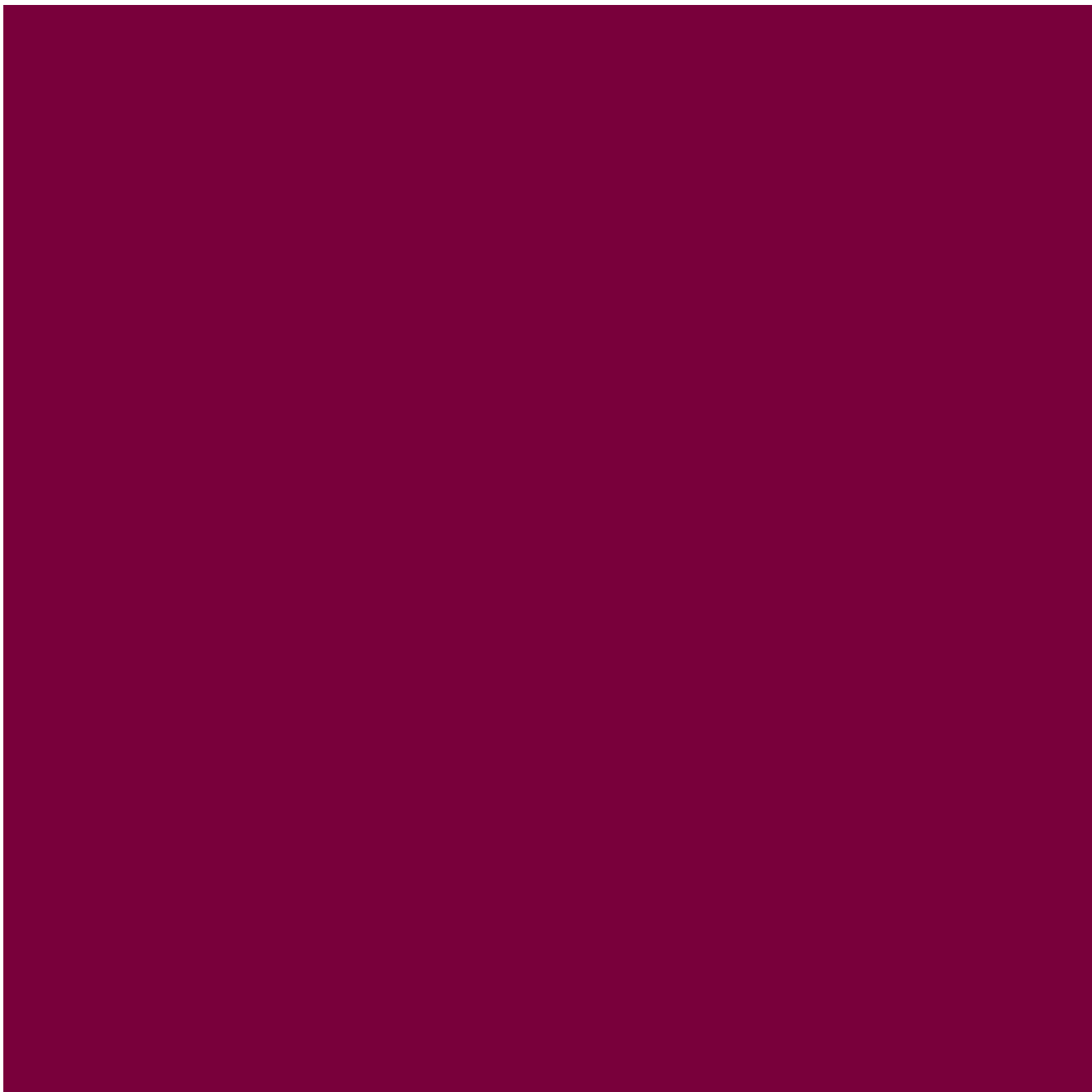


Bolivia



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Summary

I. Democratic development

Democracy was reinstalled in Bolivia in 1983 after a long period of political turbulence and military coups. Significant democratic advances have been achieved since then, especially in the area of municipal democracy, but traditional parties representing white and mestizos have continued to dominate most of the positions of power. Although strong interest groups exist at the local level their influence is not reflected at the national level. The legitimacy of politicians and the belief in democratic values have decreased in recent years. Indigenous peoples who constitute the majority of the Bolivian population are highly disadvantaged in terms of access to power, incomes and resources (including natural resources). Nevertheless Bolivia has done more than other countries in the region with regard to the rights of the indigenous peoples. Women and children are other important groups that are negatively affected by the unequal distribution of power, incomes and resources.

The absence of a real state of rule of law due to a corrupt and weak legal system is another problem. An important achievement in this area during recent year was the establishment of the Ombudsman's Office, which already has managed to obtain great respect for its independent work. Although all important human rights instruments have been ratified there has been a low level of implementation. Human Rights violations are however more often the indirect result of weaknesses in the Judiciary than of deliberate abuse. Social conflicts are recurrent – the social and political discontent is usually expressed through marches and road blockades. A change to a more inclusive political culture based on human rights values is necessary in order to achieve both social and economic development.

The Head of the Movimiento Nacional Revolucionaro (MNR) and during 1993–1997 President of Bolivia, Gonzalo Sanchez de Lozada, was re-elected President in 2002 and formed a coalition government with former archrival Movimiento de Izquierda Revolucionario (MIR). Evo Morales, leader of the socialist party MAS and of coca cultivators in Chapare, unexpectedly received second-most votes and is now the largest opposition leader in Parliament. This has increased the representation of indigenous peoples in the Parliament and Senate to a higher level than ever before in Bolivian history.

II. Poverty

The economic reforms and structural adjustment carried out in Bolivia since the middle of the 1980s have been successful in attaining financial stability but less successful in the sense that it has not led to any significant reduction in poverty figures, and Bolivia remains the poorest country in South America. According to the government's own figures 63% of the population live below the national poverty line rising to 85% in rural areas where the large majority is of indigenous origin.¹ This part of the population is highly dependent on natural resources for its survival, and thus particularly vulnerable to environmental problems and hazards, such as floods and drought. Important advances have been made with regard to social services, but despite this fact Bolivia is far behind other South American countries in health, education and access to water and sanitation. Bolivia has the lowest GDP per capita, the lowest life expectancy at birth, the highest maternity and under-5 mortality rate and the highest rate of adult illiteracy in all of South America.² Women do not share to an equal extent with men development benefits and are paid much less than men. The management of the environment remains a major challenge for sustainable livelihoods.

III. Economic development

Bolivia is a size-wise large but landlocked country with a small local market. The country is highly dependent on export-led growth and in need of more employment opportunities in order to reduce poverty. The main exports are minerals, agricultural products and lately hydrocarbons, with limited employment effects. After an economic growth of 4–5% yearly from 1985 to 1998, the country has experienced economic stagnation 1999–2002 due to external and internal shocks. Large new gas deposits will be exploited in the coming years and form the bulk of the export income in the future, but will have limited impact on employment. The country has an untapped potential within the forestry sector and tourism. It is crucial that these potentials as well as those in the energy sector are explored in an ecologically sustainable way. Future Governments need to create incentives for increased production and employment for a larger part of the population. The productive base needs to be improved by new and improved communications within the country such as roads and telecommunications. A better regulatory framework for the successful operations of the private companies is needed. An enhanced cooperation between state and the organizations of the private sector is a pre-condition for this.

IV. Trade

Trade relations are primarily developed with the United States, the European Community and the neighbouring states. The results from regional economic cooperation through the Andean Community and MERCOSUR and trade liberalization efforts have so far been limited. Bolivia's trade opportunities are negatively affected by tariffs and trade barriers imposed by industrialized countries. Conditions have also deteriorated as a consequence of the recession in neighbouring countries.

¹ Estrategia para la reducción de la pobreza (2001) – see footnote 14.

² Stefan de Vylder 2002

The United States wield a strong economic and cultural influence over the country. The newly established customs regime for the Andean countries, ATPA³, may offer new export opportunities for Bolivia in the area of textiles.

V. Coca eradication

American policy, apart from economic interests, has so far been concentrated on the eradication of illegal coca cultivation. Bolivia has been successful in elimination of illegal coca crops during the last Government. The eradication policy has, however, met strong opposition in the region of Chapare, with Evo Morales leading the coca cultivators, and has occasionally led to military confrontations. Human Rights Organizations have criticized the Government for Human Rights violations during these confrontations. The previous Government did not manage to reach its goal of zero hectares illegal coca plantations in 2002 although it reduced the areal of coca plantation considerably. The newly installed Government has promised to continue coca eradication. Considering the support for Evo Morales and his stronger position in the Parliament after the last election the conflicts on the coca issue does not seem to have any easy solution in the near future.

Apart from national disputes on coca there is worry that conflicts related to drugs in Colombia will also affect Bolivia. There are signs that cultivations in Colombia have increased with the same amount of hectares that have been eradicated in Bolivia and Peru.

VI. State reforms

During the 1990's Bolivia has initiated reforms of public administration. Among important reforms are the Education reform, Institutional reform, Judicial reform and reforms aiming at Decentralization of decision making and budgetary responsibility to municipality level.

Corruption is a major impediment for development both within the public institutions and the private sector. The purpose of the Institutional reform is to create a more efficient neutral public administration. One of the achievements so far is the reform of the Customs Service, which from being considered one of the most corrupt and inefficient Government Bodies has become a competent transparent institution with staff appointed by merits. However, a lot still needs to be done within the judicial sector, the police, the ministries and public institutions to reduce the corruption. Bolivia is quite advanced with regard to decentralization efforts with a large share of the budget being canalised directly to the municipalities. A great challenge however is to strengthen the capacity and popular participation at the municipal level. The mechanisms for social control are weak and do not sufficiently reflect the traditional Bolivian organizational patterns.

VII. The Bolivian Poverty Reduction Strategy, BPRS

The Bolivia Poverty Reduction Strategy was adopted in June 2001 to serve as a framework document for the next 15 years. The document and the process have been endorsed by the Bolivian Parliament through the

³ The Andean Trade Preference Act, ATPA

Dialogue Law. Broad consultations will be held every three years between Government and Civil Society to improve the process and the document itself. The BPRS will serve as the basis for all the development cooperation. The main weakness of the document is that it presumes unrealistically favourable growth figures, and does not present any alternative scenario to this. It is already evident that the currently unfavourable global and regional environment has reduced the possibilities to achieve a fast growth of the economy to maintain a sustainable debt burden and strong impact on the poverty levels. There might also be political and institutional risks, if new governments will not attack corruption, continue institutional reforms and adopt more long-term development oriented budgets. There are still question marks on how the implementation of the strategy can be assessed and followed up at different levels of the society. The main development efforts will be undertaken by the Bolivian institutions and the Bolivian people. Since Bolivia is a poor and highly indebted country there is still a strong need for large international development cooperation programs. Bolivia is a CDF⁴ pilot country. The aid coordination is highly developed with a strong ownership by the Bolivian Government. Stronger coordination needs to be developed between the Government and other institutions with regard to the cooperation with the private sector, universities and NGOs.

The new Government of Sanchez de Lozada has showed a strong commitment to the fight against corruption. It has however also informed that it will revise the strategy to strengthen activities related to economic growth and employment opportunities.

⁴ Comprehensive Development Framework – a World Bank initiative launched in 1999 on how to improve development cooperation on country-level featured by a holistic approach, country ownership, partnership for development and long-term strategy.

1. The country context

1.1 Political and institutional development

Bolivia has a long and turbulent history of military dictatorships and military coups until democracy was reinstalled in 1983. Since then the democratic situation has been comparatively stable, with changes of the president and government coalitions at every election. With the exception of the Siles Suazo administration, between 1982–85, which had a populist left of center tint, all other administrations have had a center or right of center orientation. In comparison to European parties, however, most of the Bolivian parties lack the real ideological fundaments, which would be needed to create stability in political programming over time. The popular base of the parties is also practically non-existing in Bolivia. Basically two coalition groups have alternatively held power. The MNR⁵ ruled between 1985–89 and between 1993–97, while ADN⁶-MIR⁷ governed between 1989–1993 and 1997–2002. Minor parties ally themselves temporarily with either group, principally based on expediency considerations.

Hugo Banzer, the winning candidate in 1997 elections, formed a coalition government between his own party ADN and MIR, CSS, NFR and CONDEPA. Subsequently, both CONDEPA and NFR left the coalition. In 2001 President Banzer's struggle with cancer forced him to resign, and the young Vice President, Jorge Quiroga, was installed as the new president for a one-year period until the elections in June 2002. The new government formulated a very ambitious 12-month plan, with important changes in the political/institutional, social, international and economic areas, but it was generally considered he did not manage to carry out many of his plans due to his short time in Presidency. The MNR- leader and 1993–1997 President Sanchez de Lozada was re-elected President in 2002 with a small margin, less than 2% ahead of second-largest candidate MAS and coca-leader Evo Morales. The strong support for Morales has somewhat changed the political panorama in Bolivia. Firstly it has created an unusual alliance between former archrivals MNR and MIR – which can be seen as an alliance between the traditional parties against the non-traditional parties. Secondly, the representation of indigenous peoples in the Parliament and Senate, has

⁵ Movimiento Nacional Revolucionario

⁶ Alianza Democratica Nacionalista

⁷ Movimiento de Izquierda Revolucionario

improved considerably with MAS and the party of highland leader Felipe Quispe MIP⁸ gaining more seats.

In general terms Bolivia has advanced significantly during this twenty-year-period in strengthening its democratic processes and institutions. Impartial electoral boards have been appointed by the Congress to oversee elections in transparent rigging-free elections. Elections are now held in all municipalities to elect mayors and city council members. In 1999 a law was adopted stating that at least 30% of all election candidates must be women, a rule which was applied in the past local election process.⁹ The new legislation about female participation in politics has led to that 32% of the elected municipal representatives now are women. However, only 4% of the members of the local committees for social control are so far women. Violations of the rights of the female local councilors have, furthermore, frequently been reported.

Even if there have been advances in the democratic development of the country, democracy is still rather weak, and the democratic values are not shared by all. A profound democratic culture is still to be developed taking into consideration indigenous cultural patterns. According to recent studies there have even been setbacks in democratic beliefs. Especially worrying is that younger people tend to have greater disbelief in the democratic system according to those studies.¹⁰

People organize themselves in Bolivia according to class and status, regionally or ethnically or in interest groups, such as community councils, sport, or cultural groups. The established political parties, also in Government after the elections in 2002, do not have a strong backing from these groups. These parties are primarily representing the interests of the small, urban, white/mestizo part of the population. The Parliament has lost much of its legitimacy due to this unequal representation and to the fact that it has given legal protection to corrupt parliamentarians. The next few years will show if a larger indigenous representation in Parliament will manage to reverse this situation. Today there are 24 women in the houses of common and 4 female senator. The current Government includes 2 female ministers and 4 vice-ministers. This can be considered a limited improvement for the female representation on national political level compared to the last Government.

The national trade union, COB¹¹, which was a strong actor in the 1970's and 80's representing mainly the mining unions, has lost influence. To some extent its power has been taken over by a whole range of different interest organizations: farmers' organizations, unions for coca cultivators, teachers, medical workers and special interest groups, such as the Coordinator for the water uprising in Cochabamba. The trade unions, which are generally not in line with the established political parties, have traditionally good contacts with regional and ethnic groups since they recruit their members from those groups. This political structure implies that about half of the population (which means the majority of the indigenous population) has had very little influence over national

⁸ Movimiento Indígena Pachacuti

⁹ Bolivia 5 años después de Beijing, VAGGF, La Paz 2000.

¹⁰ Seligson, Mitchell A: "La cultura política de la democracia en Bolivia: 2000", Universidad Católica Boliviana (UCB), La Paz, Bolivia 2001

¹¹ Central Obrera Boliviana

politics. The attempt by indigenous-based CONDEPA¹² after last election 1997 to assert more power at national level was not successful. The next few years will show if Evo Morales' party MAS and Quispe's party MIP will manage to put issues of concern for the indigenous population on the political agenda.

One of the most disputed and unsettled political issues is the ownership to land. In 1952 6% of the landowners held 92% of the land. In 1953 an agrarian reform was initiated which broke up the haciendas in Western Bolivia and distributed the land among the families that had been working on them, providing them with individually held legal titles. Six million hectares were distributed among 170,000 families. The major problem with the reform is the insistence on individual title to land, which has broken up many highland communities. It was also part of a national strategy of assimilating the indigenous peoples and making peasants of them. With the rise of stronger indigenous movements since the 80's, the land laws have come under heavier criticism. CSUTCB¹³ proposed a new agrarian law 1984, which was never adopted by the parliament, but which has served as a platform for the indigenous movement. The document gives salience to the communal ownership and self-determination.¹⁴

Continued social exclusion and discrimination, the lack of influence on political and economic decision-making and the stagnation in the economy led to demonstrations and social unrest by large groups during the last years. The most prominent have been farmers' unions and coca cultivators, but also teachers, health workers and others have taken part. At times these uprisings have been violent and led to a number of casualties. In most cases they have led to negotiated settlements with the Government, but basic questions about territorial rights and coca cultivation have not yet been resolved. Government representatives have many times acted violently, which has led to criticisms of the Bolivian State in international human rights foras. It is, however, not clear that systematic human rights abuses have been carried out deliberately.¹⁵

The Catholic Church and the Ombudsman have acted as intermediaries for the resolution of conflicts.¹⁶ They have been successful in defusing many explosive situations, but it is hard to predict how long they can continue to assume this role with credibility in the face of non-compliance with agreements by the parties. Many civil society organizations remain suspicious of the Government and this sentiment is often reciprocated. The Human Development Report for 2002 concludes that "the political trust and the dignity of the citizens are currently weak areas that need to be strengthened in order to reorient the economy in a way that promotes human development in the country".¹⁷

Another predominant problem in Bolivia is related to the deficient rule of law. One of the major problems with the judicial system in Bolivia historically is the dependence on the executive power and the

¹² Conciencia de Patria

¹³ Confederación Sindical Única de Trabajadores Campesinos de Bolivia vars ledare är Felipe Quispe, el Mallkú

¹⁴ Rosengren, Dan: Indigenous peoples of the Andean Countries: Cultural and political aspects.

¹⁵ Swedish Human Rights' Report 2001.

¹⁶ An opinion poll shows that 64% of the population thinks the Ombudsman is a trustworthy institution and that the intermediary task is the most well known one among the Ombudsman's tasks

¹⁷ UNDP: Human Development Report Bolivia, 2002, Summary Page 9.

political parties, something which has created instability, inefficiency, scarce public confidence, corruption, incoherence in rulings and large delays in legal proceedings. A large part of the society has no access to the judicial system due to its arbitrary functioning. However, the human rights' framework exists and is relevant. Bolivia has ratified most of the international human rights treaties and has a reasonable well-defined legal setting on the subject. The implementation is controlled by a number of competent organizations and authorities, such as the Ombudsman. Laws have been adopted in parliament on protection of women's and children's rights. There are, however, still examples of important law proposals, which have not passed the legislation, like the law intending to normalize the working conditions for the female household workers.¹⁸ A considerable number of violations of the civil and political rights are still carried out as a consequence of the slow and corrupt legal system and the extensive impunity. Between 60 and 80% of the Bolivian prisoners are still waiting for trial, although the situation has improved somewhat by the introduction of a new penal code in 2001. New oral procedures are supposed to speed up the proceedings. The legal system is still full of bribes and the living conditions in the Bolivian prisons are deplorable. These facts have led to a general lack of faith in public institutions where corruption is common. The overall human rights situation is not however worse than in other Latin American countries.

Corruption is a problem in its own right in most sectors of society, and one of the obstacles to development. Inadequate laws fuel corruption, irreverence for the law even when it is adequate, and the impunity for those who are corrupt. Bolivia was ranked 89 of 102 countries in Transparency International's yearly list of corrupt countries of 2002. Both the public administration and private enterprise are severely hit by corruption. One of the most corrupt bodies is the police force. The police is also the most frequently reported human rights violator to the Ombudsman's office. Consecutive Governments have not been able to redress this situation. There are also a number of recent cases where parliamentarians and other high-ranking politicians from the government coalition have been accused of corruption. During the government of Hugo Banzer, corruption prevailed as a systematic problem. During the government of Jorge Quiroga important steps were taken to implement the existing National Integrity Plan with the purpose to fight corruption. Moreover a number of parliamentarians were ousted from parliament due to their allegedly corrupt activities. There has also been more pressure from the public who lost all its faith in corrupt politicians and civil servants. Most of the political parties, and particularly MNR, made the fight against corruption one of the most important issues in the 2002 election campaign. President Sanchez de Lozada has made the issue a high political priority by appointing the respected journalist Carlos Meza as his Vice-President and responsible for the fight against corruption.

The mass media operate on commercial conditions. Major newspaper mostly cover urban areas. Large groups have limited access to relevant

¹⁸ The law proposal states that this group no longer could be forced to work more than 100 hours a week, when other groups have a maximum working week of 40 hours. Also holiday and maternity leave should be possible for these workers.

information of good quality. Their perspectives are often missing in the general news coverage. However, there are alternative medias with the mission to cover democratic issues of concern of people at the local level. Radio is the media that reaches out to the largest part of the population, and there are some examples on public-based radiostations. The legislation on media is acceptable although the degree of implementation can be questioned.

1.2 Popular participation and civil society

The political regimes in Bolivia have always excluded large parts of the indigenous populations in a persistent way. Clientelism has been a main instrument for maintaining status quo by governments and public and private institutions. State institutions have been weak when it comes to mediating between conflicting interests and social forces and defending common and public interests. In spite of the relatively strong tradition of organization and rich political culture at the base level, the civil society is fragmented into many and frequently divided or opposed groups and categories of people, thereby weak and short of common goals and visions for the future. Overall, civil society organizations have limited capacity to influence the state concerning key political issues and processes. In addition, many such organizations have regularly been subject of opposed, discriminatory and repressive policies and measures on the part of the respective governments.¹⁹

In order to understand the organization and participation of Bolivian civil society one must consider the traditional aspects of organization among the Andean indigenous population. A substantial portion of indigenous Andeans still live in closed communities organized according to communitarian principles, where the basic social unit is the extended family -the ayllu. The ayllu structure is relative and it can refer to various organizational levels, from the kin group through a number of increasingly inclusive groups to the region. Even for those who have migrated from their homelands, the links home are important and maintained as long as possible. Food produced on the lands of the home community is a crucial link to the ancestors as well as vital for physical survival.²⁰

Another fundamental principle in the Andean culture is that of duality. It suggests a world view according to which people, society, cosmos and other aspects of life are divided into complementary parts. When the social and cultural order is disrupted a common reaction is the appearance of movements that seek to restore harmony by finding a unitary principle that can reestablish the cosmic and/or the social balance through a radical transformation of society, a change known as *pachaqtec*. Among the processes that are considered to threaten Andean indigenous cultures is the growing importance of both individual ownership of land and the nuclear family.

In the lowlands there are a number of different societies and cultures among the indigenous peoples. Local communities in the lowlands are more mobile and burn-beating agriculture is common due to poor soils. In the drier areas the mobility is principally generated by hunting and foraging, which requires small mobile groups. The mobility is commonly

¹⁹ Study on Popular Participation in Bolivia, Widmark, Uppsala University, 2002.

²⁰ Rosengren Dan: Indigenous peoples of the Andean countries: cultural and political aspects, p. 5

within a limited territorial area. The territory is thus the most important unity to the lowland peoples rather than the community. The loss of control of territory is therefore one of the most serious factors that threaten the lowland indigenous peoples.

These cultural and geographical aspects of the lives of a majority of the Bolivian citizens suggest that organization and participation will have different characteristics in different parts of the country and among different groups.

The Bolivian decentralization process has established new and enhanced forms for popular participation. However, the intentions behind the new legislative frameworks are far from being realized yet. This is partly due to lack of political will or capacity and to prevailing power relations among political power-holders and institutions, but it also depends on the characteristics of civil society organizations. More mobilization, organization, capacity building and coordination among all popular and community organizations is needed at different levels. Unwillingness to deal with inequalities on a higher level, the deep mistrust between the governments and the popular organizations and the prevalence of exclusion, discrimination and poverty based on racist attitudes have prevented the participation of the poor. The widespread corruption also disproportionately affects the poor.²¹

Out of the three levels of participation: Consultation, Presence and Influence, there is a clear predominance in Bolivia for the lowest and most limited level, Consultation. Consultation is often practiced in the context of development activities. The constitution and popular participation process in Bolivia have various mechanisms and foras for popular participation and accountability. Yet, there is a tradition of non-consultation remaining in the consciousness of people.²²

It is of utmost importance that larger population groups are involved in the development and design of the politics/reforms concerning them. The unequal power structures make it necessary for donor institutions to take initiatives of their own to involve a strong participation of the target groups in the reform programs supported. It is important to encourage the use and comprehension of traditional patterns in this work. The identity of different Bolivian groups must be further explored and exchanged between populations segments and regions in order to achieve a culture of mutual respect and understanding. This should also be a concern for the Spanish one-language-speaking group, among which the knowledge of Bolivian cultures is rather scarce.

1.3 Poverty and social exclusion

Bolivia is the poorest country in South America. The economic and natural resources as well as the political power are very unequally distributed, which is unfavourable mostly for indigenous people as well as for women and children.

Social exclusion has two major dimensions in Bolivia, ethnicity and gender. Of Bolivia's 8,1 million people 60–70% are of indigenous origin and half are women. This exclusion creates and reinforces poverty.

²¹ Study on Popular Participation in Bolivia, Widmark, Uppsala University, 2002.

²² Study on Popular Participation in Bolivia, Widmark, Uppsala University, 2002.

The poverty does not only imply scarce incomes and low material standards of living, but also limited access to power and protection.

The last two decades have however seen significant overall gains in human development in Bolivia. Both state and society have demonstrated their strength and potential to achieve improved and sustainable standards of living for this and future generations. Nevertheless, 63% of Bolivians are still poor in the sense that they have family incomes below the national poverty line, rising to 85% in rural areas where the large majority is indigenous.²³ The female poverty in the rural areas is predominant.²⁴ Although Bolivia falls just within the definition of a middle-income country, with an average per capita income of US\$ 1,030 it has the sixth highest level of income inequality in the world, derived from historically established patterns of economic and social exclusion.²⁵

In the Bolivian Government's Map of Poverty²⁶ poverty has been measured with regard to insufficient social services such as housing, water and energy, education and health. The situation in the country has improved up to the latest census in 2001, as compared to 1976 and 1992, if only taking into consideration these measures of poverty. The number of people with unfulfilled social services have according to these Government statistics decreased from 85% in 1976, to 71% in 1992 and 58,6% in 2001. The situation varies considerably between the different departments as can be seen from the table.

The poverty in Bolivia expressed as unsatisfied basic needs in social services according to censa 1976, 1992 and 2001

	1976	1992	2001
BOLIVIA	85,5	70,9	58,6
Chuquisaca	90,5	79,8	70,1
La Paz	83,2	71,1	66,2
Cochabamba	85,1	71,1	55,0
Oruro	84,5	70,2	67,8
Potosi	92,8	80,5	79,7
Tarija	87,0	69,2	50,8
Santa Cruz	79,2	60,5	38,0
Beni	91,4	81,0	76,0
Pando	96,4	83,8	72,4

²³ Bolivia's Poverty Reduction Strategy p. 34: "Poverty lines were calculated on the basis of the construction of the basic food baskets and the estimation of nonfood needs valued at the prices prevailing in each area. The cost of the basket in rural areas is US\$23 per person per month; the cost in urban areas depend on the city, with an average cost of US\$29 per person per month. For urban areas, per capita household income was used to identify poverty, while in rural areas per capita household expenditure was used for that purpose."

The national poverty line can be compared with the international poverty line presented by World Development Report 2000/2001, measured by population with income below US\$ 2 per day and according to which 38,6% of the Bolivian population lived in poverty in 1990.

²⁴ Bolivia 5 años después de Beijing, VAGGF, La Paz 2000: 69% of the rural female population work within the agriculture, but receive only 29% of the average male salary within the sector.

²⁵ UNDP Human Development Report 2001

²⁶ INE/UDAPE: Bolivia: Mapa de Pobreza 2001, Necesidades Basicas Insatisfechas, Sintesis, La Paz, Abril 2002, 164 p

There is a high correlation between level of poverty and ethnic origin. In 1999, 58% of the urban population speaking a native language were to be found below the poverty line and 30% of those below the extreme poverty line. For those speaking Spanish the figures were 46% and 18% respectively.²⁷ This pattern in relation to access to income is repeated in terms of educational and other opportunities including labor market access and rights to land. Poverty levels are most acute among those indigenous households and communities with little or no Spanish. As Spanish speaking is more prevalent among men than women there is a gender dimension to this form of exclusion. Whereas 49% of the female population is illiterate in the country as a whole, in the Chuquisaca and Potosí departments (where quechua is spoken) the number is a lot higher; 70% of the women are illiterates.²⁸

Indigenous groups are usually expressing their resistance to ethnic exclusion by road blockades, manifestations and disruption of commerce and communications. Opposition to gender exclusion is less clearly manifested. While there exists an active feminist movement, it is largely urban based. Middle class and grass roots women organizations also exist but have little influence in political foras. They also tend to have different priorities with a particular focus on livelihood issues.

Women earn about half of the salary of men of the same educational standard. While the female life expectancy in Bolivia is longer than male, women continue to be particularly vulnerable at certain periods of the life cycle, particularly in relation to child birth. The female-headed households are more often living below the poverty line than those headed by men. Approximately 50% of the female-headed households in rural areas could be considered as poor, of which almost half are extremely poor. 66% of all rural women heading households are illiterate, compared to 28% of the men with the same responsibility. There are estimations that women contribute with 36% of GDP and that they are the largest contributors to the family economies.²⁹ As indicated earlier the citizen that is most likely to be subject to exclusion is a rural non-spanish speaking girl.

Urban poverty is linked to the problems of employment and low human capital on the part of workers (85% of urban family income is derived from labor), whereas rural poverty is explained in large measure by the low productivity of the agricultural sector and the low prices set on farm products in the market place.

1.4 Social development

In education primary school gross enrolment is now reaching 100%. Gender disparities in enrolment to primary school have fallen. The proportion of the adult population who has completed primary education increased from 38% to 51%. A major problem is still however that the drop out rate has remained high. There has been a higher allocation of public resources to education in tandem with an education reform process. However, concerns remain regarding the quality of

²⁷ Per capita household income for Quechua speaking households was 13% lower than the average and for Aymara speaking households 32% lower. The poverty is further much more prevalent in the rural than in the urban areas.

²⁸ Bolivia 5 años después de Beijing, VAGGF, La Paz 2000.

²⁹ Bolivia 5 años después de Beijing, VAGGF, La Paz 2000.

primary education. Teaching is an unpopular profession and poorly equipped part-time teachers run schools, especially in remoter rural areas.³⁰

Both poverty and discrimination have affected the level of education in the country. The education system previously helped to maintain the differences between social and ethnic groups. Only recently has this situation changed. The education reform has been in practice since the beginning of the 90s with the purpose of transforming both the contents of the education and the administration of the whole school system. The reform also includes elements of alternative education such as alphabetization and vocational training.

The universities have a long tradition of legal and administrative autonomy. It has been difficult for the state to impose necessary reforms. The system is characterized by high level of spending on basic university education, but a very low percentage of students completing undergraduate studies. Private universities have bloomed of lately but academic levels are poor, with some notable exceptions. There is almost a total absence of research, a void that is presently filled by a Swedish supported research program.

The poor are most vulnerable to environmental and health risks. Their access to land tends to be limited to marginal areas, both in the rural and urban context. The urban poor are particularly vulnerable in certain aspects due to their inadequate or insufficient access to drinking water, safe excreta disposal and drainage systems, and health services. Poor rural households frequently face high risks of disease, including Chagas disease, malaria, dengue and tuberculosis – typically sources of malnutrition, and high morbidity and mortality rates in children – as the result of unstable living conditions, inadequate health services and scant access to piped water and basic sanitation.

The health status of the population contributes to its poverty and is a key factor in overcoming it. The health situation has improved in recent years, especially with regard to overall life expectancy and child and maternal mortality. Nevertheless, Bolivia still has high mortality and morbidity indices. During the 1990s life expectancy rose from 58 to 62 and infant mortality fell from 75 to 58/1000 live births. The National Statistics Institute (INE) estimates that the maternal mortality rate stands at 390/100.000 live births, which is one of the highest in South America. There is a clear relation between this number and with the high number of illegal abortions. Abortion is only legal when the woman can prove that she has been a victim of rape or an incestuous relation. In terms of reproductive health, while the number of children per mother has declined over the last decade, only 48% of women use contraceptives, although most women desire fewer children than they get. Bolivia has the lowest rate of people living with HIV/AIDS in South America. Educational preventive activities are however needed considering the general low level of knowledge about sexual and reproductive health. Public spending on health remains low and the health situation has remained unsatisfactory by international standards. A reform process is underway designed to reduce maternal and child mortality rates and the

³⁰ EU-strategy.

control of major infectious diseases. Structural, political and administrative changes are envisaged.³¹

About 26% of the children under five years of age have delayed growth with 9,5% showing signs of general malnutrition. These figures are much higher in the rural areas, particularly among the highland communities where there is limited food supply, lack of pre-natal care, diarrhea related disease, poor housing conditions and lack of access to basic sanitation. The poor quality of housing and the low level of access to drinkable water and basic sanitation have contributed to the poor health status of the population. A new national housing policy was introduced in 1998 to improve housing, particularly for lower income households. These households have twice the average infant mortality rate with low vaccination coverage adding to the other problems.³²

With regard to water and sanitation there has been an improvement in the amount of people receiving such services. But still about 0,5 millions in the towns do not have access to drinking water and 1,7 million do not have access to sanitary services. In the rural areas 1,8 million people do not have access to drinking water and 2 million to sanitary services.

According to the 2001 Census 58% do not have sufficient water and sanitation services in the country, with figures reaching more than 80% in the departments of Pando and Beni and more than 70% in Potosi.

The mechanisms for Social protection are deficient. Bolivia has institutions designed for protecting vulnerable sections of the population in the form of prevention programs in the health sector, old-age insurance, regulations against domestic violence, health insurance schemes through pension funds. However the extent to which these forms of protection are available to the poor is very limited. For example only 20% of old people have access to a state pension.

From 1995 to 1999 social expenditure increased from 12,3% of GDP to 16,5% of GDP. However, the level of social expenditure in relation to total expenditure in Bolivia (35%) is still less than the average for the region (41%). There are still very large restrictions on social service spending due to the low internal revenues as well as the high cost of pensions which is crowding out other social expenditure. The tax regime has furthermore a very low redistributive effect, since it is regressive in its character.

1.5 Economic development

Bolivia is a land-locked country with a small local market. The transportation costs are high due to the ruggedness of the terrain and long transport distances. In spite of this the country has been and is still highly dependent on export-led growth. Traditionally Bolivia's economy has been based on mining, principally of tin, silver and zinc. However, in the last three decades productive activity has diversified to oil and gas production, large scale agriculture and agriculture processing industries, together with some enlargement of the service sector, so far with low effects on employment generation. Apart from the planned exploitation

³¹ EU-strategy.

³² EU-strategy.

of large new gas deposits, the country still has a large untapped potential within the forestry sector and in tourism.

Almost two thirds of the Gross domestic product³³ in 1999 consisted of services. The intention is to increase the shares of agriculture and industry in the coming years.³⁴

National Accounts (as% of GDP)	1999	Projected 2004
Gross Domestic Product	100	100
Agriculture	20	23
Industry	17	20
Services	63	57

Beginning in 1985 the country adopted an open economy model reducing tariffs and other barriers to trade, reforming its financial sector, restructuring fiscal finances and pursuing prudent monetary policy management. During the 1990's the country embarked on a privatisation program which is now basically completed. The oil and telecommunication sectors have expanded significantly in the last three years. Privatised companies are now run more efficiently, but it is questionable whether they are more profitable.³⁵

During the period 1985–1998 the annual growth rate was 4–5%, but 1999–2001 it dropped to 1% per year, which signified a negative per capita growth. Exports are about the same as they were before the 1984–85 economic crises, mainly as a result of a significant deterioration in the terms of trade of Bolivia's main exports, which are primary products. As a result of Bolivia's vulnerability to domestic, external and natural shocks, its balance of payment current account deficit has been in the order of 5–7% of GDP. The economic growth created in the last fifteen years has had marginal spill-over effects on the poor due to sharp increases in labour supply. Although the poverty levels in 1997 were the same as those of 1987 the labour resource was 30% larger.³⁶

Meanwhile, declining labour productivity in key sectors of the economy (agriculture, transportation and commerce) suggests the existence of a vicious circle that restricts both growth and poverty reduction. These sectors represent a solid 50% of national value added and are the main sources of income for 60% of urban households and 90% of rural ones. Their lack of dynamism is both a cause and a result of the deterioration in labour productivity and poses strong limits to the nation's overall economic growth and to poverty reduction. The economic policy from 1985 has failed to modify the structure of the sectors of growth and has also tended to weaken the sectors that traditionally have contributed most to growth. The Human Development Report therefore proposes that the state intervenes in the economy by means of a system of incentives, which favour earnings productivity in the traditional sectors of the economy.³⁷ The same recommendations were made by Nobel Price

³³ At market prices

³⁴ See PRSC document: Annex 1

³⁵ EU Country Strategy.

³⁶ Human Development Report Bolivia 2002, Summary page 12

³⁷ *ibid*, page 12

Winner, Joe Stieglitz, to the Government in December 2001, as well as by PRISMA in their study on Western Bolivia.³⁸

Apart from the effects of the neo-liberal macroeconomic policies the country has gone through a number of internal and external economic shocks. The main internal shocks with long-lasting effects that started in late 1998 include a) the effects of eradication of illegal coca since 1999, which contributed to around 3% of GDP; b) the reduction of contra-band with the customs reform; c) the decision by one of the two major banks in the country to sharply reduce its exposure in the country over a short period of time; and d) road blockages resulting from social unrest.

The main external shocks during 1999–2001 have been: a) the recession in Argentina since 1999 that has led to lower export demand and lower remittances from the one million Bolivians living there. The full impact of Argentina's crisis on the Bolivian economy is yet to be assessed; b) a 40% drop in international capital inflows during 1999–2000 to around 4% of GDP. This has led to a drop of activity in the service sector where many of the poor people work; c) loss of international competitiveness due to devaluations in Brazil and Chile, and Argentina's 40% devaluation in December 2001; d) further deterioration of key export prices, as historical lows have been reached in soybeans and several important minerals; and e) the global economic downturn that led to a sharp slowdown in trade.

The budget deficit is widening considerably, due to a significant drop in revenue – in turn partly due to weak economic activity – and increasing costs of the pension system (around 5% of GDP). This deficit is being financed by an increase in domestic debt. During the first semester of 2001, the stock of domestic debt has increased by 34% to 13,1% of GDP. This domestic debt is held mainly by the private pension funds and banks, which is reducing their possibilities of making long-term investments.

Bolivia is furthermore a country with a large external debt, which motivates that the country participates in the HIPC initiative for debt forgiveness. The deficit in 2002 would be financed mainly by concessional foreign loans and a reduced volume of domestic financing. While fiscal sustainability could be maintained under certain conditions, the debt situation will not be as improved as expected based on the HIPC baseline scenario.³⁹ In other words, by 2015 the net present value of external debt/GDP will be brought down to around 35% instead of 28% from 44% in 2000.

Competitiveness of Bolivian products is threatened by its inability to have large devaluations in response to actions taken by its neighbours. The pace at which Bolivia can depreciate is limited by the high level of dollarisation in the economy. A more rapid depreciation would hurt debtors since over 85% of the loans in the banking system are made in dollars. If the Brazil real or the Argentine peso continues to depreciate, Bolivian exports will become even less competitive. If Bolivia further increases the rate of devaluation of the Bolivian peso in response to Argentina's devaluation, the financial sector will further weaken.

³⁸ Instituto PRISMA, Políticas macroeconómicas, marco institucional y escenarios posibles para el desarrollo económico del occidente de Bolivia, La Paz, Enero 2002

³⁹ Pre-Argentina's devaluation IMF estimates indicates that the fiscal situation will be sustainable if in 2004 Bolivia's deficit path (or debt service path) is brought back to the HIPC baseline assumptions.

The negative shocks have had a severe impact on living standards and the employment situation. The official unemployment rate increased from a 5% in 1998 to 8,3% in 2001. In addition, about 15% of all employed workers are under-employed. As a result of the economic crisis, the labour force is switching from formal sector to informal sector activities (since 1997, it is estimated that about 55.000 workers in the formal sector has become informal). To date about 69% of total workforce is employed in the informal sector. This situation may worsen if those coming back from Argentina enter the Bolivian informal sector. Women are also discriminated against on the labour market, where they represent 46% of the working force but get no more than 50% of the average male salary.⁴⁰

The Quiroga Government responded with an emergency employment plan to create 70.000 jobs (a minimum of 30% for women) in urban and rural areas for the poorer section of society in the wake of the economic reverses facing the country. Government attention is on formal employment. In the year 2000 there were 180.000 people in rural and urban areas recorded as unemployed and over 470.000 people working less than 20 hours per week. Unemployment in the formal sector is still rising with the decline in the labour-intensive mining sector and the employment plan is an attempt to off-set the social and political consequences of this temporary economic decline.

Sanchez de Lozada has in an early stage informed that economic growth and the creation of employment opportunities will be one of the main priorities of his Government. Considering his background in the private sector this comes as no surprise.

Economic outlook 2002–2006.

The near term outlook for Bolivia, at least to the end of 2002, does not look promising. The IMF predicts growth for Bolivia in 2002 to be around 1%. There is also little optimism that the economic difficulties faced by Argentina will be sorted out any time soon.

Beyond 2003 the prospects for Bolivia look considerably more favorable – mainly because of the inflow of foreign direct investment to finance gas pipelines and the subsequent increase in natural gas exports and the before mentioned improvement in human capital. Proven gas reserves have risen from 6 trillion cubic feet to 48 trillion cubic feet in the last three years and expectations are that proven reserves could reach considerably higher levels. It is expected that the increased gas reserves could result in a doubling of exports by 2008. Neither the inflow of foreign direct investment to finance the pipeline nor the gas exports is expected to generate employment directly. The government must manage the gas revenues well to ensure that it leads to more comprehensive development and increased employment opportunities in the country.

It is also clear that gas alone will not develop the Bolivian economy. The country's internal markets also need to be strengthened, both from the demand and the supply sides. In this effort it will be necessary to bring into the market large segments of the poor (and therefore carefully study the mechanisms of how to integrate people beyond cultural and

⁴⁰ Bolivia 5 años después de Beijing, VAGGF, La Paz 2000.

gender barriers into the formal labor market). Private savings and investments need to be promoted and special actions taken to increase exports, particularly of processed products. The overall environment for foreign investment will have to be developed and sector incentives offered where necessary.

1.6 Sustainable development and environment

The relationship between environment and poverty in Bolivia is characterized by:

- a) environmental degradation and loss of cultivated lands and natural resources, which in turn fuels the rural-urban migration process; and
- b) the poor households' growing economic dependence on the environment and natural resource base.⁴¹

Environmental degradation is contributing to increased poverty and rural-urban migration. A large proportion of the Bolivian population is concentrated in the highlands and its valleys, which are fragile and prone to erosion. Desertification is currently affecting about 42% of Bolivian territory. Soil erosion is considered the key ecological issue in Bolivia due to its characteristics, magnitude and implications for the rural economy and food production chain. 25% of the territory is significantly affected by erosion. In the Andean zone, the erosion is caused by annual crop cultivation, overgrazing and depletion of natural vegetation by fire wood gathering. Inadequate mining practices and disposal of toxic effluents have seriously impacted local communities. The loss of cultivated lands and the exhaustion of mining are contributing to the increasing rural-urban migration and accelerated rates of urbanization.

The economic activities of the Bolivian poor are highly dependent on the natural resource base. Agriculture, forestry and mining, while representing 22% of GDP in 2000, employed about 40% of the population (72% of the extremely poor). Recognition of resources rights such as land tenure, water and biological resources is a major demand by local and indigenous communities, and a keystone for their sustainable use. Only 20% of all registered land lots belong to female estate holders.

Although Bolivia's fresh water resources per capita is above the region's average, the location of major water resources is in the valleys and tropical rainforest and do clearly not benefit poor farmers of the highlands of the Andes. The forests cover nearly half of Bolivia's territory. Nearly 17% of Bolivia's land is under national protection. These areas contain a great diversity of plant materials and bio-diversity, a rich ecology with potential for eco-tourism, production and harvesting of medicinal plants and other economic activities benefiting local communities. Presently, exports of forest products about 500.000 m³ of logged wood) represent only 8% of the potential forest yields. An increase in productivity and efficiency (i.e. from 1 m³/ha to 10m³/ha) and adoption of new and inclusive forest policies which may allow access of indigenous peoples and peasants to forest resources through the recognition of Community Lands, TCOs⁴², and rights to natural resources, could significantly improve the incomes of the poor. Better supervision is also needed from preventing illegal logging and illegal exploitation of wildlife.

⁴¹ World Bank:

⁴² Tierras Comunitarias de Origen

1.7 State reforms

Although Bolivia faces many obstacles impeding an effective development, a number of public administration reforms and legal changes have been initiated since the mid-nineties such as an education reform, land reform, decentralization reform, legal reform, pension reform and a customs reform. The most radical change has been the adoption of Bolivia's Poverty Reduction Strategy, which was endorsed in June 2001 (please see chapter 2). Although the success of these reforms depends on each government, there is reason to believe that the crucial issues will be dealt with also in future and they are therefore shortly described below. Many of the reforms mentioned below were initiated during the former Government of President Sanchez de Lozada, and it will therefore be assumed that they are given continued priority.

1.7.1 Education reform

Bolivia initiated the present education reform in 1994. Main components of the reform are increased popular participation, a change of curriculum as well as more emphasis on bilingual education. The reform gives priority to primary education, to increase the enrolments as well as to improve the level of quality within the given social, cultural and linguistic context. Significant advances have been achieved. Important transversal themes have been introduced such as democracy, pluralism, gender, sustainable development, health and sexuality. Even if important advances have been made within bilingual education there are still general cultural and social problems with the acceptance of other languages both by the parents and the society. Among the challenges in the future are the larger involvement of the indigenous populations in the evaluation and design of the intercultural modules of the reform and support for those.

1.7.2 Public administration reform (PRI)

A civil service reform was also started in the mid-90's. A more institutional reform of the whole public administration, PRI⁴³, was started in the year 2000. The PRI provides continuity to the institutional framework developed by the SAFCO law. The program is set out to create a smaller and better paid civil service with a more defined and secure career path, based on evaluated performance. The National Integrity Plan, focusing its activities at combating corruption in all public institutions, is an integral part of the reform.

Horizontal reforms are implemented in the areas of human resource, budgeting and financial management. Horizontal reforms are going to be applied to all national and decentralized agencies over time. They provide incentives for all civil service operations and also have consequences for the legal and regulatory framework. Vertical reforms are focused on specific agencies and ministries (10 at the moment). Incorporating the horizontal reforms, they would advance in areas of organizational structure and design, examining core functions and procedures in order to demonstrate the advantages of effective, efficient and transparent organizations. They also include the design of staffing levels and careers leading to the selection of professional and managerial level staff through a competitive process of recruitment open to both

⁴³ Programa Reforma Institucional

existing staff and external candidates. A key assumption of the vertical reforms is that career and staffing levels could only be determined following clarity and consensus over the individual public agency's role and organizational structure, expressed in organizational restructuring agreements (ARI).

At the beginning of 2002 some 900 civil servants had entered into the public service through an open and transparent recruitment, based on merits. There had been a noticeable improvement in the functioning of The Customs Board, which is the most advanced within the reform. One challenge for the institutional reform program is to reassure that a gender perspective is being introduced in the different program activities.

1.7.3 Rule of Law and Judicial reforms

Since the end of the nineties there have been attempts to reform the judicial system mainly with support from international donors. The most important program, called Reform of the Judicial Power focused on four areas: Judicial reform, human resources management, institutional strengthening of the judicial power and a fund for judicial development. Moreover, direct support to the Ministry of Justice has been given. All of these reforms did not show the expected results. However the following positive steps should be mentioned: 1) The approval of the Code of Criminal Procedures introducing oral procedures to avoid heavy court delays. 2) The adoption of the Judicial Council Law which has facilitated judicial independence 3) the Ombudsman Law which has improved the rights of citizens and 4) the Constitutional Tribunal which is protecting individual and fundamental rights. Also the pardoning of a large number of interns in relation with the adoption of the Catholic Church's Jubilee 2000 Law has contributed to the speeding up of the criminal procedures. Still approximately 2/3 of the Bolivian prisoners have not yet received their sentence. Recently, the judicial power has shown a genuine interest to reform itself, a task, which most likely will be supported within the next phase of the institutional reform.⁴⁴

The proposed objectives for a possible institutional reform of the judicial power are the following; a) Efficient execution of the law for the protection of the citizens, b) Fulfillment of the duties towards the public on all levels, c) A justice that is transparent, efficient and adequate, d) Improve access to justice, e) Fight against corruption in the private and public sector, f) Legal security for the private sector.

1.7.4 Private enterprise reforms

The environment for the private enterprise is still weak and inefficient with regard to the legal framework, the banking sector and the financial system. A large part of the enterprises are still operating as small family firms, which have not yet introduced modern business practices. Even if there have been some advances with regard to reforms others are still pending. The most important are laws regarding the tax system (Ley Tributario) and commerce (Codigo Comercio) as well as the creation of a free-standing authority for an Enterprise Registry.

⁴⁴ The proposed objectives for a possible institutional reform of the judicial power are the following; a) Efficient execution of the law for the protection of the citizens, b) Fulfillment of the duties towards the public on all levels, c) A justice that is transparent, efficient and adequate, d) Improve access to justice, e) Fight against corruption in the private and public sector, f) Legal security for the private sector.

1.7.5 Decentralization reforms

Bolivia has experienced a number of reforms in the area of decentralization in the 90's. The Law of Popular Participation was enacted 1994 to strengthen popular participation, local autonomy and the responsibility of municipalities. The process gave Bolivia's 315 municipalities (of which 311 were newly created) a considerable amount of political and administrative independence. It also established that large transfers of money should be made from the central government to the municipalities. The law gives legal status to indigenous and "neighbourhood" organizations, and representatives from those were elected to vigilance committees (comités de vigilancia) to act as watchdogs over the municipalities, and it urges popular participation within the municipal planning procedures (Plan de Desarrollo Municipal). The Law of Popular Participation was highlighted during the MNR government (until 1997) but was not on the list of priorities during the Banzer government.

The Law of Administrative Decentralization was enacted in 1995. It delegates functions from the central level of government to the regional/departmental level (Prefectures). In 1999 the Law of Municipalities was issued, and its primary function was to consolidate some of the popular participation aspects of the Law of Popular Participation. All these reforms have contributed to a more equal distribution of resources in the country.

The present Decentralization Program (PSAC) is focused on some of the unsolved problems of previous decentralization efforts; weak institutional capacity of municipalities, unclear definition of roles and responsibilities between the different levels of government, lack of transparency in financial transfers from the central to the local government, lack of capacity within civil society to monitor and control the use of the municipal funds. The program has a clear focus on the reduction of poverty. The municipalities are getting increased responsibilities at the same time as the transfer of resources to the municipalities are raised dramatically (poor municipalities get more per capita than rich municipalities) through HIPC II. The decentralization trend is likely to continue depending to a certain extent on the next government, but there are ideas of a Municipal Institutional Reform Program (PRIM) in order to increase the capacity of the municipalities to perform their tasks.

1.7.6 Land reform

The so called INRA Law⁴⁵ was promulgated in 1996 after more than 40 years of negotiations after the introduction of the Agrarian reform of 1953. It introduces the concept of Tierras Comunitarias de Origen (TCO), which takes the indigenous populations' rights to land into consideration in accordance with the ILO convention 169.

As a start the Law conceded titles to eight territories to indigenous peoples. A further 16 territorial titles were to be conceded but have so far not been concluded. The process has been questioned by the indigenous organizations. The INRA law has been more accepted in the eastern part of Bolivia (the low-lands), where the 1952 agrarian reform did not manage to break up the hacienda system. In this part the poor population, mainly of indigenous origin, has for a long time managed to cohabit

⁴⁵ The correct name of the law is Ley Nacional de Tierra but it is most often called INRA which stands for El Instituto Nacional de Reforma Agraria

with the landholders, working in small-scale forest activities. When large population groups moved from the western parts to these areas some 15–20 years ago, the land problems became an issue also here. The settlers were accused of stealing land and of destroying forested areas. Since the INRA law was mainly constructed by the traditional oriental civil society groups, the problem in the eastern part of Bolivia making this law work has had more to do with the ways of implementing it than of its actual content. In the western high-lands, however, large groups require a radical redefinition of the contents of the Law.

1.7.7 Environmental and forestry legislation

The Government has concentrated its efforts in developing the regulatory framework for environmental management with an emphasis on the productive sectors. In December 1996 a new Forestry Law and Forestry Regulations were passed, to support the sustainable use of forestry resources, together with the preservation of ecosystems and the environment. The legislation regulates forestry concessions and introduces a key element for sustainable management of forest resources: Forestry Management Plans.

A new Protected Areas' Law is under discussion in the parliament. The endorsement of this Law will recognize the rights of local and indigenous communities living within protected areas to the sustainable use of their natural resources, and establish the mechanisms for co-management of the protected areas by these communities and the National Protected Areas' Service (SERNAP).

A strong emphasis has been put by the Government on programs addressing global issues (such as bio-diversity and global change) rather than localized environmental issues, such as waste management, that effect directly the health and livelihoods of the poor. In the context of the institutional reform, the Government is advocating the decentralization of environmental management to the local governments, where municipalities would take the leadership role in functions such as pollution control, environmental assessment and waste management. This could improve efficiency, but it will require a major effort in building the capacities within line ministries and among local institutions and social actors.

1.8 Regional and global perspectives

Trade. There has been a very uneven development during the last 30 years in external trade. There are now about 2000 export firms in the country, out of which about 50 could be considered of major significance. During the past twenty years (1980–2000) the export value has only increased by 20% from 1,036 mUSD to 1,242 mUSD. This shows that the development of exports has been rather abysmal. During the same period Peru increased its exports by 65% and Ecuador almost doubled her exports. Other South American countries trebled their exports during the period.

Dignity/Coca. Bolivia used to be known as the largest provider of coca for the production of cocaine in the world. Coca has been grown in the country for many centuries for traditional use. But in the 70's large-scale production was started in the Chapare area, mainly by ex-miners

and other people who immigrated to the area, a production that was directly linked to narcotics dealers and sale of cocaine in the United States. In the beginning of the 1990's Bolivia was, after Peru, the largest cultivator of coca leaf in the Andean region, cultivating some 48.000 hectares. Beginning in 1998 Bolivia embarked on a remarkable eradication programme managing to reduce coca cultivation to approximately 15.000 hectares by 2000, which was only 7% of the cultivation in the Andean region. However, Bolivia's eradication programmes have recently experienced difficulties. The change in Government in 2001 and disturbances throughout the country slowed down net eradication and allowed farmers to replant illicit coca in the Chapare region. In 2001 the total area of illicit coca cultivation (not including the 12.000 hectares allowed for traditional use, mostly in the Yungas) had increased to approximately 20.000 hectares.⁴⁶

Although confrontations with coca growers are continuously occurring, the period up and until mid-2001 may be characterised as relatively calm. With the advent of the Quiroga administration a series of violent confrontations with coca growers led to the Government reversing its policy to pursue forced eradication in the Yungas as well as reversing a decree limiting the drying, transport and sale of coca at legal markets. Simultaneously, eradication efforts were slowed and there was massive replanting in the Chapare region.⁴⁷ The eradication has led to a significant reduction of informal incomes and an uprising of coca producers, led by opposition party MAS leader Evo Morales, who refuse to stop cultivating coca as long as there are no equally lucrative alternatives. The differences in opinion on the coca cultivation in Chapare led to violent confrontations between the coca producers and governmental troops during the last Government term, and the Government was accused by Human Rights Organizations for abusing the human rights of the producers. To what extent these abuses were systematic is not yet clear. With Evo Morales having gained strength, and a MNR-MIR Government intending to pursue a coca eradication policy, severe conflicts are to be expected in the future. The question is if this conflict will materialise inside the Parliament or in the forests of Chapare.

It is estimated that the total potential national capacity to produce cocaine (including legal leaf) fell from 215 metric tons in 1996 to 60 metric tons in mid 2001. The gains in the reduction of coca and cocaine production have been partially offset by Bolivia's growing importance as a transit country for Peruvian cocaine base destined for Argentina and Brazil.⁴⁸

There is no doubt that the illicit drug trade in South America has serious negative consequences. The drug trade increases criminality and violence, undermines national institutions, weakens government authorities, encourages corruption, distorts economies and contributes to political instability and human rights violations. It imposes additional strains on the countries judicial, penal and health budgets by diverting limited resources from more productive investments. Furthermore, cultivation and production of illicit drugs contribute to environmental degradation.

⁴⁶ Herrmann, Niklas: Analysis of the narcotics situation and input to the strategy for the Andean region, Bolivia and Colombia, April 2002, page 4

⁴⁷ *ibid*, page 4

⁴⁸ *ibid*, page 4

2. Bolivia's poverty reduction strategy

The strategy is presented in sections 2.1–2, after that follow Sida's comments to the Bolivian poverty reduction strategy.

2.1 The National Dialogue

Bolivia's Poverty Reduction Strategy, BPRS, was endorsed in June 2001. It resulted from a process of consultation with civil society at municipal, departmental and national level known as the National Dialogue. The Dialogue increased the profile of poverty reduction as a political process and generated a high level of public debate. Poverty itself has become the main development issue. The Government of Bolivia considers the strategy to be state policy that will evolve as a living document over its lifetime of 15 years. The International Finance Institutions approved the BPRS for the purposes of HIPC II debt relief and the flow of these funds to finance the strategy. Associated accountability mechanisms, have been institutionalised through the Dialogue Law.

The National Dialogue was criticized by civil society organizations for not having created a genuine popular participation at the local level. Political consensus was not achieved either. A planned high level political meeting between the political parties to discuss the strategy was never possible to realize.

2.2 Strategic components and objectives

The BPRS starts from an irrefutable premise: poverty, inequality and social exclusion are the most severe problems affecting democracy and governance in Bolivia. Consequently, the preservation of democracy demands that these challenges are addressed as a priority.

18 years of democracy and 15 years of structural adjustment have allowed the generation of economic stability, but have not opened the doors to the elimination of social exclusion, nor resulted in sufficient gains in the fight against poverty. Although the strategy has been developed in the context of the market economy and recognises the need to maintain macroeconomic stability, it also highlights the need to simultaneously address the concerns of the population: the issues of social exclusion, inequality and poverty.

The BPRS does not assume that the State is solely responsible for the fight against poverty, but sees this challenge as one that requires co-responsibility of the different actors of state and society. In this way, the fight against social exclusion is conceived as a space for the development of citizenship, since without citizens who are conscious of their rights and obligations, combating poverty will be difficult. Additionally, this demands of the political system that it works in a co-ordinated fashion with society to tackle poverty.

The principal goals for Bolivia up until 2015 are:

- (1) reduce the Headcount Index of poverty by at least 22%-points (from its current level of 63% to 41%);
- (2) reduce extreme poverty from its current level of 37 percent to 17 percent;
- (3) increase life expectancy from 62 years to 69 years;
- (4) increase the proportion of the population that has had at least eight years of schooling from 51% to 67%.

The goals are very closely related to the international millennium development goals. (See annex) The four strategic components of the Strategy, which serve to guide the actions to be undertaken in the fight against poverty are:

Expansion of employment and income opportunities by supporting and promoting productive capabilities, particularly of small urban agricultural producers, fostering rural development through greater investment in the productive and marketing infrastructure, and supporting micro-enterprises and small businesses and developing micro-finance.

Capabilities building by guaranteeing improvements in the quality of primary education and preventive health care services, and working toward improved access to adequate housing.

Increase security and protection for the poor by protecting the most vulnerable segments of the population: children, old people, victims of natural disasters by taking steps to improve risk management.

Promotion of integration and social participation by providing incentives for such participation so as to deepen the Popular Participation and Decentralization initiatives.

In addition, the PRS includes cross-cutting actions to promote:

- (1) greater equity in favor of ethnic groups and the indigenous peoples;
- (2) gender equity, and (3) the sustainable development of natural resources in such a way as to preserve the environment.

High-priority actions to be undertaken to reduce poverty have been identified. These priorities show the critical path of the actions required in the short and medium term. In the short run, prioritization will allow for the enlargement of income-generating opportunities for the poor and will secure resources that can be used to protect and increase investment in human capital.

2.3 Analysis of strengths and weaknesses of BPRS

I. General comments

The key risks, likely to affect the success of the Poverty Reduction Strategy, were identified by the IFI Joint Staff Assessment and the Bilat-

eral Assessment Team.⁵⁰ From an economic perspective, they are an unfavourable global and regional economic environment limiting possibilities for growth and an unsustainable debt burden, which will only be relieved in the medium term by broad-based growth and realization of expected gas revenues. Politically and institutionally, they are lack of support by future Bolivian governments to implement the BPRS as state policy, a lack of political will to tackle corruption, weak public administration systems and the lack of a Medium Term Expenditure Framework. Some of the worries are motivated: the now Government party MNR was one of the principal critics of the BPRS when it was adopted. There is high trust in that it will prioritise the fight against corruption and institutional reform, but there have also been indications that it will want to do a revision of the BPRS to strengthen its activities related to growth and employment opportunities.

II. Enhanced economic opportunities for poor people

A key theme from the World Bank 1999 Voices of the Poor study was a concern for greater livelihood security, particularly in rural areas.

Although there was an overall economic growth of about 4% per annum during the period 1985–1997 the situation for the poor in the rural areas did not improve, and only slightly so for the poor in the urban areas.

Then overall incomes have dropped by 10% between 1997 and 2001.⁵¹

Among those employed, women on average receive less than 50% of male incomes.

The BPRS, in response to strong demand expressed through the National Dialogue, recognises that enhancing economic opportunities for poor people are key to poverty reduction. This represents an important advance from previous social spending approaches. However, the mechanisms necessary to link economic policy to the achievement of this objective in a pro poor way are not fully developed. The challenge is therefore to link micro and macro economic policy within the framework of increasing competitiveness and productivity and to generate conditions for interaction between economic agents in the informal and formal economy, and between those in rural and urban areas. The opening of regional markets presents both opportunities and threats for trade-led, pro poor growth. In this context, particular attention will need to be given to the vulnerability of small, poor producers, both male and female, and to increasing their capacity to participate in and benefit from opening markets.

III. Increased capacities (human development)

The comprehensive delivery of health and education services is strongly represented within the BPRS document, as is access to clean water and sanitation.

While addressing the issue of universal coverage, the BPRS does not consider the growing inequalities in human development. It is estimated that the HDI for the department of Santa Cruz will be double that of the department of Potosi in the near future⁵². To meet its human devel-

⁴⁹ The Bolivian Poverty Reduction Strategy, final evaluation report to the Informal Bilateral Co-operation Network on Poverty, April 2001 and World Bank/IMF Joint Staff Assessment of the Bolivian Poverty Reduction Strategy May 2001

⁵⁰ Bolivian Minister of Finance Report to Consultative Group, October 2001

⁵¹ UNDP Bolivia Human Development Report 2000

opment objective, the key challenge for Bolivia will be to strengthen the institutional and human resource capacity of the responsible government entities while encouraging citizens to demand equitable access to public sector provision.

There are also huge challenges within education. Even if the education reform program is one of the best programs of its kind in South America, the quantitative and especially the qualitative results are not remarkable. Much more money and efforts are needed to make a breakthrough that will also have effects on the social and economic reality of the country. There is also a need to extend the education reform to secondary and tertiary education and to alternative education.

IV. Improved security and social protection

Bolivia is vulnerable to both economic and natural shocks and disasters with poor people least able to cope. The BPRS recognizes the importance of improving security and protection for the poor but the proposed actions in the BPRS are diverse in nature and lack a conceptual framework. Although the current economic crisis has led to renewed emphasis on social protection through the Government's Emergency Employment Plan, a sustainable and comprehensive policy remains to be defined. This could include consideration to the existing ways in which poor households and communities manage risks and the role of the state in supporting these coping mechanisms.

V. Enhanced integration and social participation

The BPRS recognizes that poverty reduction will not be possible without the social integration of the poor and excluded and their active participation in decision-making processes. Reducing the exclusion of indigenous people and women is central to achieving this objective.

Bolivia has a long tradition of community organisation and strongly developed social capital; the National Dialogue demonstrated the potential of this to influence pro-poor policy design and implementation. Nevertheless, the exclusive nature of Bolivia's political structures was manifested by this Dialogue itself being immediately followed by severe social unrest from that part of the population that did not participate in the Dialogue. The challenge is for the Bolivian State to establish the environment for sustained and meaningful participation of the currently excluded majority, where social control mechanisms better represent the traditional Bolivian society and its cultural patterns.

VI. The political and institutional framework

The Dialogue Law (2001) established, for the first time, poverty-linked criteria for the distribution of public resources through local government. The BPRS commits the state to further deepen the decentralization process and the institutional reform. Nevertheless, the capacity and political will of local government to effectively use these resources to the benefit of poor people have not yet been tested. The overall challenge is the transformation of channels for inter-mediation between poor people and the state. Civil society must strengthen its capacity to represent poor people while all levels of political leadership need to change their behaviour in support of a broader based and more accountable democratic

system. A large part of the population does neither take part in the elections nor in the social control mechanisms.

VII. Monitoring and evaluation

The National Dialogue Law established the framework for society holding the state accountable for the implementation of the BPRS. This is a major opportunity for citizens' monitoring of the effective implementation of state policies and programs. The challenges are for society to develop the capacity to respond to this opportunity, and for the State to create the environment for citizens to monitor and evaluate the BPRS impact. There is a need to further develop the capacity to undertake pro-poor analysis, assess differential impact and to collect and disseminate the required information.

For the BPRS, a set of indicators has been designed at three levels:

- (1) impact indicators, reflect changes in the dimensions of poverty;
- (2) outcome indicators, as an approximate evaluation tool; and
- (3) intermediate indicators, relate to the entire set of programs and projects envisaged in the BPRS's action plan, and are therefore used as a tool for monitoring.

The evaluation process involves identifying the main programs to be evaluated, defining the type of impact expected from the programs within the framework of the BPRS, identifying the main sources of information, and making the institutional arrangements necessary so that the process can go ahead.

VIII. Concluding remarks

Considering the implications for poverty alleviation that the BPRS intends to have, it will be crucial for donors to continue analysing the content and the implementation of the strategy. Monitoring and evaluation mechanisms are briefly mentioned above. Donors will participate in and have the nationally established follow-up mechanisms as major source for its information. However, for the donors' wider understanding of the process it could be helpful to have external expertise analyse the Bolivian implementation in comparison with the processes in other countries. Donors will also have to analyse every revision that is made by the strategy itself and evaluate how this may affect the fight against poverty.

3. Development cooperation

3.1 Aid volumes

Bolivia remains highly dependent on external aid finance; aid flows account for around 7,5% of GDP⁵³ but the extent to which these have led to a reduction in poverty is disappointing. Only very recently the International Finance Institutions have begun to engage in serious policy dialogue on the deep structural constraints to pro-poor change. It is also relatively recently that international cooperation has started to move from funding discrete, isolated projects to a more programmatic approach to support policy reform.

The World Bank has a current \$75million average annual expenditure; the IADB \$100 million and the European Community an annual commitment of Euros 50 million. The total resource transfer of the bilateral community is approximately \$400 million, of which a quarter is from the United States of America. The bilateral donors' strategic impact is enhanced through joint working as exemplified by the development of a single bilateral position on the BPRS.

3.2 Aid Coordination

The relationship between the Bolivian government and several of the donors such as Sweden has been characterized by close aid coordination during the last decade, but coordination has further improved during the last three years with the consistent and strong promotion of the The New Relationship Framework, NRF,⁵⁴ by the Bolivian government. The NRF emphasises national ownership, reducing transaction costs, programmatic support, and the decentralization of development agencies. Bolivia subsequently became a pilot country for the Comprehensive Development Framework. A major challenge for the international community is to respond to the rationalization proposals of the Bolivian government and to develop appropriate financing instruments. For Bolivia the challenge will be to reduce its aid dependency over the long term.

It will be important, for the achievement of the BPRS objectives, for Bolivia to generally extend its access to concessional external financing. Another key problem that the country needs to resolve in collaboration

⁵² World Bank: World Development Report 2000/2001

⁵³ Republica de Bolivia, Ministerio de Hacienda, VIPFE: Bolivia towards the 21st Century: New Relationship Framework between the Government and the International Cooperation

with the International Community is that of disbursement capacity in order to speed up the execution of programs and projects. In regard to the sustainability of a development and poverty reduction program over the long term, it is clear that Bolivia must gradually wean itself from dependence on foreign aid, the nature and purpose of Bolivia's relations with the International Community will have to evolve into new areas, particularly trade.

3.3 Relationship to BPRS

The international donor community as a whole has signalled its desire to support Bolivia's Poverty Reduction Strategy. The former Government of Bolivia estimated that total financing for the BPRS over the period 2001–2006 to roughly \$5,1 billion. Currently, there is a stock of committed resources that have not yet been disbursed of \$3 billion, mostly from the multilateral organizations and the European Community. New commitments run at roughly \$500–\$600 million a year. Thus, as long as new commitments do not fall, the amount of external resources available should be roughly equal to the amount of resources required under the original BPRS.

The sizeable amount of external resources in a small economy such as Bolivia's generates macro effects in the economy. As one percent of GDP is roughly \$80 million, sizeable swings in GDP can result from changes in the flow of external donor assistance. It will be important for the donor community to recognize the macro effects of their assistance and, indeed, to explore ways for external assistance to play a role as an automatic stabilizer within the economy. There is the potential for Bolivia to respond more effectively to shocks, if donors were to disburse relatively more during bad times and relatively less during good times.

In addition to the macro effects, there is a problem with the existing allocation of the \$3 billion in committed funds. The total portfolio represents the sum of hundreds of individual decisions, often taken independently of one another. This has resulted in an allocation that is not properly aligned with the BPRS. A major effort has been made by VIPFE⁵⁴ and the international donor community to identify how currently available resources are aligned. There are some 850 main projects identified (only the major ones are included), although the total number of projects managed by VIPFE is well over 2,500.

⁵⁴ Viceministerio de Inversiones Publicas para Financiamiento Externo

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Halving poverty by 2015 is one of the greatest challenges of our time, requiring cooperation and sustainability. The partner countries are responsible for their own development. Sida provides resources and develops knowledge and expertise, making the world a richer place.



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