activities suited to the needs of the zone, in exchange for full cooperation with the eradication program. Every effort will be made to eliminate all coca from these zones and to expand eradication until all commercial coca in the area is eliminated.

IR4.2, "Sustainable Market Linkages Established." Improved farm-level production must be better linked to consuming markets. This will be achieved in several ways. Small-scale producers must be organized into functioning producers' associations for specific products in order to effectively engage with and supply large-volume produce to marketing and exporting firms. USAID will continue to help create and strengthen the capacity of producers' associations to provide the technical assistance, farm-level inputs, and managerial support needed by their members for effective produce marketing. In addition, the network of farm-to-market roads developed under previous efforts will be consolidated and upgraded. Assistance in road infrastructure will be planned in collaboration with newly formed municipalities, which have recently taken ownership and responsibility for maintaining these roads and other local public infrastructure under the PPL. The maintenance cost burden will be eased through extensive use of stone paving (the cheapest to maintain), and promotion of road user fees paid by producers' associations and transporters. Finally, long-term stable relationships between producers' associations and buyers will be developed through mutually beneficial contacts; familiarizing producers with terminal retail market requirements; and assuring access to key inputs that help guarantee the quality control that buyers need.

IR4.3, "Sustainable Market Demand Established." Three key factors establish sustainable demand for any product in modern markets: reliable quantities, consistent quality, and conformance to delivery schedules. Great strides on all three fronts are being achieved under the current CORDEP project. However, as production of high-quality priority crops expands, considerable effort must be made to inform volume buyers in neighboring countries of the growing availability of these products. The marketing team will prepare quarterly "marketing briefs" in collaboration with the program's product line managers. These briefs will be distributed to the chambers of commerce in major Bolivian towns, to known prospective buyers or processors, and to similar institutions in neighboring countries through the Commercial Attachés in the Bolivian Embassies in those countries. Interested parties will be invited to visit the region, and special itineraries will be developed to focus on the specific interest of each prospect. Staff of the program's Private Sector Development Unit, plus the appropriate Product Line Manager(s) will accompany each prospect. Once a critical mass of Chapare products is flowing into these neighboring markets, the reputation of the region as a reliable source of quality products will spread in those markets and demand will grow in concert with the increasing production.

6. Sustainability

Sustainability is the most challenging and elusive requirement for the ultimate success of this objective. Although alternative development activities are designed to be largely sustained through private sector profit-making incentives, the same cannot be said of the other intermediate results. IRs 1 and 2 in particular, "new coca planting prevented" and "increased risks and reduced incentives for coca production and marketing," will depend on the existence of strong, well financed and uncorrupted GOB law enforcement institutions. Unfortunately, the only current and planned USG programs aimed at longer term sustainability of law enforcement is USAID's Administration of Justice Program, and the USAID and NAS-supported seized assets and forfeiture program. The former includes support to key entities of the criminal justice system such as the Judicial Branch, the Attorney General's Office and the Public Defense. The latter program will, if successful, generate significant financial resources from sale of narco-trafficking assets.

Other USG support to the numerous GOB enforcement entities involved in counternarcotics efforts is short-term, aimed at improving skills and financing personnel and equipment costs. When this support ceases, it will be difficult for these units to maintain the level of operational effectiveness needed to maintain a coca free Chapare. While the GOB, at the behest in particular of multilateral donors, is gradually attempting to strengthen its administrative capacities by creating a

professional civil service system and other reforms, little of this attention is focused on law enforcement entities.

Current budget priorities preclude the launching of more ambitious longer term programs similar to USAID's Administration of Justice effort. As a result, sustainability of a coca-free Chapare will, for at least the medium term, depend on continued external support for law enforcement. Eventually, if and when demand is reduced in the US and other consuming countries, or if coca production becomes relatively easier and cheaper elsewhere, then the likelihood that the Chapare will remain coca free without continued USG assistance will greatly increase.

7. Judging Success

Achievement at the special objective level will be measured by the cumulative net hectares of illicit coca removed from production in the Chapare. This overall performance indicator is consistent with the new performance measures being developed by the White House Office of the National Drug Control Program (ONDCP). Total coca grown in the Chapare today is estimated at 33,000 hectares, of which 2,000 in the Yungas de Vandiola area is considered legal. Therefore, a cumulative net reduction of 31,000 hectares is necessary to eliminate all illicit coca. Annual planned targets have been set in consultation with NAS, starting with a cumulative net eradication of 5,000 hectares by the end of 1997. These targets will be shared and discussed with the new Bolivian government that will begin its five-year term in August. By the end of the year 2000, the third year in office for the new government, achievement of proposed annual targets will mean that a 75% net reduction in illegal coca will have occurred. The remaining 25% of illicit coca would be removed by the year 2002. This data will be provided to USAID by NAS based on annual satellite monitoring.

Annual performance data at the intermediate results level of the results framework will be critical to assessing progress. As USAID is not managing for intermediate results IR1, "new coca plantings prevented," and IR2, "increased risks and reduced incentives for coca production and marketing," we will not collect performance data in these areas. However, if and when appropriate measures are developed and data becomes available, USAID will include it in annual performance progress reports.

At the IR3 "existing coca eradicated" level, performance will be measured by the gross number of hectares eradicated. Unlike the satellite data used at the special objective level, which is based on an averaging of sample data, gross eradication data will be the summation of actual eradication carried out in the course of a calendar year, as verified by DIRECO and NAS.

To measure IR3.1, "Farmers accept eradication conditionality," we

propose to report on the cumulative number of farm families who participate in the special development zone program and receive development assistance in exchange for coca eradication (Table E-3). We expect this number to grow from zero at present to 30,000 by the year 2002. It is expected that DIRECO will be able to track coca eradication zone by zone to show compliance with eradication conditionality.

On the alternative development side, the ultimate measurement will be net income generated from economic activities by full-time Chapare families (Table E-4). The target is approximately a 350% increase in net income generated from licit crop production, from 1996 estimates of \$735 to \$2,500 by the year 2002.⁸

The hectares of non-coca crops planted in the Chapare will be monitored annually as an indicator of farm-level production capacity (IR4.1, Table E-5). At present, licit crop cultivation is estimated at more than 92,000 hectares. The number of agroindustries and off-farm activities will be monitored to determine the private sector's receptiveness to investing in the Chapare. The target is a 400% increase, from 1996 estimates of 15 firms to 65 firms by the year 2000, and a 550% increase from the 1996 base by 2002, to 80 firms (Table E-6).

In addition to the quantitative measures in Annex E, we will also take qualitative factors into account when assessing the agribusiness sector. For example, the establishment of agribusiness and the completion of activities such as the provision of water systems, schools, adequately equipped and staffed health centers, and a maintained road network are all essential elements for sustainable alternative development. An additional indicator that reflects establishment of sustainable market linkages is the number of businesses regularly exporting Chapare products. In 1996, there were four firms exporting during more than six months, and the target by the year 2002 is 15 (Table 7).

To reflect sustainable market demand, the value of licit produce leaving the Chapare will be monitored. The value of Chapare produce of licit production for 1996 was estimated at \$60 million. A one-time reduction is expected in 1997 due to the newly discovered black sigatoka fungus infecting banana plantations. By 2002, the value of licit production in the Chapare is expected to double to \$120 million. The last indicator that will measure market demand is the value of Chapare produce exported by formal channels. As with the former indicator, a one-time reduction is expected in 1997. The target

⁸ Baseline and target figures are preliminary. USAID/Bolivia is developing a more reliable methodology for estimating this indicator. Figures will be replaced in the near future.

value amount for the year 2002 is \$7 million.

8. Counternarcotics Indicators (See Annex E)

III. Resource Requirements

A. Program Resource Requirements

In order to fully achieve the development results as described for the Strategic Plan FYs 1998-2002 period, USAID Bolivia requests the following annual levels:

USAID BOLIVIA STRATEGIC PLAN FYs 1998 - FY 2002 Resource Requirements (\$000)						
Strategic/Special Objectives	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	Total 1998-2002
1. Democracy	7,600	7,500	6,000	4,500	4,000	29,600
DA	4,500	4,500	4,500	4,500	4,000	22,000
ESF/INC	3,100	3,000	1,500	0	0	7,600
PL480 Title II	0	0	0	0	0	0
2. Economic Opportunity	17,068	17,781	17,200	17,200	17,200	86,449
DA	3,362	4,000	4,000	4,000	4,000	19,362
ESF/INC	0	0	0	0	0	0
PL480 Title II	13,706	13,781	13,200	13,200	13,200	67,087
3. Health	25,737	31,217	27,200	27,200	27,200	138,554
DA	16,600	22,030	18,000	18,000	18,000	92,630
ESF/INC	0	0	0	0	0	0
PL480 Title II	9,137	9,187	9,200	9,200	9,200	45,924
4. Environment	5,500	5,300	5,000	5,000	5,000	25,800
DA	5,500	5,300	5,000	5,000	5,000	25,800
ESF/INC	0	0	0	0	0	0
PL480 Title II	0	0	0	0	0	0
5. Counter Narcotics	22,550	22,700	35,000	30,000	30,000	140,250
DA	0	0	0	0	0	0
ESF/INC	22,550	22,700	35,000	30,000	30,000	140,250
PL480 Title II	0	0	0	0	0	0
GRANT TOTAL	78,455	84,498	90,400	83,900	83,400	420,653
DA	29,962	35,830	31,500	31,500	31,000	159,792
ESF/INC	25,650	25,700	36,500	30,000	30,000	147,850
PL480 Title II	22,843	22,968	22,400	22,400	22,400	113,011

Of note, P.L. 480 approval is based on metric tons. The

estimated monetary value is based on USAID Bolivia estimates of commodity prices.

USAID and the GOB are engaged in negotiations concerning the use and application of GOB-owned local currency generated through prior-year Title III programs. These funds are typically used as GOB counterpart in support of USAID-financed activities within our strategic objective results framework. We anticipate that the residual GOB-owned Title III local currency will be depleted early in the Strategic Plan period.

B. Program Resource Requirements by Strategic Objective and Special Objective

1. Democracy Strategic Objective

USAID will require approximately \$29.6 million of combined DA (Democracy) and ESF/INC resources to accomplish intended results under the Democracy SO during the Strategic Plan period.

Of this amount, \$12.1 million (combined DA Democracy and ESF/INC funds) will be needed to support "Key elements of rule of law become more transparent, efficient, effective, accountable, and accessible" (IR1); \$2.3 million in DA (Democracy) resources will be required through FY 1998 to support "National representation responds to civil society concerns and meets constituent needs and demands" (IR2); and \$10.8 million in DA (Democracy) funds to support "Local government effectively respond to citizen needs and demands" (IR3).

USAID plans to utilize \$3.1 million in DA (Democracy) funds to study, design and initiate implementation of a new anticorruption and/or regulatory security activity beginning in FY 2000. DA (Democracy) funding of \$1.05 million is needed through FY 1998 for the close out of on-going activities within the Democracy SO to protect USAID's investment to date and assure sustainability. USAID's ongoing support for the Peace Corps Small Project Assistance (SPA) program will require \$250,000 over the Strategic Plan period.

USAID plans to gradually shift funding for Administration of Justice activities from INC/ESF to DA (Democracy) resources beginning in FY 1998. By FY 2000, we anticipate that only DA resources will be required to achieve planned results in this area.

2. Economic Opportunity Strategic Objective

USAID will require approximately \$86.4 million in combined DA and

P.L. 480 Title II resources to accomplish intended results under the Economic Opportunity SO. Of these funds, \$19.4 million of DA (Economic Growth and Microenterprise) and \$67 million of P.L. 480 Title II resources is required. About \$16 million will contribute to "Expanded nontraditional value-added products" (IR1); and about \$70 million, including over \$65 million in P.L. 480 Title II, will support "Improved agricultural and food system productivity" (IR2).

Adequate financing of the Economic Opportunity Strategic Objective is fundamental to USAID's overall strategy in Bolivia. Equitable economic growth should be the number one concern for USAID and for the GOB over the next five years. Improved performance in creating jobs and increasing incomes for Bolivia's poor will greatly enhance the probability of success in USAID's other four objectives. Failure to achieve these improvements may jeopardize success in the other four objectives. Given its current economic needs, and in light of its excellent past performance in development policies and programs, Bolivia should be placed at the top of LAC Bureau's list for DA funding. USAID/Bolivia's EO strategy, with relatively modest DA resources, can have a potentially important impact on Bolivia's equitable growth.

3. Health Strategic Objective

USAID will require approximately \$138.5 million of DA (Population, Child Survival, and AIDS) and P.L. 480 Title II resources to accomplish intended results under the Health SO. Of this amount, \$68.1 million will be needed to improve child survival and reproductive and sexual health practices by Bolivian women, men, adolescents and children (IR1); \$64.8 million will be needed to improve quality and increase coverage of community health care achieved established by local governments and NGOs (IR2); and \$5.6 million will be needed to finance activities to support a decentralized and participative health care system (IR3).

4. Environment Strategic Objective

USAID will require approximately \$25.8 million of DA (Environment) resources to accomplish results under the Environment SO. The bulk of this support will be directed at "Sustainable Forest and Wildlife Management in Target Areas" (IR1) and only residual funding through FY 1999 for "Industrial Pollution Reduced in Target Areas" (IR2).

5. Counternarcotics Special Objective

The total estimated amount required to achieve the USAID administered portion of this objective and results framework is \$140.25 million of INC/ESF funds, of which \$71.5 million is for

achievement "Sustainable Alternative Development Established" (IR4), and \$68.75 million is for "Existing Coca Eradicated" (IR3). The amounts shown in FY 1998 (\$22.55) and FY 1999 (\$22.7) are based on Washington budget controls. As we believe these levels are insufficient in relation to the cost of sustaining GOB efforts in eradication and other counternarcotics related programs, we have increased the request level for the CN Special Objective to \$35 million in FY 2000, and \$30 million in FY 2001 and FY 2002.

C. Program Management Requirements: Operating Expenses and Staffing

1. Workforce

At the outset of FY 1995, USAID Bolivia responded to a LAC Bureau request that total Mission staff be reduced from 225 to 160 employees by the end of FY 1997 by initiating an aggressive downsizing plan. Although the required programmatic and administrative adjustments were formidable, USAID Bolivia is proud of the fact that it actually exceeded its target. We will enter FY 1998 with a total staff of 151 employees (a 33% reduction in total staff, while program funding has simultaneously increased by 26%).

USAID Bolivia has reached its rock bottom staffing level under current levels of program funds. Current staffing levels are essential if we are to continue providing regional support to the USAID missions in Paraguay and Brazil while administering an outstanding results-oriented program in accordance with the Agency's standards of accountability and results achievement.

USAID Bolivia is pleased with the Bureau's recognition of the downsizing sacrifices which have been made to date, as reflected in the established BBS workforce levels of 151 in FY 1998 and 150 in FY 1999. These are numbers we can live with. That said, providing regional support to include broader program-planning and related NMS assistance will not be possible without increasing USDH staff from 18 to 19 positions. Our existing resources are simply stretched too thin, and the USAID is not prepared to enter into an enhanced service arrangement without the staff resources needed to do the job right. However, any increase will require Ambassadorial approval, which may be difficult to justify solely on regional support services.

With respect to the composition of the FY 1998 and FY 1999 workforces, we wish to note that the actual number of OE funded local-hire positions required by the Mission will be 105 in FY 1998 and 104 in FY 1999. These numbers simply cannot be reduced, as Agency policy guidelines on OE versus program funding do not provide an option. We have conducted a thorough review, and believe there is no alternative but to OE fund these positions.

The LAC Bureau Controller has been apprised of this situation.

USAID Bolivia is hopeful that the aggressive manner in which we have dealt with downsizing has effectively rendered "total workforce" as a non-issue. As such, we are prepared to move forward in keeping with the overall staffing levels which have been proposed herein.

We anticipate staffing levels as described above will be required through the entire Strategic Plan period FY 1998-2002.

2. Operating Expense Resources

In addition to cutting staff, USAID Bolivia has gone to great lengths to reduce its operating expense requirements over the past few years. We have been very successful in this regard, as evidenced by the FY 1996-1999 R4 resource request, which reflects a substantial decrease in funding requirements from FY 1997 through FY 1999.

In FY 1994, USAID Bolivia Operating Expense obligations reached \$6,029,000. By FY 1997, we were able to bring that level down to \$5,402,400, while accommodating significant costly downsizing (these figures are net of the AID/W funded FAAS/Virtual ICASS costs). In FY 1998, we anticipate reducing Operating Expenses to \$4,815,900, despite the fact that this proposed funding level includes eight USDH transfers/replacements, \$203,000 for ICASS, and modest inflation factors of 10% on salaries and benefits and 5% on all other costs. FY 1999 will require slightly increased funding at \$5,061,300 (including \$207,000 for ICASS), although this figure is still significantly less than our projected FY 1997 obligations.

USAID Bolivia has made a concerted effort to reduce ICAAS costs during this virtual year (FY 97), and is satisfied that the projected costs for the out years are reasonable. We are not subscribing to any services that could possibly be obtained elsewhere at a lower cost. Although we are not currently committed to being a service provider, we are in fact exploring a few possibilities including custom's clearance services and vehicle maintenance. These possibilities will be refined during the coming year. If they prove feasible, they will result in a slight decrease to the ICASS funding levels projected herein.

Also worth noting, USAID Bolivia Operating Expense budgets include \$180,000 in FY 1997, \$167,100 in FY 1998, and \$168,800 in FY 1999 for regional support activities. This funding covers the cost of one USDH Contracting Officer and three FSNs in the Controller's Office, as well as travel and communications directly related to regional support. USAID Bolivia is quite proud of the return-on-investment in terms of quality regional services attributed to this modest funding set-aside.

As with the proposed staffing levels, USAID Bolivia is confident that it will be able to operate within the FY 1997 OE funding base-line budgets if maintained throughout the Strategic Plan period.

ANNEXES
INDICATOR TABLES

ANNEX A. DEMOCRACY

TABLE A-1

OBJECTIVE: Social base of democracy broadened and governance strengthened

COUNTRY/ORGANIZATION: USAID/Bolivia

RESULT NAME: IR 1 - Key elements of rule of law become more transparent, efficient, effective, accountable, and accessible.

INDICATOR: Percentage of judges re-appointed on the basis of merit by new Judicial Council

UNIT OF MEASURE: Percent (cumulative) SOURCE: Judicial Council records	YEAR	PLANNED	ACTUAL
<p>COMMENTS:</p> <p>A 1994 Constitutional Amendment provided for creation of a Judicial Council to administer the court system and to monitor the qualifications of judicial candidates. These functions will be transferred from the Supreme Court to the Judicial Council once its enabling law is promulgated. Based on conversations with Bolivian counterparts, USAID believes it will pass during the first quarter of 1998. We will use policy dialogue through the campaign and after the new GOB takes office to promote its passage.</p> <p>The baseline is zero because the current selection, promotion, and removal of judges is not based on merit .</p> <p>Two phases are needed to start the Judicial Council. This indicator attempts to measure phase one. It reflects the GOB's intention to submit all judges appointed via the present system to a technical merit evaluation within one year of the law's promulgation, if they are to remain in office.</p> <p>¹Until 1998 and 1999 targets are met, a proxy indicator will be used: an implementation plan which addresses transitional issues is produced by the main GOB promoter of the reform, the Ministry of Justice.</p> <p>² An indicator for phase two (not shown here) will measure the number of judges trained by USAID who are promoted on merit. USAID will begin to report on this indicator once phase one is completed.</p>	1996 (B)		0
	1997	N/A ¹	
	1998	50	
	1999	100	
	2000	N/A ²	
	2001	N/A ²	
	2002 (T)	N/A ²	

x 97

TABLE A-2

OBJECTIVE: Social base of democracy broadened and governance strengthened

COUNTRY/ORGANIZATION: USAID/Bolivia

RESULT NAME: IR 1- Key elements of rule of law become more transparent, efficient, effective, accountable, and accessible.

INDICATOR: The new Code of Criminal Procedures (CCP) is put into effect nationwide

UNIT OF MEASURE: Number of Judicial Districts (9 districts exist) (cumulative) SOURCE: Ministry of Justice and Court Records COMMENTS:	YEAR	PLANNED	ACTUAL
USAID expects the CCP enabling law to be passed early in 1998. The CCP will be implemented in two phases. During the first phase, the CCP will be introduced into Bolivia's nine judicial districts. Targets for 1999-2000 reflect this. Until 1999 targets are achieved, the following proxy indicators will be used: 1. In 1997, an implementation plan that addresses all obstacles is produced by the Ministry of Justice. 2. In 1998, all actions necessary to operate in the new system are taken: training needs assessments, infrastructure needs assessment, training targeted to key operators, and parallel systems of handling cases. USAID will provide technical assistance and engage in intense policy dialogue with GOB counterparts in all these areas. ¹ USAID will submit the second phase indicator, which relates to CCP implementation per se, when the first phase is completed.	1997 (B)	See proxy indicator 1 in Comments.	0
	1998	See proxy indicator 2 in Comments.	0
	1999	4	
	2000	9	
	2001	N/A ¹	
	2002 (T)	N/A ¹	

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TABLE A-3

OBJECTIVE: Social base of democracy broadened and governance strengthened
COUNTRY/ORGANIZATION: USAID/Bolivia

RESULT NAME: IR 1 - Key elements of rule of law become more transparent, efficient, effective, accountable, and accessible.

INDICATORS: Number of cases handled by Public Defenders in nine judicial districts

UNIT OF MEASURE: Number of cases (cumulative)	YEAR	PLANNED	ACTUAL
SOURCE: Public Defense Annual Operating Plans	1996 (B)	4,000 (J)	4,000 (J)
INDICATOR DESCRIPTION: Judicial cases (J) involve a judicial process. Police cases (P) involve a police investigation but no judicial process.		8,000 (P)	8,000 (P)
COMMENTS:	1997	6,000 (J)	
The Ministry of Justice's Office of Public Defense has established targets through 1998, based on Annual Operating Plans.		12,000 (P)	
To handle the planned number of cases through 1998, the GOB must continue to fund the Public Defense at currently projected levels. To increase the number of cases handled after 1998, funding levels must be increased to hire more public defenders. USAID will engage in policy dialogue with Bolivian counterparts to increase Public Defense funding to meet targets 1998-2000.	1998	7,000 (J)	
		14,000 (P)	
	1999	8,050 (J)	
		16,100 (P)	
	2000	9,250 (J)	
		18,500 (P)	
	2001	10,640 (J)	
		21,275 (P)	
	2002 (T)	12,230 (J)	
		24,460 (P)	

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TABLE A-4

OBJECTIVE: Social base of democracy broadened and governance strengthened

COUNTRY/ORGANIZATION: USAID/Bolivia

RESULT NAME: IR2-National representation more responsive to constituent needs and demands.

INDICATOR: Significant case-work contacts with civil society organizations or municipal governments at USAID-assisted municipalities effectively resolved by national representatives.

UNIT OF MEASURE: % of all case-work contacts effectively resolved

SOURCE: SUNY, Chemonics, CICON, SNPP

INDICATOR DESCRIPTION:

Case-work is defined as work done by a member of Congress on behalf of a district/constituency. It may include promotion of laws and lobbying for national budget allocations, as well as actions to meet local needs or demands.

Municipal governments include the mayor, members of the council, and support staff.

COMMENTS: Procedures to record case-work contacts at USAID-assisted municipalities will be determined during 1997 by USAID in close consultation with SUNY and Chemonics. These consultations will produce measurable criteria to distinguish significant and effective case-work contacts from political and other contacts.

"National representation" links municipal government and civil society at the local level with government at the national level. The purpose of this indicator is to measure the impact of USAID assistance in improving the effectiveness of this linkage.

YEAR	PLANNED	ACTUAL
1998 (B)	33	
1999	50	
2000	60 (SUNY IQC ends)	
2001	70	
2002 (T)	80	

100

TABLES A-5

OBJECTIVE: Social base of democracy broadened and governance strengthened

COUNTRY/ORGANIZATION: USAID/Bolivia

RESULT NAME: IR2-National representation more responsive to constituent needs and demands.

INDICATOR: Civil society organization and vigilance committee complaints or requests for approval of tax ordinances from USAID-assisted municipalities successfully resolved by the Senate.

UNIT OF MEASURE: % of total number of complaints or requests resolved

SOURCE: SUNY, Chemonics, Senate records

INDICATOR DESCRIPTION:

The Popular Participation Law establishes procedures for civil society organizations or oversight committees to present complaints to the Senate against municipal governments that fail to allow for community/neighbor participation in developing the annual operating plan and budget.

The Senate vote can then suspend revenue-sharing disbursements to such municipal governments.

COMMENTS:

YEAR	PLANNED	ACTUAL
1997	33	
1998	50	
1999	60	
2000	70	
2001 (T)	80	

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TABLE A-6**OBJECTIVE:** Social base of democracy broadened and governance strengthened**COUNTRY/ORGANIZATION:** USAID/Bolivia**RESULT NAME:** IR3-Local governments effectively respond to citizen needs and demands.**INDICATOR:** Annual municipal operating plans in USAID-assisted municipalities completed with significant civil society participation, approved by SNPP/ National Secretariat of Finance.**UNIT OF MEASURE:** % of CSOs participating**SOURCE:** Chemonics, SNPP, SNH**COMMENTS:**

The National Secretariat of Finance and SNPP review annual operating plans, which must be accompanied by a statement that they were drafted with community input.

Significant civil society participation is defined as over 60% of CSOs participating, according to records kept by Chemonics.

* Municipal Governments seated in January 2000 may include incumbents new to municipal governance who will have to learn the techniques of participatory planning with the CSOs and VCs. Consequently, in some cases this indicator may reflect reductions in the level of participatory planning.

YEAR	PLANNED	ACTUAL
1998 (B)	50	
1999	60	
2000	50* (new mun govs)	
2001	60	
2002 (T)	70 (new exec branch)	

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TABLE A-7**OBJECTIVE:** Social base of democracy broadened and governance strengthened**COUNTRY/ORGANIZATION:** USAID/Bolivia**RESULT NAME:** IR3-Local governments effectively respond to citizen needs and demands.**INDICATOR:** Municipal revenue-sharing funds at USAID-assisted municipalities spent with significant civil society participation.**UNIT OF MEASURE:** % of funds spent**SOURCE:** Chemonics, SNPP, SNH**COMMENTS:**

This indicator will measure the impact of Chemonics' work on improving civil society's participation in spending revenue sharing funds.

Significant civil society participation is defined as over 60% of CSOs participating, according to records kept by Chemonics.

* Municipal governments seated in January 2000 may include incumbents new to municipal governance who will have to learn the technique of participatory planning with the CSOs and VCs. Consequently, in some cases this indicator may reflect reductions in the level of participatory planning.

YEAR	PLANNED	ACTUAL
1998 (B)	50	
1999	60	
2000	50* (new mun govs)	
2001	60	
2002	65	

ANNEX B. ECONOMIC OPPORTUNITIES

TABLE B-1

OBJECTIVE:: Increased Employment and Income Opportunities for Bolivia's Poor

COUNTRY/ORGANIZATION: USAID/Bolivia

INDICATOR: Permanent jobs created by firms/individuals receiving USAID-supported services

UNIT OF MEASURE: Ones (annual, not cumulative)

SOURCE:

Reports submitted by entities supported by Microfinance and Export Promotion activities

INDICATOR DESCRIPTION:

Number of permanent jobs created

COMMENTS:

The Mission has grappled with the issue of how to calculate job creation at the microenterprise level under the MSED project, where there are thousands of active loan clients. We commissioned a study of a large sample of PRODEM clients and calculated the increase in jobs from the time of the first loan. The cumulative loans received by the sample was then divided by the increase in the number of jobs recorded. This provided a job creation factor of \$4,379. That is, for each \$4,379 of loans, a job is created.

Since it is virtually impossible to distinguish what came from USAID and what didn't, rather than complicate life for the grantee (by keeping an elaborate and separate monitoring system), we concluded that we would have more accurate data by reporting on the entire PRODEM/BancoSol portfolio. We feel this is justified, since PRODEM was created largely as a result of USAID efforts, and without USAID assistance, PRODEM would not have been able to create BancoSol.

In contrast, jobs created through USAID's export promotion activities can be directly measured and are reported to USAID by the implementing agencies.

YEAR	PLANNED	ACTUAL
1991		3,422
1996		20,017 F
		9,977 M
1997	19,200 F	
	12,800 M	
1998	22,500 F	
	12,500 M	
1999	26,400 F	
	14,700 M	
2000	30,400 F	
	16,800 M	
2001	34,400 F	
	19,000 M	
2002	37,600 F	
	20,900 M	

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TABLE B-2**OBJECTIVE:** Increased employment and income opportunities for Bolivia's poor**COUNTRY/ORGANIZATION:** USAID/Bolivia**INDICATOR:** Increased household incomes from agricultural-related activities for target population.

UNIT OF MEASURE: Bolivianos (adjusted for inflation)	YEAR	PLANNED	ACTUAL
SOURCE: Monitoring surveys conducted by Cooperating Sponsors	1996	Baseline	1,060
INDICATOR DESCRIPTION: Indicator measures effective increase in real incomes from agriculture-related activities whether products are sold, traded, or consumed by the household. Other sources of income (i.e. remittances, non-agricultural activities, pensions, and other government payments) are excluded.	1997	1,166	
COMMENTS:	1998	1,224	
Cooperating Sponsors are relocating their programs to focus on the nation's most food-insecure areas to comply with AID/W mandates. Consequently, baseline data is currently being collected and will be available in July/August 1997. Baseline and targets for incomes reflect preliminary data from one Cooperating Sponsor with historical data from such areas. Receipt of more complete baseline survey results may necessitate changes in baseline and targets.	1999	1,286	
	2000	1,350	
	2001	1,417	
	2002	1,488	

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TABLE B-3**OBJECTIVE:: Increased Employment and Income Opportunities for Bolivia's Poor****COUNTRY/ORGANIZATION: USAID/Bolivia****RESULT NAME: IR 1 Growth of nontraditional value-added product sector****INDICATOR: Value added in manufacturing sector**

UNIT OF MEASURE: Thousands of US\$	YEAR	PLANNED	ACTUAL
	SOURCE: National Institute of Statistics, GOB	1996	Baseline
1997		1,100	
INDICATOR DESCRIPTION: Net production of Bolivia's manufacturing sector	1998	1,200	
	1999	1,300	
COMMENTS:	2000	1,400	
	2001	1,500	
	2002	1,600	

TABLE B-4**OBJECTIVE:: Increased Employment and Income Opportunities for Bolivia's Poor****COUNTRY/ORGANIZATION: USAID/Bolivia****RESULT NAME: IR 1 Growth of nontraditional value-added product sector****INDICATOR: Value of USAID-attributable domestic and foreign investment**

UNIT OF MEASURE: Thousands of US\$	YEAR	PLANNED	ACTUAL
	SOURCE: Reports submitted by USAID-assisted institutions	1996	
1997		6,000	
INDICATOR DESCRIPTION: Value of domestic and foreign investments made by firms assisted by USAID-supported institutions (e.g. BOLINVEST)	1998	7,300	
	1999	8,100	
COMMENTS: Levels of achievement through 1996 are due to higher levels of USAID funding. As of 1997 it is expected that USAID funding in support of this indicator will be reduced.	2000	9,000	
	2001	10,000	
	2002	11,400	

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TABLE B-5**OBJECTIVE:** Increased Employment and Income Opportunities for Bolivia's Pooers**COUNTRY/ORGANIZATION:** USAID/Bolivia**RESULT NAME:** IR 1 Growth of non-traditional value-added product sector**INDICATOR:** Number of small firms selling nontraditional value added products

UNIT OF MEASURE: Number (cumulative)	YEAR	PLANNED	ACTUAL
SOURCE: Reports submitted by USAID-assisted institutions (i.e. FIE, AGROCAPITAL, BOLINVEST) INDICATOR DESCRIPTION: Number of small firms (less than 150 employees) that received USAID assistance COMMENTS:	1996	-----	60
	1997	100	
	1998	150	
	1999	200	
	2000	250	
	2001	300	
	2002	350	

TABLE B-6**OBJECTIVE::** Increased Employment and Income Opportunities for Bolivia's Poor**COUNTRY/ORGANIZATION:** USAID/B**RESULT NAME:** IR 1-Growth of non-traditional value-added product sector**INDICATOR:** Value of USAID-attributable export sales

UNIT OF MEASURE: Thousands of US\$	YEAR	PLANNED	ACTUAL
SOURCE: Reports submitted by USAID-assisted institutions (e.g. Bolinvest) INDICATOR DESCRIPTION: Value of export sales made by USAID-assisted firms COMMENTS: These targets assume continued USAID resources. The currently approved program terminates in April 1998.	1991	-	11,547
	1997	31,000	
	1998	40,000	
	1999	50,000	
	2000	60,000	
	2001	70,000	
	2002	80,000	

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TABLE B-7

OBJECTIVE: Increased employment and income opportunities for Bolivia's poor
COUNTRY/ORGANIZATION: USAID/Bolivia

RESULT NAME: IR2-Improved agricultural and food system productivity

INDICATOR: Increased sales of selected crops for target households.

UNIT OF MEASURE: Value of sales (in Bolivianos, adjusted for inflation).

SOURCE: Monitoring surveys conducted by Cooperating Sponsors.

INDICATOR DESCRIPTION: Sales increases at the household level reflect both supply-side & demand-side successes. Selected crops include barley, maize, quinoa, wheat, beans, and potatoes.

COMMENTS:

Cooperating Sponsors are relocating their programs to focus on the nation's most food-insecure areas to comply with AID/W mandates. Consequently, baseline data is currently being collected and will be available in July/August 1997. Baseline and targets for sales reflect preliminary data from one Cooperating Sponsor with historical data from such areas. Receipt of more complete baseline survey results may necessitate changes in baseline and targets.

YEAR	PLANNED	ACTUAL
1996	Baseline	636
1997	700	
1998	735	
1999	772	
2000	810	
2001	851	
2002	893	

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TABLE B-8**OBJECTIVE:** Increased employment and income opportunities for Bolivia's poor**COUNTRY/ORGANIZATION:** USAID/Bolivia**RESULT NAME:** IR2-Improved agricultural and food system productivity**INDICATOR:** Reduced marketing margins for selected products.

UNIT OF MEASURE: Marketing margin as a percent of final price (with margin calculated as price in market town for a composite group of products minus the average sales price received by farmers in targeted producing areas for the composite group of products). All prices adjusted for inflation.

SOURCE: Monitoring surveys conducted by Cooperating Sponsors. Additional data on market prices to be confirmed with data obtained from GOB.

INDICATOR DESCRIPTION: Selected crops include barley, maize, quinoa, wheat, beans, and potatoes.

COMMENTS:

The baseline data presented reflects the marketing margin for a composite group of six agricultural products marketed by food-insecure producers. The baseline uses the marketing margin between national producer prices and La Paz wholesale prices. A more accurate baseline reflecting prices received by producers in food-insecure areas and market prices in secondary towns will be collected during 1997. Receipt of more complete baseline survey results may necessitate changes in baseline and targets.

YEAR	PLANNED	ACTUAL
1995	Baseline	61
1997	59	
1998	56	
1999	53	
2000	50	
2001	48	
2002	46	

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ANNEX C. HEALTH

TABLE C-1 STRATEGIC OBJECTIVE: Improved Health of the Bolivian Population COUNTRY/ORGANIZATION: USAID/BOLIVIA			
INDICATOR: Infant Mortality Rate			
UNIT OF MEASURE: Deaths of infants 0 through 11 months per thousand live births.*	YEAR	PLANNED	ACTUAL
SOURCE: Demographic Health Survey (DHS), 1989 and 1994, UNICEF Encuesta Nacional de Múltiples Indicadores 1996	1989 1994(B)		105 75
INDICATOR DESCRIPTION: Number			
<p>COMMENTS: Actual figure for 1989 is based on time series calculations made in the 1989 DHS and represents the infant mortality rate for the period 1979-1989. Actual figure for 1994 is based on time series calculations made in the 1994 DHS and represents the infant mortality rate for the period 1989-1994. For the purpose of statistical calculations, representative midpoints for these two DHS surveys were considered to be 1984 and 1991. However, the data reported cannot be considered to be indicative of any particular year within the survey period.</p> <p>* This figure represents national level data collected by UNICEF for the period 1992-1996. The ambitious official GOB Plan Vida target of 52.5 for 1997 has been replaced by estimates based on the average rate of change between the midpoint years of the two previous DHSs. Planned estimates represent estimates for actual year data and will be revised subsequent to the 1997 DHS.</p> <p>New data were not available for this indicator for this year. However new, retrospective data for the years 1994-1997 of this population will be available in 1998.</p> <p>(B) - Baseline (T) - Target</p>	1995	63	
	1996	61	59*
	1997	58	
	1998	56	
	1999	54	
	2000	52	
	2001	49	
	2002(T)	47	

Indicator wording changed based on USAID/W PHN Issues on '95-98 R4 for Bolivia dated April 3, 1996.

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TABLE C-1A - Proxy Indicator for Table 1			
STRATEGIC OBJECTIVE: Improved Health of the Bolivian Population			
COUNTRY/ORGANIZATION: USAID/BOLIVIA			
INDICATOR: Infant Mortality Rate			
PROXY INDICATOR: The percent of infants 0-11 months who received three doses of DPT in CCH activity sites.			
UNIT OF MEASURE: Percent	YEAR	PLANNED	ACTUAL
SOURCE:: Community Child Health Project (CCH)	1995		77
<p>COMMENTS: This indicator is being used as a proxy for infant mortality because immunizations against communicable diseases reduce deaths from the diseases they protect against, and stimulate the immune system to fight against other diseases. Moreover, this indicator may also show improved health-seeking behavior by parents.</p> <p>Although we will continue to track this indicator, IR level indicators that represent a larger proportion of the population are being developed and will be included in subsequent R4s.</p> <p>* Herd Immunity (coverage of target population)</p> <p>(B) - Baseline (T) - Target</p>	1996		79
	1997	80*	
	1998	80	
	1999	80	
	2000	80	
	2001	80	
	2002	80	

TABLE C-2			
STRATEGIC OBJECTIVE: Improved Health of the Bolivian Population			
COUNTRY/ORGANIZATION: USAID/BOLIVIA			
INDICATOR: Maternal Mortality			
UNIT OF MEASURE: Number	YEAR	PLANNED	ACTUAL
SOURCE: DHS, 1989, 1994	1989	---	416*
	1994(B)		390
INDICATOR DESCRIPTION: Maternal deaths per hundred thousand live births.			
<p>COMMENTS: Actual figure for 1989 is based on time series calculations made in the 1989 DHS for the period 1979-1989. Actual figure for 1994 DHS is based on time series calculations made in the 1994 DHS which contained a nationwide representative maternal mortality survey, the first of its kind in Bolivia. New data are expected for this national level indicator from the 1999 DHS.</p> <p>*This figure was changed from the previous number of 480 which was based on 1982 limited hospital data. Four hundred and sixteen is the number used in the 1994 DHS .</p> <p>The 1997 unrealistic GOB Plan Vida target has been replaced by revised USAID targets based on the rate of change from the midpoints of the two previous DHS surveys. Because the baseline year data of 1984 were not based on as extensive a population, planned estimates will need to be revised when data from the 1999 DHS become available.</p> <p>Planned estimates are conservative and we fully expect to exceed them, especially in light of increased funding for maternal health activities in Bolivia. However, no other data for this national level indicator were available to make estimates.</p> <p>(B) - Baseline (T) - Target</p>	1997	273	
	1998	254	
	1999	234	
	2000	220	
	2001	207	
	2002(T)	194	

TABLE C-2A - Proxy Indicator for Table 2
STRATEGIC OBJECTIVE: Improved Health of the Bolivian Population
COUNTRY/ORGANIZATION: USAID/BOLIVIA

INDICATOR: Maternal Mortality

PROXY INDICATOR: Percent of births attended by a trained birth attendant

UNIT OF MEASURE: Percent

YEAR	PLANNED	ACTUAL
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SOURCE: Sistema Nacional de Información de Salud (SNIS)

1994	--	28
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INDICATOR DESCRIPTION: Trained birth attendants include midwives, auxiliaries, nurses and physicians

1995		32
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COMMENTS: Planned targets for this indicator are based on the average rate of change from 1994-1996.

1996		36
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This indicator is being used as a proxy indicator for maternal mortality because births by appropriately trained health personnel have been shown to reduce the risk of maternal deaths from obstetrical complications.

1997	39	
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1998	42	
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1999	46	
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Although we will continue to track this indicator, IR level indicators which represent a larger proportion of the population are being developed and will be included in subsequent R4s. National level data on maternal mortality will be available from the 1999 DHS .

2000	50	
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2001	54	
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2002	59	
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TABLE C-3
STRATEGIC OBJECTIVE: Improved Health of the Bolivian Population
COUNTRY/ORGANIZATION: USAID/BOLIVIA

INDICATOR: Contraceptive prevalence - modern (CPR-M)

UNIT OF MEASURE: Percent

YEAR	PLANNED	ACTUAL
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SOURCE: DHS, 1989, 1994

1989		12.2
1994(B)		18

INDICATOR DESCRIPTION: Modern contraceptives comprise oral contraceptives, IUDs, foams and creams, injectables, Norplant, and condoms.

COMMENTS: Actual figures for 1989 and 1994 are for those years only and do not represent the five years previous to the survey. Planned figures are based on the predicted rate of change for couple years of protection because these two indicators are often closely linked.

1995	25	
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1996	27	35*
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1997	30	
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1998	33	
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1999	36	
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2000	40	
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2001	44	
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2002(T)	48	
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*Although national level data for this indicator will not be available until the 1997 DHS is completed, data for Cochabamba, a city where USAID has supported family planning activities, indicate that the CPR-M there is approximately 35%.

(B) - Baseline

(T) - Target

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TABLE C-4			
OBJECTIVE: Improved Health of the Bolivian Population			
COUNTRY/ORGANIZATION: USAID/Bolivia			
RESULT NAME: IR1-Improved Child Survival and Reproductive and Sexual Health Practices by Bolivian Men, Women, Adolescents, and Children			
INDICATOR: Total Number of couple years of protection (CYPs) provided by USAID-assisted activities			
UNIT OF MEASURE: Number	YEAR	PLANNED	ACTUAL
SOURCE: Pathfinder Service Statistics	1994(B)	—	89,587
INDICATOR DESCRIPTION: The estimated protection provided by family planning services during a one year period. Modern methods comprise oral contraceptives, IUDs, foams and creams, injectables, Norplant, and condoms. COMMENTS: This indicator was added for FY 1995. Planned was estimated from that base, and was revised for the 1997 Strategic Plan based on actual performance in 1995 and 1996. Planned projections will be revised each year to include new data. * This number was updated from the 1995 R4 to include data from the National Secretariat of Health, and reflect improvements in the monitoring system. (B) - Baseline (T) - Target	1995	94,962	158,289*
	1996	100,660	202,193
	1997	152,761	
	1998	168,038	
	1999	184,841	
	2000	203,325	
	2001	223,658	
	2002(T)	246,023	

TABLE C-5			
STRATEGIC OBJECTIVE: Improved Health of the Bolivian Population			
COUNTRY/ORGANIZATION: USAID/BOLIVIA			
INDICATOR: IR2-New acceptors of modern methods of contraception at USAID-assisted facilities			
UNIT OF MEASURE: Number	YEAR	PLANNED	ACTUAL
SOURCE: Pathfinder Service Statistics	1994(B)	—	76,188
INDICATOR DESCRIPTION: The number of persons who accept for the first time in their lives any modern (program) method of contraception during a one year period. COMMENTS: This indicator was added for FY 1995. Planned figures are estimated from actual past performance, and have been revised for the 1997 Strategic Plan. The source was changed from the original Quipus system because its many bugs made it inaccessible to most users. The Pathfinder system is simple, user friendly, and backed by local technical support. (B) - Baseline (T) - Target	1995	78,000	110,142
	1996	80,000	128,433
	1997	132,527	
	1998	145,780	
	1999	160,358	
	2000	176,394	
	2001	194,033	
	2002(T)	213,436	

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TABLE C-6

OBJECTIVE: Improved Health of the Bolivian Population

COUNTRY/ORGANIZATION: USAID/Bolivia

RESULT NAME: Decentralized, participatory health system

INDICATOR: IR3-Number of municipalities with formal agreements with a USAID-funded NGO that have provided a cash or in-kind counterpart contribution.

UNIT OF MEASURE: Ones (there are 311 municipalities in Bolivia)

SOURCE: PROCOSI, PROSALUD, and other partner NGO reports

INDICATOR DESCRIPTION: This indicator demonstrates direct USAID support to local government units, charged by the Popular Participation Law (PPL), with the administration of primary health care services at the local level. The indicator shows the extent to which municipalities and USAID-funded NGO health care providers are responding to incentives created by the PPL to establish public-private partnerships in pursuit of improved local primary health care. The indicator also shows the extent to which municipalities are willing to contribute their own resources as counterpart to USAID resources to provide better health services to their local populations.

COMMENTS: For the Mission to achieve planned targets, it is critical that the incoming GOB continue to implement the Popular Participation and Administrative Decentralization Laws and to align the health system with those laws.

(B) - Baseline

(T) - Target

YEAR	PLANNED	ACTUAL
1996(B)		12
1997	24	
1998	36	
1999	42	
2000	48	
2001	56	
2002(T)	60	

TABLE C-7

OBJECTIVE: Improved Health of the Bolivian Population

COUNTRY/ORGANIZATION: USAID/Bolivia

RESULT NAME: Decentralized, participatory health system

INDICATOR: IR3-Number of *Information Analysis Committees (CAIs)* in USAID's area of influence using the SNIS

UNIT OF MEASURE: Ones

SOURCE: National Health Secretariat, Harvard/Data for Decision Making

INDICATOR DESCRIPTION: This indicator measures the extent to which the National Health Secretariat is enabling decentralized levels of government to plan appropriate health interventions by providing the departments and municipalities with management information from the SNIS to use in CAIs, as well as the use of that information in CAIs.

COMMENTS: For the Mission to achieve planned targets, it is critical that the incoming GOB continue to implement the Popular Participation and Administrative Decentralization Laws, and to align the health system with those laws. Planned and actual levels are cumulative. The baseline is Bolivia's one national CAI; planned 1997 levels include the national CAI plus the nine departmental CAIs; and planned for 1998 includes one national, nine departmental, and 15 municipal CAIs.

(B) - Baseline

(T) - Target

YEAR	PLANNED	ACTUAL
1996(B)		1
1997	10	
1998	25	
1999	40	
2000	55	
2001	70	
2002(T)	85	

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ANNEX D. ENVIRONMENT

TABLE D-1 OBJECTIVE: Degradation of forest, water, and biodiversity resources reduced COUNTRY/ORGANIZATION: USAID/Bolivia			
INDICATOR: Total area in USAID-priority ecoregions protected			
UNIT OF MEASURE: combined area (hectares) under sustainable management or in protected status (cumulative) SOURCE: BOLFOR, WCS/CABI, GOB, forest certifiers, Parks in Peril Program INDICATOR DESCRIPTION: The indicator at the SO level combines area under sustainable management (with productive activities) and in protected status (including parks and protected areas). USAID-priority ecoregions defined as "Regionally Outstanding in Biological Value" according to USAID assessment through the Biodiversity Support Program. COMMENTS: This total for the target year (2002) is expected to include 2.6 million hectares under protection in the Chaco; 2.8 under sustainable forest and wildlife management; and 1.0 in protected areas (Tariquia and Eduardo Abaroa). This target figure could be even higher with additional carbon-offset initiatives, assuming full funding for the SO.	YEAR	PLANNED	ACTUAL
	1993 (B)	0	0
	1996	100,000	400,000
	1997	600,000	
	1998	1,050,000	
	1999	2,850,000	
	2000	4,500,000	
	2001	5,500,000	
	2002 (T)	6,400,000	

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TABLE D-2**OBJECTIVE:** Degradation of forest, water, and biodiversity resources reduced**COUNTRY/ORGANIZATION:** USAID/Bolivia**RESULT NAME:** IR 1. Sustainable forest and wildlife management in target areas**INDICATOR:** # of hectares under sustainable management**UNIT OF MEASURE:** # of hectares (cumulative)**SOURCE:** BOLFOR, WCS/CABI, GOB, Certifiers**INDICATOR DESCRIPTION:**

In order for an area to be considered under sustainable management, it must meet at least one of the following criteria:

- * certified by an independent entity (highest degree of management)
- * sustainable forestry and/or wildlife management plan being implemented

COMMENTS:

The figures do not reflect a double counting of areas. For example, if an area is certified and has a sustainable forestry management plan, only the certified area has been included in the figures. Also, these figures exclude substantial areas which are now in the process of initiating sustainable activities.

YEAR	PLANNED	ACTUAL
1993 (B)	0	0
1995	3,500	50,000
1996	100,000	400,000
1997	600,000	
1998	800,000	
1999	1,600,000	
2000	2,000,000	
2001	2,400,000	
2002 (T)	2,800,000	

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TABLE D-3**OBJECTIVE:** Degradation of forests, water, and biodiversity resources reduced**COUNTRY/ORGANIZATION:** USAID/Bolivia**RESULT NAME:** IR 1.1-Legal and regulatory framework in place to promote sustainable management of renewable natural resources.**INDICATOR:** Technical norms and recommendations to the legal and institutional framework for the Forestry Law presented to the GOB

UNIT OF MEASURE: Process of presentation	YEAR	PLANNED	ACTUAL
SOURCE: BOLFOR	1996 (B)	Law and regulations approved	Law and regulations approved
INDICATOR DESCRIPTION: Measures progress toward achievement of the final goal (presentation of technical norms and recommendations to support the legal and institutional framework). Involves the following steps: 1) drafting of documents 2) review and incorporation of comments from various stakeholders involved 3) presentation of the document to stakeholders and GOB 4) approval by the GOB With the achievement of each step, progress towards the final goal is demonstrated.	1997	Draft 6 sets of technical standards	
COMMENTS: Reporting on progress will be on an annual basis. While this indicator is difficult to quantify incrementally, the ENVSOT believes it is important enough to be tracked in this manner.	1998	Review and incorporate comments from stakeholders	
Approval by the Government: USAID/Bolivia (through its partners) cannot accept responsibility for this step, because approval is out of the control of the implementing institutions. Nevertheless, it is included as a step because it is important to report on its progress.	1999	Present draft amendments to stakeholders and GOB	
	2000 (T)	Amendments presented to Congress	
	2001	N/A	
	2002	NA	

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TABLE D-4

OBJECTIVE: Degradation of forest, water, and biodiversity resources reduced

COUNTRY/ORGANIZATION: USAID/Bolivia

RESULT NAME: IR1.1-Legal and regulatory framework in place to promote sustainable management of renewable natural resources.

INDICATOR: Management plans for protected and integrated management areas presented and approved by the GOB

UNIT OF MEASURE: Presentation and approval	YEAR	PLANNED	ACTUAL
SOURCE: WCS/CABI	1996 (B)	0	0
<p>INDICATOR DESCRIPTION: Measures progress toward the achievement of the final goal (presentation and approval of management plans). Involves the following steps: 1) drafting of document 2) review and incorporation of comments from various sectors involved 3) presentation of document 4) approval by GOB With the achievement of each step, progress towards the final goal is demonstrated.</p>	1997	4 individual technical/ community team reports completed	
<p>COMMENTS: Reporting on progress will be on an annual basis.</p>	1998	1 draft mgmt plan presented to GOB	
<p>Specific management plans of focus will be for the Chaco National Park (Kaa-Iya) and for the larger Izozog Region.</p>	1999	1 final mgmt plan approved by GOB	
	2000	2 species conservation action plans presented to GOB	
	2001 (T)	All action plans approved and implemented	
	2002	NA	

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TABLE D-5

OBJECTIVE: Degradation of forest, water, and biodiversity resources reduced

COUNTRY/ORGANIZATION: USAID/Bolivia

RESULT NAME: IR1.2-Areas critical to biodiversity effectively managed at local level

INDICATOR: Institutional and technical capacity to effectively manage area established

UNIT OF MEASURE: Process of institutional and technical capacity building (ratio)	YEAR	PLANNED	ACTUAL
SOURCE: BOLFOR	1996 (B)	8/26	8/26
<p>INDICATOR DESCRIPTION: Measured against a list of criteria (e.g., entity has clear mission statement and strategic planning process; effective board of directors; appropriately trained technical staff for activities being implemented; prepares adequate financial statements). With the advancement in each category, progress towards the final goal (a maximum of 26) is demonstrated. Each criterion has a scale of 0 (deficient), 1 (acceptable) and 2 (ideal). These are determined according to a guide produced by USAID staff and based largely upon an institutional strength assessment process developed by The Nature Conservancy.</p>	1997	9/26	
	1998	11/26	
	1999	13/26	
	2000	14/26	
	2001	16/26	
<p>COMMENTS: Institutional and technical capacity are measured for the local groups or institutions administering the activity.</p> <p>The institution examined in this table is Taruma (illustrative). Other institutions to be tracked and similarly scored include CABI, CICOL, CIMAL/RODA, and LA CHONTA.</p>	2002 (T)	18/26	

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TABLE D-6

OBJECTIVE: Degradation of forest, water, and biodiversity resource reduced

COUNTRY/ORGANIZATION: USAID/Bolivia

RESULT NAME: IR 1.2-Areas critical to biodiversity effectively managed at local level

INDICATOR: # of institutions and people (by sex, age, ethnicity when possible) implementing a sustainable technique, as compared to total # of people trained

UNIT OF MEASURE: Number, ratio (cumulative)

SOURCE: BOLFOR, WCS/CABI

INDICATOR DESCRIPTION:

Estimates the impact of all training activities

COMMENTS:

Actual 1996 - For the 9 companies with which Bolfor has worked, a total of 22 of 32 introduced practices have been adopted. The additional 10 are being implemented on an experimental basis.

People figures from 1998 - 2000 include data from both Bolfor and WCS/CABI. For each year, Bolfor plans to have 100 of 400 people trained adopting sustainable techniques.

* For the year 2000, WCS/CABI will have 4 community-based wildlife management plans developed which will encompass 1,200 of the approximately 7,500 people living in the park and integrated management area. Also for this year, they will have a broad-based wildlife management plan for the entire Integrated Management Area in the Kaa-Iya Reserve (8,000 km²). The impact of this plan is NOT reflected in the figures, but it will encompass and affect the approximately 7,500 people living in the park and integrated management area.

YEAR	PLANNED	ACTUAL
1996 (B)	8 companies 100/400 people	9 companies 100/400 people
1997	10 companies 150/600 people	
1998	12 companies 225/900 people	
1999	14 companies 338/ 1,350 people	
2000	20 companies/ communities 1,757/ 9,525 people*	
2001	24 companies/ communities 2,401/ 10,538 people	
2002 (T)	28 companies/ communities 3,127/ 12,056 people	

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TABLE D-7			
OBJECTIVE: Degradation of forest, water, and biodiversity resources reduced			
COUNTRY/ORGANIZATION: USAID/Bolivia			
RESULT NAME: IR 1.3. Real and perceived value of forest and wildlife increased			
INDICATOR: # non-traditional species and products exported			
UNIT OF MEASURE: Number (cumulative) SOURCE: BOLFOR INDICATOR DESCRIPTION: Non-traditional species could include plants, animals and/or forest derivatives. Includes only forest products derived from sustainable techniques, and ones not developed or exported prior to BOLFOR support. Sustainable management is defined according to certification norms (SmartWood Program of the Rainforest Alliance, for example), forestry legislation and CITES specifications. COMMENTS: The products are targeted to new markets, which are small but rapidly growing. Product development in the Chaco will focus on subsistence use, rather than on export. No additional support is anticipated in this area after 2000.	YEAR	PLANNED	ACTUAL
	1993 (B)	0	0
	1995	N/A	N/A
	1996	2	19
	1997	24	
	1998	28	
	1999	32	
	2000 (T)	36	
	2001	NA	
	2002	NA	

TABLE D-8			
OBJECTIVE: Degradation of forest, water, and biodiversity resources reduced			
COUNTRY/ORGANIZATION: USAID/Bolivia			
RESULT NAME: IR 1.3-Real and perceived value of forest and wildlife increased			
INDICATOR: Value of ecocertified products from sustainably managed forests			
UNIT OF MEASURE: US\$ (cumulative) SOURCE: BOLFOR INDICATOR DESCRIPTION: Non-traditional species could include plants, animals and/or forest derivatives. Includes only forest products produced using sustainable techniques Sustainable management is defined according to certification norms (Smartwood of the Rainforest Alliance, for example), forestry legislation and CITES specifications. COMMENTS: The products are targeted at new markets, which are small but rapidly growing. Economic value of subsistence products sustainably harvested in the Chaco will be estimated.	YEAR	PLANNED	ACTUAL
	1993 (B)	0	0
	1995	N/A	N/A
	1996	10,000	17,000
	1997	50,000	
	1998	300,000	
	1999	500,000	
	2000	1,000,000	
	2001	1,500,000	
	2002 (T)	2,000,000	

TABLE D-9**OBJECTIVE:** Degradation of forest, water, and biodiversity resources reduced**COUNTRY/ORGANIZATION:** USAID/Bolivia**RESULT NAME:** IR 2.1-Pollution prevention practices adopted**INDICATOR:** # companies which have adopted pollution prevention practices, as compared to total # companies evaluated by EP3**UNIT OF MEASURE:** number of companies**SOURCE:**

EP3, Evaluated companies

INDICATOR DESCRIPTION:

Measures adoption rate of practices amongst companies

COMMENTS: Growing interest in EP3 in 1996 indicates that this number can be doubled in 1997.

If additional funding is provided in 1998, the final target will be 25/30. Fewer new companies will be added in 1998 because more emphasis will be given to detailed follow-up and sustainability.

YEAR	PLANNED	ACTUAL
1995	0	0
1996 (B)	9/11	9/11
1997	18/22	
1998 (T)	20/25	

TABLE D-10**OBJECTIVE:** Degradation of forest, water, and biodiversity resources reduced**COUNTRY/ORGANIZATION:** USAID/Bolivia**RESULT NAME:** IR 2-Industrial pollution reduced in target areas**INDICATOR:** Amount of chemical inputs or contaminants used after EP3 intervention, as compared to amount used before.**UNIT OF MEASURE:** Percentage reduction in EP3-assisted factories in contamination that leads to reduced availability of oxygen in water courses (biochemical oxygen demand, BOD).**SOURCE:** EP3, Evaluated companies**INDICATOR DESCRIPTION:**

Demonstrates the percent reduction in the amount of contaminants used after EP3 intervention, as these relate to oxygen available for aquatic biological diversity. Similar measurements are being taken for chrome, and for reductions in energy and water use.

COMMENTS: Figures assume an estimated total of 230 metric tons BOD wastes for the target period; in 1996 the wastes reduced with EP3 assistance included tanning, slaughterhouse, and sugar refining residues.

YEAR	PLANNED	ACTUAL
1995	0	0
1996 (B)	25	25
1997	50	
1998 (T)	75	

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ANNEX E. COUNTERNARCOTICS

TABLE E-1 OBJECTIVE: Illicit Coca Eliminated from the Chapare COUNTRY/ORGANIZATION: USAID/Bolivia			
INDICATOR: Annual net coca eradication			
UNIT OF MEASURE: Hectares SOURCE: Annual USG satellite monitoring. INDICATOR DESCRIPTION: Cumulative net hectares eradicated annually. COMMENTS: The area under coca cultivation in the Chapare is currently estimated at 33,000 hectares. Of this, some 2,000 hectares in the Yungas de Vandiola area are considered legal.	YEAR	PLANNED	ACTUAL
	1996	Baseline	500
	1997	5,000	
	1998	11,000	
	1999	18,000	
	2000	24,000	
	2001	29,000	
	2002	31,000	

TABLE E-2 OBJECTIVE: Illicit Coca Eliminated from the Chapare COUNTRY/ORGANIZATION: USAID/Bolivia			
RESULT NAME: IR3-Existing coca eradicated			
INDICATOR: Annual gross coca eradication			
UNIT OF MEASURE: Hectares SOURCE: NAS/DIRECO INDICATOR DESCRIPTION: Gross hectares eradicated per calendar year. COMMENTS: These figures total more than 31,000 hectares (the estimated amount of illicit coca). The additional amount includes some new hectareage that may be planted during the strategy period.	YEAR	PLANNED	ACTUAL
	1996	Baseline	7,512
	1997	7,000	
	1998	7,500	
	1999	7,500	
	2000	6,500	
	2001	5,000	
	2002	2,000	

TABLE E-3**OBJECTIVE:** Illicit Coca Eliminated from the Chapare**COUNTRY/ORGANIZATION:** USAID/Bolivia**RESULT NAME:** IR3A- Farmers accept eradication conditionality**INDICATOR:** Number of farm families participating in SDZs:coca-free zone**UNIT OF MEASURE:** Number**SOURCE:** CORDEP Database**INDICATOR DESCRIPTION:** During 1997, special development zones (SDZs) will start to be organized. This indicator tracks the number of farm families included in the zones and receiving USAID alternative development assistance in exchange for coca eradication.**COMMENTS:** A Chapare family averages five members.

Lower targets in 2001 and 2002 reflect the increasing difficulty of reaching more geographically disperse families.

YEAR	PLANNED	ACTUAL
1996	N/A	
1997	3,000	
1998	8,000	
1999	15,000	
2000	22,000	
2001	27,000	
2002	30,000	

TABLE E-4**OBJECTIVE:** Illicit Coca Eliminated from the Chapare**COUNTRY/ORGANIZATION:** USAID/Bolivia**RESULT NAME:** IR4-Sustainable alternative development established**INDICATOR:** Net income generated on Chapare farms from production and sale of licit crops**UNIT OF MEASURE:** U.S. Dollars**SOURCE:** CORDEP Database and USAID/SOS.**INDICATOR DESCRIPTION:** Estimated annual net domestic product from licit crops per full-time farming family throughout the Chapare.**COMMENTS:** Baseline and target figures are preliminary. USAID/Bolivia is developing a more reliable methodology for estimating this indicator. Figures will be revised in the near future.

YEAR	PLANNED	ACTUAL
1996	Baseline	735
1997	735	
1998	800	
1999	1,000	
2000	1,500	
2001	2,000	
2002	2,500	

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TABLE E-5 OBJECTIVE: Illicit Coca Eliminated from the Chapare COUNTRY/ORGANIZATION: USAID/Bolivia			
RESULT NAME: IR41-Sustainable farm level production capacity established			
INDICATOR: Hectares of non-coca crops planted in the Chapare			
UNIT OF MEASURE: Hectare SOURCE: Annual Statistical Sample Survey INDICATOR DESCRIPTION: Annual increase in hectares COMMENTS: With the banana disease, black sigatoka, rapidly spreading over the region, incomes generated by this crop will be dramatically reduced in 1997 onward until effective controls are established. Baseline total area in 1996 estimated by INE Survey: 92,359 hectares. Figures do not include banana.	YEAR	PLANNED	ACTUAL
	1996	N/A	15,449
	1997	8,000	
	1998	8,000	
	1999	7,000	
	2000	5,000	
	2001	4,000	
	2002	3,000	

TABLE E-6 OBJECTIVE: Illicit Coca Eliminated from the Chapare COUNTRY/ORGANIZATION: USAID/Bolivia			
RESULT NAME: IR.4.1. Sustainable market linkages established			
INDICATOR: Number of sustainable businesses operating in the Chapare utilizing licit products or supplying licit agro-industries			
UNIT OF MEASURE : Number of businesses SOURCE: CORDEP Database INDICATOR DESCRIPTION: A sustainable business for this purpose is one with capital at risk operating consistently on its own resources for a minimum of one year with no indications of ceasing substantial operations.	YEAR	PLANNED	ACTUAL
	1996	Baseline	15
	1997	25	
	1998	40	
	1999	55	
	2000	65	
	2001	75	
	2002	80	

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TABLE E-7

OBJECTIVE: Illicit Coca Eliminated from the Chapare
COUNTRY/ORGANIZATION: USAID/Bolivia

RESULT NAME: IR.4.2. Sustainable market linkages established

INDICATOR: Number of businesses regularly exporting Chapare agricultural products

UNIT OF MEASURE: Number, cumulative

SOURCE: CORDEP Database

INDICATOR DESCRIPTION: Number of businesses exporting for more than six months or for the peak harvest season for the crop being exported.

YEAR	PLANNED	ACTUAL
1996	Baseline	4
1997	7	
1998	10	
1999	12	
2000	13	
2001	14	
2002	15	

TABLE E-8

OBJECTIVE: Illicit Coca Eliminated from the Chapare
COUNTRY/ORGANIZATION: USAID/Bolivia

RESULT NAME: IR.4.3. Sustainable market demand established

INDICATOR: Value of licit produce leaving the chapare

UNIT OF MEASURE: Thousands of U.S. Dollars

SOURCE: CORDEP Database and Transport Survey

INDICATOR DESCRIPTION: Value of produce at terminal market (Cochabamba, Santa Cruz, and La Paz).

COMMENTS: Baseline to be established in 1997/98 Agriculture Year. Figures for 1997 reflect the decline in income due to black sigatoka fungus.

YEAR	PLANNED	ACTUAL
1996	Baseline	60,000
1997	54,000	
1998	72,000	
1999	81,000	
2000	93,000	
2001	103,000	
2002	120,000	

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TABLE E-9**OBJECTIVE:** Illicit Coca Eliminated from the Chapare**COUNTRY/ORGANIZATION:** USAID/Bolivia**RESULT NAME:** IR43-Sustainable market demand established**INDICATOR:** Value of Chapare products exported by formal channels**UNIT OF MEASURE:** Thousands of U.S. Dollars**SOURCE:** CORDEP Database**INDICATOR DESCRIPTION:** U.S. Dollar value of crops at the border.**COMMENTS:** Figures for 1997 reflect the decline in income due to black sigatoka fungus.

YEAR	PLANNED	ACTUAL
1996	Baseline	1,000
1997	300	
1998	1,000	
1999	3,000	
2000	5,000	
2001	6,000	
2002	7,000	

Please find attached a copy of the Bolivia Framework, it was not included in the Bolivia Strategic Plan.

USAID/Bolivia
SP/R4
Distribution List

<u>OFFICE</u>	<u>AMOUNT</u>	<u>ROOM NO.</u>	<u>NAME OF PERSON</u>
AA/LAC	1	4529A NS	Mark Schneider
DAA/LAC	1	4529A NS	Norma Parker
DAA/LAC	1	4529A NS	Carl Leonard
SA/LAC	1	4529A NS	Madeline Williams
GC/LAC	1	3328 NS	Annette Adams
AA/LAC-EMT	1	3908 NS	Carla Royalty
LAC/DPB	8	2246 NS	Mike Deal (Deliver all copies to SPurifoy)
LAC/RSD	12	2242 NS	Sharon Epstein (Deliver all copies to VJones)
LAC/SAM	3	2251 NS	Ken Wiegand
M/B/PA	2	3843 NS	Brad Greene
M/S/SB	2	3741 NS	Richard Knowles
M/HR/PPIM	1	670 SA 36	Mary Beth Zankowski
M/MPI	1	3756 NS	Mike Rogal
M/ROR	1	200 SA 2	Richard Byess
LPA/CL	1	2895 NS	Gladys Rodriguez
ARA/AND	1	5906 NS	David Passage
ARA/ECF	2	3248 NS	Benjamin Muskovitz
ARA/PPC	1	6913 NS	Fay Armstrong
INL/P	2	7811 NS	William McGlynn
DRL/BA	1	7802 NS	Daphne Titus
PPC/AA	1	3892 NS	Kelly Kammerer
PPC/CDIE/DI	2	209 SA 18	Margaret Pope
PPC/CDIE/PME	4	311B SA 18	Suzette Rosier
PPC/PC	7	3673 NS	Vince Cusumano
AA/G	1	4942 NS	Sally Shelton
SDAA/G	1	4942 NS	Ann Van Dusen
G/PDSP	4	313 SA 18	Peter Delp
G/DG	4	5258 NS	Jerry Hyman
G/PHN	8	714 SA 18	John Coury
G/EG	5	301 SA 2	Ronald Stryker
G/WID	3	915 SA 38	Virginia Lambert
G/HCD	4	215D SA 16	John Jessup
G/ENV	6	513C SA 18	Paul Crawford
BHR/PPE	4	361 SA 8	Frank Alejandro
A/AID	1	5894 NS	Mike Feldstein
LAC/SPM	5	2248 NS	JWeber, ERupprecht, NYaniz, GBertolin
RIG-San Salvador	1		Wayne Watson, Regional Inspector General RIG/A San Salvador US Embassy, El Salvador
OMB	1	395-4605 (Phone#)	Ms. Janet Piller Office of Management & Budget New Executive Office Building Room 10025 725 17th Street, N.W. Washington, D.C. 20503
Peace Corps	1	606-3337	Regional Director InterAmerica Region Peace Corps 1990 K Street, N.W. Washington, D.C. 20526

RESULTS FRAMEWORK ENVIRONMENT STRATEGIC OBJECTIVE

STRATEGIC OBJECTIVE

**DEGRADATION OF FOREST, WATER
AND BIODIVERSITY RESOURCES
REDUCED**

Development Hypothesis:
Encouraging sustainable forest use and wildlife management and reducing pollution
(a) reduces forest and water resource degradation and
(b) protects biodiversity.

Primary Intermediate Results

IR 1

Sustainable Forest and Wildlife Management in Target Areas

IR 2

Industrial Pollution Reduced in Target Areas

Secondary Intermediate Results

IR 1.1

Legal and regulatory framework in place to promote sustainable management of renewable natural resources

IR 1.2

Areas critical to biodiversity effectively managed at local level

IR 1.3

Real and perceived value of forest and wildlife increased

IR 2.1

Pollution prevention practices adopted

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RESULTS FRAMEWORK HEALTH STRATEGIC OBJECTIVE

25-APR-1997 09:00 FROM USAID BOLIVIA

TO

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STRATEGIC OBJECTIVE

IMPROVED HEALTH OF THE BOLIVIAN POPULATION

Development Hypothesis: The Health of the Bolivian population will improve if: 1) Bolivian women, men, adolescents, and children engage in healthful child survival and reproductive and sexual health practices; 2) the quality of health care services and coverage improves; and 3) the health system is decentralized and participative

Primary Intermediate Results

IR 1

Improved child survival and reproductive and sexual health practices by Bolivian women, men, and boy and girl adolescents and children

IR 2

Improved quality and increased coverage of community health care established by local governments and NGOs

IR 3

Decentralized and participatory health care system

Secondary Intermediate Results

IR 1.1

Increased design, dissemination, and use of culturally accessible CS and RSH messages and social marketing products for defined populations

IR 1.2

Increased knowledge and broadened participation by women, men, and adolescents in CS and RSH activities

IR 2.1

Improved technical and sociocultural skills of health care providers and administrative staff at all levels

IR 2.2

Improved capacity of communities, municipalities, and departments to finance, administer, and sustain culturally acceptable health care services

IR 3.1

Municipal health planning and evaluation systems strengthened and made more participatory

IR 3.2

Increased health service delivery options at the municipal level

IR 3.3

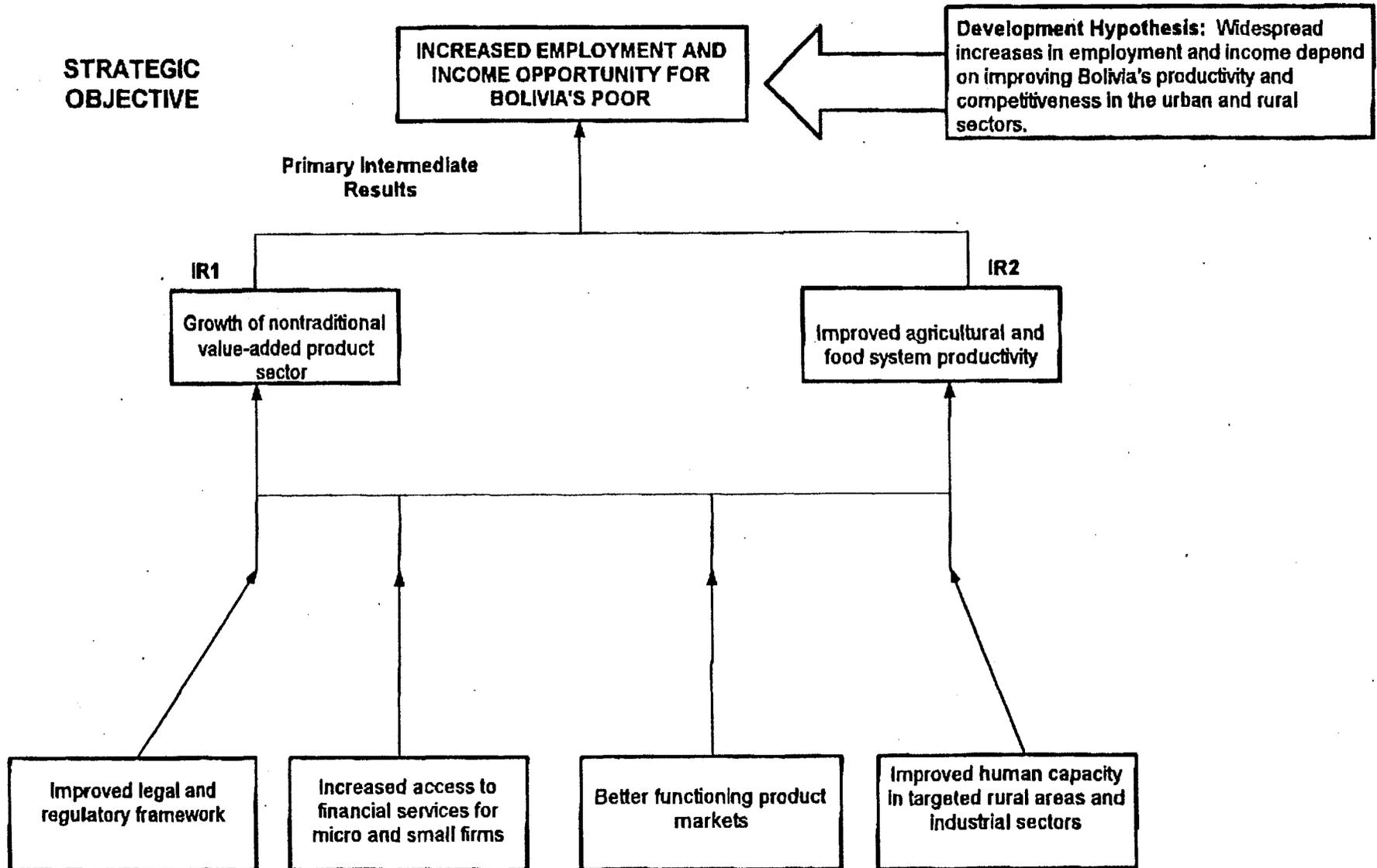
Improved health resource allocation to municipalities by departmental governments

IR 3.4

Strengthened normative and coordinating capacity of the National Secretariats of Health and Popular Participation

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**RESULTS FRAMEWORK
ECONOMIC OPPORTUNITY STRATEGIC OBJECTIVE**



25-APR-1997 09:01 FROM USAID BOLIVIA

TO

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RESULTS FRAMEWORK DEMOCRACY STRATEGIC OBJECTIVE

STRATEGIC OBJECTIVE

**SOCIAL BASE OF
DEMOCRACY
BROADENED AND
GOVERNANCE
STRENGTHENED**

Development Hypothesis: If key judicial, legislative, and municipal government institutions continue their structural development, and civil society interaction with these institutions increases, Bolivia will become more democratic and better governed

Primary Intermediate Results

I.R. 1

Key elements of rule of law become more transparent, efficient, effective accountable & accessible

I.R. 2

National representation more responsive to constituent needs and demands

I.R. 3

Local governments effectively respond to citizen needs & demands

Secondary Intermediate Results

IR1.1

1.1 Key legal reforms which guarantee rule of law are enacted & implemented

IR1.2

1.2 Institutional capacity of key justice sector entities is strengthened

IR1.3

1.3 Access to & understanding of the justice system increased

IR2.1

2.1 Congress becomes more representative while improving its legislative and oversight functions

IR2.2

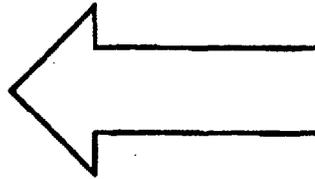
2.2 Citizens' demands are effectively channeled to national representatives

IR3.1

3.1 Civil society participation in and oversight of local government becomes broader and more effective

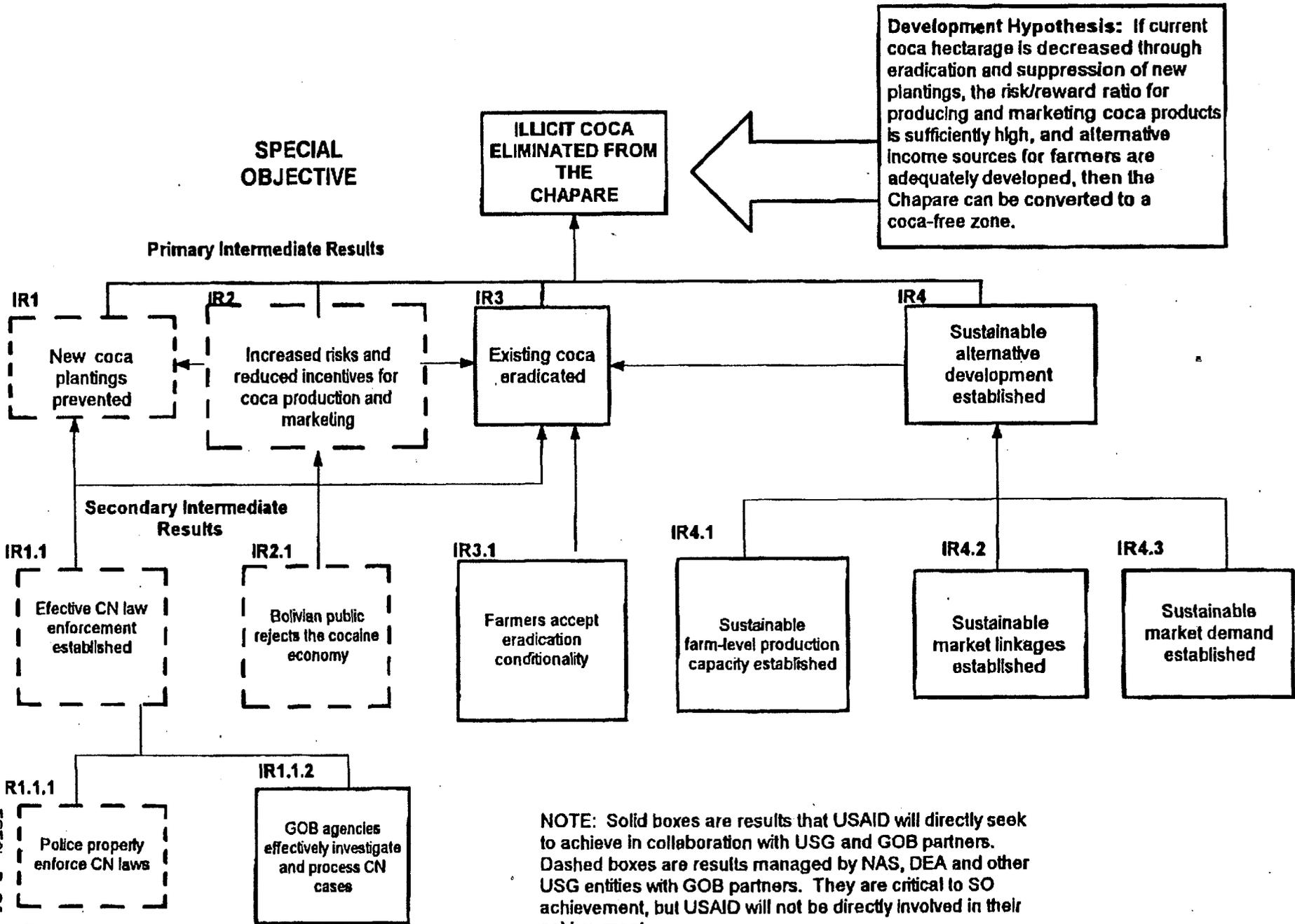
IR3.2

3.2 Municipal governments become increasingly capable of effective management with a high degree of citizen participation



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RESULTS FRAMEWORK COUNTERNARCOTICS OBJECTIVE



NOTE: Solid boxes are results that USAID will directly seek to achieve in collaboration with USG and GOB partners. Dashed boxes are results managed by NAS, DEA and other USG entities with GOB partners. They are critical to SO achievement, but USAID will not be directly involved in their achievement.

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