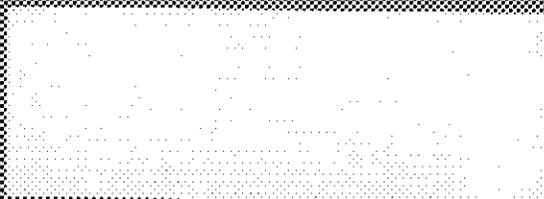


USAID/BOLIVIA



PROGRAM OBJECTIVES AND ACTION PLAN (1993 - 1997)



FEBRUARY 1992

Agency for International Development
Washington, D.C. 20523

March 9, 1992

MEMORANDUM

TO: See Distribution (attached)

FROM: LAC/DR, Peter Bloom *PB*
LAC/DPP, Eric Zallman *EZ*

SUBJECT: Review of Bolivia Program Objectives Document and Action Plan for FY 1993-1994

Attached for your review and comment is the Bolivia Program Objectives Document (POD) and Action Plan for FY 1993-1994. Additional copies may be obtained from LAC/DR/PSS, Room 2252 NS.

Please provide all Action Plan issues to Olivier Carduner, LAC/DR/SA, room 2252 NS, extension 7-9146, in writing no later than COB March 20. Please submit POD issues to Erhardt Rupprecht, LA/DPP, room 2246 NS, extension 7-5597, by that same date. A preliminary POD issues paper will be distributed on March 24, 1992, and Action Plan issues paper on March 25, 1992.

The Action Plan/POD Review, chaired by AA/LAC, James Michel, will be Wednesday, April 1, 1992, at 2:00 pm. The POD issues meeting chaired by Eric Zallman will be on Wednesday, March 25, 1992 at 10:30 am. The Action Plan issues meeting, chaired by Peter Bloom, will be Thursday, March 26, 1992, at 10:30 am, and the NPD review, chaired by Peter Bloom, will be Friday, March 27, 1992, at 2:00 pm. All meetings will be held in Room 2248 NS.

Issues Due	Friday, March 20, 1992	COB
POD Issues Review	Wednesday, March 25, 1992	10:30 a.m.
AP Issues Review	Thursday, March 26, 1992	10:30 a.m.
NPD Review	Friday, March 27, 1992	2:00 p.m.
Action Plan/POD Review	Wednesday, April 1, 1992	2:00 p.m.

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FY 1993-94 ACTION PLAN
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Drafter:LAC/DR/SA:CTHOMPSON:jb:x79163:03-06-92:BOLIVIA.JB

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LIST OF ACRONYMS

BOP	Balance of Payments
CAPEL	Center for Electoral Assistance and Promotion
CDIE	Center for Development Information and Evaluation
DP	USAID/Bolivia Office of Development Planning
ESF	Economic Support Fund
FAO	Food and Agriculture Organization
FONAMA	National Environmental Fund
FSN	Foreign Service National
FY	Fiscal Year
GDP	Gross Domestic Product
GOB	Government of Bolivia
IBRD	Intl. Bank for Reconstruction and Development
IDEA	Institute for the Development of Entrepreneurs and Administrators
ILANUD	Latin American Institute of the United Nations for the Prevention of Crime
IMF	International Monetary Fund
INE	National Statistics Institute
HHR	USAID/Bolivia Office of Health and Human Resources
LAAD	Latin American Agribusiness Development Corp.
LAC	Latin American Bureau for AID
MOH	Ministry of Health
NOB	New Office Building
NEC	National Electoral Court
NEP	New Economic Plan
NPD	New Project Description
OE	Operating Expenses
OPG	Operational Program Grant
ORS	Oral Rehydration Salts
PAAB	Environmental Action Plan
PD&I	USAID/Bolivia Office of Project Development and Implementation
PPAS	Program Performance Assessment System
PROCAF	Financial Training Program
PSC	Personal Service Contracto
SAFCO	Administrative System for Financial and Governmental Control
SEGMA	General Secretariat for the Environment
SUBDESAL	Sub-secretariat for Alternative Development
SNC	National Roads Service
TA	Technical Assistance
TF	Trust Fund
UDAPE	Economic Policy Analysis Unit
UNICEF	United Nations Children's Fund

I. PROGRAM OBJECTIVES DOCUMENT (POD)

A. Introduction

The United States' principal interrelated goals in Bolivia are supporting the democratic process, maintaining economic stability and stimulating sustainable growth, and the eventual elimination of illegal coca/cocaine production and trafficking. These goals are congruent with the LAC Bureau's broad objectives. USAID/Bolivia supports these goals by concentrating our program efforts to achieve the following five objectives:

- Alternative Development
- Trade and Investment
- Strengthening Democracy
- Family Health
- Environment

Our objectives have evolved and been refined since last year. We have decided to emphasize a broader concern for stimulating Trade and Investment rather than just Export Promotion. We also have further underscored the importance of protecting Bolivia's environment by identifying it as a strategic objective. We have dropped "Sound Economic Policies" as a discrete objective, since Bolivia, after years of solid macro-economic stabilization efforts, has achieved considerable success in this area. Bolivia's present challenge is to implement economic policies which stimulate growth. Our concern for sound economic policies cuts across each of our program areas, and will continue to be a major concern in policy discussions with the Government of Bolivia.

Over the past year, Bolivia has continued to be a model less developed country (LDC) which is "doing the right things" domestically, and an active partner in hemispheric cooperation. Economically, the country has maintained its stabilization regime and for the first time in more than a decade, economic growth is being achieved as demonstrated in 1991 by a GDP growth rate of 4.2 percent. We are working diligently to encourage greater growth by stimulating more productive investment and stronger trade linkages. In 1991, we facilitated a pathbreaking measure to improve Bolivia's economy and environment through debt forgiveness and the concomitant establishment of a fund dedicated to environmental protection. We have been active at the highest policy levels to introduce innovative approaches and consensus on means to stimulate growth. Also, we believe that our Alternative Development program is now well underway and through heightened efforts in the Department of Cochabamba, we are achieving success

in providing new sources of jobs and incomes to that region's population. Economic growth is critically important to the country's future as a democratic nation, particularly one with the political will to forthrightly and effectively combat the scourge of narcotics. In the World Bank led Consultative Group and other fora, we have emphasized coordination with other donors to extend the impact of our resources and objectives as well as to enhance the flow of assistance to Bolivia.

Bolivian democracy, for all its institutional weakness and fragility, has continued to hold fast and hopefully its roots are sinking deeper into the national consciousness. Nevertheless, the years of economic stabilization without growth and inadequate care for the country's human resources have resulted in an emerging populist political tide. Populist successes in upcoming elections could have counterproductive consequences on economic stability and growth, democratic processes and stability, as well as in dealing with transnational issues such as narcotics and the environment.

Within this context, we firmly believe that all of USAID/Bolivia's strategic objectives are of the utmost importance in assisting in Bolivia's economic growth and democratic development through this decade. We believe that our strategic objectives are of primary relevance to the political, economic and social situation in Bolivia and also to vital U.S. policy concerns. They also reinforce each other in achieving LAC goals (see Figure 1). Moreover, our program objectives and the activities to carry them out reflect a deliberate effort by USAID/Bolivia to design and implement a prudent and cost effective program of consolidation. Figure 2 provides a useful overview of the measures we have taken to ensure that our program is focussed and, although dramatically larger in recent years, tightly managed. In terms of priority of objectives, we believe that all of our objectives critically reinforce one another in terms of economic and democratic growth and stability as well as supporting U.S. counter-narcotics objectives.

Regarding continued funding, if further budget cuts were to be mandated, we would have to defer some of our planned environmental efforts and carefully review the family health portfolio, albeit reluctantly, as the development of human resources is integral to successful economic growth and sustained democracy. Our greatest concern, however, is that having built such a strong and important program, and having raised expectations within Bolivia, we continue to face a long-term situation of uncertain resources, which could seriously hamper program implementation and reduce program impact. We believe this is the most crucial issue for the Action Plan period, as well as the years beyond FY 1994.

Figure 1 A

STRATEGIC LINKAGES: USAID/BOLIVIA - LAC BUREAU

Represents Primary Linkages ———
Represents Support Linkages - - - - -

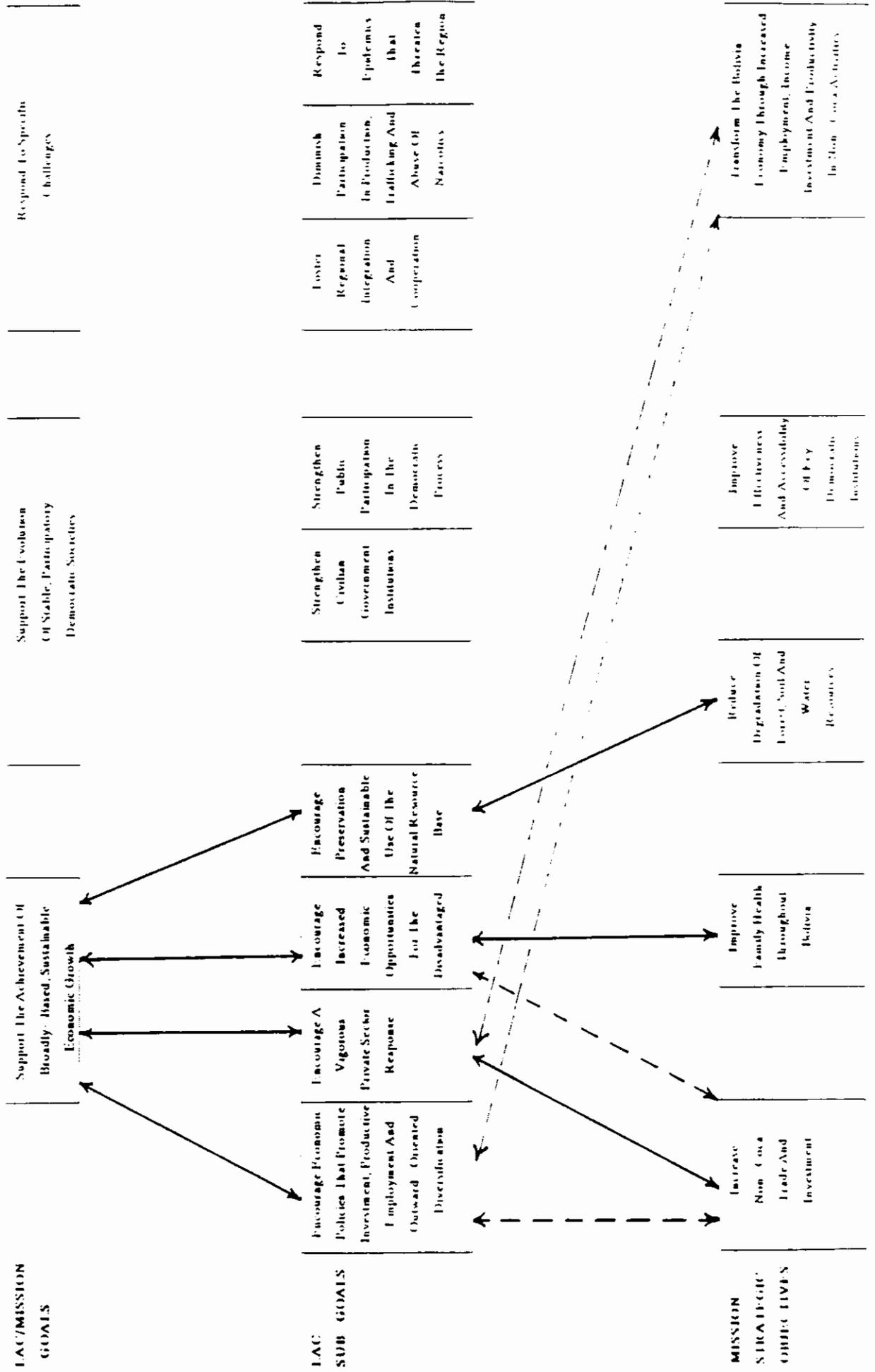


Figure 1 B

STRATEGIC LINKAGES: USAID/BOLIVIA LAC BUREAU
 Represents Primary Linkages ———
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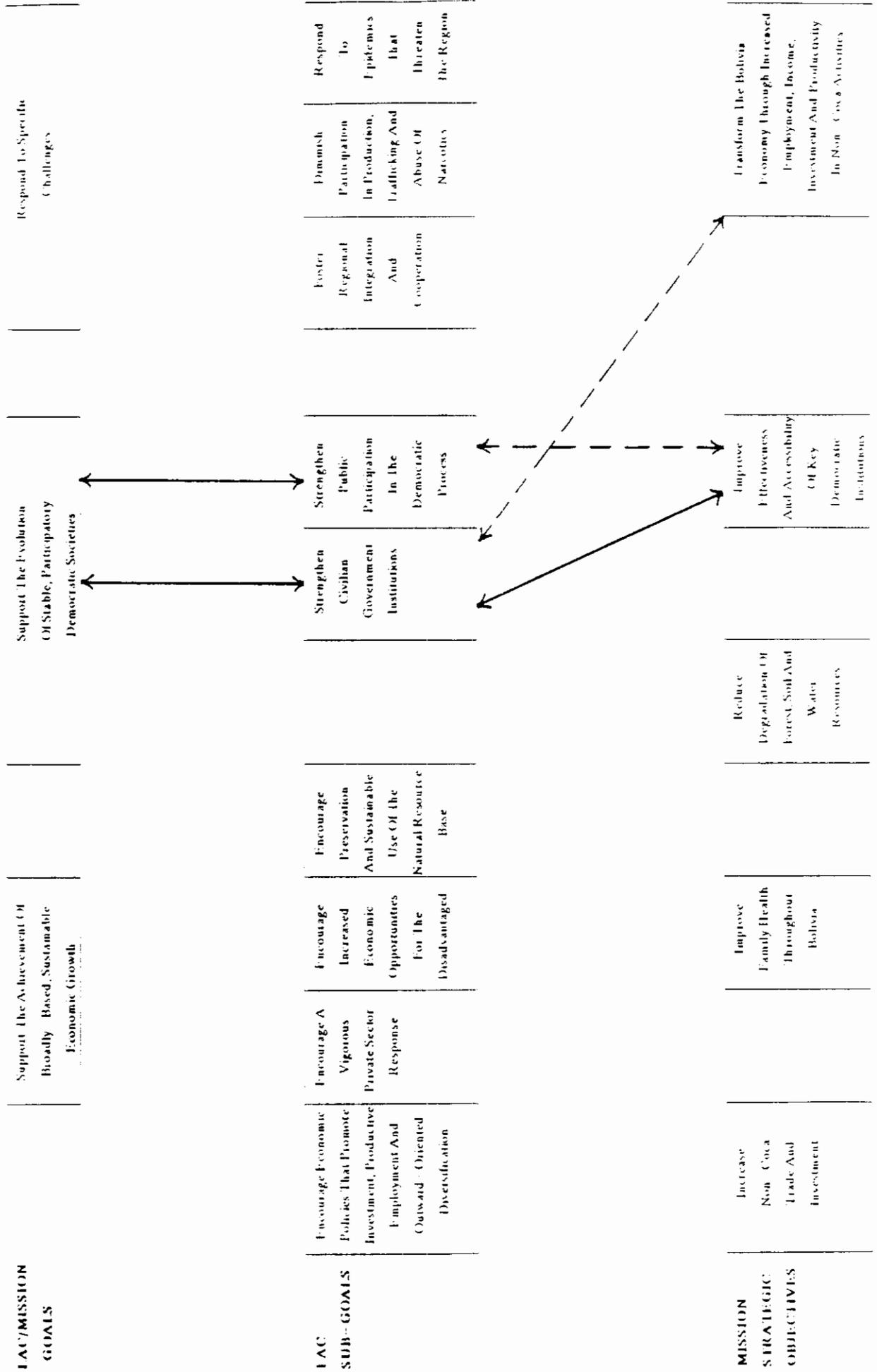


Figure 1 C

STRATEGIC LINKAGES: USAID/BOLIVIA - LAC BUREAU

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Represents Support Linkages - - - - -

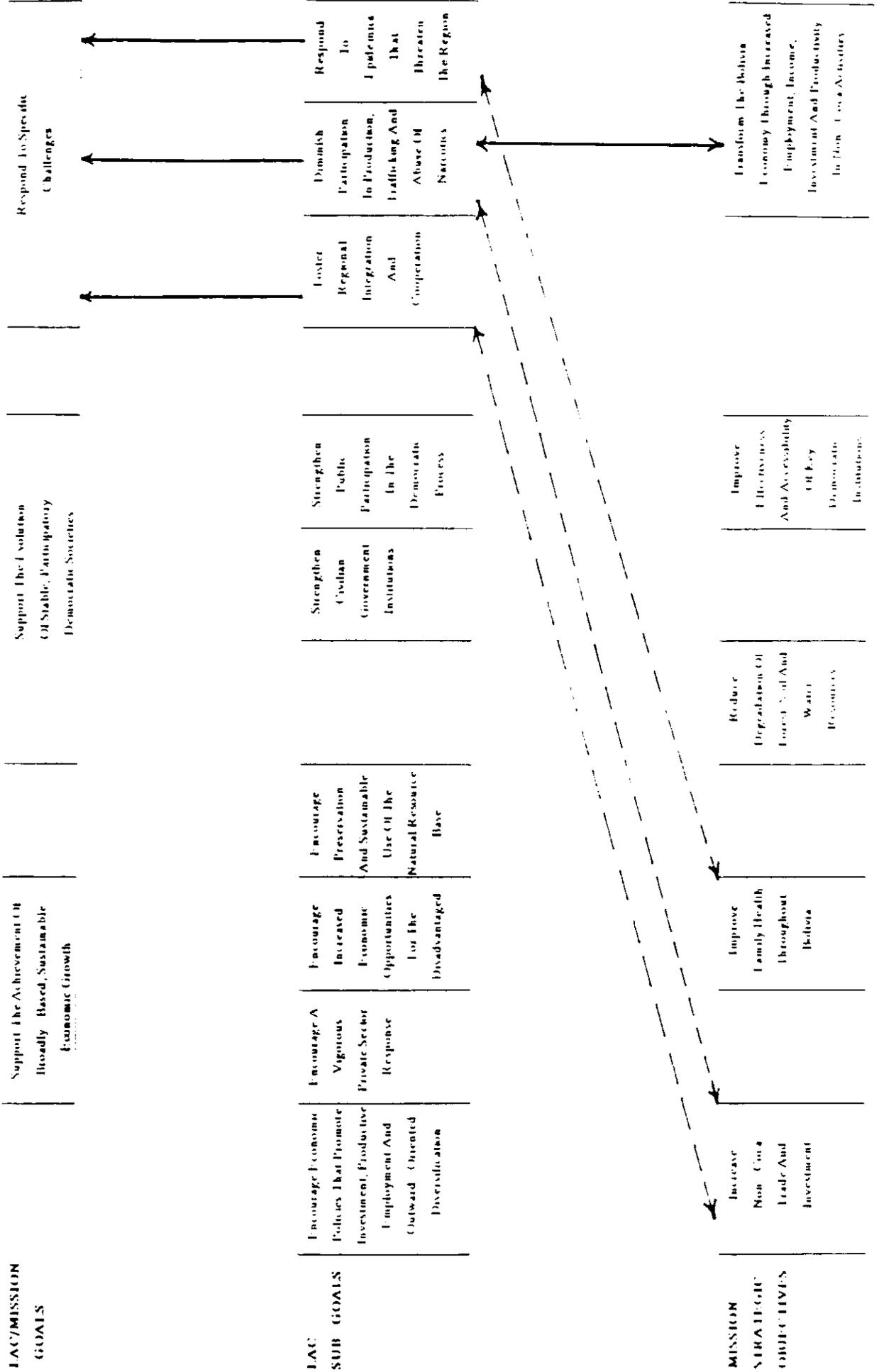
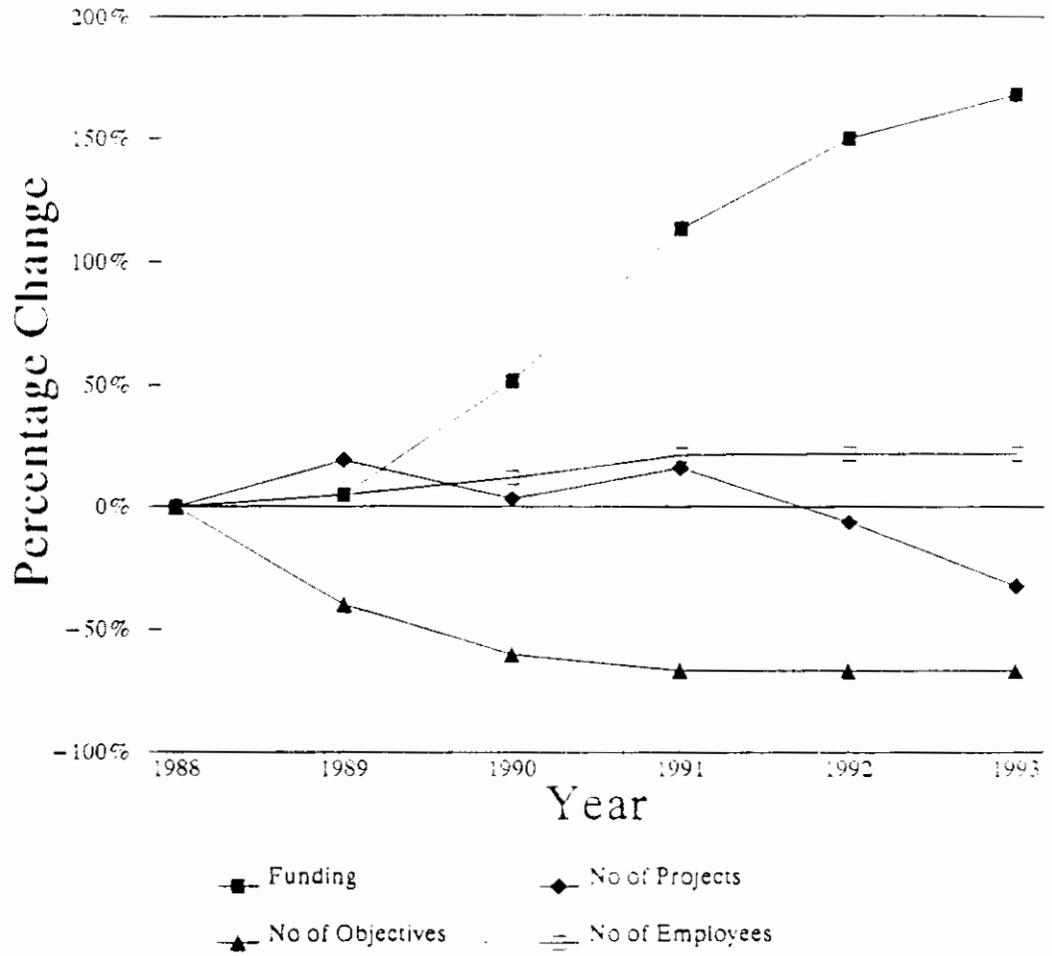


Figure 2

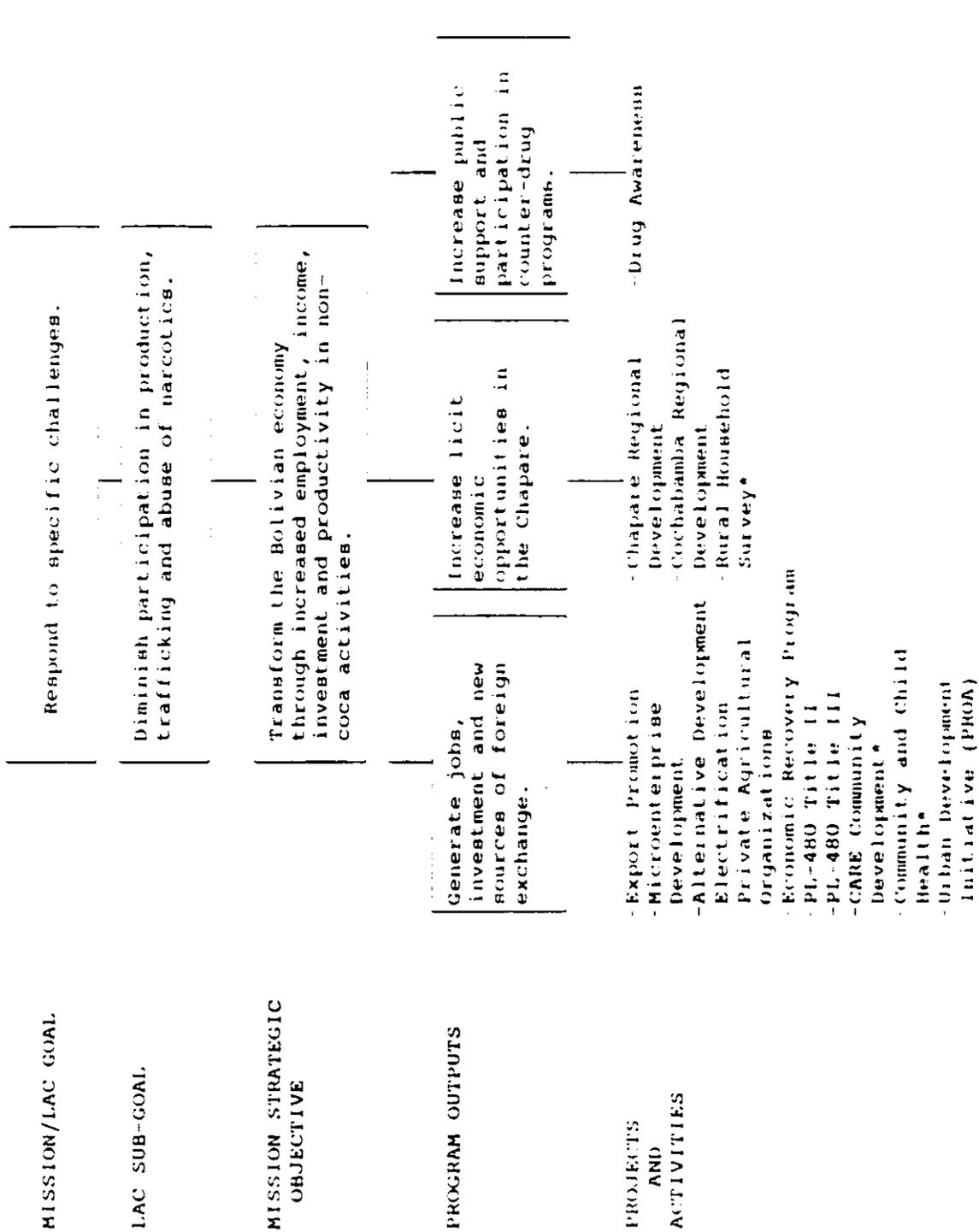
PROGRAM CONSOLIDATION USAID/BOLIVIA



	1988	1989	1990	1991	1992	1993
PROGRAM FUNDING (in \$ millions)	60	63	91	128	150	161
# OF PROJECTS	31	37	32	36	29	21
# OF OBJECTIVES	15	9	6	5	5	5
# OF EMPLOYEES (approved)	185.5	194.5	208	225	226	226

Figure 3

ALTERNATIVE DEVELOPMENT OBJECTIVE TREE



* Projects that enable this strategic objective, but are not directly responsible for performance level impact.

STRATEGIC OBJECTIVE STATEMENT: ALTERNATIVE DEVELOPMENT**I. OVERVIEW OF THE DEVELOPMENT ENVIRONMENT**

Coca production and cocaine consumption reached unprecedented levels during the 1980s. Bolivia, the world's second largest producer of coca leaf, drastically increased its economic dependence on coca and the cocaine industry as the decade progressed. Economic decline and belt tightening during this period, most notably in the mining sector, created tremendous pressures and incentives for movement of the work force into coca cultivation, processing, and trafficking. As a result of the rise of coca production, an increasing percentage of Bolivia's jobs, income, and foreign exchange - the vital links of the economic chain - were generated by illegal, coca-related activities.

Bolivia cultivates approximately 50,000 hectares of coca, which are concentrated in two main growing areas. The Yungas are the source of 25 percent of all coca, most of which is used for traditional legal domestic use. The tropical lowlands of the Chapare are the source of the other 75 percent of all coca predominantly destined for illicit international use. Traditionally a coca leaf and paste producer, Bolivia now processes an increasing percentage of its coca into coca base and cocaine hydrochloride.

The cultivation, processing, and trafficking of coca leaves, coca paste, coca base, and cocaine employs roughly eight percent of the national labor force, contributes six percent of GDP, and generates an equivalent to roughly 40 percent of legal exports, making the country painfully dependent on the coca industry. Moreover, the cocaine economy has threatened democratic stability, degraded the natural resource base, increased corruption, and increased local drug consumption.

II. STRATEGIC OBJECTIVE SELECTION AND RATIONALE

USAID's Alternative Development strategy is only part of a larger, integrated strategy devised by both the United States Government and Andean Governments. The integrated strategy includes demand reduction, eradication, interdiction, and alternative development. Our strategy responds directly to the LAC sub-goal of diminishing participation in the production, trafficking and abuse of narcotics. The USG strategy - the five-year Andean Counter-Drug Initiative which began in 1990 - attacks both the supply and demand sides of the international drug

problem. In selecting this strategic objective, we are thus able to play a critical role in supporting the highly important USG integrated counter-narcotics program.

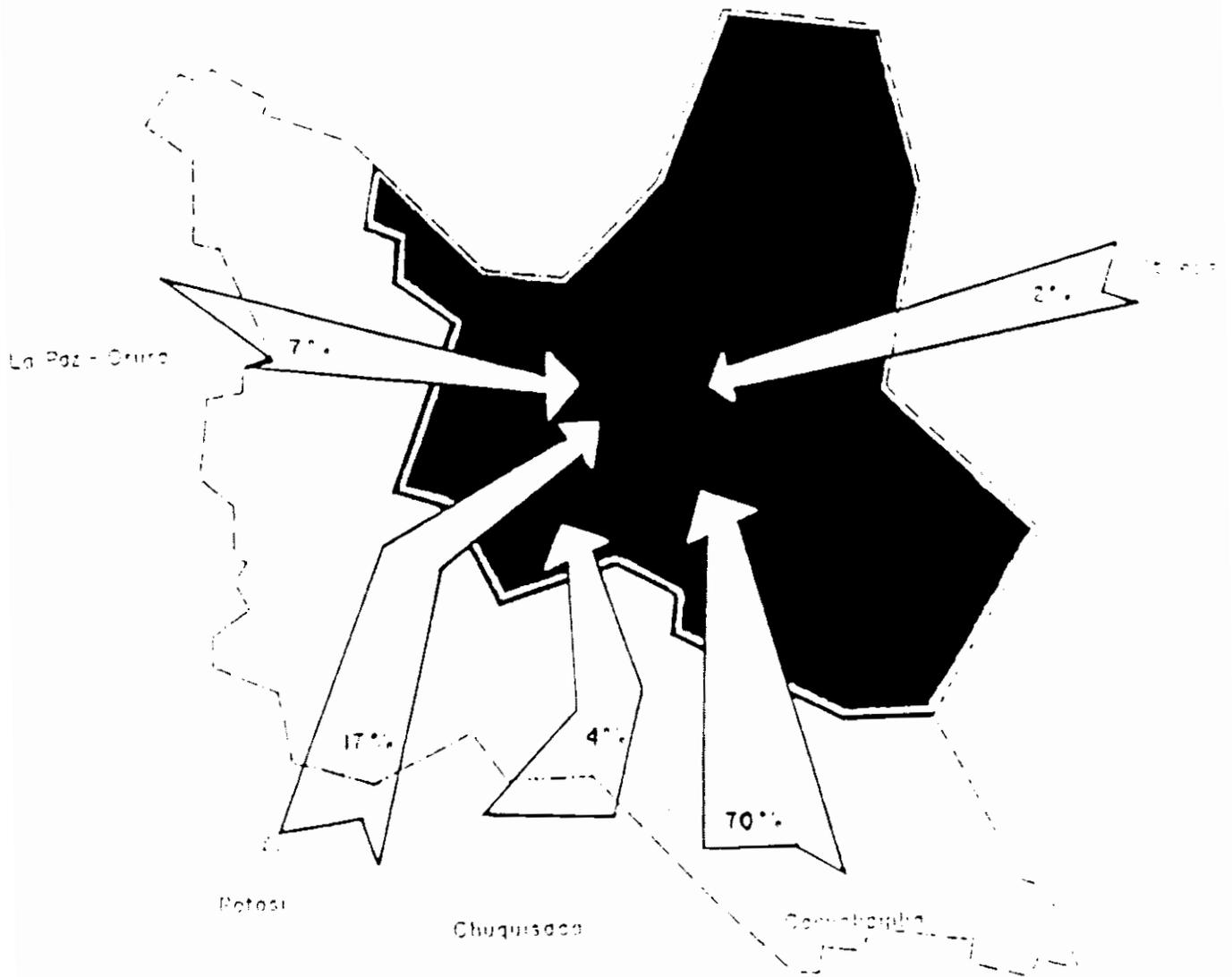
USAID's strategy for Alternative Development holds that, in order for the labor force to be able, financially, to abandon coca cultivation and processing, viable economic alternatives must be available. These alternatives should not be limited to the immediate growing areas. Since the labor force is highly mobile and economic pressures will continue to attract new entrants into coca/cocaine production, alternative opportunities need to be created throughout the economy. Prior to the Andean Counter-Drug Initiative and NSD-18 funding, USAID's involvement in counter-narcotics efforts basically focussed on examining means for coca crop substitution within the Chapare. Since that time, we have formulated a more comprehensive strategy which emphasizes sustainable, broad-based, free market economic growth which defines USAID's role within the broader context of NSD-18. The focus of USAID's efforts is to transform the Bolivian economy from reliance on illegal cocaine production to a diversified, sustainable and growing licit economy. Given the vast amount of surplus and mobile labor in Bolivia which is or could be attracted to the illegal cocaine industry (see figure 4), USAID's Alternative Development efforts necessarily are aimed to promote new licit sources of income, foreign exchange and jobs wherever feasible within Bolivia. We will, of course, maintain special emphasis in the Chapare and the connected labor surplus High Valleys given the need to provide tangible alternatives to those populations most immediately involved in the coca economy. Our strategy aims to help compensate for the impact on the Bolivian economy and labor force as eradication and interdiction efforts proceed to reduce the illegal coca/cocaine industry within the country.

USAID's earlier counter-narcotics efforts taught us several important lessons: 1) no crop can compete with coca's prices, markets, and value added, unless prices paid to primary producers of coca leaf are driven down by effective law enforcement; 2) successful technical assistance cannot be effectively provided, or received by target populations, until such law enforcement takes place; and 3) viable economic opportunities must be available outside of the Chapare for labor presently employed in the coca sector (particularly non-landowning labor), along with remunerative markets and alternative agricultural inputs to former coca growers remaining on the land.

The success of Alternative Development depends in part on the market price for coca, which is affected by law enforcement beyond the control of institutions implementing Alternative Development. Reduction in the demand for cocaine in developed

Figure 4

MIGRATION PATTERNS TO THE CHAPARE



Department of Cochabamba

Ref.

■ Coca Prod. Area

countries is also a critical factor in lowering the price of coca and making alternatives more economically competitive. Experience demonstrates that Alternative Development can only prosper if there are both incentives to accept new economic opportunities and enforced penalties for illicit activities. Therefore, a successful Alternative Development program must be supported by continuous, sustained narcotics control activities.

Our Alternative Development program is closely coordinated with the Government of Bolivia's own Alternative Development strategy, much of which appears in the form of Bolivian Law 1008 (Coca and Controlled Substances Law) of 1988. Under Law 1008, coca farmers are compensated for voluntary eradication of coca. The GOB's Alternative Development strategy is premised on: 1) recognition of the long-run distortions to Bolivia's economy and democratic system caused by dependency on cocaine production and export, and 2) recognition that any Alternative Development program has to be based upon conditions that can only be created by law enforcement and other efforts envisioned under the Cartagena agreements. The GOB's program contemplates phased, voluntary, compensated eradication of all legally grown coca crops currently used for illicit cocaine production within a six-year period. It also includes continued enforcement of laws prohibiting coca cultivation in additional areas.

USAID supports these plans with economically viable interventions in the Chapare, in the associated labor surplus High Valleys, as well as in areas with growth potential nationwide as more fully described below.

III. IMPLEMENTATION OF THE STRATEGY

Stated simply, Alternative Development is the progressive transformation of the Bolivian economy from reliance on illegal cocaine production to a diversified, sustainable and growing economy that does not depend on cocaine. With the advent of the Andean Counter Drug Initiative (NSD-18), additional resources have been made available for USAID/Bolivia to pursue this strategy. The strategy, towards which much of USAID/Bolivia's resources are being directed, will be achieved by replacing lost foreign exchange earnings, income and employment provided by the illegal cocaine industry, and promoting equitable economic opportunities for men and women who have worked or are likely to work in that industry.

USAID's Alternative Development strategy is implemented at both the micro and macro levels:

- At the micro level, USAID's projects deliver the agricultural and market development services for alternative

crops and the rural infrastructure that are needed to help farmers shift from illicit to licit activities. Also at the micro level, our Alternative Development portfolio attempts to improve the quality of life in non-growing regions to prevent both migration and new coca growth. USAID projects stimulate non-coca jobs, income, and foreign exchange to allow the Bolivian economy to reduce its coca dependency and to ease the transition for individuals formerly in the illegal economy.

- At the macro level, USAID engages in an active economic policy reform dialogue with the GOB to insure that both USAID assisted projects and the overall economy operate within the market oriented economic framework needed for long term economic growth. We are working with the GOB to expand the scope of other donor involvement in Alternative Development. This has already become an important topic for the donor Consultative Group in Paris. A number of other donor activities are directly contributing to Alternative Development aims. Balance of payments support funds provide a cushion for the difficult transition to Alternative Development, much as projects do at the micro level. Our macroeconomic support is conditioned on counter-narcotics performance (eradication, interdiction, and law enforcement), which is essential to the success of Alternative Development. Alternative Development, however, like any sound component of economic development, takes time.

The GOB's ambitious aim is to eliminate completely all illegal coca growing in Bolivia by the end of 1994. In reality, this goal could perhaps be achieved by the turn of the century. Obviously, factors such as U.S. and world demand, the effectiveness of eradication/interdiction efforts and political will are beyond USAID's control. To effectively continue and achieve success under the Alternative Development strategy, USAID will still need substantial resources beyond the time frame of NSD-18 (which ends in FY 1994).

The range of target groups for USG assistance has been expanded in order to meet the primary objectives. In addition to activities which will affect men and women directly involved in coca cultivation and illegal cocaine processing, programs will serve the chronically and seasonally unemployed, as well as the underemployed populations which are potential sources of replacement labor. Human resources such as farmers, market intermediaries and selected GOB and NGO employees will receive training under several USAID projects to upgrade their effectiveness in contributing to Alternative Development success. We are actively supporting efforts to increase drug awareness and

prevention within Bolivia through strengthening various indigenous organizations. Additionally, efforts will be made to encourage domestic entrepreneurs and attract international investors to Bolivia, with an emphasis on increasing exports. The strategy calls for continued agricultural research, extension, credit, marketing and infrastructure activities in the Chapare and adjacent high valleys. In addition, balance of payments support assistance, rural roads, electrification, export promotion and microenterprise development activities will be executed there and throughout the country. Social and productive infrastructure will be expanded in coordination with other donors to make these regions economically attractive for alternative economic activities as law enforcement continues to depress the illegal market for coca.

As stated above, the pace of illegal coca, cocaine eradication and the resultant impact on decreased illegal income and jobs is obviously beyond the control of USAID. Assuming that GOB and USG counter-narcotics efforts continue at a strong pace, we believe it is reasonable to expect a reduction in the value of coca exports as a percentage of legitimate exports from 45.9 percent in 1988 to 32.2 percent in 1993. Program outputs are expected to contribute to a significant replacement level in terms of licit jobs and incomes. Over the POD period, again assuming continuing GOB and USG law enforcement efforts and adequate financial assistance, we expect to see the same or better rate of overall Alternative Development success in meeting Bolivia's economic needs.

USAID, in collaboration with the U.S. Country Team, intends to continue both its national and regional programs in Alternative Development, throughout the duration of this POD as long as sufficient resources continue to be made available to meet this objective. The Chapare region in particular will continue to receive a large portion of resources.

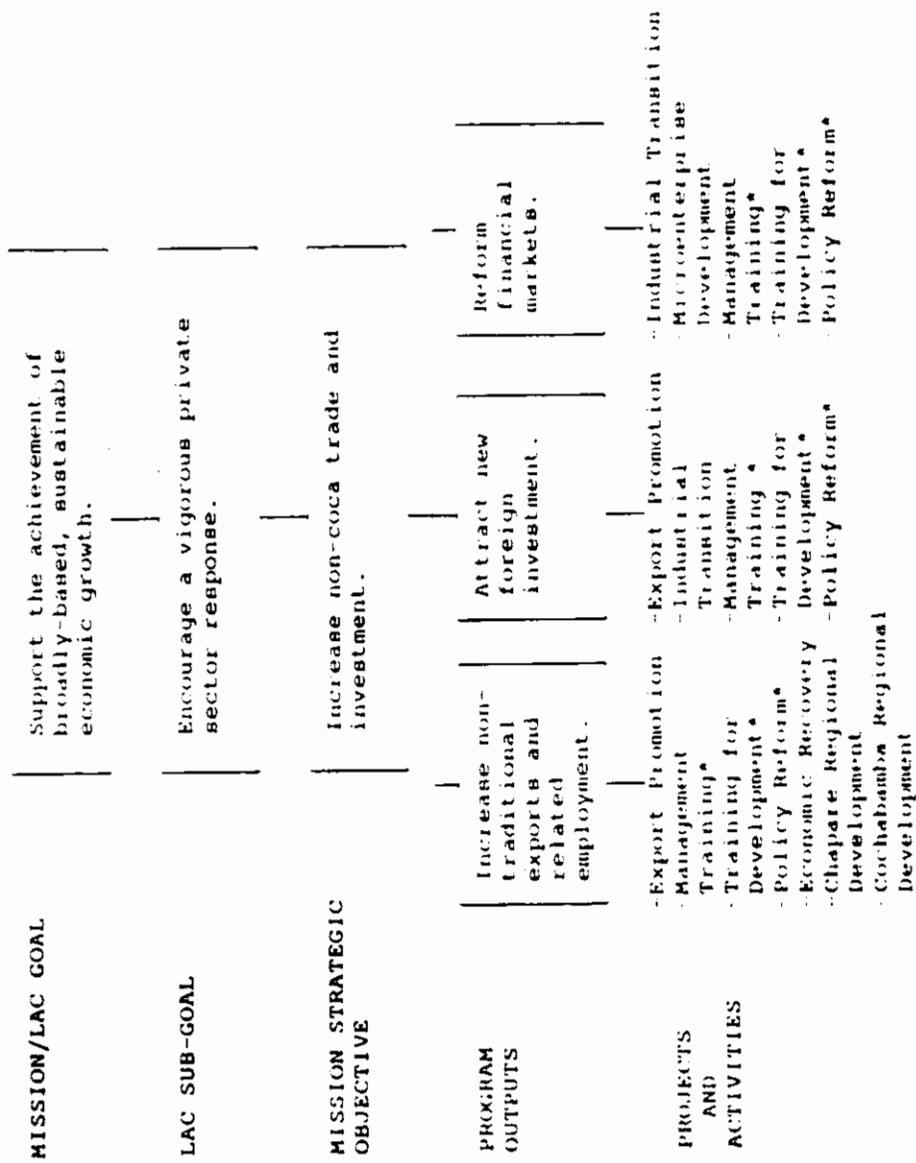
All forms of resources are utilized to support USAID's Alternative Development strategic objective. While NSD-18 funds through FY 1994 have been specifically dedicated for counter-narcotics related assistance, we have consciously sought to ensure that appropriate DA supported activities focus on meeting Alternative Development objectives - new jobs and sources of income. Similarly, local currency generations from both PL-480 and ESF are providing short term jobs and other efforts supporting Alternative Development concerns. Some local currency provides needed GOB counterpart to other donor projects, especially road construction, which also support overall Alternative Development objectives.

We are concerned that USAID/Bolivia has received budget cuts,

even in the wake of the Cartagena Summit. Our Alternative Development program utilizes resources (OA and "core" ESF) which at least in FY 1992, have been slashed and eliminated respectively. Additionally, NSD-18 funding is currently scheduled only through FY 1994. The Alternative Development POD period envisions significant results in terms of new licit jobs and incomes by supporting and funding efforts through at least 1999. We are achieving measurable progress towards reaching our objective. USAID's success remains predicated upon continuing USG and GOB political will and provision of adequate financial resources beyond 1994. We are certainly at a critical juncture where the U.S. must stay the course and continue its commitment through enhanced human and financial resources in the counter-narcotics effort.

Figure 5

TRADE AND INVESTMENT OBJECTIVE TREE



* Projects that enable this strategic objective, but are not directly responsible for performance level impact.

STRATEGIC OBJECTIVE STATEMENT: TRADE AND INVESTMENT

I. OVERVIEW OF THE DEVELOPMENT ENVIRONMENT

In 1985, Bolivia enacted the most thoroughgoing economic liberalization in Latin America. This reform successfully stabilized the free fall of the Bolivian economy; but the next five years saw no improvement in per capita income. Levels of private investment during that period - below five percent of GDP - have been insufficient to generate adequate growth. This low private investment level seems to stem not so much from dissatisfaction with the present macroeconomic regime as from lack of confidence in the durability of that regime. Given Bolivia's economic and political history up to 1985, this concern is not surprising.

At the present moment, no one can predict with assurance how many more months, or years, of stability will be required before investor confidence reaches a level necessary for sustained growth. In the meantime, the central task of the donor community is to support the GOB's maintenance of its current economic policy orientation by a combination of balance of payments support and policy dialogue.

Nevertheless, there are some indications that Bolivia may now be turning the corner in terms of investor confidence. During 1991, GDP is estimated to have grown by 4.2 percent, while private investment may have climbed above five percent of GDP for the first time in a decade.

II. STRATEGIC OBJECTIVE SELECTION AND RATIONALE

Increased trade and investment are key elements in the achievement of broadly-based, sustainable economic growth in Bolivia. Achievement of a modest two percent average annual growth in per capita income over the 1992-1999 period will require average annual real increases in total investment spending on the order of 7.5 percent a year. Roughly 50 percent of total investment must come from the private sector.

From a USG foreign policy perspective, the selection of "increased non-coca trade and investment" as a strategic objective does not require lengthy discussion. Several key factors point strongly in this direction.

Trade and investment growth will support three pillars of USG foreign policy towards Bolivia:

1. Alternative Development. Reduction of the cocaine trade in Bolivia requires active GOB enforcement efforts.

The Bolivian economy is seriously dependent on the jobs and income derived from that trade. Thus, the political, economic, and humanitarian feasibility of enforcement depends on developing alternative sources of jobs and income.

2. Enterprise for the Americas. Increased investment and international trade will be required if Bolivia is to contribute to, and benefit from, the hemispheric economic integration now being led by the United States.

3. Strengthening Democracy. Bolivia's fledgling democracy is unlikely to flourish unless increased trade and investment produce real per capita income growth in the next few years.

USAID believes that its ultimate client is not the Bolivian economy, but rather the Bolivian poor. For reasons which are practical, not ideological, we are convinced that the human needs of the Bolivian poor majority can never be adequately addressed in the absence of sustained economic growth. At present, the GOB has the political will to carry out heavy social investment; what it lacks is the tax base and the capacity to enforce collection. Increased trade and investment will swell that tax base and, more importantly, will generate the jobs and income which are the most immediate need for Bolivia's poor.

This Mission strategic objective is obviously coherent with LAC Bureau objectives, the first of which is support for broadly-based growth. Our objective squarely supports the LAC sub-goal calling for a vigorous private sector response, and also responds to the sub-goals encouraging sound economic policies and increasing opportunities for the disadvantaged.

Achievement of two percent per capita GDP growth over the POD period will also require a significant acceleration in Bolivia's international trade in non-coca commodities. Exports must increase at average annual rates on the order of 10 percent, and similar increases in imports, particularly imports required for new investment and productive inputs, will be necessary.

At the macroeconomic level, the two key indicators that have been selected to measure Bolivia's progress with respect to this objective are:

1. Increased non-traditional exports which represent the only viable avenue to sustained growth of the Bolivian economy.
2. Private investment as a percent of GDP, which is

required for substantial growth. Because of confidence factors mentioned above, such investment has stagnated at distressingly low levels - below five percent - for the past decade. Over the next several years, that level can and should double.

USAID Bolivia fully expects its trade and investment programs to make an impact on these macroeconomic indicators. At the same time, we want to be realistic about the size and "traceability" of such impact. The resources we will be able to direct to trade and investment each year will only amount to a fraction of a percent of GDP. Even with effective leveraging of those resources, their impact at the macroeconomic level is likely to be overshadowed by the impact of domestic political developments and the health of international markets.

We have also included indicators to measure two-way trade between Bolivia and the U.S., although our programs will not specifically emphasize two-way trade. On the other hand, closer trade relations between Bolivia and the U.S. resulting from improved economic performance in Bolivia over the POD period is expected to have a favorable impact on U.S. exporters. Should exports, new investment and overall economic performance achieve and sustain targeted levels, imports from the U.S. can be expected to grow at an average annual rate of 13 percent over the POD period (see Figure 6).

III. IMPLEMENTATION OF THE STRATEGY

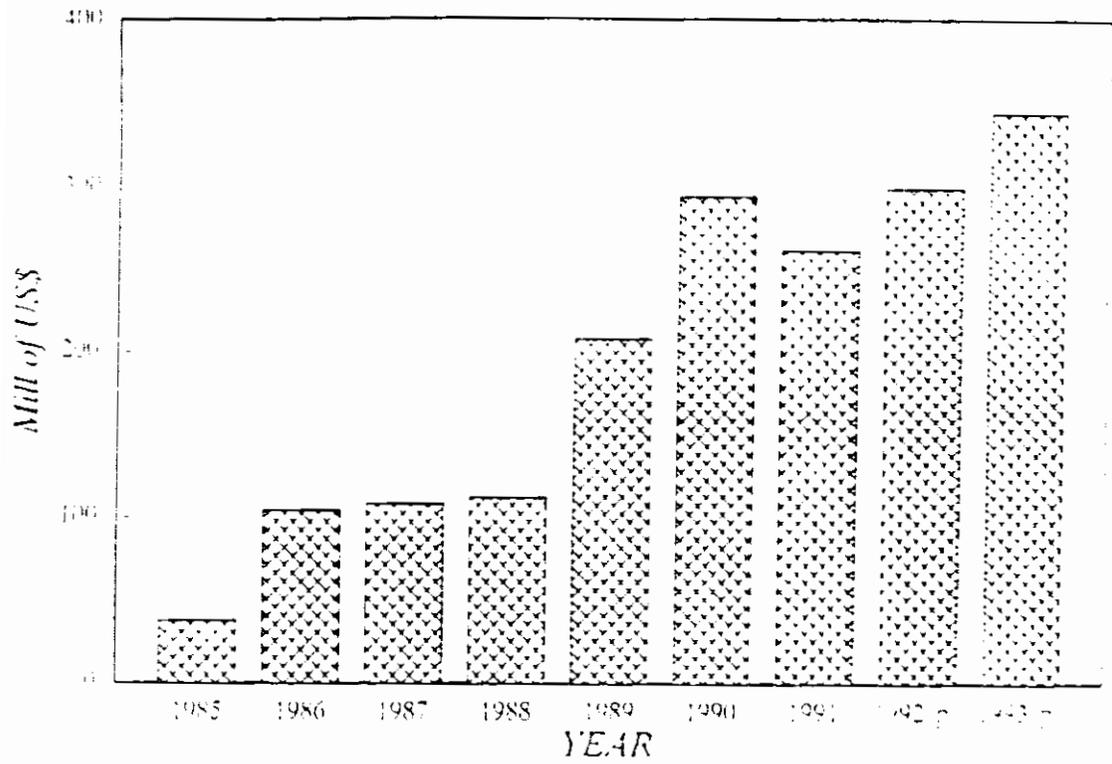
USAID's trade and investment programming will focus mainly on two areas: supporting Bolivia's integration with international markets, and encouraging improvements in domestic financial markets.

International Markets

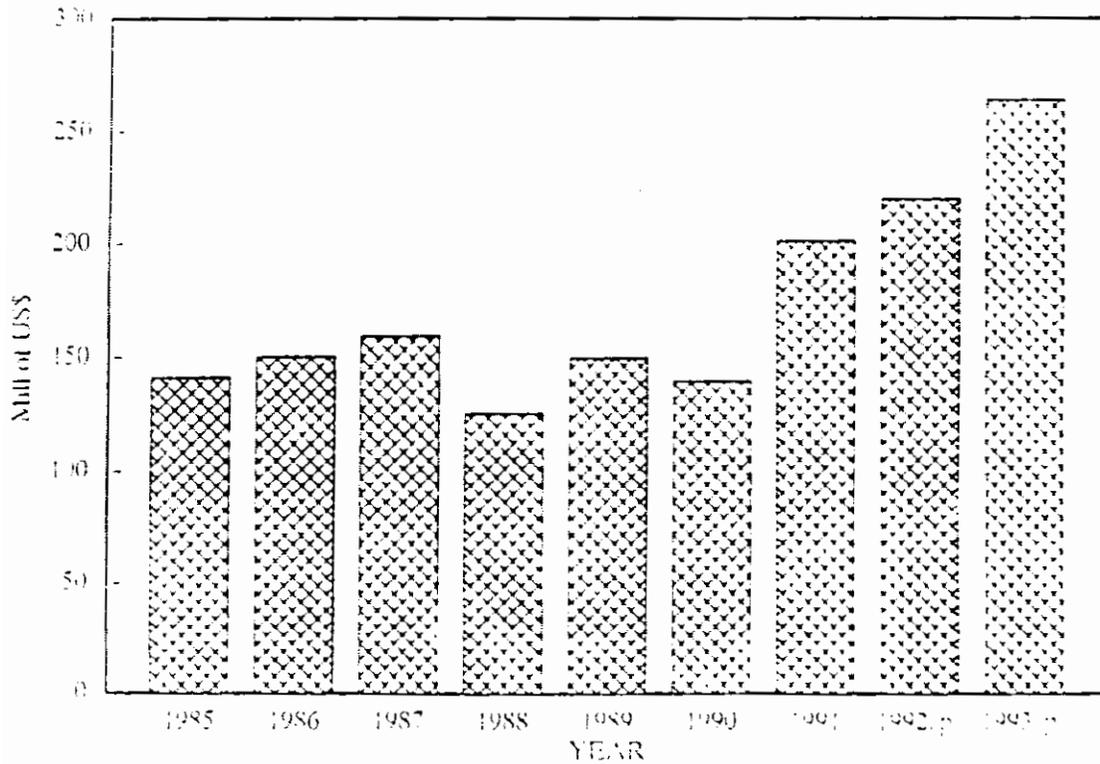
Bolivia's attempt over the preceding decades to industrialize by excluding foreign competition from its internal market produced unsatisfactory results. Moreover, the Bolivians have seen the failure of similar policies in many other developing countries. Thus, there is now practically no dissent from the proposition that the only way Bolivia can grow is to open itself to the world economy and, in particular, to increase and diversify its non-traditional exports. During the five to seven year period covered by this POD, we hope to see non-traditional exports result in a restructured economy with greater economic momentum. In numerical terms, a 10 percent to 15 percent real dollar annual increase in exports would translate to robust macroeconomic activity.

Figure 6

*BOLIVIA'S TOTAL NON-TRADITIONAL EXPORTS
1985-1993*



*BOLIVIAN IMPORTS FROM THE U.S.
1985-1993*



(p) Projected

Policy vs. Promotion. It is axiomatic that policy, as opposed to promotional projects, is the crucial variable determining export growth. Nevertheless, USAID/Bolivia is concentrating heavily on promotion ("encouraging private sector response") for the simple reason that the Bolivians have already taken most of the important policy steps, such as:

- Maintaining a flexible and competitive exchange rate,
- Radically reducing protective tariff and quota barriers,
- Eliminating price controls,
- Liberalizing financial markets, and
- Legislating guarantees for foreign investors.

The private sector is just beginning to respond to this policy regime. Non-traditional exports are still at very low levels, especially if soya and other commodities are excluded from the definition. A recent study cosponsored by IAC and PPC CBIE demonstrated that this is precisely the sort of environment in which trade and investment promotion can be expected to have the biggest impact (Nathan Associates and Louis Berger, Export Promotion and Investment Promotion: Sustainability and Effective Service Delivery, (November 1990) pp. 2, 14ff).

Non-traditional Export Promotion. Our attention is focussed more heavily, though not exclusively, on so-called non-traditional exports, for several reasons. First, Bolivia needs diversification in order to protect itself from the extreme price volatility of its traditional commodity exports. Second, traditional exports tend to be "mature" markets, where well established technology and marketing channels produce intense international competition; newer, non-traditional markets tend to produce higher profits for the exporter. And third, non-traditional markets tend to bring with them more sophisticated business attitudes and practices.

Experience in similar countries elsewhere has convinced USAID that we should not invest heavily in building governmental export promotion institutions. Our core export promotion activity is a five-year program of direct technical assistance to private exporters. This component is in its start-up phase, but it appears well on its way to meeting or exceeding its target of \$100 million in new exports. Among the successes so far have been increases in exports of leather goods, non-metallic minerals, and doors. Demonstrating that international trade is a two-way street, this activity is also generating significant new sales for U.S. exporters. Some products imported into Bolivia

with USAID assistance include tools, household items and food processing equipment.

The Mission's agricultural development portfolio focusses primarily on increasing non-traditional exports. We will continue current support to producer groups and cooperatives in organizing input delivery, technology transfer and market information for farmers nationwide. In the Cochabamba region, in particular, USAID Alternative Development programs in research and extension, marketing (including infrastructure) and credit have begun to pay off with modest first-time exports of pineapples and bananas to Argentina and Chile. We anticipate major increases over the coming years (see Alternative Development performance narrative).

Foreign Investment Promotion. Experience in Ireland and Central America has demonstrated the somewhat surprising proposition that it is often easier to increase exports by bringing in foreign investors than by working with local companies. Beginning in 1990, the Mission asked experienced and successful foreign investment promoters to review Bolivia's advantages and problems, and advise us whether Bolivia was a product which could be successfully sold to foreign investors as an attractive production platform. The conclusions of these studies were quite optimistic: the quality and price of labor here, as well as natural resource availability and proximity to major South American markets, should be sufficient in the case of certain sectors to offset Bolivia's high transport costs.

The Mission began a pilot program in late 1990, using a promotional model for which effectiveness had already been demonstrated in Ireland, Central America, and elsewhere. Two U.S. offices, staffed by highly trained Bolivians, have just been opened. Representation is also being established in neighboring countries (where potential markets total over 200 million people). Performance will be measured on the basis of the number and value of new foreign investments promoted through USAID assistance. It may take 18-24 months to determine, on the basis of concrete results, whether the program is working well enough to justify continued investment.

The investment promotion model chosen is a very intensive one. Less expensive models have demonstrated good return on investment elsewhere (e.g. in the Dominican Republic). However, the more aggressive approach is required in Bolivia because this country is at present practically unknown among foreign investors, and because fairly quick results are especially desirable here.

Last year's Corr Report on removing non-tariff impediments to expanding legitimate agricultural exports from the Andean region

contained a number of proposed recommendations for Bolivia. Most of these recommendations are already being implemented under various components of the Mission's trade and investment program.

Financial Markets

Trade and investment are seriously constrained by the shallowness and inefficiency of Bolivia's financial markets. Some important reforms have already been implemented (e.g. interest liberalization; improved bank supervision; withdrawal of the government from retail credit). Further progress along this line is the central component of the current World Bank/IDB structural adjustment program. USAID's contribution has come principally through its Strengthening Financial Markets project, which is now in its final year. We will probably find ways to continue some modest technical assistance to strengthen the securities exchange and to improve bank efficiency, because our past experience and our particular programming options give us an advantage over other donors in these areas.

Of the activities described below, successful pension reform would have the most significant impact on the Bolivian economy. We estimate that new investment resulting from a healthy pension system could amount to three percent of GDP, which represents more than 50 percent of total current private investment in the country. Furthermore, this program would help fuel increased non-traditional exports, making our efforts in fomenting exports all the more successful.

Microenterprise Finance. An area of special interest for the Mission has been the provision of formal financial services for the informal sector, which probably accounts for the majority of all Bolivian income. Our very successful PRODEM microenterprise credit program, which has stimulated the growth of the small-scale enterprise in Bolivia, is now transforming itself into "BancoSol," a private, for-profit commercial bank. By mobilizing commercial sources of funding, BancoSol should be able to effect a major expansion in the number of clients it can reach. If this pioneering experiment is commercially successful, we expect it to be initiated all over Latin America.

In the meantime, the principal provider of formal financial services for less affluent Bolivians is the credit union system, which is presently in considerable disarray. Most of the credit unions are technically bankrupt, and their share of financial system assets has fallen from 14 percent in 1976 to 6.5 percent at present. The Mission has concluded that the credit union system cannot achieve long-term stability and growth unless mandatory independent supervision is implemented. Accordingly, we are committing ourselves to a campaign of policy dialogue with

the GOB and the credit unions aimed at passage of a law which would bring all credit unions under the aegis of the Superintendency of Banks. We are also prepared to channel project support to the implementation of this supervision. Our 1992 performance target, passage of the necessary legislation, is a challenging one, because many of the credit unions can be expected to oppose the reform.

Pension Reform. The greatest opportunity right now for deepening Bolivian financial markets lies in a pension reform proposal which is being pushed, with our active assistance, by the Finance Ministry. Bolivia's present pay-as-you-go social security pension system is essentially bankrupt, protects only about 17 percent of the work force and provides miserable benefits to retirees. The reform proposal, modeled loosely on Chile's very successful system, would allow obligatory contributions for each worker to go into an individual account, managed by a fund administrator chosen by the worker. This reform would bring major social benefits, in the form of higher and more predictable retirement income. In addition, it would inject massive amounts of long-term funds into Bolivian capital markets, generating new trade, investment, and employment.

The Mission is supporting this reform very aggressively, through finance for analysis and public education, through dialogue with government and private groups, and through an unusually close coordination with the World Bank. Nevertheless, achievement of our announced performance target - approval of the reform during this government - is at best a 50-50 proposition. The unions are opposing the reform for ideological reasons; the public is generally ignorant of the benefits the reform would bring to workers; and politically speaking, the window for legislative approval will close in July of this year, when the presidential campaign begins to heat up. Without our support, the chances of passing the reform would be very slim. We believe that the gamble is justified by the high stakes if we win.

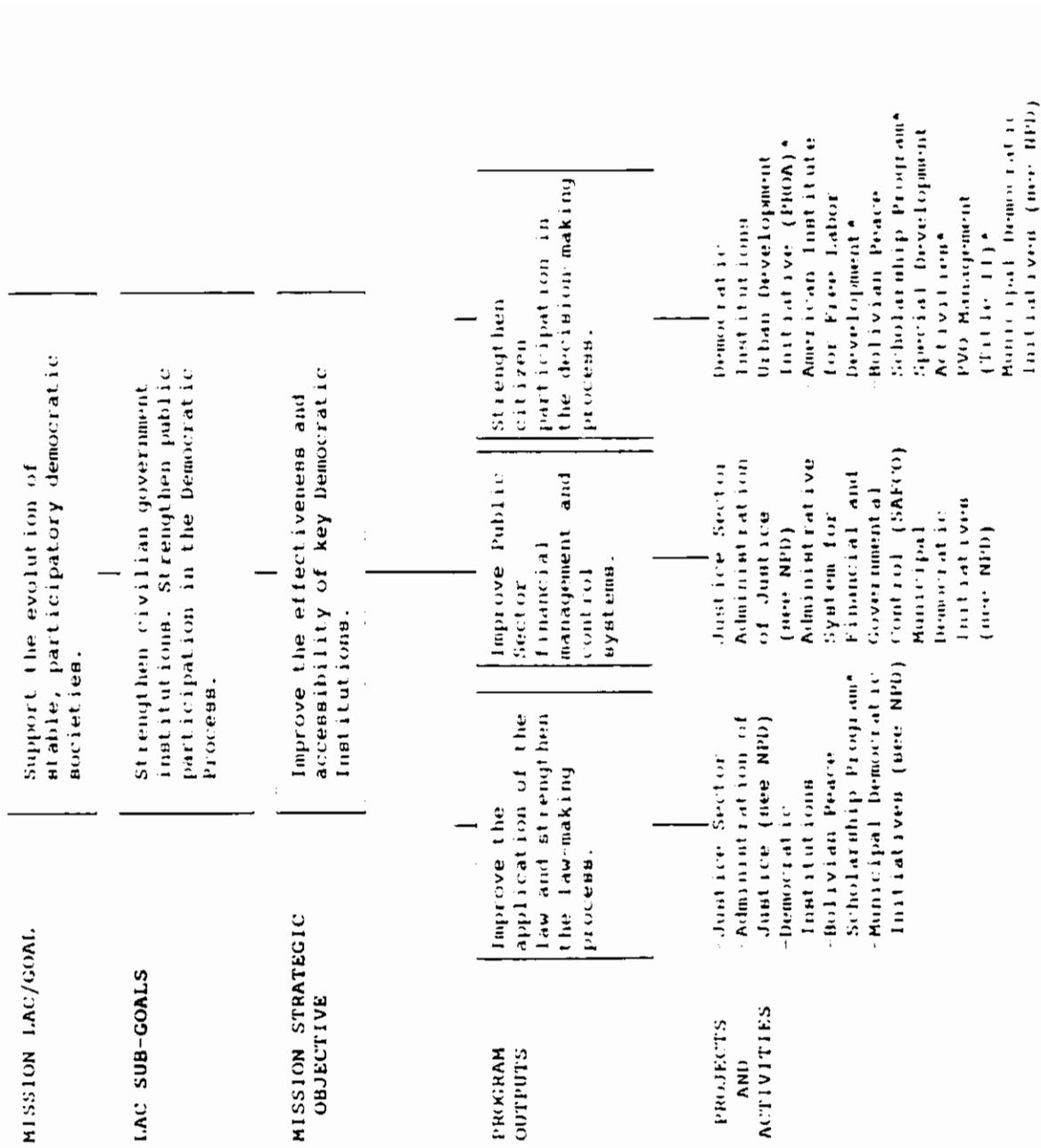
In addition to the major programs in international markets and domestic financial reform discussed above, the Mission is supporting the GOB on the privatization front. After years of delay, the GOB is now making some progress: two large state banks are being liquidated, joint ventures and other arrangements with private companies are being employed in hydrocarbons exploration and mining, and the national airline is being privatized. The Mission will provide technical support in the privatization of companies owned by the GOB's regional development corporations, though we expect progress in this area to be slow.

Over the longer term, upgrading of Bolivia's human capital will

be essential for trade and investment growth. The Mission will continue its support for IDEA and PROCAF, which provide training for business people and bankers. Our participant training program, primarily through the Training for Development project, will continue to provide post-graduate training to high potential policy makers within the public and private sectors.

The financial resources required over the POD period should remain fairly constant each year. However, these resources will be more focussed than in recent years, when the Mission was managing a broader spectrum of activities. To reiterate, the export and investment promotion programs, in particular, require a full-scale effort. We will also make greater utilization of policy dialogue and donor coordination, as well ESF and PL-480 local currencies to provide critical counterpart for our initiatives.

Figure 7 STRENGTHENING DEMOCRACY OBJECTIVE TREE



* Projects that enable this strategic objective, but are not directly responsible for performance level impact.

STRATEGIC OBJECTIVE STATEMENT: STRENGTHENING DEMOCRACY**I. OVERVIEW OF THE DEVELOPMENT ENVIRONMENT**

Historically, the Latin America political and economic landscape has been characterized by closed, corrupt institutions, which are driven by special interest groups from both the political left and right. As such, opportunities are lacking for broad scale participation by all citizens in the decisions that affect their economic and social well-being. In Bolivia, this has been reflected in institutions that provide limited access to capital, legal enforcement, police protection and the reigns of government. While the forms, ideologies and policies of government have changed over the years, this lack of a basic structure to formulate and implement policy persists today.

Sustainable reforms, or solutions to the problems of development, go beyond a simple package of policies - they lie primarily in the creation of institutions which allow people to participate fully in the political and economic life of their country. To achieve this, political and legal institutions must be bolstered to carry out reforms that encourage competitive market forces, and provide mechanisms to ensure transparency, accountability and feedback in the rule-making process of government and decisions regarding public resources. Similarly, until the judicial sector becomes independent from external interests, democracy cannot be sustained in Bolivia and U.S. Government interests in preventing illegal narcotics trade will be seriously hampered. Until the courts can be counted on to enforce and protect property and individual rights with equity and fundamental fairness, progress in human rights, investment and economic growth will be uncertain. Therefore, strengthening the judicial system will be the top priority and central focus in the U.S. Mission in Bolivia's Strengthening Democracy program.

Environment for change: Despite a historically unstable government and a political culture founded on the Spanish tradition of bureaucratic patrimonialism, Bolivia is now striving to achieve a democratic political order. The ten years from 1982 to 1992 represent one of the longest continuous runs of non-authoritarian, multi-party government in Bolivia's history. There is no major indigenous insurgency. Free elections and successful policies (such as the New Economic Policy (NEP) and the SAFCO law which provide a government framework for ensuring fiscal responsibility) are among the striking pro-democratic achievements of the period. The NEP economic stabilization programs have curbed hyperinflation. With the political environment stable and GDP growing at a rate of 4.2 percent in 1991, the Government of Bolivia is enjoying an unprecedented opportunity to undertake significant, democratic, institutional reform.

Progress towards stabilization demonstrates the GOB's commitment to change and fosters an extraordinary window of opportunity for achieving changes coincident with the U.S. Mission and LAC goals of bolstering the evolution of stable democratic societies and supporting democratic institutions.

II. STRATEGIC OBJECTIVE SELECTION AND RATIONALE

The Strengthening Democracy strategic objective is to "improve the effectiveness and accessibility of key democratic institutions." The principal vehicle of the U.S. Mission program for ensuring long-term democracy in Bolivia will be institutional reform - including the establishment of court management systems, inter-institutional feedback mechanisms, accountable financial management controls, and competent planning practices.

Of the component institutions in Bolivia's democratic government, the least effective are those in the justice sector; namely the courts, public prosecution, and the police. Whereas the executive branch began to reassert control in 1985 and the Bolivian Congress began shortly thereafter to exhibit some of the functions associated with the legislative branch, the courts have remained weak and ineffective. The importance of the judicial sector to U.S. Government strategic interests and its relative backwardness in comparison with other branches of government in Bolivia makes it the number one priority for the U.S. Mission's Strengthening Democracy program in Bolivia. Secondary attention will be directed at institutions that have the capacity to enhance or compromise the function of the court system, namely the legislature through its lawmaking function. The Bolivian legislature is unskilled, ineffective in analyzing and reaching consensus on laws, and institutionally weak in relation to the executive branch, despite constitutional provisions as a co-equal branch of government.

Towards this end, the strategic objective will be distinguished by four performance indicators. First, the interventions to strengthen the justice system are designed to improve the efficiency of the criminal courts. The measurement of improved efficiency will be the total number of pending cases as a percent of the total number of cases adjudicated by the court per year. Second, a more general but equally important indicator of strategic objective attainment is public opinion concerning the efficiency and integrity of the court system. The Mission will take advantage of on-going Center for Electoral Assistance and Promotion (CAPEL) periodic opinion surveys by adding a modest subset of questions measuring public perception of the justice sector. Third, voter registration and participation in local and national elections will continue to provide data concerning public participation in the democratic process. Fourth, a major component of

institutional effectiveness is financial integrity and efficient management practices. Thus, the final performance indicator will be the successful implementation of the Administrative System for Financial and Governmental Control (SAFGCO) law within the public sector, as reflected in the amount of public resources audited.

III. IMPLEMENTATION OF THE STRATEGY

USAID's Strengthening Democracy programming will focus on three areas over the next several years to improve effectiveness and accessibility of key democratic institutions. This focus is reflected in the following program outputs: 1) improve the application of the law and strengthen the law-making process; 2) improve public sector financial management and control systems; and, 3) strengthen citizen participation in the decision-making process.

Improve the application of the law and strengthen the law-making process: The general court system is in a state of disarray. The image of general jurisdiction courts in Bolivia includes lengthy, overly bureaucratic procedures, lack of administrative uniformity, arbitrary records management, and brutally delayed justice. Access to the courts is effectively denied to large segments of the population, meaning that property and contract rights cannot be determined legitimately or protected. The consequences of mismanagement of criminal cases are more compelling. Over 80 percent of the persons confined in Bolivian jails have been placed there without due process. Moreover, the lethargy of the court system creates a sense of hopelessness in officials that deters prosecution of the most serious crimes and promotes corruption. Therefore, Mission interventions will focus on the installation of uniform procedures for hearing and tracking cases as they enter the judicial system, in order to improve the performance of the overall court system. Similarly, the Mission has supported the formation and will continue to support the development of a national commission for law reform to simplify the task of policy dialogue and to provide a corresponding forum. In addition, reference materials and equipment to publish jurisprudence will serve to strengthen the skill levels of judges and to reduce case processing time.

In addition to reforms to the general court system, program interventions will help create alternatives to the formal system to funnel off classes of cases to alternative dispute resolution fora. These may include arbitration, small claims jurisdictions, summary (oral) conciliation procedures and state sanction of indigenous mediation customs. The establishment of alternative fora will improve the quality of justice in the courts, provide the means to resolve disputes for the economically underprivileged and rural indigenous populations, and lower the cost of

obtaining enforceable judgements.

Another major constraint to developing the judicial sector is the human resource base. The Judicial Power and the Public Ministry do not have a judicial civil service system. There are no standardized provisions for scopes of work nor means to justify promotions from within the institution. The strength of the judicial system will depend on the quality of the professionals it attracts for service. The establishment of a personnel system founded on merit-based promotion and fair pay levels is fundamental to a strong and independent judicial system.

A significant part of the initiative to strengthen the judicial system is dependent on legislative reform. The objective for program actions involving the lawmaking function of the state is to promote representative government, public feedback, and inter-branch autonomy by developing the capacity to produce clear, equitable laws, reflecting the public interest in a timely, systematic process. Toward this end, program efforts will support the development of a legislative research center and a supporting computer based system for document retrieval. An enhanced capacity to produce responsive legislation will improve the prospects for success in the judicial sector over the intermediate term and, in general, ensure balanced democratic government over the longer term.

Program impact with respect to strengthening the application of the law will be assessed through the following indicators: 1) Improved access to laws, jurisprudence and basic doctrines within the courts. This will be measured by the number of jurisprudence newsletters circulated and the number of bench manuals delivered. 2) Improved capability of the judicial sector personnel. This will be measured by the number of judges and court administrators trained in USAID-financed judicial training programs. The indicator to measure program impact in regard to strengthening the law-making process will be the number of legislative committees using the USAID-assisted legislative research center and computer based document retrieval system.

Improve public sector financial management and control systems:

The SAFCO law is designed to institutionalize a sustainable and decentralized public financial management system that enables policy formulation and implementation. Mission interventions will assist with the implementation of the law in several ways. First, program efforts will target reforms in the judicial sector. Streamlined and open financial management by the judiciary is a fundamental element of a strengthened judicial system. Implementation of the SAFCO provisions and supplementary sound accounting practices will lend credibility to the court system and help ensure that revenues to which the court system is enti-

tioned are accounted for and used for legitimate purposes. Evidence of the accomplishment of this principal program output will be the number of superior district courts with improved financial records management. This information will come from project performance data. Second, the Mission will also promote other efforts to implement the SAFCO law, by supporting national level plans for putting this law into operation in concert with the World Bank. Future Mission projects may target implementing the SAFCO law at the local level.

Increased citizen participation in decision-making: The Mission directly supports citizen participation in decision-making through efforts to increase voter participation in electing representative officials (see Figure 8) and reducing opportunities for electoral fraud. Efforts to date have provided a previously nonexistent, automated voter registration system to assist with both national and local elections. The Mission will continue to support voter education campaigns and electoral juror training programs, and to support the modification of the electoral law designed to establish proportional representation principles.

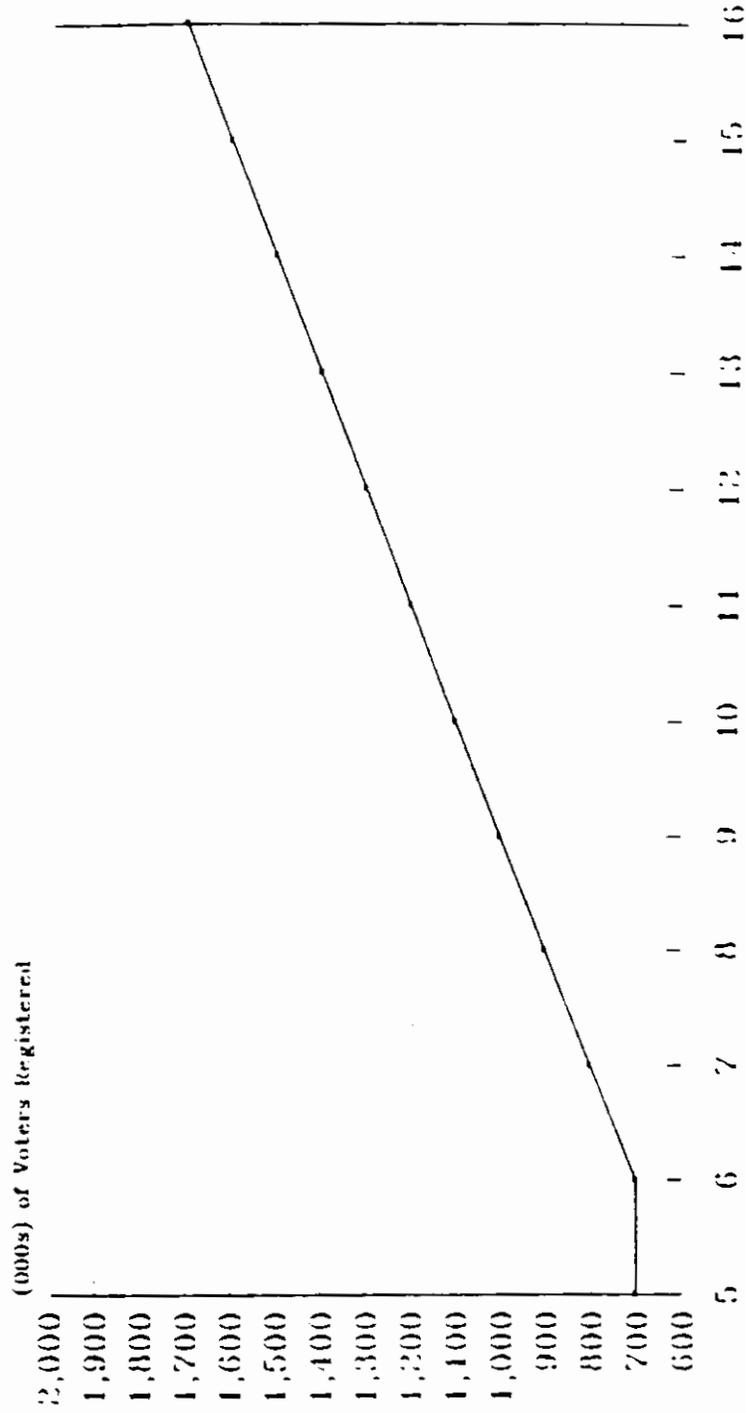
USAID also has a number of projects and activities that provide important support for this program output. For example, training programs continue to provide training for leaders in areas that support democratic principles and processes, as well as target the economically disadvantaged. Similarly, other activities will continue to foster democratic values at the lowest socio-economic level. This will be achieved through promoting the participation of the rural and urban populations in the design and implementation of activities that have direct, immediate impact on their communities. In some cases this includes working with municipalities to improve citizen access to public services. In others, this is addressed through reducing lengthy and costly procedures which are obstacles for the majority of poor to receiving credit, health, and sanitation services.

Mission programming is designed to have a direct impact on increasing citizen participation in the national elections in 1990. This will be confirmed by measuring voter participation in the national elections and by measuring the number of citizen-juror training programs and voter education campaigns established. Citizen participation in decision-making will also be assessed by the number of citizens that participate in USAID assisted programs that provide public services. Official statistics from the National Electoral Court and aggregate project reporting will be used to help measure progress towards attaining this program objective.

The Mission draws on multiple funding resources in pursuit of the Strengthening Democracy objective. A steady flow of Economic

Figure 8

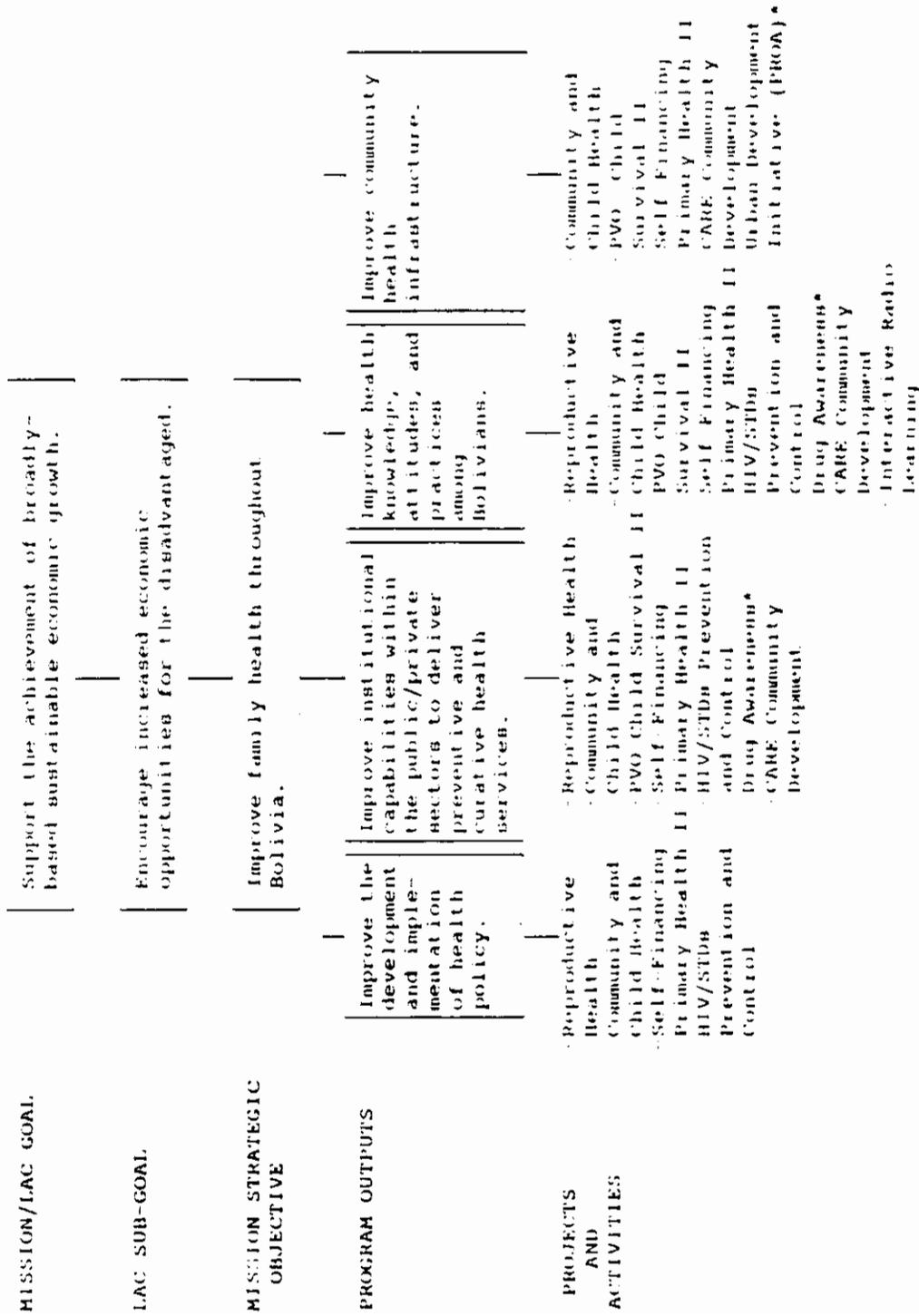
Impact of USAID-ASSISTANCE Voter Education Campaign on Municipal Election Registrations



October 1991 (10 day campaign)
(Note: Total no. of eligible voters
in Bolivia is 3.5 million)

Support Fund (ESF) dollars is required throughout the FOC period for our justice sector program. Modest amounts of ESF local currency will continue to be needed to broaden and intensify citizen participation in decision making, and to support the implementation of the SAFCO law. Finally, P1-400 Title II Food for Work programs are also an essential complement to fostering greater citizen participation in municipal decision-making in providing poor neighborhoods with urban infrastructure and basic services.

Figure 9 FAMILY HEALTH STRATEGIC OBJECTIVE TREE



* Projects that enable this strategic objective, but are not directly responsible for performance level impact.

STRATEGIC OBJECTIVE STATEMENT: FAMILY HEALTH

I. OVERVIEW OF THE DEVELOPMENT ENVIRONMENT

Health indicators for Bolivia are among the very worst in Latin America. A large percentage of the population does not have sufficient income to purchase the basic food basket, much less to obtain access to health care. The lack of basic sanitation and sewage systems, potable water and appropriate education contributes significantly to the poor health status of the Bolivian population.

Fertility and child mortality levels in Bolivia remain among the highest in Latin America, according to the results of the 1989 National Demographic and Health Survey (DHS). The implications reflected in these statistics are appalling. At current rates, Bolivian women are having an average of five children each; one in 10 infants dies during the first year of life.

Infant, child and maternal mortality rates are taken as useful, if imperfect, indicators of the health status of mothers, infants and children under five, the members of the family at highest risk:

-- Infant and Child Mortality: The infant mortality rate is 102/1,000 and the child mortality rate is 160/1,000. Many child deaths are preventable, since diarrhea and respiratory diseases are the leading causes of death to children under age five (see Figure 10). Twenty-eight percent of children under age five suffer from diarrhea at any given time, and one in five suffers from coughs related to acute respiratory infections.

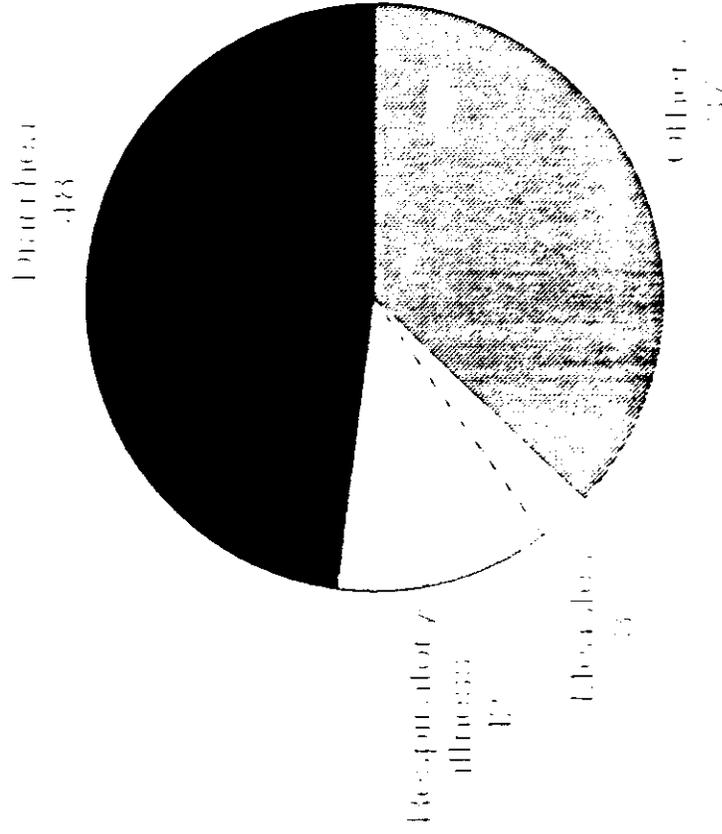
-- Maternal Mortality: For every 10,000 live births, 37 mothers die as a result of complications related to childbirth (this estimate does not include single women, who may account for as much as 30 percent of maternal deaths). The abortion rate in Bolivia is extremely high. One third of maternal deaths are attributed to induced abortion. Nearly half of all births take place without medical assistance, and more than half of the mothers do not receive any prenatal care.

Appropriate interventions can be taken to affect these conditions.

-- Vaccinations and Child Nutrition: Vaccination coverage is improving: 60 percent of children age 12 months have been vaccinated against all six major childhood diseases in 1991, up from 33 percent surveyed by the DHS in 1988. Thirty-eight percent of children ages 3-36 months are considered stunted, or short for

Figure 10

Main Causes of Mortality Among Children Under Five Years, Excluding Neonatal Deaths (1984 - 1989)



• Diagnosis based on symptoms

Source: DHS, 1989.

their age, in comparison with an international reference population. Stunting is a sign of chronic undernutrition.

In addition, the health problems in Bolivia caused by acute poverty are compounded by an ineffective public health system which addresses the needs of only 38 percent of the population. Although private sector and non-government organizations supplement this coverage with essential health services, an estimated 50 percent of the Bolivian population does not have access to health care. Therefore, there is a great need to extend coverage as well as improve the access to and quality of services.

The Government of Bolivia (GOB) has identified improved national health status as a priority and is committed to increasing its funding for the health sector. In addition, the Ministry of Health (MOH) is properly shifting its prior emphasis on curative services to improving primary health care and preventive services.

In response, donors, including USAID/Bolivia, PAHO, UNFPA, UNICEF, IDB, the World Bank, the Japanese and the European Community are providing coordinated assistance to the GOB and the NGOs in essential preventive services. These institutions are working with the MOH to reduce deaths and illness. Key interventions include immunizations, diarrheal disease control, improved nutrition, family planning, acute respiratory disease control and maternity care.

USAID/Bolivia has extensive experience working with bilateral child survival and family planning programs that work directly with the Ministry of Health and NGOs in implementing these interventions. USAID's strong in-country presence of health professionals provides a comparative advantage over other donors working in this area - which is reflected in the GOB's repeated requests for USAID assistance in family health.

II. STRATEGIC OBJECTIVES SELECTION AND RATIONALE

The Family Health Strategic Objective (reported in the Mission's last Action Plan as the Maternal and Child Health Strategic Objective) is to improve the health of family members in communities throughout Bolivia. A focus on the family, with special emphasis on mothers and children under five years, and on the dynamics within the family, is critical to the success or failure of AID's development objectives. Women suffer most from health problems through risks caused by pregnancy, birth and sick child care responsibilities. Children are most vulnerable to disease and malnutrition in the first five years of life. Together, they represent the most disadvantaged groups in society.

Improvement in the quality of the family as productive individuals must be a key objective of development policies. It is within the family that human and economic investments come together. A focus on the family directly responds to AID's "Family and Development" objective, and to the LAC Bureau and Mission goals to "support the achievement of broadly-based sustainable economic growth," and to the LAC sub-goal to "increase investment opportunities for the disadvantaged" by addressing health constraints to economic growth. In addition, the U.S. Government through the U.S. Congress has identified family health as a priority for U.S. economic assistance, with substantial earmarks for child survival, population, nutrition, basic education and AIDS.

Progress toward achievement of the Family Health strategic objective in Bolivia will be measured by four performance indicators: reduced maternal, infant and child mortality, and increased contraceptive prevalence. These four indicators will be monitored using national data provided through UNICEF, the MOH and the National Census. In addition, the USAID-supported DHS, which is reported every five years, was used in 1989 to verify status-of-health data and will be repeated in 1993.

III. IMPLEMENTATION STRATEGY

In order to achieve an impact on the Mission's Family Health strategic objective over the next five to seven years, the following immediate outputs have been designed:

- Improvement and development of health policy.
- Improvement of institutional capabilities of the public and private sectors to provide health services.
- Improvement of health knowledge, attitudes and practices (KAP) in the population.
- Improvement of community health infrastructure.

Improvement and Development of Health Policy. Health policy involves the development and adherence to laws and regulations that directly affect the availability of family health services, and health practices. Health policy also addresses financial issues such as the composition of the public budget and government expenditures, cost recovery, third party payments and privatization. Assessment of current Bolivian health policy shows that there is health legislation which is not being implemented; there is policy which requires revision, and there are areas in which new policy should be developed.

The Mission is working to improve health policy through projects such as the Reproductive Health Services project, which has a policy component to draft new legislation and regulations concerning family health. Policy and stage-setting efforts include, but are not limited to, influencing the GOB's official policy or position concerning fertility/family planning; level and capabilities of program leadership; authorization for advertising contraceptives in the mass media; involvement of other Ministries/government agencies besides the MOH in providing health education and services, and the dedication of increased GOB resources to the Reproductive Health Services program.

Another policy reform objective is to move the MOH toward more preventive functions, and permit the more efficient private/NGO sector to provide curative services. The MOH provides care to an estimated 38 percent of the population. Although the majority of the Bolivian population suffer from preventable illnesses, 80 percent of the health budget used to provide services is spent on curative care. Moreover, the institutional weakness of the MOH has emerged as a serious constraint to the health care delivery process. MOH operations are characterized by a lack of coordination among health care units and personnel, and with other health care-givers in the country. The MOH has been slow to decentralize and lacks trained personnel to attend to the health needs of the majority of Bolivians.

Financial sustainability of health care services is a major health policy concern of USAID/Bolivia. The Mission has proudly supported the PROSALUD private health care system, an excellent example of self-financing primary health care services in Bolivia, and a viable alternative to services provided by the MOH. PROSALUD also provides a model administrative system for peri-urban and rural health clinics, that will be replicated throughout Bolivia. PROSALUD has been training MOH personnel in order to transfer its administrative technology to improve public sector management. To determine USAID's influence on policy and, ultimately, the impact on program indicators, USAID uses a combination of quantitative, qualitative and observational project reporting as appropriate.

Institution Building in the Public and Private Sector. The Mission is concerned with improving the long-term capacity of public and private health care providers to address preventive and curative health care needs. The Mission is providing technical assistance and training in administration, logistics, supervision, health care provision, self-financing health care service delivery, and other delivery systems to both the MOH and NGOs in the health sector, in order to improve their institutional capacity. Examples include the Community and Child Health project, which is assisting the MOH to strengthen the health district structure to

carry out preventive services; PROCOSI, which provides technical assistance to NGOs working in child survival; and the previously-mentioned Reproductive Health Services project, which supports improved management of health care in the Social Security System, the MOH and private family planning organizations.

Institutional capability to deliver health care services is monitored and assessed in terms of the effectiveness of service delivery. Specifically, the impact the Mission has on strengthening the capacity of health care delivery will be reflected in:

- increase in the percentage of diarrheal disease cases treated by oral rehydration therapy (ORT);
- increase in the percentage of one year olds immunized against diphtheria, pertussis and tetanus (DPT), polio, measles and tuberculosis (TB);
- increase in the percentage of women of reproductive age immunized against tetanus, and
- improvement in nutrition, as measured by the percent of children between 24 and 60 months of age with moderate or severe stunting.

Increased capacity of the public and private sectors to respond to the needs of the people will not only improve family health, but will also improve the credibility of health providers.

Improvement of KAP Regarding Health. USAID's third program priority is to change the health knowledge, attitudes and practices (KAP) of Bolivians. The Mission is investing significant resources responding to immediate threats to the health of the Bolivian population including epidemics such as Human Immune-deficiency Virus (HIV)/Sexually Transmitted Diseases (STD) and the recent outbreak of cholera, as well as to endemic diseases such as Chagas'. USAID/Bolivia is also concerned with providing education and counseling on the relationship of prevention and disease. For example, MOH training, vaccines and cold chains will not increase immunization coverage if mothers do not understand the relationship of vaccination and polio, and do not bring their children for their shots.

USAID/Bolivia is addressing health KAP by integrating KAP studies and information, education and communication strategies in all Mission family health projects undertaken with the MOH and with NGOs. Only by changing behaviors and practices will families be able to ward off disease and appropriately treat illnesses, as well as pass these practices on to future generations. The improvement of health KAP will also be reflected in the indicators

mentioned for Institution Building in the Public and Private Sector.

Improvement of Community Health Infrastructure. The fourth priority in family health programming over the next two years will be to address the lack of basic health infrastructure.

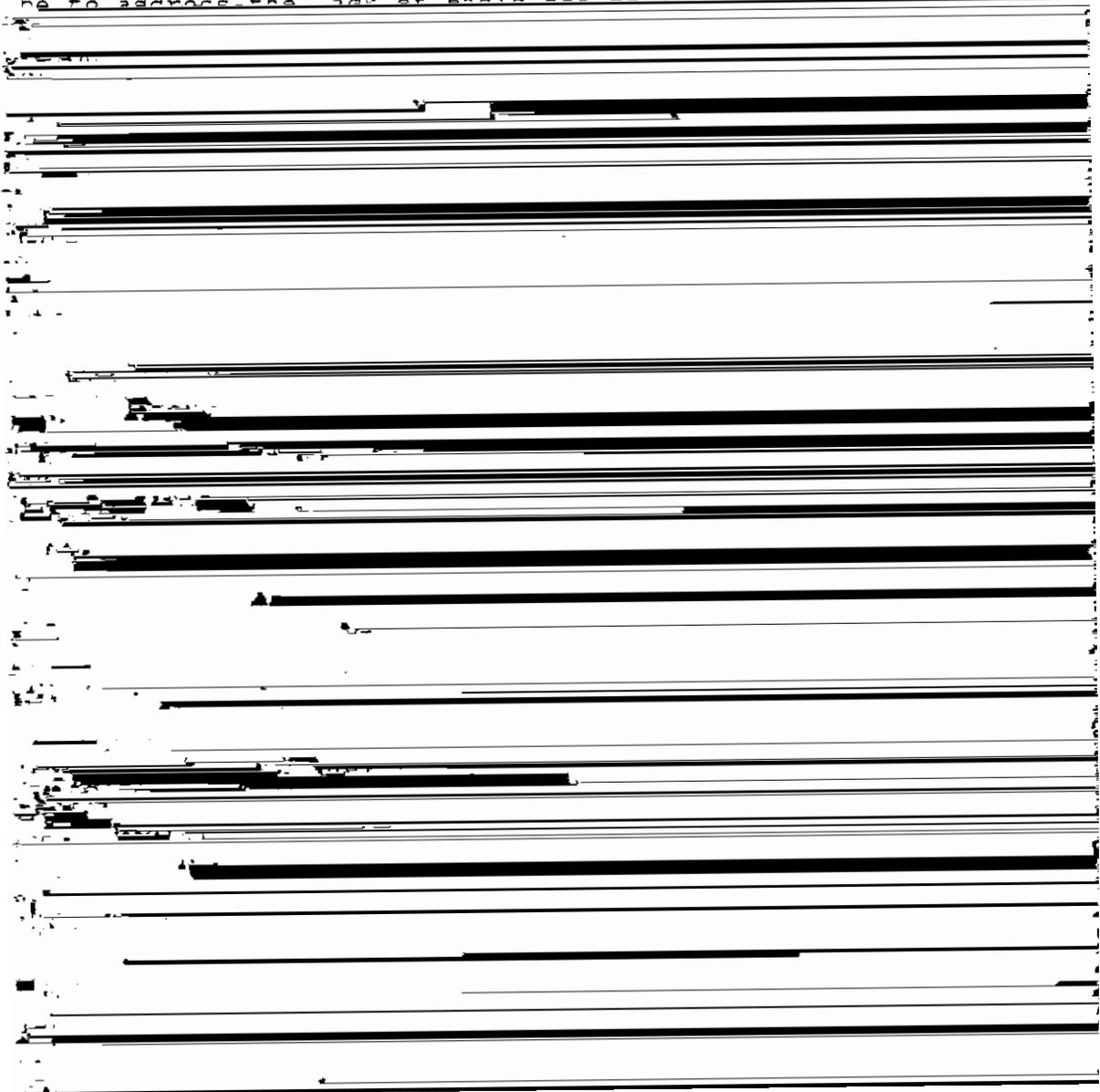


Figure 11

ENVIRONMENT/NATURAL RESOURCES OBJECTIVE TREE

MISSION/LAC GOAL	Support the achievement of broadly-based sustainable economic growth.		
LAC SUB-GOAL	Encourage preservation and sustainable use of the natural resource base.		
MISSION STRATEGIC OBJECTIVE	Reduce degradation of forest, soil and water resources.		
PROGRAM OUTPUTS	Build consensus among Bolivian public and private sectors on key environmental/natural resources management problems and opportunities.	Improve public and private institutional capacity for sustainable resource use and environmental protection.	Increase public awareness of environmental protection and sustainable natural resources management issues.
PROJECTS AND ACTIVITIES	PL 480 Title III Enterprise for the Americas Initiative	PL 480 Title III Enterprise for the Americas Initiative Sustainable Forestry Biodiversity Support Program Bolivian Peace Scholarship Program	PL 480 Title III Enterprise for the Americas Initiative Sustainable Forestry Rural Household Survey* Interactive Radio Learning* CARE Community Development* Community and Child Health*
			PL 480 Title III Enterprise for the Americas Initiative Sustainable Forestry Biodiversity Support Program Cochabamba Regional Development Rural Household Survey* Community and Child Health*

* Projects that enable this strategic objective, but are not directly responsible for performance level impact.

STRATEGIC OBJECTIVE STATEMENT: ENVIRONMENT**I. OVERVIEW OF THE DEVELOPMENT ENVIRONMENT**

The rate of decline in Bolivia's forest, soil and water resources is alarming. Deforestation is clearly one of the country's most urgent environmental concerns, with estimates on the destruction of economically valuable forests ranging as high as 200,000 has - year. Fully 50 percent of the country's original forest endowment is expected to disappear by the year 2000, and current forestry policies (e.g. very, very low stumpage fees) continue to encourage forest conversion for short-term gain. This is already having profoundly negative impacts on both the quality and quantity of the country's biological, soil, and water resources.

Bolivia's unusually rich heritage of biological diversity is now under siege. While the country possesses over 20,000 species of vascular plants, great primate diversity, and the largest number of bird species in the world, habitat conversion and illegal trade in live animals and skins is threatening to destroy this rich resource base. The International Union for the Conservation of Nature (1962) estimates that 20 percent of the country's biological diversity will be lost by the end of the decade, and illegal sales of live animals and skins reportedly generate profits second only to narcotics; control will therefore be difficult. Although Bolivia is a signatory to the Convention on International Trade in Endangered Species (CITES) and the situation has improved somewhat in recent years, the capacity of the GOB to monitor and regulate the situation is still seriously deficient.

The situation is no better with regard to soil and water resources. Soil erosion, a consequence of deforestation, inappropriate land use, and mismanagement of water resources, affects 30-40 percent of the national territory. The lack of forests on steep slopes, in particular, is leading to ever more rapid soil and water loss, and serious declines in crop yields can be expected with an erosion rate of 3000 tons/km²/year. Mismanagement of water resources, including the indiscriminant disposal of organic and inorganic wastes and agrochemicals, is serious and accelerating, and the impact of water-borne diseases on human health and productivity are already severe. The challenges ahead will be critical.

II. STRATEGIC OBJECTIVE SELECTION AND RATIONALE

Effective action now to reduce degradation of forest, soil and water resources will be required to deflect the continuing downward spiral of resource degradation and its ensuing poverty, and

to protect Bolivia's capacity for long-term economic growth. Fortunately, the present political climate in Bolivia offers real opportunities to improve management of the nation's forest, soil, and water resources.

The momentum initiated by the GOB in 1990 with its "Historic Ecological Pause," aimed at addressing accelerating deforestation and halting all new timber concessions for five years, has accelerated, and comprehensive environmental legislation is nearing final passage in the Congress. Recent presidential decrees have enabled creation of a new and dynamic institutional framework for environmental action in Bolivia, including a cabinet-level General Secretariat for the Environment (SEGMA) and a National Environmental Fund (FONAMA). SEGMA has already begun work on a major national Environmental Action Plan (PAAB) to guide public and private sector activities in the environment; FONAMA, thanks to a \$20 million grant based on U.S. debt forgiveness recently approved in the context of the Enterprise for the Americas Initiative, will soon begin to play its intended role as coordinator of national and international funding for the environment.

USAID is well positioned to have a significant impact in this area, building on the important, fledgling initiatives it has helped develop. PL-480 resources, in particular, have played an important role in promoting policy reform aimed at more sustainable resource use, and in encouraging the growth of a small NGO sector focused on environmental protection. Other international donors with interest in this area include the FAO, IDB, World Bank, and the governments of West Germany, Holland and Switzerland. Coordination among donors will be increasingly important, and has been strengthened recently through the Paris Club.

However, it must be emphasized that these developments have encouraged the birth of a potentially important public and private sector environmental capacity in Bolivia. The growth and development of that capacity, and its achieving sustainability, will require increased efforts by all. USAID can continue to take the lead among donors in this vital area over the next five to seven years, helping the people of Bolivia better manage their natural resource base. This will sustain the foundations for economic growth.

This strategic objective addresses key concerns of both the U.S. Government and the international environmental community. Congress has instructed AID to address protection of tropical forests and biological diversity, and Bolivia presents unique opportunities in this regard. USAID/Bolivia has already demonstrated real interest in this area in collaboration with the World Resources Institute, The Nature Conservancy, the Wilderness Society, the New York Botanical Garden and others. The program out-

puts for this strategic objective will greatly enhance and better focus these efforts. In addition, we expect that the planned Sustainable Forestry Management project will be an excellent candidate for submission to the Global Environmental Facility, as part of the U.S.'s support to that important endeavor.

This strategic objective relates directly to the LAC Bureau priority to "encourage preservation and sustainable use of the natural resource base." The proposed program emphasis on supporting implementation of the Environmental Framework Agreement under the Enterprise for the Americas, and on increasing emphasis on natural forest management to reduce tropical deforestation, also addresses more specific Bureau concerns (see LAC Bureau Program Objectives Implementation Workplan, 10/01/91).

Finally, the strategy that will be applied to achieving the strategic objective addresses several of the cross-cutting priorities of the LAC Bureau. For example, it recognizes that women typically play a major role in natural resource management, and that better resource use requires behavior change at the household level. Such change is more likely to occur if we work from a good understanding of how gender and family dynamics affect household decision-making, and all relevant data will be disaggregated by gender. This will help inform new project design, implementation, and evaluation, as well as project-related policy dialogue. Increased participation in the economy by the historically disadvantaged, and the Bureau's emphasis on institutional strengthening will be strongly supported in this program.

Measurement of progress on achievement of the strategic objective will be challenging. Good national figures for problems like deforestation and soil erosion are notoriously difficult and costly to compile, though the Mission will make use of all reliable information. This will include official statistics from the Forestry Development Center (CDF), the Ministry of Agriculture and Campesino Affairs, and other GOB entities. Data from international NGOs (e.g. the World Resources Institute) and other bilateral and multilateral donors (e.g. the World Bank, IDB) will also be used.

In addition, project design and implementation activities will collect rigorous data on forest, soil, and water degradation for the areas of project intervention. However, certain criteria for determining progress will be more difficult to quantify, though are clearly fundamental to attainment of the strategic objective and deserve high visibility. This is especially true given that this objective reflects new and urgent priorities on the part of the GOB. As long as the environment and sustainable resource use continue to enjoy the emphasis currently being given to them by the GOB, real, measurable progress will be achieved.

III. IMPLEMENTATION OF THE STRATEGY

Concentrated emphasis on the environment and natural resource management by both USAID and Bolivia is still in the developmental stage. As such, the first critical task is to build clear consensus on the key environmental and natural resource constraints and opportunities. This will underscore USAID's comparative advantage to help spur a concerted effort towards a coherent environmental policy, as well as identify/clarify the roles of all participating entities in this important endeavor.

This first program output will be accomplished by supporting development through SEGMA of a broadly participatory Bolivian Environmental Action Plan, and by working closely with FONAMA, with A.I.D. representation on its joint public/private sector Administrative Council, to help set priorities and coordinate national and international funding on the environment. PL-480 Title III resources will continue to play a key role in this consensus-building process, both with support for more focused policy dialogue and analysis and through assistance to the environmental NGO community. A new sustainable forestry management project will also be developed, and the project design process will emphasize consensus building through incorporation of local perspectives and indigenous knowledge in design, implementation and evaluation.

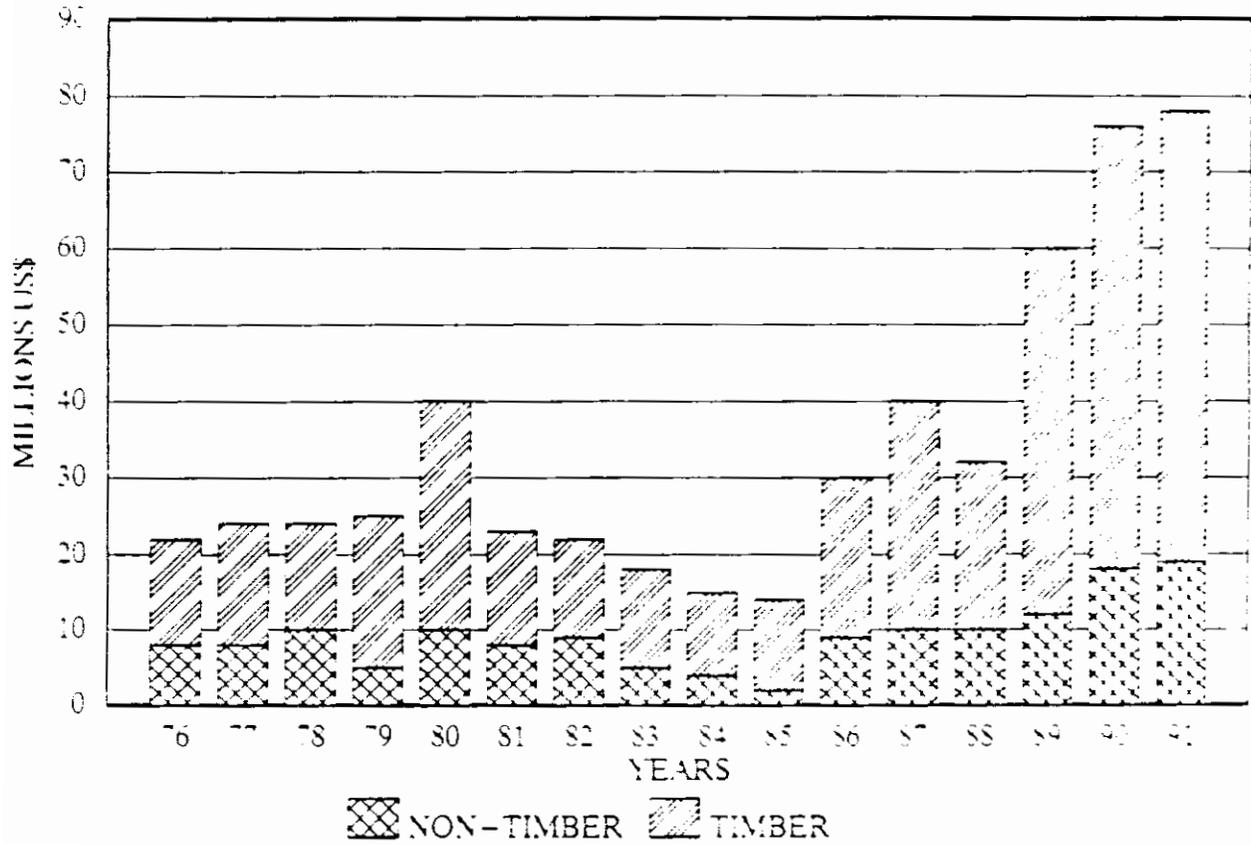
Once key constraints and opportunities have been identified, the next step is to help build and reinforce the capacity of public and private sector institutions to act on them. The public sector will clearly require more focused, sector-level regulations in order to monitor and implement the major new General Environmental Law, and here USAID can play an invaluable role. GOB capacity to enforce the promising Historic Ecological Pause is also quite weak, and a plan will be developed to help bolster that capacity. The development of decentralized, regional forestry management agencies with joint public/private sector representation will also be supported. This is expected to increase local input into forestry management decisions while strengthening local institutions.

Effective and sustainable action on the environment requires more than just institutional support, however. Experience in several countries has shown that an informed public can play a key role in wiser natural resource use, so increasing public awareness is a third key program output. A plan for environmental education will therefore be developed, targeted to populations with critical natural resources and/or environmental problems. This plan will also emphasize the links between sound resource management and health, population, and quality of life concerns.

Figure 10

BOLIVIAN FOREST PRODUCT EXPORTS

1976-1991



With progress towards consensus on objectives, improved institutional capacity, and greater public awareness, we plan to initiate major efforts in forestry management to reduce degradation of forest and related soil and water resources. The export market for Bolivian forestry products is now booming (see Figure 10), but this welcomed expansion in rural economic opportunities will be short-lived unless sustainable management plans replace current practices that exhaust the resource base. Increased analysis, training and networking in natural forest management will lead to development of sustainable harvesting plans, and emphasis will be given to adding value at the local level and developing capabilities for export of non-timber forest products to encourage broadly-based economic growth. Increased policy dialogue and the development of new regulations for the granting and managing of forestry concessions will also be important, as will the analysis of the relationship between resource tenure and sustainable use of Bolivia's natural resource base. This could lead to the development of important recommendations for a new law on land ownership and land use to encourage investment in more sustainable production practices.

Improving public and private sector institutional capacity in this area will require increased training. The GOB's ability to implement and monitor compliance with the General Environmental Law and the Historic Ecological Pause will also be constrained by a limited capacity in technical areas like environmental impact assessment, resource inventory procedures, and participatory resource planning. Similarly, increased short-term training will be required in various technical areas in order to develop an effective program of natural forest management to support sustainable forestry, soil and water management initiatives. Such training will be provided by planned Mission projects and activities.

At the same time, USAID has supported important training initiatives that will be built on to help reduce degradation of forest, soil and water resources. The Bolivian Peace Scholarship Program, for example, recently funded training in the U.S. for 20 Bolivian foresters, and is now helping this group of professionals form and maintain a forestry network. USAID Bolivia is also clearly committed to enhancing its own staff capacities to better address this strategic objective. Mission staff have attended ASSET training programs, for example, and a new direct-hire Environment/Natural Resources Officer slot has been created and filled. This underscores our commitment to this new strategic objective.

The financial resources required for this nationwide, multi-component objective are substantial and available through the creative use of a variety of funding resources. Between \$1 and \$2

million annually for five to seven years is needed in PL-480 local currency for counterpart to dollar funded projects. Somewhat higher levels of Development Assistance Funds, totalling approximately \$20 million over the POD period, will contribute to achievement of the strategic objective. Also, FONAMA will receive \$2 million a year for 10 years for investments in more sustainable resource use and environmental protection under a U.S./GOB Environmental Framework Agreement through the Enterprise for the Americas. This money is intended largely for local NGOs, and will play a key role in strengthening local institutional capacity. FONAMA expects other bilateral and multilateral donors to follow suit, creating their own FONAMA accounts for investments in better resource management. Other, smaller centrally funded activities will also contribute to achieving the strategic objective, and several Mission projects (e.g. Interactive Radio Learning) will help enable progress towards the strategic objective.

II. ACTION PLAN

A. Introduction

For the third consecutive year, USAID Bolivia is presenting a snapshot of its program using performance tables for each strategic objective. This year we adopted the format laid out in the IAC Bureau's Program Performance Assessment System (PPAS) guidance, which is compatible with the system already being used by the Mission. "Program outputs" have been added to the tables. They are the building blocks required to achieve our strategic objectives, conceptually and practically vital tools of our program monitoring system.

This year we took a major and necessary step by beginning to integrate our entire strategic objective monitoring system into one logical format. This involves rationalizing and meshing USAID/Bolivia's diverse activities and reporting mechanisms, including project designs, semi-annual reports (SARs), the Alternative Development Project Status Reports, and the Action Plan. We believe doing so will result in a more useable, efficient monitoring system. By incorporating project level documentation into this process, new project initiatives and other activities can be evaluated critically for their potential impact upon our strategic objectives. The Mission's recently formed Strategic Objective Committees (SOCs), with a cross-section of office representatives, will meet on a regular basis to plan and evaluate Mission strategy.

The Mission has taken several other steps over the past year to improve its program monitoring system. First, we hired a full-time Monitoring and Evaluation Specialist to develop and implement central tracking systems and to assist technical offices in conducting project and program evaluations. Second, we have revised the Mission Order for Monitoring and Evaluation. It responds to the current Agency-wide emphasis on monitoring program performance. Third, we have developed a system to ensure that evaluation recommendations are implemented. Similarly, in line with current features of the Administrator's new initiatives, we have taken a new approach to gender by introducing a Family Resources Committee to ensure that gender considerations are incorporated as a cross-cutting objective in Mission programs.

Lastly, we developed an Alternative Development Quarterly Report System (eventually to become semi-annual) to monitor progress and impact of the Mission's Alternative Development program. As well as providing information to the wide audience of agencies inter-

ested in the performance of Bolivia's counter-drug program, the system has enabled us to improve accountability. One of the major differences between these reports and the SARs is the greater emphasis on data analysis in the Alternative Development reports. We will continue to improve this aspect of the reports, and hope too that we can meld our various information and reporting requirements into one coherent system.

All this work in developing improved, more serious monitoring systems comes with financial and human costs. Mission staff now devote a greater proportion of time to the Monitoring and Evaluation (M&E) function. The same is true of contractors and counterparts working on USAID-sponsored projects, as demands mount for improved data collection, monitoring and reporting systems. Obviously, there are increased financial costs at all levels of the monitoring and evaluation function.

We believe the payoff for implementing these improved systems is worth the costs; we have already begun to see the benefits. On the other hand, we should recognize the cost factor mentioned above, and that our logical frameworks (such as the PPAS) are only as good as the data that supports them. In choosing performance and program output indicators, for example, it can be difficult or even impossible in Bolivia to identify collectible, quantitative data that accurately reflects the accomplishment of a strategic objective or program output. At times we may have to settle for measures which, although perhaps second best, at least can be reasonably and reliably collected. The question of the reliability of data is very important. Bolivia's topographical, demographic, and economic characteristics make accurate data collection and reporting difficult.

Attribution is another problem in measuring the impact of AID's programs. All of our programs operate in dynamic environments where results are affected by a multiplicity of variables. Certainly it is important that USAID track its contributions, but we must resist taking wholesale credit for data that demonstrates positive trends. Furthermore, many of our programs involve collaboration with other donors in pursuing mutually shared strategic objectives. Isolating USAID's impact in such cases is simply not practicable.

In the same way, it is important that we recognize our contributions to data trends that do not appear directly attributable to USAID assistance. Because of our comparative advantage, we can create an environment for positive change that reverberates beyond our program interventions. For example, it is likely that a new exporter of leather products, not directly assisted by USAID, benefits from the demonstration effect of a leather exporter that did receive USAID assistance.

USAID/Bolivia is in the process of integrating all of our resources toward pursuit of our strategic objectives. Last year, the PL-480 Title III local currency program underwent a rigorous Mission-wide exercise, resulting in a highly focused program which fully reinforces our strategic objectives (see annex F). We plan on applying the same exercise to EBF local currency in calendar year 1992.

The attached performance tables were developed before the Mission received the diskette containing pre-programmed LOGUS tables from AID/Washington. We elected to use our tables not only partly as a time saving measure because they had already been completed, but also because we think they more clearly depict the logical progression of strategic objectives and program outputs in the Mission. Furthermore, we felt we should include targets for 1992 (the AID/W tables include only 1991), as we are now already well into 1992.

Attached Table 1 presents our assessment of Bolivia's country performance. We generally agree with LAC's assessment, and recommend only minor changes. More detailed narrative justifications for our ratings can be found in Annex H.

We should note one reservation with regard to LAC's application of country performance evaluations to Development Assistance funding allocations. Bolivia's overall rating in the Bureau, for example, is just above average. But if one examines the indicators individually, Bolivia would seem the ideal country to which additional development resources should be allocated. The economic indicators show a free market economy with policies for growth. At the same time, Bolivia is still a poor country with severe social (health and education) sector needs and limited resources to address these needs.

Table 1

LAC COUNTRY PERFORMANCE INDICATORS FOR BOLIVIA

Description of Indicator	Maximum Rating	L. A. C.		MISSION		
		Indicator Value	Rating	Indicator Value	Rating	Comment 1
<u>Economic Indicators</u>	50.0	-	45.8	-	45.7	-
- Macroeconomic Reform	15.0	9.0	13.5	9.0	13.5	Note 1
- Domestic Financing of Deficit	10.0	-0.3	10.0	1.0	9.0	Note 2
- Exchange Rate	10.0	9.5	9.5	9.9	9.9	Note 3
- Business Regulatory Environment	5.0	3.5	3.5	3.5	3.5	Note 4
- Trade Regime	5.0	9.5	4.8	9.8	4.9	Note 5
- Market Pricing	5.0	9.0	4.5	9.8	4.9	Note 6
<u>Social Services Indicators</u>	20.0		5.0		5.0	-
- Education	10.0	3.0	2.0	3.0	2.0	Note 7
- Infant Vaccination	5.0	48.0	N/A	48.0	2.4	Note 8
- Contraceptive Prevalence (modern)	5.0	12.0	N/A	12.0	0.6	Note 9
<u>Environmental Management</u>	10.0	4.0	4.0	5.0	5.0	Note 10
<u>Democracy and Human Rights</u>	20.0	15.5	15.5	15.5	15.5	Note 11
<u>TOTAL SCORE</u>	100.0	-	70.3	-	71.2	-

1 - See Annex H

PERFORMANCE NARRATIVE: ALTERNATIVE DEVELOPMENT

Calendar year 1991 saw unprecedented progress in the area of Alternative Development. All of USAID's program indicator targets for the year were either met or exceeded. The PI-480 Title II food-for-work program, together with our successful wheat growing program, continue to provide short-term jobs to deter migration to the Chapare and to buffer the effect of coca-related jobs that are being eliminated. USAID programs to accelerate non-traditional exports reaped their first significant benefits in 1991; prospects for 1992 are even more encouraging.

We began an effort in mid-1991, with the assistance of Management Systems International, to design and implement a comprehensive management information system (MIS) to track progress and impact in Alternative Development. This effort has injected greater discipline in our overall program level monitoring and evaluation system, and is entirely compatible with the LAC Bureau's Program Performance Assessment System (PPAS). But the system is not without its drawbacks. Notably, it has required a significant amount of staff time, and has made clear to us the difficulty in quantitative, accurate measurement of the impact of our programs, and the costs associated with improved data collection systems.

The new \$120 million Cochabamba Regional Development project was authorized in 1991. It will build on solid, profitable marketing outlets already developed in Bolivia and abroad. Foremost among marketing successes in the Chapare is an ongoing private sector market for bananas and pineapples in Chile and Argentina. USAID assistance has also opened up a local market for passion fruit, with solid interest in export orders as soon as production exceeds local demand. A number of domestic and foreign investors have shown interest in setting up processing facilities for Chapare products, following the lead of one investor who recently opened a multi-purpose canning facility which processes all available quantities of Chapare pineapples and plans to expand canning of hearts of palm from the project area.

A new marketing unit, which should be on board by May this year, will provide assistance to private sector entities in marketing new and traditional products. These efforts will focus on improving human and physical marketing infrastructure. We expect last year's modest, first-time Chapare exports to increase significantly over the next few years. New refrigeration units, in particular, will provide critical post-harvest warehousing capability for perishable products, such as bananas.

We have added a program indicator that tracks hectares of new material planted in the Chapare. The increasing adoption of

these materials in 1991 demonstrates not only that our research and extension program is working, but that markets for these products are becoming increasingly available to Chapare farmers. In 1991, IBTA/Chapare distributed planting material for 3,000 hectares. We estimate that at least another additional 3,000 hectares were planted with new material provided by private and community nurseries, which have begun to thrive due to USAID's assistance.

We are in the process of developing a methodology to measure total crop production data in the Chapare region using extension workers to collect data. This information will be invaluable, both in measuring the impact of Alternative Development, in general, and in field level decision making. The Mission is also pursuing the possibility of tying into a nationwide Geographic Information System (GIS) now being contemplated by the Bolivian Military Geographic Institute. We would do so only if it is cost effective and if it would yield reliable data on cropping patterns in the Chapare.

The Rural Household Survey, completed late last year, was scaled down to cover only the Cochabamba Department, and will prove an important vehicle to measure the impact of Alternative Development in the Department. A descriptive analysis of the basic statistical tables that emerge from the survey will be published by April, 1992. The socioeconomic information produced from the survey, including total household income, total farm income, and other revealing data, will provide useful baseline for the Alternative Development program.

USAID's Alternative Development infrastructure program has gained momentum over the past year. In addition to the construction and improvement of farm-to-market roads, community level development projects and irrigation systems are creating short-term jobs, improving standards of living and increasing farm yields. Eighty-two such community projects have recently been completed or are underway in the Chapare. These projects include community centers, schools, health posts, nurseries, packing sheds and livestock facilities.

Rural electrification is being held up by lack of funds. At the time of this writing, the Mission has yet to receive \$4 million in FY 1992 ESF funds, most of which will be used to procure commodities for the construction of rural electrification systems that will serve up to 80,000 people. We requested these funds in October, 1991. The National Rural Electric Cooperative Association (NRECA) has already selected a number of project sites. We view the expanded electrical systems contemplated by the project as an important part of the Alternative Development program, as they have been targeted for growth areas with significant produc-

tive use potential. We have also had to cancel our plans for a Rural Roads project due to lack of funds.

In the area of drug awareness, USAID has refined its indicators to be meaningful measures of public support and participation in counter-drug programs. As part of our continually evolving process of collecting and reporting credible data, we elected to discard the methodology used to report on drug awareness in last year's Action Plan. A National Urban Drug Prevalence study is being conducted under the new Drug Awareness and Prevention project, which will provide baseline for the three program indicators by April of this year.

The project will enhance public awareness of the health, social, political and economic dangers of drug production, consumption and trafficking. Through private and public sector mechanisms, the project implements the nationwide dissemination of mass media anti-drug messages, public education programs, and community level activities to combat the drug problem.

Finally, two health projects, Community and Child Health and CARE Community Development, have recently begun initiatives in the Cochabamba highlands, areas which provide labor to the Chapare. By constructing water and sanitation systems, as well as housing improvements to thwart Chagas' disease, we hope to enhance health status and improve quality of life in project communities, which will in turn contribute to reduced migration to coca-producing areas.

Table 2

PERFORMANCE TABLE: ALTERNATIVE DEVELOPMENT

STRATEGIC OBJECTIVE	PERFORMANCE INDICATORS	BASELINE	1991	1991	1992	1993	SOURCE OF INFORMATION					
			TARGETS	ACTUAL	TARGETS	TARGETS						
			1988									
Transform the Bolivian economy through increased employment, income, investment and productivity in non-coca activities	1. GDP % growth:	3.0%	N/A	4.2%	2.8%	3.4%	CRD					
	2. Private investment as % of GDP:	4.0%	N/A	6.0%	6.3%	6.5%	CRD					
	3. Employment as % of 18-64 age group:											
	Male:	58.9%	N/A	71.2%	71.3%	71.4%	CRD					
Female:	46.6%	N/A	48.1%	48.6%	49.0%	CRD						
4. Size of coca exports as a % of legitimate exports:		45.9%	N/A	36.7%	42.0%	32.0%	CRD					
PROGRAM OUTPUTS	PROGRAM INDICATORS		1990									
Generate jobs, investment and new sources of foreign exchange.	1. Number of permanent jobs created by firms/individuals receiving USAID supported services.	M	371	M	371	M	384	M	427	M	496	CRD, CRD/DEP
		F	103	F	103	F	42	F	47	F	55	
		M		M	240	M	522	M	1,100	M	1,305	Export Promotion
		F		F	0	F	639	F	900	F	1,595	
		M		M	474	M	200	M	175	M	2	FOCAS
		F		F	126	F	96	F	75	F	2	
		M		M	900	M	404	M	1,258	M	1,733	M & S, Enter
		F		F	750	F	635	F	1,376	F	2,450	
		M		M	189	M	175	M	158	M	2	PAC
		F		F	89	F	175	F	227	F	2	
	Subtotals:	M	2,174	M	1,585	M	3,128	M	3,534			
		F	1,068	F	1,637	F	2,625	F	4,100			
	TOTAL		3,422		3,557		6,463		7,634		PROA	
			180		235		710		3,760			
			3,422		3,557		6,463		7,634			
			2,531	M	2,531	M	1,931	M	4,977	M	6,440	CRD, CRD/DEP
		F	2,454	F	2,454	F	1,209	F	3,679	F	3,458	
		N/A	M	3,500	M	12,823	M	2,636	M	2,150	PL-480 T1	
			F	2,400	F	194	F	4,805	F	5,316		
		M	850	M	850	M	850	M	580	M	540	SAC
		F	80	F	80	F	80	F	64	F	50	
	Subtotals:	M	6,981	M	15,604	M	8,293	M	9,732			
		F	4,934	F	1,313	F	7,548	F	8,834			
	TOTAL		11,915		16,917		15,841		18,566			
		M	104,200	M	192,000	M	270,000	M	0		PAC	
		F	4,500	F	96,000	F	135,000	F	0			
		N/A	M	19,200	M	23,459	M	17,218	M	25,675	PL-480 T1	
			F	12,800	F	31,171	F	19,941	F	13,825		
	Subtotals:	M	123,400	M	215,459	M	287,218	M	25,675			
		F	17,300	F	127,171	F	154,941	F	13,825			
	TOTAL:		140,700		342,630		442,159		39,500			
4. Increase in rural incomes in the Department of Cochabamba.												
5. Value of foreign investment attributable to USAID assistance (in \$000s)		N/A	0	0	\$10,000	\$15,000	Export Promotion					
6. Non-traditional export sales attributable to USAID assistance (in \$000s)		N/A	\$5,000	\$4,500	\$10,000	\$23,000	Export Promotion					
		N/A	\$5,000	\$6,300	\$8,000	2	FOCAS					
		N/A	8	\$147.5	9	3	CRD, CRD/DEP					
		N/A	8	\$500	\$500	2	PAC					
	TOTAL:		\$10,000	\$11,547.5	\$18,500	\$23,000						

PERFORMANCE TABLE: ALTERNATIVE DEVELOPMENT

PROGRAM OUTPUTS	PROGRAM INDICATORS	BASELINE	1991	1991	1992	1993	SOURCE OF INFORMATION
			TARGETS	ACTUAL	TARGETS	TARGETS	
2. Increase economic opportunities in the Chapare	1. (working) Hectares of new material planted in the Chapare with USAID assistance	85 - 90 (917/yr)	Has. 2,900	Has. 2,950	Has. 4,000	Has. 5,000	ORP, CORDEP
	2. Number of farmers benefiting from USAID assistance in the Chapare.	1990 7,037	11,575	17,200	18,800	20,100	STA, CHAPARE 10/
3. Increase public support and participation for counter-drug programs.	1. Increased number of people who believe drug production and trafficking constitute a problem for Bolivia.	11/					
	2. Decreased drug use in Bolivia.	11/					
	3. Increased popular understanding of Law 1008 (Bolivian anti-drug law) and better law enforcement against drug production and trafficking.	11/					

FOOTNOTES

- 1/ This increase up from 1991 is due to the predicted production of 9-900 Has. of illegal coca still immature in 1991
- 2/ Project ends in 1992.
- 3/ Projections contemplate all funding provided by USAID, ESF, PL-480 and a small portion of FSE (today FIS) to PRODEM
- 4/ Targets were not met due to delays in infrastructure approvals for 11 bridges for which construction would have entailed the projected labor
- 5/ PI-480 Title II 1991 targets published in last year's action plan, and repeated here, were in error.
- 6/ These jobs are a function of the assistance given to the Santa Cruz wheat growers (3 persons per 3 months per Ha.) The wheat planted in '91 was greater than anticipated. For this reason and the fact that women are included as 1/3 the labor, targets were exceeded
- 7/ Baselines to be determined in 1992 using USAID's Rural Household Survey.
- 8/ Estimates to be confirmed by a study to be performed.
- 9/ Targets will not be available until LOP Implementation Plan is finished by 4th quarter FY 92.
- 10/ 1991 actual number of farmers exceeded target by 47% in large part due to the positive effects of the road improvements.
- 11/ Baselines will be available in April 1992 and targets will be determined at that time.

PERFORMANCE NARRATIVE: TRADE AND INVESTMENT

In line with last year's Action Plan review guidance, we have broadened the statement of this strategic objective from "Export Promotion" to "Trade and Investment." In fact, this broader statement fits better with the programs we are actually pursuing as described in the current POD.

Bolivia's non-traditional export sales in 1991 of \$260 million were somewhat below last year's Action Plan target of \$285 million. Due to the following factors, this shortfall is misleading:

1. Last year's Action Plan target was based on official GOB statistics for 1990. However, later during 1991 an analysis of volume and price data in the official 1990 statistics made it clear that those statistics had been inflated by massive invoicing fraud, motivated by the availability during 1990 of a 10 percent CRA (tax incentive) on non-traditional exports. Bolivia's real non-traditional exports in 1990 were probably about 15 percent lower than what the official statistics reported. Thus, a large part of the ostensible drop in non-traditional exports between 1990 and 1991 is due to a reduction in invoice fraud when the CRA was eliminated last year.
2. The official statistics show non-traditional export volume increasing from 1990 to 1991. Nevertheless, lower international prices in several key export products led to a drop in reported export dollar revenues.

The Mission is slightly ahead of its projected target in terms of new 1991 non-traditional export sales due to direct USAID assistance. We anticipate a nearly two-fold increase in 1992 as the Export Promotion project initiatives gain momentum. Note that this measurement considerably understates the eventual impact of our exporter assistance projects. Most of the new businesses and export lines we have helped to develop will continue (and expand) their contribution to the Bolivian economy for years after the conclusions of the respective projects. Furthermore, no attempt is made to quantify or claim credit for the demonstration effect of successful new exports: the success of a USAID assisted exporter can and has led to other non-USAID assisted exporters into the same business.

We met targets for overall employment generation, with a significantly greater number of permanent jobs created than expected under the Export Promotion project. Women and men benefitted equally from USAID's job creation programs. A study by Carana

Corporation, the main contractor under the Export Promotion project, revealed that an estimated 55 percent of jobs in the export arena will eventually go to women. This is reflected in the 1993 target. Overall, we expect job creation due to USAID assistance to more than double over the next two years.

Investment promotion is a major, new component of the Trade and Investment objective. Investment promotion offices were opened in Miami and New York, and representation established in neighboring South American countries. This program did not target - or achieve - any actual investments in 1991. Substantial results should begin to show up in calendar year 1992.

The Mission met its 1991 target on value of export loans outstanding. However, this target is being demoted to the project output level, and will be reported on in the SAR/Alternative Development Report process.

Several new macroeconomic indicators have been added at the strategic objective level. New private investment as a percentage of GDP has been added to reflect our broadened strategic objective, which now involves investment as well as export promotion. Additionally, we have begun tracking trade between Bolivia and the United States in order to monitor the success of the U.S.'s two-way trade initiative. We should point out that our current portfolio emphasizes Bolivian exports and investment in Bolivia. We promote increased Bolivian imports from the U.S. as a secondary component of our program.

At the program output level, the Mission is setting itself two very ambitious new targets in the trade and investment arena: catalyzing basic reforms of Bolivia's credit union system and its social security pension system. Both of these reforms involve high risk efforts on the part of the Mission, since each must obtain congressional approval within a fairly short window, and each is strongly opposed by certain sectors. Thus, we would view achievement of either one of the two as a highly satisfactory result.

PERFORMANCE NARRATIVE: STRENGTHENING DEMOCRACY

Improving the effectiveness and accessibility of key democratic institutions has taken greater operational form this year, as reflected in the POD and in the Mission's portfolio of related interventions. Activities are principally focused in the judicial sector, specifically on improving the application of the law and strengthening the law making process. An equally important aspect of the program portfolio is to improve the financial management system within the justice sector. In addition, Mission efforts address increasing citizen participation in the democratic process.

In December 1991, Bolivia successfully carried out municipal elections in what was publicly described as the most transparent and efficient electoral processes thus far in Bolivia. This was reflected in an over 50 percent increase in voter participation over previous municipal elections, and can be attributed to USAID assistance and the National Electoral Court's (NEC) independence from all political party persuasion. In addition, the voting process was simplified through a USAID funded automated voter registration system, which reduced voter fraud and increased citizen confidence in the integrity of the electoral system. Success in the electoral process can be directly attributed to a USAID assisted nationwide media campaign designed to promote voter registration, voter education, and voter participation; training programs for citizens chosen by lot to act as voting table authorities; and the establishment of the automated voter registry system itself.

In addition to electoral reform, the Mission also embarked upon legislative reform activities. Preliminary investigation has identified potentially useful law-making models for Bolivia. Activities this year will include developing technical linkages with the Congresses of the United States, Argentina, Chile, and Brazil with the purpose of exchanging legislative research materials. In addition, the Democratic Institutions project will support the GOB's efforts to create a Congressional research service, with possible assistance from the U.S. Library of Congress, in order to enhance the quality of legislation proposed and passed.

USAID's Justice Sector project promoted the formation of a high level forum for evaluating draft legislation for an independent Attorney General's Office. In May 1991, the "National Counsel for Judicial Reform and the Modernization of the Judicial Power" was created. The counsel is presided over by the Vice President of the Republic and is mandated to recommend final versions of a number of laws promising to strengthen legal process and institu-

tional organization. The development of this counsel fills a void in the Constitution, defining the role of the Public Ministry in the law enforcement process. This effort will be furthered in 1992 with the development and implementation of a reform for case management and the administrative functions of the court.

The SAFCO law was passed in 1990, calling for increased transparency and accountability in the financial management practices of government. Implementation of the law at the national level will begin in 1992. USAID will assist with the implementation of the legislation through local currency assistance and policy dialogue, in concert with the World Bank. The Justice Sector Project will be supporting the implementation of SAFCO within the court system. First, enhanced financial management practices will enable government officials to have information in order to make accountable decisions concerning the allocation of public resources. In addition, reduced bureaucratic procedures and increased transparency in the financial operations of the courts will reduce the opportunities for corruption.

This year the PL-480 Title II program has expanded its objective to support greater citizen participation in the municipal decision-making process concerning the delivery of public services. This is achieved through the creation of new Community Action Departments that permit poor neighborhoods to have access to public services constructed under the Food for Work program. During 1992, technical assistance and training will be provided in three major cities and 12 rural towns. Given that the delivery of public services will be more transparent through greater citizen participation in decision-making, program impact will be assessed in terms of an increase in citizen access to public services.

The Mission is also considering a new project activity designed to strengthen democratic practices within municipal government institutions for FY 1994. This would be achieved through: 1) institutionalizing decision-making mechanisms within local government operations; 2) strengthening local government public administration capabilities and reducing excessive procedures for public services; and 3) facilitating the implementation of the SAFCO law at the local level. The progress made in involving citizen in the decision-making process under the Title II Food for Work Program will open the door for this project to get quickly involved at the operational level. Similarly, the policy reform initiatives undertaken at the national level through other project interventions will call for greater capacity among local governments to manage newly acquired responsibility and authority.

PERFORMANCE TABLE		STRENGTHENING DEMOCRACY					SOURCE OF INFORMATION
STRATEGIC OBJECTIVE	PERFORMANCE INDICATORS	BASELINE	1991 TARGETS	1991 ACTUAL	1992 TARGETS	1993 TARGETS	
Improve the effectiveness and accessibility of key democratic institutions	1. Pending cases to total cases -district -civil -criminal -small claims	N/A	N/A	N/A	N/A	To be defined 1	Democratic Initiatives Division
	2. Public opinion regarding courts 2	N/A	N/A	N/A	N/A	To be defined	CAPBL
	3. Increase voter participation -urban -rural	1,100,000 3	N/A	1,100,000 3	N/A	To be defined 4	NEC
	4. Successful implementation SAFOC law in Public sector % Public resources audited	N/A	N/A	N/A	7%	7%	Comptroller General's Report to the Congress
PROGRAM OUTPUTS	PROGRAM INDICATORS						
1. Improve the application of the law and strengthen the law-making process	1. Number of J.P. news-letters distributed per year	N/A	N/A	N/A	N/A	4	Democratic Initiatives Division
	2. Number of bench manuals delivered	N/A	N/A	N/A	N/A	2	Democratic Initiatives Division
	3. Number of judges/court administrators trained in court management	N/A	N/A	N/A	5	10	Democratic Initiatives Division
	4. Number of legislative committees using legislative Data base	N/A	N/A	N/A	N/A	4	Congressional Records
2. Improve Public Sector financial management and control systems	1. Number of district courts with improved financial record management	N/A	N/A	N/A	1	2	Democratic Initiatives Division
	3. Strengthen citizen participation in the decision-making process						
	1. Number of citizen-jurors trained	12,000	N/A	12,000	N/A	24,000	NEC
	2. Number of voters registered for national Election	1,100,000 3	N/A	1,100,000 3	N/A	2,000,000	NEC
	3. Number of people reached with public services	N/A	N/A	5,045 5	42,900	88,500	The PRCA Project

FOOTNOTES

1. The data collection format for this indicator is being developed with UNANUD.
2. Data for this indicator will be obtained by adding a modest sub-set of questions on this topic to the Opinion Survey on the Electoral Process. This survey is conducted periodically by CAPBL and employs a national sampling frame.
3. Based on 1991 Municipal Elections.
4. Targets (urban and rural) will be defined using information from the census planned for later this year. This data is not routinely disaggregated by gender, but project officials will request the National Electoral Court to provide future data in this form.
5. This does not include Title II programming.

PERFORMANCE NARRATIVE: FAMILY HEALTH

In line with the Congressional and Agency mandate to give priority to family health, our Maternal and Child Health strategic objective has been changed to a Family Health strategic objective, more accurately descriptive of the intent of the programs USAID has been implementing. While the major part of our assistance is aimed at improving child survival and the health of women of reproductive age throughout Bolivia, USAID assistance in water and sanitation and disease control obviously benefits the entire family unit.

As stated in the POD, the program addresses four areas and benefits two priority populations. Program activities will improve the formulation and implementation of health policy; enhance institutional capabilities of private and public entities to deliver preventive and curative health services; enhance health knowledge, attitudes and practices; and improve community health infrastructure. The priority target populations are women of reproductive age and children under five (who are high-risk members of the family), and economically disadvantaged groups.

Progress in achieving the performance indicators will be measured by national rates reported annually by UNICEF, as well as the Ministry of Health (MOH), A.I.D.-funded activities such as the Demographic Health Survey (DHS) and the upcoming 1992 National Census. Program outputs will be monitored through the collection of program indicator data. Each project has a built-in monitoring and evaluation system which shows progress on project and purpose level indicators, and these results are reported periodically within the Mission and to AID/W.

Although last year's Action Plan projections were too ambitious, significant progress is being made. For example, recent analysis of the infant mortality rate indicator shows a 33 percent decline in the last twelve years, from 151 per thousand live births in 1976 to 102 in 1991. USAID's long-term support for interventions to reduce infant mortality, in conjunction with other donor assistance, contributed to this decline.

In the policy area, progress is apparent from the recent significant increases in Government of Bolivia (GOB) budget allocations for preventive health care services in underserved areas, and in the emphasis that the GOB has placed on coordinating social policy formulation activities among Ministries and donor agencies. In this regard, in 1991, the MOH agreed to use private companies to construct water systems, which will result in a more efficient use of funds. Inter-ministerial coordination committees have also been established to implement immunization

campaigns and family planning, diarrheal and Chagas' disease control programs. Throughout the last Action Plan period, USAID lobbied hard with the GOB on health policy reform, and that effort obviously paid off.

The Mission did not meet last year's targets on immunization coverage indicators as reported by UNICEF. However, if we compare last year's targets against actual 1991 figures, instead of UNICEF data, impressive gains are apparent. Immunization rates of one year old children for 1991, for example, were: Polio, 66.3 percent; DPT, 58 percent; Measles 72.8 percent; and TB, 66.7 percent - which exceed our targets in each case, except for measles. Our contraceptive prevalence projections were not met. Nevertheless, rates are ascending steadily.

There is wide recognition that data sources in Bolivia are deficient. USAID continues to study available data for accuracy, and is reviewing UNICEF data compared to data from the DHS and other sources, in order to more accurately determine actual progress. These data demonstrate that public and private sector health care services are reaching the target population, an achievement which can be attributed to USAID assistance. In addition, through enhanced knowledge, attitudes, and health practices among the population, Bolivians are more responsive to available health care services, and therefore we see positive impact on these indicators.

The community infrastructure indicators are new this year. Maintained water systems, latrines and gardens will improve family health and nutrition of the communities served. During 1991, the Community and Child Health Project reorganized its water and sanitation component and contracted non-governmental organizations (NGOs) to begin installing water and latrine systems in conjunction with the Ministry of Health. Only two MOH-constructed systems were completed in 1991. A new operational program grant was signed with CARE to begin providing water systems, latrines and home gardens in the departments of La Paz, Cochabamba and Chuquisaca. In addition, AID's Office of Foreign Disaster Assistance (OFDA) financed drought well drilling operations in Cochabamba, which resulted in 49 new potable water wells in rural communities. PL-480 Title II projects have provided 93 additional wells, and USAID's contribution to the Bolivian Emergency Social Fund's water program financed the construction of 17 community water systems.

USAID contracted an external evaluation team in December 1991 to carry out a mid-term evaluation of the Community Child Health Project (CCH). The evaluation determined that substantial gains had been made in immunization coverage and in the Chagas' Disease Control Program. With the arrival of the cholera epidemic in

Bolivia, the CCH project has diverted resources to diarrheal disease control activities. In response to the cholera epidemic and the evaluation findings, the Mission has proposed amending the CCH project to add money to the Immunization Program, the Chagas' Control Program, and the Diarrheal Disease Cholera Control Program in 1992.

PERFORMANCE TABLE: FAMILY HEALTH

STRATEGIC OBJECTIVE	PERFORMANCE INDICATORS	BASELINE	1991	1991	1992	1993
		See FN ¹	TARGETS	%	TARGETS	%
Improve family health throughout Bolivia	1 Infant Mortality Rate per 1000 live births	151 ²	91	100	85	85
		1972 Census		1990 UN DEF		
	2 Child Mortality Rate per 1000	252 ²	128	150	125	120
		1972 Census		1990 UN DEF		
	3 Maternal Mortality per 100 000	373 ¹	470	500	460	440
		DHS		UN DEF		
	4 Contraceptive Prevalence Figure in % represents modern/traditional methods	26 ¹	31.8%	30%	32.7%	35%
		DHS	12.7.19.2	UN DEF	12.9.19.8	13.00
PROGRAM OUTPUTS	PROGRAM INDICATORS					
1 Improve the development and implementation of health policy	1 Qualitative assessment of progress toward establishing and implementing norms ⁴					
2A Improve institutional capabilities of public and private sectors to deliver preventive and curative health services	1 Percent of diarrhea disease cases appropriately treated by ORT	23.4% ¹	35%	50%	38%	41%
		DHS		1987-9 UN DEF		
	2 Percent of typhoid children immunized against					
	- Polio	15%	50%	50%	65%	68%
	- DPT	13%	50%	41%	65%	68%
	- Measles	17%	75%	52%	78%	81%
	- TB	30%	65%	48%	68%	71%
2E Increase health knowledge attitudes and practices (KAP) among the Bolivian population	and percent of women immunized against ⁵	2%	25%	20%	30%	31%
		1986-7 UN DEF		UN DEF		
	3 Percent of 24-59 month olds with modern or severe stunting	38% ³	N.A.	51%	48%	45%
		UN DEF		UN DEF		
3 Improve community health infrastructure	1 Number of					
	- Water systems	N.A.	150	161	90	135
	- Latrines	N.A.	1 500	2 064	3 500	12 940
	- Gardens	N.A.	0	0	600	1 500
	constructed with USAID assistance			HHR USAID		

FOOTNOTES

- All baseline data are from the 1989 Demographic Survey (DHS) unless otherwise indicated.
- Information from 1976 Census. In all cases, the estimates from a census or survey DO NOT correspond to the year the census was taken. The estimates are always retrospective and refer to several years back. Thus the estimate from the 1976 census applies to actual 1972 figures.
- Actual 1987 data taken from UNICEF's Estado Mundial de la Infancia, 1990 unless otherwise indicated. This is the most updated data reported, however this publication is not always accurate, since UNICEF's sources do not always report accurate information. This accounts for the inconsistency in data. Also, 1987-88 rate for appropriate treatment of diarrheal disease cases is considered to be serious overestimate.
- These norms will be qualitatively assessed through evaluations and long-term reporting.
- All targets are set by HHR Office, USAID, Bolivia.

PERFORMANCE NARRATIVE: ENVIRONMENT

The Environment has been elevated to a new Mission strategic objective in this year's Action Plan. This decision is based on a careful analysis of the current state of environmental and natural resources management problems and opportunities in Bolivia. Our analysis indicates that effective action now will be required to reduce the rapid pace of environmental deterioration in Bolivia, and safeguard the country's forest, soil and water resources. This will be essential for sustainable, broad-based economic growth. It is equally clear that the present political climate in the country offers unprecedented opportunities to improve management of the resource base and make progress on achievement of the strategic objective.

New legislation and recent decrees have enabled creation of a dynamic institutional framework for action, and external donor interest and support is increasing (e.g. the major Environmental Framework Agreement recently signed under the Enterprise for the Americas). The local environmental NGO community is also gradually growing more influential, thanks in part to the efforts of USAID. At the same time, however, these early efforts have only encouraged the birth of a potentially important public and private sector environmental capacity in Bolivia. The growth and development of that capacity, and its achieving sustainability, will require increased efforts. The program proposed in this Action Plan is intended to support that effort.

The program outputs and indicators for this strategic objective are necessarily "developmental" in nature. They seek to focus Mission resources on consolidating early gains in building a firm foundation for long-term environmental action. Of course, the progress achieved with program outputs like consensus building, institutional strengthening, and improved public awareness will be hard to quantify. However, such outputs are clearly prerequisites to achievement of the strategic objective and deserve high visibility. Monitoring and evaluation of progress will be sufficiently rigorous, however, with clear and discrete deliverables (e.g. regulations developed, plans formulated).

Similarly, national figures for problems like deforestation and soil erosion are notoriously difficult and costly to compile, though the Mission will make use of all reliable sources of information (e.g. selected GOB statistics, World Resources Institute data). A comprehensive monitoring and evaluation system will be built into the new Sustainable Forestry Management project, and impact assessment on progress towards the strategic objective will be carefully quantified in areas of project inter-

vention. Measures will include data such as differences in soil erosion and stream loading in managed vs. unmanaged watersheds and increases in area under sustainable forestry.

PI-480 Title III resources will play an important role in achieving all four program outputs. Support for the improvement of public and private sector institutional capacity will be especially important, with resources applied to the development of detailed regulations needed to implement specific components of the new General Environmental Law. PI-480 will also help develop and implement a plan to strengthen the capability of enforcement agencies to put into effect the five-year Historic Ecological Pause banning all new logging concessions until a national forest management plan is developed, and to measure results of such enforcement. This plan will include a proposed program to upgrade the forest ranger schools in the country and the profession of forest managers.

In addition, in the next one to two years PI-480 will provide important support for the fourth program output, strengthening sustainable forestry, soil and water management activities. Specifically, it will assist efforts to draft norms and regulations on the development of a new system for granting and managing forestry concessions to encourage more sustainable forest use. It will also initiate a process of studies and analyses, together with a series of consultations with public and private sector individuals and institutions, to explore development of a new law pertaining to land ownership and use. Finally, PI-480 will continue to provide support to the General Secretariat for the Environment (SEGMA) for development of the Bolivian Environmental Action Plan. This is intended to help guide public and private investments in better resource use.

Development of the new Sustainable Forestry Management project in FY 1992 will be critical to the Mission's progress on this strategic objective. The increased analysis, training and networking in natural forest management that it will provide will build local capacity to develop and implement sustainable timber harvesting plans. The project will also systematically explore possibilities for production and marketing of non-timber forest products such as floral and ornamental plants, essences and oils. Such products can help protect the standing forest by increasing its value, and offer local residents greater income security through multiple income streams. The project will target forested watersheds contiguous to national parks for these activities, in order to provide critical "buffer zones" to help protect the parks and their important biological diversity. We expect that the management plans developed through project research will eventually serve as models for the private sector. The Sustainable Forestry Management project will support broadly

participatory (e.g. women and the traditionally disadvantaged, including indigenous forest peoples) approaches to more sustainable resource management. Local perspectives will be sought out in project design, implementation, and evaluation, and the project will seek to build on local knowledge and capacities. It will also work hard to increase coordination and the exchange of information with other donors to improve policy dialogue and collaboration.

Other important activities in FY 1992 and FY 1993 will include technical and financial support to the National Environmental Fund (FONAMA) and to SEGMA. USAID will have a seat on FONAMA's administrative council, and in that capacity will play an important role in helping Bolivia determine priorities for action in the environment.

Smaller, centrally funded activities that will contribute directly to achieving the strategic objective include an ongoing grant to the New York Botanical Gardens. These funds are being used to carry out resource inventories which will provide critical baseline information to help monitor and assess the status of Bolivia's biological diversity. The Biological Diversity Support Program has provided an additional \$140,000 for a three-year study of natural mahogany regeneration in the Beni Province. This work will begin in FY 1992, and it is expected to help inform development of new regulations governing forestry concessions in Bolivia.

Finally, other projects in the Mission's portfolio will help enable achievement of the strategic objective. These include the Drug Awareness and Prevention project, which will produce and air radio and television spots on the environmental degradation that results from coca processing. The Training for Development project will also contribute, offering a seminar on the environmental impacts of industrial production. This will help improve local capacities to implement and comply with the new General Environmental Law.

This new strategic objective underscores the Mission's commitment to improving natural resources management in Bolivia. The challenges are important, but so too are the opportunities for progress at this time.

Table 6

		PERFORMANCE TABLE: ENVIRONMENT/NATURAL RESOURCES					
		BASELINE	1991 TARGETS	1991 ACTUAL	1992 TARGETS	1992 TARGETS	SOURCE OF INFORMATION
STRATEGIC OBJECTIVE	PERFORMANCE INDICATORS						
Reduce degradation of forest, soil and water resources	1. Rates of deforestation decline						
	2. Losses in soil/water quality/quantity decline						
	3. Effective institutions in place for sustainable environment/natural resource						
PROGRAM OUTPUTS	PROGRAM INDICATORS						
1. Build consensus with public/private sectors on key environment/natural resource constraints and opportunities	1. SEGMA PAAB advanced	-----	PAAB Initiated	PAAB Initiated	3 Regional Workshops	2 National Workshops	SEGMA, USAC
	2. FONAMA Board Operations	-----	EA Agreement	EA Agreement	Board formed	Board Operations	P.U.-ABC, USAC
	3. Sustainable forestry project developed	-----	-----	-----	Project Paper	Implementation	USAC
2. Improve public/private sector institutional capacity for sustainable environment	1. Regulations developed for components of General Environmental Law	-----	Law approved	Approval by one house	Law approved	Regs presented to GOB	P.U.-ABC, GOB
	2. Plan to strengthen capacity to implement Fauna Ecologica	-----	-----	-----	Draft plan developed	Final plan presented to GOB	P.U.-ABC, COF
	3. Decentralized regional forestry agency	-----	-----	-----	Developed	Operations	COF, GOB, SEGMA
3. Increase public awareness of environment/natural resources issues	1. Plan developed for environmental education in select areas	-----	-----	-----	Initiated	Completed	Drug Awareness Project, New Forestry Project, Interactive Radio Learning Project
4. Strengthen sustainable forestry, soils and water management	1. Recommendations developed for new regulations on Forestry concessions	-----	-----	-----	Initiated	Completed presented to GOB	P.U.-ABC, New Forestry Project
	2. Natural forest management network established	-----	-----	-----	Consultations initiated	Network functions	New Forestry Project
	3. Plan developed for integrated watershed forested management	-----	-----	-----	Initiated	Completed and operations	New Forestry Project
	4. Recommendations developed or improved GOB resource tenure policies	-----	-----	-----	Work initiated	Draft Recommendation	P.U.-ABC, New Forestry Project

FOOTNOTE

1. Baseline to be developed under sustainable Forestry Management Project.

C. Resource Requirements

1. Program Funding Analysis

The Mission has been hit hard by sweeping program budget cuts for the Action Plan period. First, FY 1992 Development Assistance (DA) funds were slashed by \$7.5 million over a year ago. At the time of this writing, five months into the fiscal year, even our currently programmed DA level of \$22.5 million is in question. This fiscal year's core Economic Support Funds (ESF) budget was initially reduced from \$30 million to \$25 million, then eliminated altogether. Finally, our programmed core ESF funding for fiscal years 1993 and 1994, representing another \$60 million, appears to have been eliminated, as well.

We recognize the Agency's global funding pressures, especially with regard to the new independent states. Still, wholesale cuts on Bolivia's budget obviously affect our efforts. Our program strategy reflects directly U.S. Presidential and Congressional initiatives. The GOB has committed itself to joining us in pursuing these initiatives, and not without political costs. Our program funding level is the most tangible factor in demonstrating to Bolivia the integrity and durability of the United States' foreign policy commitment towards this country.

As anticipated in last year's Action Plan, USAID/Bolivia's future program budget has reached the critical point where funding levels are just adequate to implement our strategy effectively. We have consolidated our portfolio, partly in response to these lower levels. Moreover, we have taken hard decisions to drop planned key interventions for lack of funds, such as the Roads for Alternative Development project. These measures taken, we still are left with a considerable project mortgage after FY 1994, as shown in Table 8. Remaining mortgages in several of our Alternative Development projects are of particular concern. We will require additional NSD-18 funds beyond FY 1994 to pay these mortgages and to fund follow-on Alternative Development programs.

The problem of funding composition, as outlined last year in LA PAZ 3008, has not been fully resolved. Specifically, the Mission would benefit from higher functional account levels in ARDN, EHR, and PREE in order to effectively pursue our Trade and Investment, Environment and Strengthening Democracy objectives.

In Table 9, we have broken down Mission funding according to LAC sub-goals. This analysis argues for greater functional account funding for Trade and Investment, Environment and Strengthening Democracy. Although we find this table useful, we wonder whether budget allocations will continue to be made according to functional accounts. Therefore, we have included Table 8 which

addresses the budget in terms of functional accounts.

We ask that the LAC Bureau continue to support Bolivia's program by guarding it from any further cuts. Specifically, our strategy calls for the protection of DA account levels this year and in successive years. Further, we ask for the restoration of ESF in fiscal year 1994 and beyond. Finally, we request that LAC work within the USG to urge a continuation of NSD-18 funding beyond 1994. Meanwhile, we will continue to vigorously implement our programs and to demonstrate their impact.

Table 7

BUDGET AND MORTGAGE PROJECTIONS
THROUGH FY 1994
(U.S. \$ 000)

PROJECT NUMBER AND TITLE	PACD	I.O.P. FUNDING AUTH.	I.O.P. FUNDING PLANNED	ORIG. BUDGET FY-91	MORTGAGE AID FY-91	MORTGAGE PLANNED ORIG. FY-92	MORTGAGE AID FY-92	MORTGAGE PLANNED ORIG. FY-93	MORTGAGE AID FY-93	MORTGAGE PLANNED ORIG. FY-94	MORTGAGE AID FY-94
DEVELOPMENT ASSISTANCE (DA) FUNDS											
AGRICULTURE, RURAL DEV. & NUTRITION											
511 0001		0	0	0	0	500	0	500	0	500	0
511 0077	9/30/92	6,000	6,000	2,400	3,600	1,000	2,600	1,000	1,600	1,000	0
511 0578	12/31/93	1,635	2,385	1,635	750	400	350	350	0	0	0
511 0585	9/30/95	5,345	5,345	5,345	0	0	0	0	0	0	0
511 0249	12/31/92	6,700	6,400	5,300	1,100	0	0	0	0	0	0
511 0946	8/15/93	3,000	3,000	3,000	0	0	0	0	0	0	0
511 0617	9/30/96	18,000	18,000	4,200	13,720	854	12,866	6,321	6,545	6,545	0
511 0618	3/28/95	1,000	1,000	1,000	0	0	1,000	0	1,000	1,000	0
511 0621	9/30/97	0	15,000	0	15,000	2,050	12,950	3,000	9,950	3,000	6,950
ACCOUNT TOTAL		41,680	57,130	21,960	35,170	5,904	29,766	11,171	19,095	12,645	6,990
MORTGAGE AS A % OF IOP					62%		52%		31%		12%
AIIX											
511 0608	9/30/95	3,496	3,596	640	2,956	1,000	1,956	1,000	996	996	0
HEALTH											
511 0002		0	0	0	0	50	0	50	0	50	0
511 0594	7/28/94	2,000	3,006	3,006	0	0	0	0	0	0	0
511 0607	5/28/96	1,500	1,500	1,500	1,949	1,000	949	500	449	449	0
511 0608	9/30/95	504	404	404	0	0	0	0	0	0	0
511 0619	9/30/96	4,000	4,000	405	3,595	750	2,845	735	2,100	1,000	1,100
ACCOUNT TOTAL		8,454	9,300	3,856	5,534	1,800	3,734	1,285	2,549	1,499	0
MORTGAGE AS A % OF IOP					59%		40%		27%		0%
CHILD SURVIVAL											
511 0006		0	0	0	0	100	0	100	0	100	0
511 0548	9/30/95	2,000	1,504	1,504	0	0	0	0	0	0	0
511 0594	7/28/94	14,500	16,964	8,275	8,709	0	8,709	2,850	5,859	2,399	3,460
511 0607	5/28/96	4,500	4,500	562	3,938	1,500	2,438	3,000	1,600	1,000	600
511 0618	3/28/95	6,000	7,000	2,000	5,000	3,200	3,750	2,000	1,750	1,750	85
511 0620	9/30/96	8,000	8,000	3,105	4,895	2,500	2,395	1,500	805	805	0
ACCOUNT TOTAL		35,000	38,968	15,546	22,532	5,200	17,432	7,500	10,002	6,000	4,223
MORTGAGE AS A % OF IOP					50%		46%		26%		11%
POPULATION											
511 0005		0	0	0	0	50	0	50	0	50	0
511 0548	9/30/95	7,900	11,000	2,271	10,729	4,500	6,379	4,075	1,404	1,000	404
ACCOUNT TOTAL		7,900	11,000	2,271	10,729	4,550	6,379	5,075	1,404	1,050	404
MORTGAGE AS A % OF IOP					83%		43%		31%		3%

BUDGET AND MORTGAGE PROJECTIONS THROUGH FY 1994 (U.S. \$ 000)

PROJECT NUMBER AND TITLE	PACD	LO.P. FUNDING AUTHOR	LO.P. FUNDING PLANNED	ORIG. THROUGH FY-91	MORTGAGE AT END FY-91	PLANNED ORIG. FY-92	MORTGAGE AT END FY-92	PLANNED ORIG. FY-93	MORTGAGE AT END FY-93	PLANNED ORIG. FY-94	MORTGAGE AT END FY-94
EDUCATION AND HUMAN RESOURCES											
511-0003 PD&S		0	0	0	82	0	0	100	0	100	0
511-0500 MANAGEMENT TRAINING		6,000	6,000	4,179	609	1,821	1,213	650	563	563	0
511-0584 TRAINING FOR DEVELOPMENT		6,500	12,000	3,869	900	8,131	7,231	1,500	5,731	2,000	3,731
511-0597 RADIO LEARNING		1,700	1,718	1,612	106	0	0	0	0	0	0
511-0611 BOLIVIAN PEACE SCHOL. PROG*		1,800	1,800	0	0	1,800	1,800	900	900	900	0
511-0619 INTERACTIVE RADIO LEARNING*		1,000	1,000	0	500	1,000	500	500	0	0	0
ACCOUNT TOTAL		17,000	22,518	9,660	2,196	12,858	10,744	3,650	7,194	3,563	3,731
MORTGAGE AS A % OF LOP				57%		48%		32%		17%	
SELECTED DEVELOPMENT ACTIVITIES											
511-0004 PD&S		0	0	0	400	0	0	500	0	500	0
511-0571 POLICY REFORM		5,000	4,312	4,312	0	0	0	0	0	0	0
511-0577 INDUSTRIAL TRANSITION*		4,000	4,000	1,869	0	2,131	0	920	1,211	1,211	0
511-0585 EXPORT PROMOTION*		3,000	3,000	2,039	0	961	0	961	0	0	0
511-0586 MICRO ENTERPRISE DEV.*		7,000	5,500	4,489	0	1,011	0	1,011	0	0	0
511-0610 DEMOCRATIC INSTITUTIONS*		450	450	450	0	0	0	0	0	0	0
511-0616 TECH. SUPPORT FOR POLICY REFORM		0	5,000	0	1,450	3,550	0	1,287	2,263	1,500	763
511-0623 SPECIAL DEVELOPMENT ACTIVITIES		500	500	300	150	50	0	50	0	0	0
511-0624 DISPLACED CHILDREN		210	210	210	0	0	0	0	0	0	0
511-0627 ENVIRONMENTAL AWARENESS		0	5,000	0	0	5,000	0	0	5,000	1,027	3,973
ACCOUNT TOTAL		20,160	27,912	13,679	2,000	12,683	4,719	8,474	4,238	4,736	4,736
MORTGAGE AS A % OF LOP				51%		45%		30%		17%	
DEVELOPMENT ASSISTANCE TOTAL											
		171,704	67,392	104,112	22,300	81,512	34,350	47,262	30,000	17,262	10%
MORTGAGE OF DA AS A % OF LOP											
ECONOMIC SUPPORT FUNDS											
511-0007 PD&S		0	0	0	500	0	0	500	0	500	0
511-0604 ECONOMIC RECOVERY		0	66,000	0	66,000	0	0	0	0	0	0
511-0605 ECONOMIC RECOVERY		0	66,000	0	66,000	0	0	66,000	0	0	0
511-0606 ECONOMIC RECOVERY		0	66,000	0	66,000	0	0	66,000	0	66,000	0
511-0605 EXPORT PROMOTION*		15,155	20,115	2,000	4,500	13,655	0	5,000	0,655	5,155	3,500
511-0586 MICRO ENTERPRISE DEV.*		0	1,500	0	1,500	0	0	0	0	0	0
511-0609 JUSTICE SECTOR		2,038	2,038	1,748	500	0	0	0	0	0	0
511-0610 DEMOCRATIC INSTITUTIONS*		1,250	2,550	500	1,000	1,050	0	1,050	0	0	0
511-0611 BOLIVIAN PEACE SCHOL. PROG*		2,700	2,700	1,000	1,700	500	0	500	0	0	0
511-0613 DRUG AWARENESS AND PREVENTION		9,220	9,220	2,500	1,500	5,220	0	1,500	3,720	2,000	1,720
511-0614 ALT. DEVELOPMENT		15,000	15,000	1,000	4,000	10,000	0	4,500	5,500	4,500	1,000
511-0617 COX-3 HABAMBIA REGIONAL DEVELOPMENT*		62,000	62,000	2,900	18,800	40,300	0	18,900	21,350	19,845	1,505
511-0626 ALIENATION OF JUSTICE		0	8,000	0	500	7,500	0	2,000	5,500	2,000	3,500
511-0628 MUNICIPAL DEVELOPMENT		0	4,000	0	0	4,000	0	0	4,000	1,000	3,000
ACCOUNT TOTAL		107,363	321,413	11,688	309,725	210,225	100,000	44,725	100,000	11,225	3%
MORTGAGE AS A % OF LOP				96%		65%		14%		3%	

* LOP PLANNED WAS \$1,704,000. THIS AMOUNT HAS BEEN OBLIGATED FOR PROJECTS UNDER \$120,000 OVB TRANSFER TO ANIW
 ** \$500,000 OF THE 1992 FUNDING IS PLANNED TO BE TRANSFERRED TO ANIW FOR IICAP
 *** ASYLUM SEEKERS PROJECTS FURNISHED UNDER MULTIPLE FUNCTIONAL ACCOUNTS

Table 8

USAID/BOLIVIA SUMMARY PROGRAM FUNDING TABLE				MISSION STRATEGIC OBJECTIVE
PROJECT NUMBER AND TITLE	FY 92	FY 93	FY 94	
DEVELOPMENT ASSISTANCE (DA)				
BUREAU SUB-GOAL I.A.: Encourage economic policies that promote investment, productive employment, and outward-oriented diversification.				
511-0577 INDUSTRIAL TRANSITION	1 000	1 920	2 811	Cross cutting
511-0616 TECH. SUPPORT FOR POLICY REFORM	1 450	1 267	1 500	Cross cutting
SUBTOTAL	2 450	3 207	4 311	
BUREAU SUB-GOAL I.B.: Encourage a vigorous private sector response.				
511-00.04 PD&S	400	500	500	Trade & Investment
511-0580 MANAGEMENT TRAINING	608	650	563	Trade & Investment
511-0584 TRAINING FOR DEVELOPMENT	900	1 500	2 000	Trade & Investment
511-0585 EXPORT PROMOTION	0	951	0	Trade & Investment
SUBTOTAL	1 908	3 611	3 063	
BUREAU SUB-GOAL I.C.: Encourage increased economic opportunities for the disadvantaged.				
511-00.02 .03, .05, and .06	282	350	350	Family Health
511-0568 REPRODUCTIVE HEALTH	4 350	4 975	1 000	Family Health
511-0578 PLANNING ASSISTANCE OPG	400	350	0	Family Health
511-0594 COMMUNITY & CHILD HEALTH	0	2 850	2 359	Family Health
511-0597 RADIO LEARNING	106	0	0	Family Health
511-0607 SELF FIN. PRIMARY HEALTH II	2 350	1 500	1 449	Family Health
511-0608 HIV/STDs PREVENTION AND CONTROL	1 000	1 000	996	Family Health
511-0618 CARE COMMUNITY DEVELOPMENT	1 250	2 000	2 665	Family Health
511-0619 INTERACTIVE RADIO LEARNING	1 250	1 235	1 000	Family Health
511-0620 PVO CHILD SURVIVAL II	2 500	1 500	635	Family Health
SUBTOTAL	13 488	15 760	10 654	
BUREAU SUB-GOAL I.D.: Encourage preservation and sustainable use of the natural resource base.				
511-0621 SUSTAINABLE FORESTRY MANAGEMENT	2 050	3 000	3 000	Environment
511-0627 ENVIRONMENTAL AWARENESS	0	0	1 027	Environment
SUBTOTAL	2 050	3 000	4 027	
BUREAU SUB-GOAL II. B.: Strengthen public participation in democratic processes.				
511-0611 BOLIVIAN PEACE SCHOL PROG	0	900	900	Strengthening Democracy
511-0623 SPECIAL DEVELOPMENT ACTIVITIES	150	50	0	Strengthening Democracy
SUBTOTAL	150	950	900	
BUREAU SUB-GOAL III. B.: Diminish participation in production, trafficking and abuse of narcotics.				
511-00.01 PD&S AGRICULTURE	500	500	500	Alternative Development
511-0589 PRIVATE AGR. ORGANIZATIONS	1 100	0	0	Alternative Development
511-0596 MICROENTERPRISE DEVELOPMENT	0	1 001	0	Alternative Development
511-0617 COCHABAMBA REGIONAL DEVELOPMENT	854	6 321	6 545	Alternative Development
SUBTOTAL	2 454	7 822	7 045	
SUBTOTAL DEVELOPMENT ASSISTANCE	22,500	34,350	30,000	

**USAID/BOLIVIA
SUMMARY PROGRAM FUNDING TABLE**

PROJECT NUMBER AND TITLE	FY 92	FY 93	FY 94	MISSION STRATEGIC OBJECTIVE
ECONOMIC SUPPORT FUNDS (ESF)				
BUREAU SUB - GOAL I.B.: Encourage a vigorous private sector response.				
511-0585 EXPORT PROMOTION	4,500	5,000	5,155	Trade & Investment
BUREAU SUB - GOAL II.A.: Strengthen civilian government institutions.				
511-0609 JUSTICE SECTOR	500	0	0	Strengthening Democracy
511-0610 DEMOCRATIC INSTITUTIONS	750	550	0	Strengthening Democracy
511-0626 ADMINISTRATION OF JUSTICE	500	2,000	2,000	Strengthening Democracy
SUBTOTAL	1,750	2,550	2,000	
BUREAU SUB - GOAL II. B.: Strengthen public participation in democratic processes.				
511-0611 BOLIVIAN PEACE SCHOL. PROG	1,200	500	0	Strengthening Democracy
BUREAU SUB - GOAL III.B.: Diminish participation in production, trafficking and abuse of narcotics.				
511-007 PD&S	500	500	500	Alternative Development
511-0596 MICRO ENTERPRISE DEV.	1,500	0	0	Alternative Development
511-0604 ECONOMIC RECOVERY	66,000	0	0	Alternative Development
511-0605 ECONOMIC RECOVERY	0	66,000	0	Alternative Development
511-0606 ECONOMIC RECOVERY	0	0	66,000	Alternative Development
511-0613 DRUG AWARENESS	1,500	1,500	2,000	Alternative Development
511-0614 ALT DEV ELECTRIFICATION	4,000	4,500	4,500	Alternative Development
511-0617 COCHABAMBA REGIONAL DEVELOPMENT	19,050	19,450	19,845	Alternative Development
SUBTOTAL	92,550	91,950	92,845	
SUBTOTAL ECONOMIC SUPPORT FUNDS	100,000	100,000	100,000	
PL 480 PROGRAMS				
BUREAU SUB - GOAL III.B.: Diminish participation in production, trafficking and abuse of narcotics.				
PL 480 TITLE II	12,000	12,000	12,000	Alternative Development
PL 480 TITLE III	19,000	15,000	15,000	Alternative Development
GRAND TOTAL	153,500	161,350	157,000	

2. Operating Expenses (O.E.) and Staffing Analysis

Overview

The major O.E. budget issue confronting the Mission this fiscal year, and for fiscal years 1993 and 1994, is the construction of and final move to the new office building (NOB). In FY 1991, the Bureau increased the Trust Fund (TF) ceiling, enabling the Mission to spend approximately \$1.2 million from the TF to buy property for construction of the NOB. The current estimate for the construction and final move to the building is \$4.8 million. The Mission is estimating the following resource requirements to carry out normal operations and to be permanently installed in the NOB.

TF Requirements (\$000,000s)

	<u>Dollar Level Requirement</u>	<u>Recurring Costs</u>	<u>NOB Costs</u>	<u>Total TF Required</u>	<u>Total Budget</u>
FY 1992	\$2.4	\$2.9	\$3.5	\$6.4	\$8.8
FY 1993	\$2.7	\$4.0 ^{1/}	\$1.0	\$5.0	\$7.6
FY 1994	\$2.8	\$3.0	\$0.3	\$3.3	\$6.1
Total Reserve levels required 1992-1994	\$7.9	\$9.9	\$4.8	\$14.7	\$22.5

As a result of the above, the "cash balances" on hand for fiscal years beginning in 1991 will be the following:

	<u>Recurring Costs</u>	<u>NOB</u>	<u>Total</u>
Balance 9/30/91	\$ -	\$ 1.2	\$ 1.2
1992 deposits (from BOP)	2.9	3.1	6.0
1992 disbursements	<u>(2.5)</u>	<u>(2.0)</u>	<u>(4.5)</u>
Balance 9/30/92	0.4	2.3	2.7
1993 deposits (from BOP)	3.0	1.7	4.7
1993 disbursements	<u>(3.2)</u>	<u>(3.0)</u>	<u>(6.2)</u>
Balance 9/30/93	\$ 0.2	\$ 1.0	\$ 1.2
	=====	=====	=====

¹ Includes \$1.0 million estimate for AID's cost of past service liability to new pension system as foreign national employees are not currently covered. Department of State is examining the possibility of permitting a private plan.

The above deposit amounts for 1992 and 1993 take into account contributions for an eighteen month reserve at the end of each fiscal year for recurring costs. Although the GOB has tentatively agreed to a \$6.0 million TF deposit from the 1992 Balance of Payment Program (even though AID/W has cut \$25 million from core ESF), sustaining 1993 and 1994 levels of TF's may be difficult.

Staffing

Staffing levels have remained almost constant over the past year. Funding for Mission positions has been provided by the combined use of trust funds and dollars for all FSN and local national PSCs who perform essentially management or service functions. Project funds support a number of local national and U.S. PSC personnel whose activities are exclusively project related, such as management of the Mission participant training programs and the CORDEP project. The table below presents a breakdown of Mission staffing levels and sources of funding for a total of 226 staff positions.

	<u>USDH</u>	<u>USPSC</u>	<u>FNDH</u>	<u>FNPS</u>	<u>Total</u>
Office of the Director	4 ^{1/}	1	1	4	10
Executive Office	3 ^{2/}	4	8	69	84
Office of the Controller	2	-	9	22	33
Office of Dev. Planning	2	1	2	15	20
Office of Project Dev. and Implementation	3	5	2	13	23
Office of Agriculture and Rural Development	4	6	4	20	34
Office of Trade and Investment	2	4	2	4	12
Office of Health and Human Resources	3	1	2	4	10
Total staff	<u>23</u>	<u>22</u>	<u>30</u>	<u>151</u>	<u>226</u>

The Mission plans to maintain these staffing levels, adding only previously approved, unencumbered positions. Management of an effective development program of increased USG priority and increased funding, with these staffing levels, is a major challenge. Our stra-

¹ Includes regional (RLA) position.

² Includes regional (RCO) position.

Note: Of the above staff, 166 are funded from O.E.

tegric objectives require a strong field presence. Although management improvements are being made within some of our counterpart organizations, most programs require close monitoring and vigilance. Any reduction in staffing would seriously compromise the implementation of U.S. foreign policy and development objectives in Bolivia.

Some of the measures we are taking to alleviate the pressures on our staff include consolidation of the program portfolio, giving technical offices full implementation responsibility through a series of delegations of authority and streamlining local procurement practices wherever possible.

What to give up if OE is reduced

This is a difficult question to answer. The trust fund projections provided above indicate that the Mission can continue to sustain the proposed staff levels through FY 1994, at which time NSD-18 funds may be phased out. We have consolidated our development program to the point where current staffing levels will be adequate for its implementation. We are not prepared to compromise any of our programs by further reductions in direct hire U.S. and Bolivian staff. In other words, we could not pursue the objectives as outlined in the Program Objectives Document with reduced staff. If the Mission OE budget, hence staffing levels, were reduced, we would be forced to eliminate certain core programs. Decisions regarding which programs to cut would be determined by U.S. foreign policy priorities and Bolivia's economic development needs.

Current Mission staffing levels are now barely adequate for monitoring and accountability responsibilities. After years of hard work, Mission staffing levels have finally achieved minimum parity with an expanding program. Any reduction in personnel would increase the Mission's vulnerability and jeopardize the proper management of AID's most critical and high profile projects. If anything, this Mission needs additional staff to implement new IG Recipient Audit requirements (as discussed below), to meet increased service demands from client USAIDs in Uruguay, Argentina and Paraguay, and to comply with additional AID/W requirements such as:

- Buy American Source/Origin reporting,
- Increased project monitoring, evaluation and management information systems,
- Increased oversight responsibilities for:
 - a. local currency
 - b. host country counterpart contributions and
 - c. commodities.

Other comments

The Action Plan guidance cable asks the Mission to examine staff composition to administer the non-federal audit (NFA) program. We note that the IG seems to be moving away from NFA's toward recipient audits. The Mission is very concerned with the apparent heavy additional workload which will result from the new recipient audit requirements. Recipient audit responsibilities will consume a significant portion of already overburdened Controller's Office staff time.

D. Mission Issues

1. Education - Should the Mission Be Actively Involved In This Sector?

There is general agreement among economists and other development specialists in Bolivia, and in the donor community, that improvement in education - particularly primary education - is essential for real sustainable economic growth and progress in any specific development sector. The World Bank is currently examining measures to improve basic education in Bolivia and is generally considered the lead donor agency on reforming education. USAID certainly recognizes the need for reform and the development consequences of a more effective educational system in Bolivia. Therefore, we have stated on a number of occasions, including at the last Consultative Group Meeting in Paris, that we are willing to support World Bank efforts in this sector with policy dialogue and with limited technical assistance. In view of pressures to consolidate the scope of USAID's program in Bolivia, as well as finite human and financial resources, we propose to maintain this stance over the next several years.

2. Director Hire Staff To Support The Democratic Initiatives Strategic Objective

For a period of about five years, USAID has been involved in a limited number of discrete activities to support democratic initiatives in Bolivia. Until relatively recently, we did not have a comprehensive approach. However, over the past year or so, Mission management and the country team, have focussed on conceptualizing this objective and on the specific activities which will have an effect in Bolivia. The Mission now feels that an FTE position is necessary to ensure adequate supervision and management for the specific efforts the Mission knows it wishes to concentrate on.

3. PL-480 Title III

Currently, our PL 480 program of \$20 million a year may have to absorb the cost of shipping each year. We understand that discussions may be underway to establish a central shipping fund for all Title III programs to draw upon. If so, we endorse this approach, as the Mission made clear in its Title III submission that it wishes to implement a program of \$20 million a year. If shipping is taken out of the yearly program total, the Mission will be implementing a smaller program than what was presented in Washington - i.e. a program of only \$15 million a year in the future.

4. Program Reporting

We are pleased that the LAC Bureau is consolidating program reporting

requirements. However, we think further attention should be given to reducing reporting requirements for Andean Countries, which at the moment must report on narcotics-related assistance on a quarterly basis and on other assistance on a biannual basis. There is an element of redundancy in these requirements. Quarterly reporting takes time away from implementation and defeats the purpose of calling for reports on progress. We also believe that it would be more cost-effective to concentrate our efforts on semi-annual reporting and intensive implementation.

Annex A

NEW PROJECT DESCRIPTIONSSummary - Portfolio Analysis

Since FY 1990, USAID/Bolivia's project portfolio has been influenced by two important cross currents: on one hand, the need to focus and concentrate the program on well defined and limited strategic objectives, resulting in the termination of many projects and reduction of management units; and on the other hand, the need to undertake a rapid response to the "Alternative Development" initiative which has entailed beginning new NSD-18 funded projects in FY 1991, and at the same time continuing projects consistent with our core objectives. While it was vital to focus on Alternative Development in order to begin to have impact during the short NSD-18 funding period (FY 1991-94), the resulting project mortgage and numbers of active projects in the portfolio clearly indicate the need to emphasize program implementation over new starts.

In FY 1994, the Mission intends to authorize only two new projects (Environmental Awareness 511-0627 and Municipal Democratic Initiatives, 511-0628) besides the FY 1994 ESF Balance of Payments Support Project, 511-0606. The first new initiative supports the Mission's strategic objective to "reduce degradation of forest, soil and water resources." The second new project supports the Mission's strategic objective to "improve the effectiveness and accessibility of democratic institutions." During FY 1993, the Mission proposes to authorize one new program (ESF FY 1993 Balance of Payments Program, 511-0605) and two amendments to ongoing projects (Reproductive Health 511-0568 and Training for Development, 511-0584) addressing the three of five remaining Mission strategic objectives (Alternative Development, Family Health, and Trade and Investment, respectively). In summary, six initiatives are proposed during the 1993/94 timeframe, each one addressing one of the Mission's five strategic objectives.

The Mission plans to terminate seven AID-funded projects during FY 1992 as current PACDs are reached. Follow-on projects for five of these terminating projects already have been designed and obligated. A follow-on to another project is in the design stage with an initial obligation planned for May 1992. The remaining project falls outside of new Mission strategic objectives and, hence, no follow-on is contemplated. During FY 1993, an

additional eight AID-funded projects are due to terminate. We anticipate that activities focussed on strategic objectives within four of the terminating FY 1993 projects will be incorporated into currently ongoing or to-be-designed projects.

The Mission presently anticipates completing three projects in FY 1994 (See Terminating Projects Table) thus completing the majority of pre-NSD-18 era projects.

TERMINATING PROJECTS

A. FY 92

- 1) 12/31/91 Narcotics Awareness 511-0592*
- 2) 12/31/91 PVO Child Survival Network 511-0601*
- 3) 05/12/92 Radio Learning 511-0597*
- 4) 05/31/92 Chapare Regional Development Project 511-0543*
- 5) 06/30/92 Policy Reform 511-0571*
- 6) 09/08/92 Low Cost Shelter 511-0567
- 7) 09/30/92 Andean Peace Scholarships 598-0640.01*

B. FY 93

- 1) 12/31/92 Private Agricultural Organizations 511-0598
- 2) 12/31/92 Justice Sector 511-0609*
- 3) 12/31/92 Human Rights Initiatives 598-0591*
- 4) 01/22/93 Market Town Capital Formation 511-0573
- 5) 08/15/93 Micro & Small Enterprise 511-0596*
- 6) 09/30/93 Industrial Transition 511-0577
- 7) 09/30/93 PVO Management Support 511-0578
- 8) 09/30/93 National Rural Household Survey 511-0612

C. FY 94

- 1) 12/31/93 Democratic Institutions 511-0610
- 2) 03/30/94 Strengthening Financial Markets 511-0598
- 3) 09/30/94 Andean Peace Scholarships 511-0603

* Follow-on Projects Underway or Planned

In pursuing the Mission's five strategic objectives, USAID/Bolivia proposes three new starts in FY 1992 (Administration of Justice, Policy Reform II, and Sustainable Forestry Management - all previously approved by AID/W), no new starts in FY 1993 except the ESF Balance of Payments Program, and three new starts in FY 1994 (ESF Balance of Payments, Environmental Awareness and Municipal Democratic Initiatives), for a total of six new starts over the Action Plan timeframe. As a result, a net reduction of 14 AID-funded projects is programmed by the end of FY 1994.

By the end of FY 1994, the Mission will have consolidated its portfolio from a high of 37 projects in FY 1991, to 20 projects (possibly 21 if Industrial Transition is extended from its current FY 93 PACD). The following table demonstrates a portfolio tightly focussed within the Mission's five strategic objectives.

ACTIVE PROJECTS AT THE END OF FY 1994

OBJECTIVE	PROJECT	LOP FUNDING (\$000)
Health	Rep. Health Services	14,000
	Comm./Child Health	20,000
	Self-Financing	
	Primary Health Care	6,500
	HIV/STDS Prevention & Control	4,000
	CARE Community Development	8,000
	Interactive Radio Learning	5,000
	Child Survival PVO Network II/PROCOSI	8,000
		----- 65,500
Alt. Development	Drug Awareness	9,220
	Electrification	15,000
	CORDEP	80,000
	----- 104,220	
Supporting Democracy	Bolivian Peace Scholarships	4,500
	Special Dev. Activities	500
	Administration of Justice	8,000
	Municipal Development	4,000
		----- 17,000
Trade & Investment	Export Promotion	28,460
	Management Training	6,000
	Training for Dev.	12,000
	----- 46,460	
Environment	Forestry Management	15,000
	Environmental Awareness	5,000
		----- 20,000
Cross Cutting	Technical Support for Policy Reform	8,000
TOTAL PROJECT PORTFOLIO (Excluding BOP Programs)		261,180

NEW PROJECT DESCRIPTIONS(For FY 93/94 Action Plan)FY 92

- 1) Sustainable Forestry Management (511-0621)
- 2) Community and Child Health Amendment (511-0594)
- 3) Democratic Institutions (511-0610)

FY 93

- 1) FY 1993 Balance of Payments (511-0605)*
- 2) Reproductive Health Services Amendment (511-0568)
- 3) Training for Development Amendment (511-0584)

FY 94

- 1) Environmental Awareness (511-0627)
- 2) Municipal Democratic Initiatives (511-0628)
- 3) FY 1994 Balance of Payments (511-0606)*

* One NPD for both projects

Annex A
Table 9A

ROLE OF PROPOSED NEW INITIATIVES IN ACHIEVING
USAID PROGRAM LEVEL OBJECTIVE

Country : Bolivia

Proposed New
Project and Program : Sustainable Forest
Management

Number : 511-0621 3.

ACTIVITIES	PROGRAM OUTPUTS	STRATEGIC OBJECTIVE
Policy dialogue, institution building, awareness campaigns.	Build consensus with public, private sectors on key environment natural resources management problem and opportunities.	Reduce degradation of forest, soil and water resources.
Applied research, policy formulation, implementation of decentralization law, training.	Improve public and private sector institutional capacity for sustainable resource use and environmental protection.	
Training through workshops, radio and T.V.	Increase public awareness of environmental protection and sustainable natural resources management issues.	
Development of related strategies and regulations, applied research, and training.	Strengthen sustainable forestry, soils and water management initiatives.	

NEW PROJECT DESCRIPTION

LAC Bureau Goal: Support the achievement of broadly based economic growth.

Sub-goal: Encourage preservation and sustainable use of the natural resource base.

Mission Strategic Objective: Reduce degradation of forest, soil and water resources.

Project Name: SUSTAINABLE FORESTRY MANAGEMENT

Project Number: 511-0621

Project Funding: FY 1992: \$2.05 million; LOP \$15.0 million

Type of Funding: ARDN

A. Consistency of Project with Mission Strategy

This new project directly supports the Mission's strategic program objective to reduce forest, water and soil degradation through better forestry and watershed management practices and policies. It embodies the Mission's two-track strategy to preserve Bolivia's natural resource base by emphasizing both sustainable use and protection. In addition, it indirectly supports the Mission's trade and investment objective by encouraging development of non-traditional exports, and strengthens the Alternative Development objective by providing new income streams to rural producers in coca-producing areas. Finally, it will help generate employment and foreign exchange earnings, and contribute to the Mission's cross-cutting theme of sound economic policy.

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

The project will have four closely integrated components. The first two address sustainable, environmentally sound production of some of Bolivia's most important non-traditional export crops, timber and non-timber forest products. The second two components address closely related protection of forested watersheds and management of areas contiguous to national parks.

Although several bilateral and multilateral donors have programs designed to increase agricultural productivity in the eastern lowlands, none are designed to improve the management of the primary and secondary growth forests in this region. Similarly, while increased international attention is gradually being given to lowland forest protection in Bolivia, less is being paid to developing private sector strategies for more sustainable forest use, and to explore the complementarities between production and protection. A focus on sustainable economic use of forested watersheds, in particular in areas adjacent to national parks ("buffer zones"), would therefore address several of Bolivia's most important environmental problems.

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

Sustainable natural resource management and preservation of biodiversity are two themes which have been singled out for particular attention by both AID and the U.S. Congress. The LAC Bureau has also called for increased emphasis on natural forest management to reduce tropical deforestation. This project will play an important role in addressing these concerns, and should be an excellent candidate for U.S. support to the Global Environmental Facility. In addition, the Mission has taken a leadership role in discussing environmental policy with the GOB, and this project will provide a much needed follow-up to begin to implement that policy.

D. Project Description

The goal of the project is to enhance sustainable natural resource use while protecting biodiversity. The purpose is to introduce more economically and environmentally sound practices into the forestry sector and thereby improve watershed management and park protection.

The first component of this project will focus on natural forest management, in particular on mimicking natural regeneration processes to achieve sustainable production of high value tropical hardwoods (e.g. mahogany). It will use the watershed (component 3) as the most appropriate unit of analysis and action, and contribute importantly to the development of comprehensive strategies to prevent the further degradation of these key ecological areas. These strategies (addressed to both the public and private (including for-profit sectors) will include detailed plans for applied research and analysis to ensure the sustainable harvest of hardwoods and other forest products. In addition, the feasibility of expanding production and export of non-timber forest products - thereby increasing the value of the standing forest - will be explored in detail.

The second component will improve the utilization of secondary growth forests which are more commonly found in and around the Chapare area. These can offer an alternative source of income to coca production, though their real economic potential remains largely unexplored. Applied research and technical assistance will play an important role in identifying additional economic benefits that can be obtained from such forests.

The third and fourth components complement these activities. Specifically, technical assistance and training will be provided to governmental and local non-governmental organizations to develop and implement watershed-level management plans, strategies, and policies to help prevent further degradation of critical watersheds. These will include the forested buffer zones addressed under components one and two, thereby helping to protect the national parks they surround. As noted above, this will be done principally by increasing the value of the standing forest through development of sustainable timber and non-timber extraction schemes.

E. Planned Implementation Arrangements

The project will be implemented through several private and public sector organizations which are active in critical forested watersheds in Bolivia, using the newly created GOB environmental fund for the environment (FONAMA) as the overall administrator of the funding. This approach will facilitate collaboration between all key participants, including other donors, and beneficiaries. A U.S. institutional contractor will provide the technical assistance, training, and procure commodities, as needed.

F. Sustainability

Since the project is designed to improve the efficiency of forestry production and utilization, sustainability will depend on the identification of economically sound interventions which are ecologically prudent. No new institutions are envisioned, as the project will support the Mission's emphasis on strengthening the relevant public and private sector organizations already working for better environment and natural resources management.

G. Mission Management Role

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

H. Potential Issues

The project will be implemented through two innovative

approaches. The first will be to use the Environmental Fund as the umbrella administrator for the funding. This will enhance cooperation among both Bolivian institutions and other donors. The second is to bring together the industry, GOB, environmental and indigenous organizations, and other key stakeholders to work towards a common goal.

Table 9B

ROLE OF PROPOSED NEW INITIATIVES IN ACHIEVING USAID

PROGRAM LEVEL OBJECTIVE:

Country : Bolivia

Proposed New
Project and Program : Community and Child Health
(Amendment)

Number : 511-0594

ACTIVITIES	PROGRAM OUTPUTS	STRATEGIC OBJECTIVE
Operational research.	Policy improvement.	improve family health throughout Bolivia.
Institutional Development and Community participation.	Institutional Capabilities strengthened.	
Chagas House improvement program.	Community infrastructure improved.	

NEW PROJECT DESCRIPTION(Project Amendment)

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

Sub-goal: Increase investment opportunities for the disadvantaged.

Mission Strategic Objective: Improve family health throughout Bolivia

Project Title: COMMUNITY AND CHILD HEALTH

Project No.: 511-0594

Funding: FY 1992 - NA LOP:\$20,000

Type of Funding: CH (16,964)
HE (3,036)

A. Consistency of Project with Mission Strategy

The project is consistent with our strategic objective to improve family health throughout Bolivia. In order for the population to benefit from, and contribute to economic growth, they must be healthy.

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

The project is consistent with A.I.D. Child Survival and Health strategies, and the Mission Family Health strategic objective. Close coordination is maintained with UNICEF and PAHO, the main donors in the health field.

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

The project coincides with A.I.D.'s Health and Child Survival policies by improving the quality of human life through immunizations and oral rehydration and improvement of health service delivery.

D. Project Description

The goal of the project is to improve the health status of the rural population. The purpose of the project is to reduce infant

and child mortality and morbidity through child survival interventions, institutional development and community participation. The project amendment will provide an additional \$3.5 million for the national immunization, diarrheal disease control/cholera, and Chagas' disease programs for a new LOP of \$20 million.

The amended project will: 1) provide an additional \$2.5 million to the national immunization and DDC/cholera programs including commodities, technical assistance and training; 2) amend the integrated child survival component as recommended by the mid-term evaluation, and; 3) provide an additional \$1 million for the Chagas' disease component to conduct further operation research on the optimum technologies for vector control, and to operationalize the national Chagas' disease program.

E. Planned Implementation Arrangements

The amendment will be obligated through a Project Grant Agreement Amendment with the Government of Bolivia. The project will continue to be implemented through the Community and Child Health Project Management Unit, and through USAID direct contracts.

F. Sustainability

Through the provision of training and technical assistance, systems are being enhanced within the Ministry of Health to provide improved institutional capacity to implement child survival activities. The Chagas' disease component is developing a national Chagas' disease foundation which will coordinate activities funded by a variety of donors as well as administer rotating funds for house improvement.

G. Mission Management Role

The project will continue to be managed by the Mission's HHR Office. The Community and Child Health Project's management unit has been certified to enter into Host Country Contracts, and will provide most of the administrative functions.

H. Potential Issues

The current PACD is July 28, 1994. Since the bulk of the additional funding probably will not be available in FY 1993, a one-year PACD extension will be required.

Table 9C

ROLE OF PROPOSED NEW INITIATIVES IN ACHIEVING USAID
PROGRAM LEVEL OBJECTIVE:

Country : Bolivia

Proposed New
Project and Program : Democratic Institutions
(Amendment)

Number : 511-0610

ACTIVITIES	PROGRAM OUTPUTS	STRATEGIC OBJECTIVE
Support for National and Municipal Elections, public education, training.	Increase citizen participation in decision-making.	Improve the effectiveness and accessibility of key democratic institutions.
Training of legislators.	Strengthen law-making process.	
Juror training and technical assistance.	Improve respect for and application of the rule of law.	
Automated electoral registry implementation of the SAFCO law.	Improve citizen confidence in management of public resources and institutions.	

NEW PROJECT DESCRIPTION**(Project Amendment)**

IAC Bureau Goal: To support the evolution of stable democratic societies.

Sub-goal: Encourage the strengthening of competent civilian government institutions. Encourage pluralism, tolerance of opposing views and support of democratic values.

Mission Strategic Objective: Improve the transparency, accountability, and accessibility of national and local institutions which are fundamental to democratic development.

Project Title: DEMOCRATIC INSTITUTIONS (DI)

Project Number: 511-0610

Funding: FY 92: \$1,300,000
LOP: \$3,000,000

Type of Funding: PSEE: \$450,000 (original)
ESF: \$1,250,000 (Amend. No.1)
ESF: \$1,300,000 (Amend. No.2)

A. Consistency of Project with Mission Strategy

The former Mission CDSS established that the strengthening of democratic institutions, including the electoral courts and the Congress, was to be a strategic goal for the 1989-93 period. The Democratic Institutions Project aims to consolidate the electoral system and improve some aspects of the legislative process. These two target institutions (electoral courts and Congress) are critical components of civilian democratic government. Both reach to the national and local levels. Electoral and legislative performance are under the constant scrutiny of political leaders, public opinion makers, ordinary voters, and dissident anti-system groups. The peaceful evolution of a stable, democratic society is directly dependent on the

effectiveness, credibility, and accessibility of the electoral system and the legislative process, which the DI Project directly seeks to improve.

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

The DI Project Amendment will complement the activities of two projects centered on the judicial system: the Justice Sector (JS) project (511-0609), originally authorized in 1988, and the Administration of Justice (AOJ) project (511-0626), currently under design. The DI Project, by assisting in the consolidation of the electoral system, will have an impact on the composition of Congress, which is in turn responsible for nominating and overseeing justice officials at the highest level (Supreme Court, Attorney General).

No other donors are currently providing direct assistance to the Congress or the Electoral Courts. The World Bank is funding the SAFCO financial accountability project under legislation drafted with World Bank assistance (approved by the Bolivian Congress in 1990), and a project seeking to improve access to non-traditional forms of credit through reforms designed to enhance judicial recognition and enforcement of security instruments and secured transactions.

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

One of the three overall goals of the USG in Bolivia is to strengthen democratic institutions. By supporting the electoral system and the legislative process, the DI project directly supports this objective. The two other principal goals of U.S. policy in Bolivia are sustainable economic growth, and reduction of illegal drug production and trafficking.

The proposed improvements of the legislative process will support economic objectives by expediting the passage and implementation of economic legislation, such as the privatization law. By establishing an automated national voter registry and improving the capacity of the electoral courts to identify and prosecute electoral fraud, the DI Project will reduce opportunities for drug-financed candidates and parties to dilute the value of the valid vote and to distort the electoral system.

D. Project Description

The goal of the project is to assist Bolivia in the consolidation of its democratic institutions and practices. The purpose of this project amendment is to improve the functioning of the electoral system and broaden participation in the electoral process; improve the administration and bill drafting functions

of the Congress; and support pro-democracy organizations.

The amended project will improve the electoral and legislative branch in Bolivia through: an automated electoral registry, voter education/motivation campaigns, juror training, electoral seminars, administrative needs assessment, and improved electoral infrastructure; and training for legislators, committee advisors, and support staff, automated legislative documents retrieval systems, and improved congressional research facilities.

The previous Amendment No. 1 of the Democratic Institutions project provided funds to assist in the municipal elections of December 1, 1991. The presently proposed amendment No. 2 is required in order to finance assistance for the general elections of May 1993, and the preparation of the December 1993 nationwide municipal elections. The continuation of legislative support through the new PACD of December 31, 1993, is also financed through this proposed amendment.

E. Planned Implementation Arrangements

Funds will be obligated through a bilateral agreement with the Government of Bolivia. Cooperative agreements will be signed with specialized agencies, such as CAPEL, SUNY, CLD, or UASB, which undertake activities in these areas. Project Implementation Units (PIU's) within the National Electoral Court and Congress will be established with GOB funds provided under the DI Project. These units will be directly responsible for day-to-day project implementation.

F. Sustainability

This project will assist in improving key democratic institutions which are currently financed with GOB funds. The GOB will continue to sustain these institutions after this project is completed.

G. Mission Management Role

The Mission's Democratic Initiatives Division of the PD&I Office will be directly responsible for project monitoring and procurement of services for technical assistance and project management.

H. Potential Issues

None

Table 9D

ROLE OF PROPOSED NEW INITIATIVES IN ACHIEVING USAID
PROGRAM LEVEL OBJECTIVE

Country : Bolivia

Proposed New
Project and Program : FY 93/94 Balance
of Payments Programs

Number : 511-0605
511-0606

ACTIVITIES	PROGRAM OUTPUTS	STRATEGIC OBJECTIVE
Provision of balance of payments funds.	Increase employment, income, investment and foreign exchange.	Transform the Bolivian Economy through increased employment, income, investment and productivity in non-coca activities.
Conditions to receipt of balance of payments funds.		

NEW PROJECT DESCRIPTION

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

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

Mission Strategic Objective: Alternative Development

Project Name: FY 1993-94 BALANCE OF PAYMENTS SUPPORT

Project Number: 511-0605
511-0606

Project Funding: FY 1993: \$66.0 million; FY 1994: \$66.0 million

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

A. Consistency of Project with Mission Strategy

The project goal and the Mission strategy are one and the same - to transform the Bolivian economy through increased employment, income, investment and productivity in non-coca activities.

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

This is a continuation of a four-year NSD-18 funded ESF program begun in FY 1991. The GOB negotiated a three-year Enhanced Structural Adjustment Facility (ESAF) with the IMF in mid-1988, which may be extended for a fourth year, beginning in July, 1992. The GOB is also successfully implementing complementary structural adjustment programs supported by the IBRD and the IDB. The GOB successfully concluded Paris Club negotiations on January 24, 1992 under the new Trinidad terms.

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

The ESF balance of payments assistance program supports the basic goals of USG policy in Bolivia, which are: a) support for a

stable and democratic government and institutionalization of the

democratic process, b) private sector led economic recovery and promotion of self-sustaining economic growth, and c) narcotics control.

D. Project Description

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

This ESF program will continue to provide balance of payments assistance in support of the GOB's economic stabilization and reactivation efforts. It will contribute foreign exchange resources to finance imports of raw materials, spare parts, intermediate and capital goods from the United States and to finance external debt reduction. Through the generation of local currency, the ESF program will provide the GOB with funds to meet the GOB counterpart requirements to finance key USAID projects (including the Alternative Development Program), GOB and multilateral donor projects. The population as a whole benefits from an improved economy. Local currencies programmed under this project directly benefit the target populations of USAID and other donor development projects in high priority sectors.

E. Planned Implementation Arrangements

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

F. Sustainability

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

G. Mission Management Role

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

H. Potential Issues

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

Table 9E

ROLE OF PROPOSED NEW INITIATIVES IN ACHIEVING USAID
PROGRAM LEVEL OBJECTIVE:

Country : Bolivia

Proposed New
Project and Program : Reproductive Health (Amendment)

Number : 511-0568

ACTIVITIES	PROGRAM OUTPUTS	STRATEGIC OBJECTIVE
Improved management information system to support more effective policy decisions.	Policy improvement.	Improve family health throughout Bolivia.
Improved health support services.	Institutional capabilities strengthened.	
Expanded geographic coverage of health services.	Community infrastructure improved.	

NEW PROJECT DESCRIPTION**(Project Amendment)**

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

Sub-goal: Increase investment opportunities for the disadvantaged.

Mission Strategic Objective: Improve family health throughout Bolivia.

Project Title: REPRODUCTIVE HEALTH SERVICES

Project No.: 511-0568

Funding: LOP: 14,000

Type of Funding: POP (12,416)
CS (1,584)

A. Consistency of Project with Mission Strategy

The project is consistent with our strategic objective to improve Family Health throughout Bolivia. In order for the population to benefit from economic growth, and to contribute to economic growth, they must be healthy.

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

Providing technical assistance via A.I.D.'s Cooperating Agencies/Contractors will improve and increase the access and quality of reproductive health care in Bolivia, in conjunction with PAHO/UNFPA and other donors to assure implementation within NGO and GOB facilities. Coordination of reproductive health service activities with the GOB and other donors is one of the primary project activities.

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

The project coincides with AID's policy by improving the quality of human life and expanding the range of individual opportunities by improving health and social well-being (See A and B).

D. Project Description

The goal of the project is to improve family health, specifically maternal and child health in Bolivia. The purpose of the project is to increase the access and quality of reproductive health care services through the GOB and NGOs. The amendment will provide an additional \$4.7 million for an LOP of \$14 million.

The amended project will: 1) contribute to the continuation of the provision of support services, including technical assistance, training, management information systems, and institutional self-sufficiency, to the GOB and NGOs; and 2) contribute to the expansion of project to cities other than La Paz, Cochabamba and Santa Cruz with the intention of increasing geographic coverage.

E. Planned Implementation Arrangements

The project will be obligated through a Project Grant Agreement Amendment with the Government of Bolivia and Cooperative Agreement/Contract Amendments with Washington implementing agencies, which will provide technical assistance in all major areas of program direction such as policy, research, services, training, communications, management, etc.

F. Sustainability

Provision of consistent, timely administrative and technical assistance, to several local NGO organizations, the Social Security Institute (CAJA), Social Policy and Population Unit (Unidad de Politica Social y de Poblacion, formerly CONAPO) and relevant parts of the MOH, will create institutional capacity, to improve the sustainability of these institutions and to improve the quality and implementation of their projects in order to lead to overall expansion of reproductive health services in Bolivia.

G. Mission Management Role

The project will be managed by the Mission's HHR Office, but major portions of the project will be also directly implemented by AID Contractors/Cooperating Agencies. Therefore, the Mission role will be to define, monitor, and coordinate project implementation activities.

H. Potential Issues

1) In order to utilize funds properly and based upon normal late FY obligations, the current project needs to be extended through September 30, 1997 to allow sufficient time to receive and obligate funds for this amendment.

2) In turn, project support will be limited to components which USAID/Bolivia can readily access technical assistance in order to implement major program areas.

Table 9F

ROLE OF PROPOSED NEW INITIATIVES IN ACHIEVING
USAID PROGRAM LEVEL OBJECTIVE

Country : Bolivia

Proposed New
Project and Program : Training for Development
(Amendment)

Number : 511-0584

ACTIVITIES	PROGRAM OUTPUTS	STRATEGIC OBJECTIVE
Design and implementation of improved economic and public policies.	Increase non-traditional exports and related employments.	Increase non-coca trade & investment.
Improve Bolivian financial skills.	Attract investment.	
Upgrade human resources base at the policymaking level.	Reform financial markets.	

NEW PROJECT DESCRIPTION(Project Amendment)

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

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

Mission Strategic Objective: Trade and Investment; also cross-cutting.

Project Title: TRAINING FOR DEVELOPMENT

Project No.: 511-0584

Funding: FY 1993: \$1.5 million; LOP: \$12.0 million

Type of Funding: EHR

A. Consistency of Project with Mission Strategy

The project is consistent with USAID/Bolivia's cross-cutting efforts to promote the formulation and implementation of market oriented policies and promote growth, and with USAID's objective to improve the effectiveness and accessibility of key democratic institutions. This project will provide critical underpinning to the long-term achievement and sustainability of the Mission's strategic objectives in the areas of Trade and Investment, and Alternative Development.

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

This project will (1) support Bolivian private and public sectors in the area of policy and institutional reform, (2) improve the GOB's capacity to absorb external disbursements and manage implementation of donor financed projects, and (3) complement World Bank training efforts under the Education Reform project and under the SAFCO project aimed at improving the GOB's

financial and administrative accountability in public sector activities, and the IDB financed Civil Service Program in Bolivia.

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

This project supports the objective of broadly-based and sustainable growth by contributing to Bolivia's economic and institutional development through the improvement of (1) Bolivia's human resource base, and (2) its higher private education institutions. As has been demonstrated in numerous studies, human capital constitutes one of the major factors for the achievement of long-term, sustainable economic growth. This project supports directly the Mission's Industrial Transition, Alternative Development, and Policy Reform projects, and the Administrator's initiative in Democracy, Business and Development Partnership and Strategic Management, especially in fostering U.S.-Bolivian linkages through both countries' universities.

D. Project Description

The original goal of the project is to promote Bolivia's economic recovery and to enhance its democratic system. This amendment will also put emphasis on the institutional accountability of the latter. The original purpose of the project was to expand the country's human resource base by increasing the number of U.S.-trained individuals who occupy policy level and leadership positions in the private sector, the labor movement and, above all, in the Government. This amendment will modify the project's purpose to: expand the country's human resource base by increasing the number of U.S. and in-country trained individuals who occupy policy level and key technical positions in the private sector and, particularly, in the Government.

This amendment will (1) phase-down short and long-term training in the U.S. while it will increase short and long-term training in Bolivia with the participation of a U.S. university, and (2) focus the training programs on economics, administration, and public and private accounting/auditing.

The project will be implemented by institutions such as the Catholic University (CU) of La Paz and a cooperating U.S. university (Harvard University, Northeastern University, The American University, University of Southern California and University of Miami have already expressed interest). The project will bring to Bolivia Spanish speaking U.S. university professors who, in collaboration with well qualified Bolivian professors, will design course curricula, lecture, and develop short-term and Master's degree programs in the aforementioned

subject areas. Outstanding candidates in Master's degree programs may also have the opportunity to study their last year at a cooperating U.S. university. The focus will be on improving the design and implementation of economic and public policies, including public sector accountability, and managerial and financial skills. Courses will be tailor-made to the particular circumstances and problems of the Bolivian economy and the public and private sectors, thus contributing effectively to the development of the country's human resource base and strengthening the project's support to the Mission's five strategic objectives.

The project will have access to AID/W's University Linkages Project grant of \$100,000 per annum, thus achieving an additional AID/W objective, which is "the internationalization of U.S. universities." Furthermore, the project will also establish a linkage with AID/W's Regional Technical Assistance Center (RTAC-II) project initiated in 1987, whose objective is to contribute to the educational development of Third World countries. This project supplies low-cost American textbooks translated into Spanish which are published in Latin America.

E. Planned Implementation Arrangements

Catholic University (CU) has expressed a strong interest in this kind of project. CU is the oldest, most experienced, and most prestigious private university in Bolivia. Unlike other private universities in the country, CU is located in La Paz, the largest and most important city of Bolivia, and site of the government. It is expected that funds will be obligated through a collaborative agreement between a Bolivian university such as CU in collaboration with a U.S. university, and USAID/Bolivia, as a result of a proposal developed using the Collaborative Assistance Method for project design.

F. Sustainability

The project will seek additional financing from the World Bank and other international organizations, U.S. universities and foundations, the private sector and the GOB. During the implementation of the project, the possibility of creating an interest bearing trust fund to help finance the programs beyond the life of the project will be explored. It is important to bear in mind that the project will train qualified Bolivian professors on the job to replace the U.S. professors in the future, while maintaining effective technical assistance activities with the U.S. university. Thus, the financial requirements beyond the Life of Project are expected to be modest.

G. Mission Management Role

The Economics Office and the Program Office, through its Training Division, will participate in the development of a PID and collaborate with the selected local university in the development of a proposal for design and implementation of the project. The Training Division of the Program Office will manage the project. Actual day-to-day management of the project will be done by a special unit set up for this purpose by the implementing university, thereby minimizing the management burden on the Mission.

H. Potential Issues

Availability of funds for non-primary education programs.

Table 9G

**ROLE OF PROPOSED NEW INITIATIVES IN ACHIEVING
USAID PROGRAM LEVEL OBJECTIVE**

Country : Bolivia

Proposed New
Project and Program : Environmental Awareness

Number : 511-0627

ACTIVITIES	PROGRAM OUTPUTS	STRATEGIC OBJECTIVE
Policy dialogue, training.	Build consensus with public and private sectors on key environmental/natural resources management problems and opportunities.	Reduce degradation of forest, soil and water resources.
Inclusion of environmental concerns in school curricula.	Improve public and private sector institutional capacity for sustainable resource use and environmental protection.	
Environmental public awareness campaigns.	Increase public awareness of environmental protection and sustainable natural resources management issues.	
Policy dialogue, technical assistance and training.	Strengthen sustainable forestry, soils and water management initiatives.	

NEW PROJECT DESCRIPTION

LAC Bureau Goal: Support the achievement of broadly based economic growth.

Sub-goal: Encourage preservation and sustainable use of the natural resource base.

Mission Strategic Objective: Reduce degradation of forest, soil and water resources.

Project Name: ENVIRONMENTAL AWARENESS

Project Number: 511-0627

Project Funding: FY 1994: 1.0 million LOP: \$5.0 million

Type of Funding: PSEE

Project Description

The goal of the project is to enhance sustainable natural resource use and protect Bolivia's fragile resource base. The purpose is to improve production, waste, and sanitation practices by making these more environmentally sound.

The project will develop multi-media (including radio), gender-sensitive environmental education programs targeted to rural and urban populations with critical natural resources (e.g. forested watersheds, areas of major significance for biological diversity) and/or important environmental problems (e.g. water pollution with indiscriminant disposal of organic and inorganic wastes and agrochemicals).

Working closely with the GOB and environmental NGOs (both national and international), such activities could include: curriculum development for school children (building on the lessons learned from Fundacion Natura's success in Ecuador); interactive training workshops for government officials, area residents and community groups; and technical assistance for public forum environmental education activities, including scoping exercises for environmental impact assessments (especially important with implementation of the new General Environmental Law). Equal emphasis will be given to rural and urban environmental issues and audiences.

Table 9H

**ROLE OF PROPOSED NEW INITIATIVES IN ACHIEVING USAID
PROGRAM LEVEL OBJECTIVE:**

Country : Bolivia

Proposed New
Project and Program: Municipal Democratic Initiatives

Number: 511-0628

ACTIVITIES	PROGRAM OUTPUTS	STRATEGIC OBJECTIVE
Enhance citizen involvement in the decision-making process.	Increased citizen participation in decision-making.	Improve the effectiveness and accessibility of key democratic institutions.
Strengthen the capacity of public officials to manage public hearings, complaints and pre publication of norms.	Strengthened law-making process.	
Support the implementation of the SAFCO law.	Improved respect for and application of the rule of law.	
Public officials trained in urban planning, public revenue generation, employment generation and management of public service delivery.	Improved citizen confidence in management of public resources and institutions.	

NEW PROJECT DESCRIPTION

LAC Bureau Goal: To support the evolution of stable democratic societies.

LAC Sub-goal: Encourage the strengthening of competent civilian government institutions. Strengthen public participation in the democratic process.

Mission Strategic Objective: Improve the effectiveness and accessibility of key democratic institutions.

Project Title: MUNICIPAL DEMOCRATIC INITIATIVES

Project Number: 511-0628

Funding: FY 1994: \$1.0 million
LOP: \$4.0 million

Type of Funding: ESF

Project Description

The goal of this project is to improve the transparency, accountability, and accessibility of municipal government institutions. The purpose of this project is to (1) put into operation a sustainable process for participatory decision-making within the Municipal governments (e.g. public hearings, pre-publication of norms for public comment, ombudsmen services such as complaint boxes, etc.); (2) strengthen public administration capabilities among local officials (e.g. urban planning, public revenue generation and management, employment generation, and public service delivery); (3) establish systems within the municipal governments to reduce lengthy and costly bureaucratic procedures (including beneficiary input into defining new procedures); and (4) facilitate the implementation of the SAFCO law within Municipal governments, toward greater transparency and accountability in the allocation of public resources at the local level.

With plans for decentralization legislation targeted for June 1992, the Municipal governments will need to be institutionally

capable of managing newly acquired responsibility and authority. Similarly, with the SAFCO law already on the books, calling for greater accountability in the financial management of public resources, the local governments are tasked with instituting new measures into their management practices. The privatization law, providing new opportunities for the private sector, places additional responsibilities on the local governments to respond in a transparent and efficient manner.

The passing of such critical legislation to the democratization process provides a unique window of opportunity for USAID/Bolivia to strengthen local governments to be able to uphold the "rules of the game." As such, the USAID/Democratic Initiative program can go beyond policy reform - and impact on institutional practices that must be in place to uphold policy. In the recent Municipal elections (12/91) the dominating rhetoric of the successful candidates called for public participation in government decision-making. This project will provide the technical constructs to enable them to keep their word.

The Municipal Democratic Initiative project fills a void in the current programming portfolio, through institutionalizing mechanism that will redefine the "rules of the game" on how local government operates and ensure that the new "rules" are equitable and transparent. To date, the Strengthening Democracy strategic objective is undergoing initiatives that address judicial (and to a lesser extent legislative and electoral) reforms - thereby paving the way for future transparency and accountability in the practices of government. However, there is currently no initiative in Bolivia that is addressing the historic bureaucratic and patrimonial practices that dominate how institutions govern - i.e. practices that limit the access for the majority of Bolivia's citizens to the services of the State. This project will enable the Mission to have impact on reforming the actual practices of these institutions.

Annex B
Table 10

**ESTIMATED FUNDING REQUIREMENTS AND SOURCES
BY STRATEGIC OBJECTIVE – USAID/BOLIVIA
(\$000s)**

DOLLAR FUNDING	FY 92	FY 93	FY 94	FY 95	FY 96
Development Assistance:					
Alternative Development (1)	2,454	7,822	7,045	6,000	5,500
Trade and Investment (2)	1,908	3,611	3,063	3,500	3,500
Family Health (3)	13,488	15,760	10,654	12,000	12,000
Strengthening Democracy (4)	150	950	900	1,000	1,000
Environment (5)	2,050	3,000	4,027	3,500	4,000
Cross-cutting	2,450	3,207	4,311	4,000	4,000
Economic Support Funds:					
Alternative Development (1)	92,550	91,950	92,845	90,000	66,500
Trade and Investment (2)	4,500	5,000	5,155	7,000	6,000
Family Health (3)	0	0	0	0	0
Strengthening Democracy (4)	2,950	3,050	2,000	3,000	2,500
Environment (5)	0	0	0	0	0
AID/Washington DA:					
Alternative Development (1)	0	0	0	0	0
Trade and Investment (2)	0	0	0	0	0
Family Health (3)	1,950	1,800	1,650	1,500	1,200
Strengthening Democracy (4)	0	0	0	0	0
Environment (5)	60	0	200	0	0
TOTAL	124,510	136,150	131,850	131,500	106,200

LOCAL CURRENCY GENERATIONS

PL-480 Title II:					
Alternative Development (1)	3,330	4,200	4,410	4,632	4,860
Trade and Investment (2)	0	0	0	0	0
Family Health (3)	555	700	735	772	810
Strengthening Democracy (4)	1,665	2,100	2,205	2,316	2,430
Environment (5)	0	0	0	0	0
PL-480 Title III:					
Alternative Development (1)	9,650	8,500	8,500	8,000	4,000
Trade and Investment (2)	2,450	970	970	1,000	3,500
Family Health (3)	2,800	2,140	2,140	2,300	3,000
Strengthening Democracy (4)	0	0	0	0	0
Environment (5)	2,800	2,090	2,090	2,200	3,000
Economic Support Funds:					
Alternative Development (1)	26,000	27,000	30,000	30,000	15,000
Trade and Investment (2)	4,000	5,000	5,500	5,500	5,000
Family Health (3)	5,000	6,000	6,000	6,000	5,000
Strengthening Democracy (4)	3,000	4,000	4,000	4,000	4,000
Environment (5)	500	500	500	500	500
TOTAL	61,750	63,200	67,050	67,220	51,100

Note: Local currency funding used for Title III program administration is not included in this table.

Annex C

PROJECT TITLE/RESPONSIBLE OFFICE		Project Number	Monitoring or Evaluation Activity	Scheduled	PACD	Last Eval.
TRADE AND INVESTMENT						
1	Strengthening Financial Markets Project	511 0598	Mid Term Evaluation (THOCAM, BOISA)	8/92	9/94	5/91
2	Micro Enterprise Dev Project	511 0596	Mid Term Evaluation	3/92	8/93	
3	Micro Enterprise Dev Project	511 0595	Final Evaluation	9/93	8/93	2/92
4	Management Training Project	511 0588	Mid Term Evaluation	2/93	7/95	9/88
5	Industrial Transition Project	511 0577	Project Evaluation (Privatization Process)	4/92	9/93	
6	Export Promotion Project	511 0585	Project Evaluation (Export Prom. Component)	1/92	9/95	
DEVELOPMENT PLANNING AND EVALUATION						
7	Training for Development Project	511 0584	Mid Term Evaluation	6/93	6/95	2/90
8	Andean Peace Scholarship Program	511 0603	Impact Evaluation	7/92	9/94	11/91
9	AILED Activities	N/A	Final Evaluation	5/92	6/92	
HEALTH AND HUMAN RESOURCES						
10	Reproductive Health Services Project	511 0548	Project Evaluation/Indicator (re)definition	9/93	9/95	
11	PROSALUD Project	511 0607	Mid Term Evaluation	9/94	5/96	
12	CARE Community Development	511 0618	Mid Term Evaluation	5/93	5/95	
13	Displaced Children Project	511 0624	Mid Term Evaluation (ICV Vocational Training)	3/93	6/94	
AGRICULTURE & RURAL DEVELOPMENT						
14	COOPIC (COOP)	511 0637	Evaluation of Selected Sub-Projects	3/92	9/96	9/90
15	Rural Household Survey Project	511 0612	Evaluation of Survey methodology and Results	8/92	9/93	
16	Private Agricultural Organizations Project	511 0589	Final/Impact Evaluation	8/92	12/92	3/90
17	PCO Management Support Project	511 0576	Evaluation of Municipal Development Strategy	1/94	12/94	9/90
18	PI 480 Title II	N/A	Annual Evaluation	1/93	N/A	
19	PI 480 Title III	N/A	Annual Evaluation	9/92	N/A	9/91
PROJECT DEVELOPMENT & IMPLEMENTATION						
DEMOCRATIC INITIATIVES DIVISION						
20	Justice Sector Project	511 0609	Final Evaluation	9/92	12/92	11/91
21	Democratic Institutions Project	511 0610	Final Evaluation	3/93	6/93	12/91
CROSS-CUTTING EVALUATIONS						
22	Water Resource Management	N/A	Evaluation of Mission Projects that consist of water systems (C.C.I, CAIR, COOPIC, PI 480)	10/92	N/A	N/A

USAID/PERU MONITORING & EVALUATION PLAN
January 1, 1992 through September 31, 1993

Annex D

Mission Workplan for 1992

I. Support the achievement of broadly-based, sustainable economic growth.

B. Encourage a vigorous private sector response.

Mission Objective: Increase non-coca trade and investment.

- Implement the Latin American Agribusiness Development Corporation (LAAD) credit line for non-traditional agricultural exports (May 1992).
- Deliver financial assistance to El Alto Free Trade Zone (March 1992), so that the zone is open for business by mid-1992.
- Conduct all necessary analytical work, and mount public information campaign, so as to give the pension reform the best chance of legislative passage by August 1992.
- Reallocate credit union project funds so as to best support the implementation of mandatory independent supervision (June 1992).
- Implement experimental rural financial services units (December 1992).
- Commence Banco Sol microlending operations (February 1992).
- Terminate Mission involvement with housing finance (September 1992).

C. Encourage increased economic opportunities for the disadvantaged.

Mission Objective: Improve family health throughout Bolivia.

- The Ministry of Health (MOH) will approve a national Chagas' disease control program (September 1992).

- The MOH will implement a national diarrheal disease control program including cholera control (June 1992).
 - The MOH will establish a national coordinating mechanism for HIV/STD prevention and control program (May 1992).
 - Conclude a debt-for-development swap to create an endowment for the support of the PROCOSI PVO association (May 1992).
 - Develop and implement a training program for INLASA, the national health reference laboratory, to diagnose bacteriological and viral infections (June 1992).
 - Train 50 epidemiologists in the Ministry of Health (September 1992).
 - Develop a national health educational strategy for the Community and Child Health Project (September 1992).
 - Implement reproductive health strategies (May 1992).
 - Develop and introduce basic health education curriculum for Ministry of Education schools (1992 school year).
- D. Encourage preservation and sustainable use of the natural resource base.
- Mission Objective: Reduce degradation of forest, soil and water resources.
- Assist in the formation of and participate in ongoing operations of Environment for the Americas/FONAMA Board (June 1992).
 - Dialogue with GOB representatives to expedite passage of the Environmental Law (August 1992).
 - Conduct three regional workshops and at least one national workshop for the development of the Bolivian Environmental Action Plan (PAAB) (regional, June 1992; national, November 1992).
 - Develop draft plan to strengthen GOB capacity to enforce Ecological Pause (December 1992).
 - Establish a Natural Forest Management network, and hold

at least one networking conference (November 1992).

- Conduct training seminar for 20 participants, including private sector representatives on environmental impacts of industrial production, in order to assist with implementation/compliance with General Environmental Law (August 1992).

II. Support the evolution of stable, participatory democratic societies.

A. Strengthen civilian government institutions.

Mission Objective: Improve effectiveness and accessibility of key democratic institutions.

- Establish a pilot project at the district court level for modern court management procedures, including case tracking and centralized administration.
- Conduct workshop with Supreme Court on judicial school development and begin pilot school based on identification of structure, methodology and curriculum decided upon (June 1992).
- Conduct two workshops in conjunction with Bolivian Chamber of Commerce on mandatory arbitration legislation (August 1992).
- Develop an arbitration framework for voluntary arbitration sanctioned by the Bolivian Chamber of Commerce (December 1992).
- Develop policy dialogue with the Ad-hoc Committee for modernization of the Bolivian Congress on the form and permanent staffing of a Congressional library research and reference service (August 1992).
- Finalize interinstitutional linkage for legislative research and analysis between Congress and Catholic University.
- Assess, design, implement administrative needs, and reorganize the national electoral court (October 1992).
- Identify electoral reform legislation (August 1992).

III. Respond to specific challenges.

B. Diminish participation in production, trafficking and abuse of narcotics.

Mission Objective: Transform the Bolivian economy through increased employment, income, investment and productivity in non-coca activities.

- Complete analysis of Rural Household Survey data which will provide baseline data to measure program indicators (April 1992).
- Develop and utilize new criteria for selection of infrastructure projects to respond to marketing needs for alternative products (May 1992).
- Initiate dialogue with GOB to remove impediments that hinder higher yields and productivity levels for alternative crops (e.g. removal of lime from the list of controlled substances in the Chapare) (December 1992).
- Conduct a feasibility study for the design of a watershed management program in the High Valleys of Cochabamba (May 1992).
- Continue establishing a market (e.g. building centers, regional markets, post-harvest facilities terminal markets, etc.) between the Chapare and other national and international regions in order to facilitate marketing of alternative crops (December 1992).
- Identify areas with high economic potential to target for rural electrification (July 1992).
- Develop training and education materials on alternative development strategies and objectives for general population (October 1992).
- Conduct at least ten seminars and workshops on alternative development programs and strategies (October 1992).
- Develop at least ten radio/TV spots promoting Alternative Development as a means of coping with drug problems. These will include ten spots on alternative jobs, and five spots on micro enterprise development (October 1992).
- Conduct at least two seminars/workshops at the national level dedicated to the theme of alternative development

as a means to reduce coca production, processing and illegal consumption (December 1992).

- Continue to train community workers at the regional level to discourage coca production, processing and illegal consumption (December 1992).
- Develop and implement a program to increase the number and variety of NGOs' participation in alternative productive activities to accelerate the creation of jobs and help generate higher income levels for target families (March 1992).

IV. OTHER

- Continue introducing gender consideration in selected ongoing and new projects (December 1992).
- Develop and issue a Mission Order outlining local currency programming criteria and functions (March 1992).

Annex E
Table 11A

FY 1991	LOCAL CURRENCY UTILIZATION (\$000s)				
	<u>ESF</u>	<u>PL-480 II</u>	<u>PL-480 III</u>	<u>OTHER</u>	<u>TOTAL</u>
HG BUDGET GENERAL					
HG BUDGET ATTRIBUTED			4		
HG CONTRIBUTION TO AID PROJECTS	12,000		10,700		22,700
HG CONTRIBUTION TO OTHER DONOR PROJECTS	30,400				30,400
HG MANAGED LC PROJECTS			4,300		4,300
AID MANAGED LC PROJECTS					
AID OE TRUST FUND	7,600				7,600
AID PROJECT TRUST FUND					
SECTION 108					
OTHER	16,000	3,240			19,240
TOTAL	66,000	3,240	15,000		84,240
CHANNEL FOR ASSISTANCE:					
PUBLIC SECTOR	61,000		7,950		68,950
PRIVATE SECTOR	5,000	3,240	7,050		15,290
TOTAL	66,000	3,240	15,000		84,240

Table 11B

FY 1992	LOCAL CURRENCY UTILIZATION (\$ 000s)				
	<u>ESF</u>	<u>PL-480 II</u>	<u>PL-480 III</u>	<u>OTHER</u>	<u>TOTAL</u>
HG BUDGET GENERAL					
HG BUDGET ATTRIBUTED					
HG CONTRIBUTION TO AID PROJECTS	18,000		11,600		29,600
HG CONTRIBUTION TO OTHER DONOR PROJECTS	26,000				26,000
HG MANAGED LC PROJECTS			7,400		7,400
AID MANAGED LC PROJECTS					
AID OE TRUST FUND	6,000				6,000
AID PROJECT TRUST FUND					
SECTION 108					
OTHER	16,000	3,587			19,587
TOTAL	66,000	3,587	19,000		88,587
CHANNEL FOR ASSISTANCE:					
PUBLIC SECTOR	58,000		13,175		71,175
PRIVATE SECTOR	8,000	3,587	5,825		17,412
TOTAL	66,000	3,587	19,000		88,587

Table 11C

FY 1993		LOCAL CURRENCY UTILIZATION (\$000s)			
	<u>ESF</u>	<u>PL-480 II</u>	<u>PL-480 III</u>	<u>OTHER</u>	<u>TOTAL</u>
HG BUDGET GENERAL					
HG BUDGET ATTRIBUTED					
HG CONTRIBUTION TO AID PROJECTS	20,000		7,700		27,700
HG CONTRIBUTION TO OTHER DONOR PROJECTS	25,300				25,300
HG MANAGED LC PROJECTS			6,300		6,300
AID MANAGED LC PROJECTS					
AID OE TRUST FUND	4,700				4,700
AID PROJECT TRUST FUND					
SECTION 108					
OTHER	16,000	4,700			20,700
TOTAL	66,000	4,700	14,000		84,700
CHANNEL FOR ASSISTANCE:					
PUBLIC SECTOR	56,000		11,600		67,600
PRIVATE SECTOR	10,000	4,700	2,400		17,100
TOTAL	66,000	4,700	14,000		84,700

Table 11D

FY 1994		LOCAL CURRENCY UTILIZATION (\$000s)			
	<u>ESF</u>	<u>PL-480 II</u>	<u>PL-480 III</u>	<u>OTHER</u>	<u>TOTAL</u>
HG BUDGET GENERAL					
HG BUDGET ATTRIBUTED					
HG CONTRIBUTION TO AID PROJECTS	22,000		7,700		29,700
HG CONTRIBUTION TO OTHER DONOR PROJECTS	24,700				24,700
HG MANAGED LC PROJECTS			6,300		6,300
AID MANAGED LC PROJECTS					
AID OE TRUST FUND	3,300				3,300
AID PROJECT TRUST FUND					
SECTION 108					
OTHER	16,000	5,000			21,000
TOTAL	66,000	5,000	14,000		85,000
CHANNEL FOR ASSISTANCE:					
PUBLIC SECTOR	56,000		11,600		67,600
PRIVATE SECTOR	10,000	5,000	2,400		17,400
TOTAL	66,000	5,000	14,000		85,000

Annex F
Table 12

PL-480 TITLE III LOCAL CURRENCY PROGRAMMING
FY 1992-94 (in \$000s)

	1992	1993	1994	Total
I. Alternative Development	9,650	8,500	8,500	26,650
A. Counterpart Development				
1. Cochabamba Regional (511-0617)	8,000	8,000	8,000	24,000
2. Rural Household Survey (511-0612)	500	0	0	500
Sub-Total:	8,500	8,000	8,000	24,500
B. Non-Counterpart Funding				
1. Integrated Development Project (Cochabamba)	700	300	300	1,300
2. Campesino Scholarships	450	200	200	850
Sub-Total:	1,150	500	500	2,150
II. Environment/Natural Resources	2,800	2,090	2,090	6,980
A. Counterpart Funding				
1. Sustainable Forestry Management (511-0621)	1,500	1,500	1,500	4,500
Sub-Total:	1,500	1,500	1,500	4,500
B. Non-Counterpart Funding				
1. Support to the National Environmental Development Fund (FCNAMA) for institutional support of ONGs, park mgmt., etc.	1,250	540	540	2,330
2. Land Tenure studies/Seminars	50	50	50	150
Sub-Total:	1,300	590	590	2,480
III. Trade and Investment	2,450	970	970	4,390
A. Counterpart Funding	0	0	0	0
B. Non-Counterpart Funding				
1. LAAD	250	250	280	780
2. Wheat production and marketing	2,200	720	690	3,610
Sub-Total:	2,450	970	970	4,390
IV. Health	2,800	2,140	2,140	7,080
A. Counterpart Funding				
1. Community Child Health (511-0594)	1,500	1,400	1,400	4,400
B. Non-Counterpart Funding				
1. National Immunization Program	1,200	740	740	2,680
V. Program Administration	1,300	1,300	1,300	3,900
1. Executive Secretariat	1,000	1,000	1,000	3,000
2. Trust Fund	300	300	300	900
GRAND TOTAL	19,000	15,000	15,000	49,000

Annex G
Table 13A

STRATEGIC OBJECTIVE PROGRAM OVERVIEW			
Country: Bolivia			
Strategic Objective: Transform the economy through increased employment, investment, and productivity in non-coca activities			
Program Outputs	Activities	Source of Support	
		Title	No.
1) Increase Public Support and participation in counter-drug programs	A. Mass media anti-drug campaign	Drug Awareness & Prevention	0613
	B. Urban/rural anti-drug training	Drug Awareness & Prevention	0613
	C. Strengthen private/public organizations to fight against drug production, trafficking and use	Drug Awareness & Prevention	0613
2) Increase Licit Economic Opportunities in the Chapare	A. Expand productive use of electricity to provide jobs and economic opportunities	Electrification for Alternative Development	0614
	B. Improve development of research, production and extension services for non-traditional crops	Chapare Regional Development	0543
		Cochabamba Regional Development	0617
		Private Agricultural Organizations	0589
	C. Develop a credit program in the Chapare and High Valleys	Chapare Regional Development	0543
Cochabamba Regional Development	0617		
D. Improve social and marketing rural infrastructure	Chapare Regional Development	0543	
Cochabamba Regional Development	0617		
E. Marketing of non-traditional alternative crops	Chapare Regional Development	0543	
Cochabamba Regional Development	0617		
3) Generate jobs, investment and new sources of foreign exchange	A. Expand and improve productive use of electricity to provide jobs and economic opportunities	Electrification for Alternative Development	0614
	B. Technical and financial assistance to exporters	Export Promotion	0585
	C. Foreign Investment Financing	Export Promotion	0585
	D. Institutional strengthening and credit for small enterprises and credit unions	Micro and Small Enterprise Development	0596
	E. Develop baseline data on rural socioeconomic characteristics	National Rural Household Survey	0612
	F. Strengthen private agricultural organizations through training technology transfer and technical assistance	Private Agricultural Organizations	0589

Table 13B

STRATEGIC OBJECTIVE PROGRAM OVERVIEW			
Country: Bolivia			
Strategic Objective: Increase non-coca trade and investment			
Program Outputs	Activities	Source of Support	
		Title	No.
1) Increase non-traditional exports and related employment.	A. T.A. to exporters.	Export Promotion	0585
	B. Export financing.	Export Promotion	0585
	C. T.A. and training for Chapare farmers, middlemen, and exporters.	Chapare Regional Development Cochabamba Regional Development	0543 0617
	D. Training for exporters and potential exporters.	Management Training Training for Development	0580 0584
	E. T.A. to Trade Ministry on economic integration issues	Export Promotion	0585
2) Attract new foreign investment.	A. Foreign investment promotion program	Export Promotion	0585
		Industrial Transition	0577
3) Reform financial markets.	A. Strengthen securities exchange	Strengthening Financial Markets	0598
	B. Provide formal financial services to the informal sector	Microenterprise Development	0596
	C. Promote pension reform	Industrial Transition	0577
	D. Promote credit union reform	Policy Dialogue	n/a
	E. T.A. to Bolivian banks	Strengthening Financial Markets International Executive Service Corps	0598 n/a

Table 13C

STRATEGIC OBJECTIVE PROGRAM OVERVIEW			
Country: Bolivia			
Strategic Objective: Improve the effectiveness and accessibility of key democratic institutions			
Program Outputs	Activities	Source of Support	
		Title	No.
1) Improve the application of the law and the law-making process	A. T.A. to improve court management procedures	Democratic institutions	0610
	B. Develop draft legislation for judicial branch	Justice Sector	0609
	C. Develop framework for arbitration legislation	Justice Sector	0610
		Administration of Justice	0626
	D. Develop framework for voluntary arbitration	Justice Sector	0609
		Administration of Justice	0626
	E. Facilitate policy dialogue concerning modernization of the Bolivian Congress	Democratic institutions	0610
F. Train legislative library staff and develop legal libraries	Democratic institutions	0610	
G. Establish inter-institutional legislative research linkages	Democratic institutions	0610	
2) Improve public sector financial management and control systems	A. Facilitate policy dialogue concerning the implementation of the SAFCO Law	Local Currency	n.a
	B. Implement the SAFCO law within the central administrative office of the judicial branch	Justice Sector Administration of Justice	0609 0626
3) Strengthen citizen participation in the decision-making process	A. T.A. training to improve the automated national voter registry system	Democratic institutions	0610
	B. T.A. to identify electoral reform legislation needs	Democratic institutions	0610
	C. T.A. to municipalities to promote participation in public service delivery	P.L. 480 Title II	n.a

Table 13D

STRATEGIC OBJECTIVE PROGRAM OVERVIEW			
Country: Bolivia			
Strategic Objective: Improve family health throughout Bolivia			
Program Outputs	Activities	Source of Support	
		Title	No.
1) Improve the development and implementation of health policy	A. Facilitate and support policy dialogue committees	Reproductive Health	0568
2) Improve institutional capabilities among the public/private sectors to deliver preventive and curative health services	A. Strengthen district-level public sector capacity to deliver preventive services	Community and Child Health	0594
	B. Establish nineteen private clinics in La Paz and El Alto	Self Financing Primary Health Care (PROSALUD)	0607
	C. Create endowment for private sector health association	PVO Child Survival II (PROCOSI)	0620
3) Enhance health knowledge attitudes and practices among Bolivians	A. Introduce health education in public schools	Interactive Radio Learning	0619
	B. Promote public health strategies	Reproductive Health	0568
	C. T.A. to train public sector health trainers	Community and Child Health	0594
4) Improve community health infrastructure	A. Water and sanitation capital investment program	CARE Community Development Community and Child Health	0618 0594
	B. Develop home gardens/green houses	CARE Community Development	0618

Table 13E

STRATEGIC OBJECTIVE PROGRAM OVERVIEW			
Country: Bolivia			
Strategic Objective: Reduce degradation of forest, soil, and water resources			
Program Outputs	Activities	Source of Support	
		Title	No.
1) Build consensus with public private sectors on key environment and natural resources management constraints and opportunities	A. T.A., financial support for Environmental Action Plan and Environmental Fund	PL-480 Title III Policy Dialogue	n/a n/a
	B. Sustainable Forestry Management project developed	Sustainable Forestry Management	062*
2) Improve institutional capacity for sustainable environment and natural resources management	A. T.A., training for development, monitoring and evaluation of environmental regulations	PL-480 Title III Policy Dialogue	n/a n/a
		Sustainable Forestry Management	062*
3) Increase public awareness of environmental protection and sustainable resource management	A. Appropriate environmental and natural resources messages developed and disseminated	Interactive Radio Learning	0619
		Drug Awareness and Prevention	0613
		Sustainable Forestry Management	062*
4) Strengthen sustainable forestry soil and water management initiatives	A. T.A., financial support for natural forest management network	Sustainable Forestry Management	062*
	B. T.A. to develop recommendations for regulations on resource use	PL-480 Title III Policy Dialogue	n/a n/a
	C. T.A. to develop recommendations for forestry policy	Sustainable Forestry Management Biodiversity Support Program	062* A/D/W

Annex H

Sound Economic Policy
as a cross-cutting concern
and
explanatory notes to table 1

In the past, the Mission's sound economic policy objective was couched mainly in terms of reinforcing and supporting the GOB's ability to formulate and maintain sound macroeconomic policy. Last year, in addition to sound macroeconomic policy, increased emphasis was put on structural issues designed to support meeting the Mission's alternative development objectives and improving the environment for increased trade and investment needed to achieve and sustain broad based economic growth. Were the Mission to retain sound economic policy as a separate strategic objective, the focus over the next four years would be not only to sustain and consolidate progress already achieved on implementation of a sound macroeconomic framework, but to emphasize structural and sector reforms designed to remove obstacles to achievement of the Mission's critical objectives in alternative development, trade and investment and economically efficient use of the country's natural resource base and conservation of the environment.

In this context, sound economic policy is a cross-cutting issue of significant programmatic concern that permeates the Mission's entire portfolio. Accordingly, although sound economic policy will continue to require close Mission attention and monitoring, the Mission has determined that it is appropriate to treat it as a cross-cutting issue necessary to the achievement of the Mission's five strategic objectives and an important element of the 1993-1994 ESF program. The Mission's policy dialogue emphasis, however, will stress removal of obstacles to growth and development in conjunction with program implementation in the areas of the Mission's five strategic objectives.

1991 Performance

Targeted outcomes for indicators of 1991 policy performance proposed in last year's Action Plan were generally achieved. The economy grew 4.2 percent, compared to 2.6 percent in 1990 and the Action Plan target of 3.0 percent. The increase in basic money supply, M1, at 34 percent, was slower than the 39 percent increase in 1990, but significantly higher than the targeted increase of 20 percent. The gap between the official and

parallel market exchange rates was consistently less than one percent throughout 1991; and net international reserves rose 51.5 percent to exceed \$200 million, equivalent to 4.2 percent of GDP and sufficient to finance 2.4 months of projected 1992 imports.

Inflation, as measured by the CPI, was constrained to 14.5 percent, compared to 18.0 percent in 1990 and a targeted 15.0 percent rate. The wholesale price index rose 13.8 percent, largely due to a modest 6.6 percent increase in average wholesale prices of agricultural products that were in relatively abundant supply throughout the year. Overall banking system credit expansion increased a relatively modest 12 percent compared to 30 percent in 1990, and targeted 15 percent. The overall deficit of the non-financial public sector (after donor grants) may have been as high as 3.5 percent of GDP, somewhat higher than the deficit recorded in 1990 (3.2 percent) and significantly higher than targeted (2.8 percent). Nevertheless, donor loan disbursements equivalent to 5.0 percent of GDP provided financing for nearly of the 1991 deficit. Total donor grants in 1991 are estimated to have been equivalent to 3.3 percent.

Notes to Table 1

(1) Macroeconomic Reform Program

Bolivia is expected to successfully conclude a three-year ESAP with the IMF in July 1992, and is seeking a fourth year program. In addition, the GOB is successfully implementing complementary structural adjustment programs with the IBRD and the IDB which include removal of obstacles to increased private investments, a privatization program (including outright closure of non-viable enterprises) and financial sector reform.

In January 1992, Bolivia successfully negotiated debt relief with Paris Club creditors of up to \$216 million, subject to extension of the current ESAP with the IMF to July, 1993. The country received the new Trinidad terms, under which Germany, France, the Netherlands and Great Britain programmed outright debt reduction of \$32 million; and Austria, Belgium, Japan and Switzerland rescheduled debt under terms that incorporated a 50 percent reduction in the net present value of amounts consolidated, to achieve a virtual debt reduction equivalent to \$34 million. Of the total debt relief obtained, \$19 million of obligations with the U.S. were rescheduled at interest rates to be negotiated bilaterally, according to market conditions.

The Mission scores overall implementation of the economic reform program at 9.0/10.0, rather than 10.0, since even though progress over the past year has been commendable, it is not yet sufficiently institutionalized so as to assure sustainability.

Further deterioration in the terms of trade on the order of 12 percent is expected to occur in 1992, which will put enormous pressure on the fiscal budget, inflation and the exchange rate.

Scoring: $9.0 \times 1.5 = 13.5/15.0$

(2) Domestic Financing of Consolidated Public Sector Deficit
(Commitment basis: 1991)

Summary: Domestic financing of deficit of non-financial public sector, 0.3 percent GDP; deficit of financial public sector, 0.7 percent GDP; net domestic financing, consolidated public sector, 1.0 percent GDP.

Natural gas exports to Argentina produced non-financial public sector revenues of some \$231 million in 1991, at a contract price of \$3.00 per thousand cu.ft. On a commitment basis, this price will remain in effect through May 3, 1992, and could then fall by as much as two thirds, resulting in reducing 1992 fiscal revenues from this source by about 45 percent to \$128 million (since payments lag commitments by about three months, the impact on a cash basis would reduce cash revenues on the order of 28 percent, to \$167 million). In 1993, revenues are expected to be about \$155 million less than obtained in 1991. The deficit of the financial public sector was held to 0.8 percent of GDP in 1991 by closing non-viable public sector institutions such as the Agriculture Bank. The financial public sector deficit refers mainly to Central Bank losses associated with interest payments on U.S. dollar CDs purchased by the Central Bank in order to build up international reserves.

Scoring: $10 \times 1.0 = 9.0/10.0$ for 1991

(3) Exchange Rate: Average percentage differential between market and official exchange rates, 1991.

The average percentage differential between market and official exchange rates during 1991 was about 0.6 percent.

The depreciation of the Boliviano relative to the U.S. dollar for 1990 and 1991 was 9.3 percent for the official market and for the parallel market.

Scoring: $9.9/10.0$

(4) Business Regulatory Environment

The Mission repeated the Business Regulatory Environment Questionnaire used as the basis for scoring this component for last year's Action Plan. Although GOB intentions under the IBRD/IDB structural adjustment programs should result in a

significantly higher score when fully implemented, and even though the GOB has fully complied with program targets to date, substantial progress still needs to be made. Accordingly, the Mission scores actual implementation to date at 3.5/5.0.

(5) Trade Regime

Only wheat, sugar and veg oil require import licenses. There are no restrictions on exports. Except for capital goods, there is a uniform 10 percent tariff, the tariff on capital goods imports is 5 percent. There is a large (15 - 20 percent of declared imports) tolerated black market that pays no import duties at all. The GOB has implemented a duty draw-back system for the import content of exports. The low, uniform tariffs, relatively transparent customs clearance procedures, and general lack of restrictions and controls on goods, services and capital flows qualify Bolivia as having a virtually free trade system.

Scoring: $9.8/10.0 \times 0.5 = 4.9/5.0$

(6) Market Pricing

There are nominal, but generally unenforced, price controls on bread. Public sector produced goods are not subsidized, and are priced competitively. There are very limited structural inefficiencies induced by government influenced price distortions in Bolivia, although petroleum products are priced to yield a modest implicit tax.

Scoring: $9.8/10.0 \times 0.5 = 4.9/5.0$

(7) Education

Current LAC Indicators (Policy inputs)

A. Total government commitment to education, measured by percent total expenditure less debt service.

$$189 / (2,471.2 - 194.7) \times 100 = 8.3$$

Scoring: 1

B. Degree of Decentralization

Local entities have very limited control and accountability regarding decisions.

Scoring: 0

C. Monitoring

Minimal MIS in place, but information is not collected systematically. Information is used occasionally by policymakers.

Scoring: 1

D. Commitment to Learning Materials and Improved Learning Environments, measured by non-salary costs to total education budget.

Less than 2 percent, due to excessive number of teachers on payroll.

Scoring: 0

E. Disparities in Access to Primary Education

Access is significantly higher in urban, compared to rural areas.

Scoring: 1

F. Overall scoring: $3/1.5 = 2.0/10.0$

(8) Infant Vaccination Rates (Indicator of Access to Primary Health Care Services)

Percent of children less than one year of age immunized:

Polio 3,	50 percent
DPT 3,	41 percent
Measles,	53 percent
BCG,	<u>48 percent</u>
Average	48 percent

Source: UNICEF, Estado Mundial de la Infancia, 1992

Scoring: 2.4/5.0

(9) Modern Contraceptive Prevalence

Percent of women of reproductive age practicing modern contraception methods: 12 percent

Source: 1989 Demographic and Health Surveys

Scoring: 0.6/5.0

GOB Statistics for 1991:

- overall fertility rate, 4.6 children
- rate of increase of population, 2.2 percent

(10) Environmental Management (See Performance Narrative)

Scoring: 5.0/10.0

(11) Mission accepts the need for a uniform methodology and source for relative comparability.

Scoring: 15.5/20.0