

Sida Country Report 2003

Bolivia

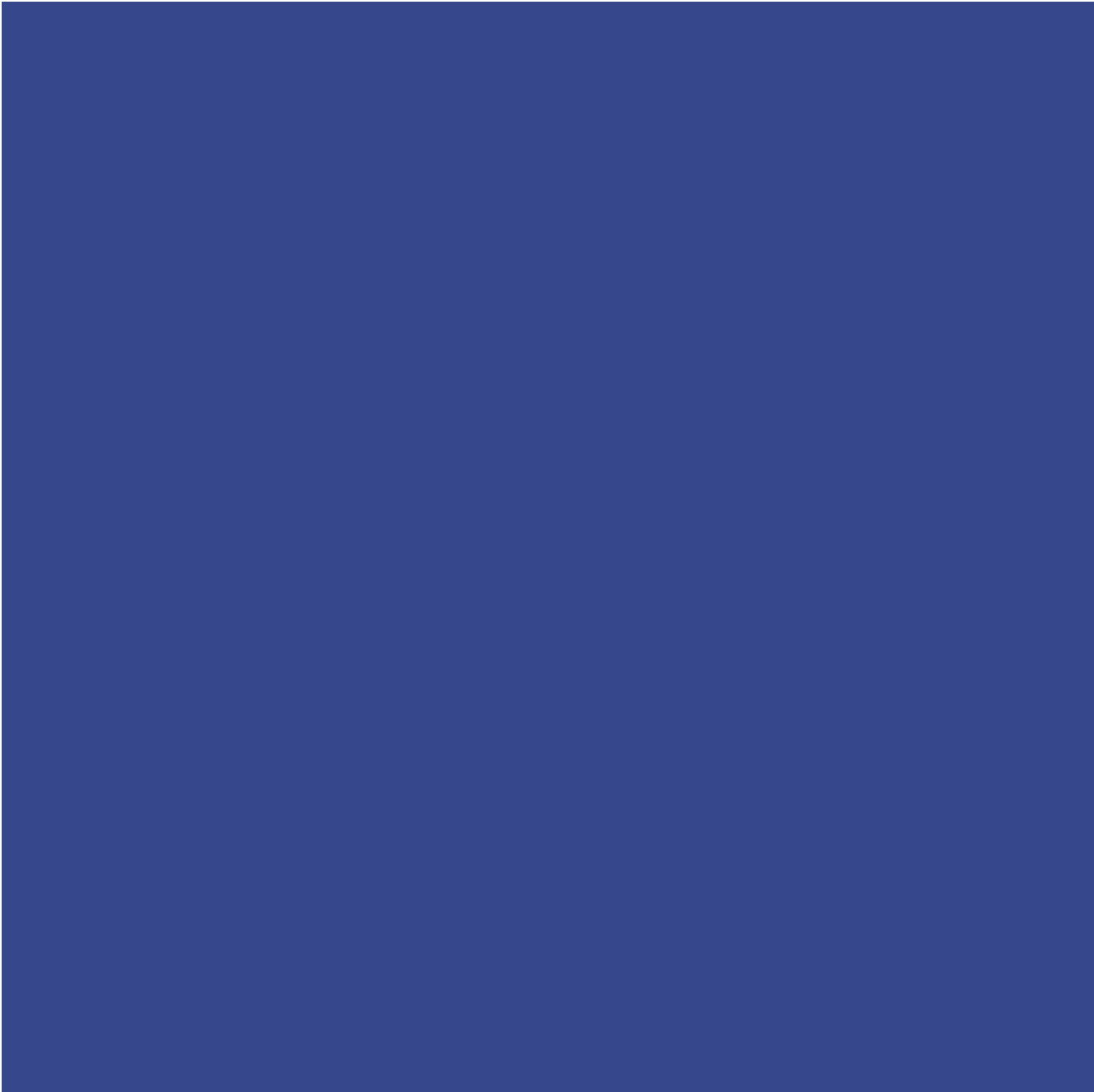


Table of Contents

Summary.....	3
Acronyms and Abbreviations	5
1. Introduction	7
2. Strategic Country Development Trends	8
2.1 Political Development, Good Governance and Human Rights	8
2.2 Macro-economic Development	10
2.3 Poverty Reduction	12
2.4 Development Co-operation and Partnership.....	14
3. The Swedish Development Cooperation	16
3.1 Portfolio Assessment.....	16
3.2 Follow-up of Country Programme Performance.....	19
3.4 Office and Administrative Issues	31
4. Conclusions	32
5. Further Readings.....	33
Annex 1 Bolivian Economic and Poverty Indicators	35
Annex 2 Current Planning Overview per Sector 2003	36
Annex 3 Changing Conditions for Implementing the Country Strategy	37

Published by Sida 2004

Department: Section for Development Cooperation, La Paz

Production: Printed by Edita Sverige AB, 2004

Art. no.: SIDA3879en

This publication can be downloaded/ordered from www.sida.se/publications

Summary

In February 2003 Sweden signed a framework agreement with the Government of Bolivia on development cooperation between the two countries which presupposes the implementation of the Swedish Country Strategy for Bolivia 2003 – 2007. The main goal of the strategy is that Bolivia successfully implements an independent poverty reduction strategy. The main areas of Sweden's assistance to Bolivia are democracy and human rights; education; private sector support; water and sanitation; as well as support to economic reforms.

The same week as the framework agreement on Development Cooperation between the two countries was signed, Bolivia passed through one of its most turbulent times in its democratic life. Widespread demonstrations took place, looting and rioting, the police clashed with the military, and 32 people died. During the year, instability and opposition to the Government increased, culminating in manifestations and clashes with the military in October, causing the death of more than 55 people and the downfall of the Government.

The country context seriously affected the implementation of the country strategy. Even though the country allocation of SEK 140 million was executed to 100%, these figures do not reflect differences between sectors. For example, it proved difficult to implement projects within public administration, while the support to private sector development and support via the United Nations advanced more in line with what was planned. Only three of ten foreseen assessments of new projects and programmes were possible to complete.

In these adverse circumstances, the Development Cooperation Section, DCS, of the Swedish Embassy undertook an analysis of the changed conditions for implementing the Country Strategy (see Annex 3, p 41). Overall it found that there is a need to diversify the portfolio while maintaining focus, for example by working with more partners in the prioritised sectors. Further, the strategy should rely less on the Central Government and more on the Civil Society. There is a need to work more directly with excluded groups, such as the indigenous populations, and show results also in the short run. Lastly, greater flexibility and quick response to changing conditions is a key for an effective and successful implementation of the strategy.

During the year, the DCS increased its capacity by contracting an economic advisor and one more programme officer. Training of all programme staff was undertaken on rating, procurement and on “Sida at Work”. Further training in English, administration and financial administration was also carried out, both in Bolivia and at Head Quarters. During the October Crisis, the DCS was instructed by the Ministry of Foreign Affairs to be responsible for Swedish Citizen Affairs. During the year, discussions were undertaken with the Ministry of Foreign Affairs in Stockholm, trying to change the status of the DCS to an Embassy headed by a chargé d’affaires.

Acronyms and Abbreviations

ABF	Arbetarnas bildningsförbund – The Workers’ Training Cooperaiton
ASL	Asociaciones Sociales de Lugar – Local Social Associations
CAINCO	Cámara de Industrias, Comercio y Servicios – Chamber of Industries, Commerce and Services
CAJ	Comisión Andina de Juristas – The Andean Commission of Lawyers
CAPYS	Comité de Agua y Saneamiento – Committee of Water and Sanitation
CDI	Cámara Departamental de Industria – Departmental Chamber of Industry
CEPOS	Education Councils for Indigenous Peoples in Bolivia
CG	Consultative Group
CNI	Cámara Nacional de Industria – National Chamber of Industry
COB	Central Obrera de Bolivia – The Bolivian Central TradeUnion
CDF	Comprehensive Development Framework
CONED	Consejo Nacional de Educación – National Education Council
CSI	Centro de Servicios Industriales – Center of Industrial Services
DANIDA	Danish International Development Agency
DCS	Development Cooperation Section
DESO	Department for Democracy and Social Development
Dfid	Department for International Development
EBRP	Estrategia Bolivia de Reducción de la Pobreza – The Bolivian Poverty Reduction Strategy
FUNDASAB	Fundación de Apoyo a la Sostenibilidad en Saneamiento Básico Foundation in Support of the Sustainability in Basic Sanitation
GDP	Gross Domestic Product
HIPC	Highly Indebted Poor Countries
IADB	Inter-American Development Bank
IIDH	Inter-American Institute for Human Rights
INEC	Department for Infrastructure and Economic Cooperation
IMF	International Monetary Fund
MAS	Movimiento al Socialismo – Movement towards Socialism
MDGs	Millennium Development Goals
MIR	Movimiento de Izquierda Revolucionario – Movement of the Revolutionary Left

MSLB	Misión Sueca Libre de Bolivia – Swedish Liberal Mission of Bolivia
MTEF	Medium Term Expenditure Framework
NATUR	Department for Natural Resources and the Environment
NFR	Nueva Fuerza Republicana – New Republican Force
NGO	Non-Governmental Organisation
OAS	Organisation of American States
OPIC	Olof Palme Internationella Centrum – Palme International Center
PAHO/WHO	Pan-American Health Organisation / World Health Organisation
PAIB	Programa Ambiental de la Industria Boliviana – Environmental programme of the Bolivian Industry
PDEB	Programa de Desarrollo del Empresariado Boliviano – Programme of Entrepreneurial Development
PER	Public Expenditure Review
PGDES	Plan General de Desarrollo Económico Social – General Plan of Social and Economic Development
PIM	Programa de Inversión Municipal – Programme of Municipal Investment
PLANE	Plan Nacional de Empleo de Emergencia – National Emergency Employment Programme
PPA	Presupuesto Pluri-Annual – Multi-Annual Budgets (see MTEF)
PRGF	Poverty Reduction Growth Facility
PRI	Proyecto de Reforma Institucional – Institutional Reform Project
PRSP	Poverty Reduction Strategy Paper
PROAT	Proyecto de Asistencia Técnica al Vice-Ministerio de Servicios Básicos
PSAC	Programmatic Structural Adjustment Credit
SAS/GTZ	Servicio de Apoyo a la Sostenibilidad/Agencia Alemana de Cooperación – Service in Support of Sustainability/ German Cooperation Agency
SCC	Swedish Cooperative Centre
SDR	Special Drawing Right
SEDUCA	Servicios de Educación Departamental – Departmental Educational Services
SIF	Super Intendencia Forestal – Forestry Superintendence
SIGMA	Sistema Integrado de Gestión y Modernización Administrativa Integrated System for Management and Administrative Modernisation
SWAp	Sector Wide Approach
UBV	Utbildning för Biståndsverksamhet / Misión Sueca Técnica – Technical Swedish Mission
UD	Utrikesdepartementet – Ministry of Foreign Affairs
UDAPE	Unidad de Análisis de Políticas Sociales y Económicas – Unit for Social, Political and Economic Analysis
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund

1. Introduction

This report aims to follow-up on the implementation of the Country Strategy for the Swedish development Cooperation with Bolivia 2003–2007 as well as the Country Plan for 2003, providing an overview of the country situation and the implementation of the strategy. Above all, it considers the Cooperation financed from the appropriation for Bolivia (15526). The activities that Swedish NGO's are carrying out, which are financed from a special appropriation (15561), are also dealt with.

2. Strategic Country Development Trends

Social and political unrest, economic stagnation and increased insecurity marked the year 2003. The violent protests in February and October, the increased use of violence and the consequent human rights abuses finally led to President Sánchez de Lozada's resignation in October. Although Sánchez de Lozada's exit from political power was surrounded by threats of violence and an increasingly chaotic situation, the constitution was respected in that his Vice President, Carlos Mesa, was sworn in as new President. The situation demanded all energy and attention the country could procure. Governance was weakened and the economic dependence on international Cooperation increased. The national poverty strategy – in its critical phase of revision and reformulation – also suffered, as the national dialogue that was to be held on the strategy was never realised.

2.1 Political Development, Good Governance and Human Rights

The February Events

Since 2002 the degree of conflict increased between the opposition and the Government. There were a series of issues where consensus has not been established, despite continuous dialogue efforts; for example, coca production, land rights, the export of gas, the economic model and taxation, changes in the Bolivian Constitution, to mention the most important ones.

In February 2003, the Government, backed by the International Monetary Fund, IMF, presented a proposal for modifications of the tax regime to introduce a direct income tax.. At the same time, the Police staged a mutiny against proposed budgetary cuts expected to be included in the 2003 national budget. The two events coincided, sparking widespread manifestations against the Government. Disturbances started in La Paz and spread to other major cities of Bolivia. The Police and Military Forces clashed, and several ministries were looted and burned. More than 30 people died, and the Government withdrew its proposal to reform tax legislation.

The October Events

Towards the end of the year, the conflict escalated. In mid September roadblocks were set up on the highways from La Paz in support of two sets of demands – the fulfilment of promises made by the Government a year earlier, and the Government's reversal of its intention to export

liquid natural gas. Travellers were stuck in several places due to road-blocks. In a rescue mission launched by the Government to free a group of tourists trapped in Sorata, troops clashed with protesters and six people were killed in Warisata, close to Lake Titicaca.

As a result, the umbrella labour confederation, Central Obrera Boliviana, COB, announced a general strike in support of the peasants' protests demanding the resignation of President Sánchez de Lozada, as well as the demand not to export gas. On September 30, thousands of people joined a march in La Paz against the export of gas, organised by the COB and backed by the Movimiento al Socialismo, MAS. A week later, a civic strike was launched in El Alto. When the Government ordered the army to restore order, clashes claimed more than 20 lives, mainly miners from Huanuni and Oruro. At this stage, and as a response to increased repression, Vice President Carlos Mesa withdrew his support for the President.

However, the conflict continued. The COB declared an indefinite strike. Representatives of human rights organisations and the Catholic Church initiated a hunger strike in support of the President's resignation and formation of a transition Government under Mesa. They rapidly gained widespread support and hundreds of people joined in from all over the country.

In a last attempt to overcome the crisis, the Government issued a decree stating that no gas was to be exported without prior consultation with the population and social organisations. It also agreed to hold a Constitutional Assembly and to reform the Hydrocarbons Law. Democracy was to be maintained. However, the common understanding of the coalition Government only lasted for two days, until first the Nueva Fuerza República, NFR, and later on the Movimiento Izquierda Revolucionario, MIR, withdrew their support after further bloodshed in Patacamaya. At this stage, the support from the military and the private sector also began to weaken.

Lacking sufficient support, President Sánchez de Lozada was forced to resign on Friday the 17th of October. As stipulated in the Constitution, Vice-president Carlos Mesa Gisbert was sworn in as President the same evening. He made three promises – to hold a national referendum on the gas issue, to be binding on the Government, to hold a Constitutional Assembly and to reform the Hydrocarbons Law. Carlos Mesa appointed a cabinet where the ministers do not represent any political parties, most of them being professionals without party affiliation.

Governance and Corruption

From its inception in August 2002, the Sánchez de Lozada presidency was characterised by an extremely politicised and fractionated situation in the Parliament in which the Government had to seek support through ad hoc alliances and coalitions. This led to a situation of increasingly weak governance that was reflected in the Parliament's inability to gather the necessary support in order to nominate high-ranking public authorities or pass laws, as well as in the Government's impotence in implementing important reforms in areas such as anti-corruption, institutional reform and decentralisation. Attempts of hunger strikes, roadblocks or different types of demonstrations fuelled the crisis. Very little progress, if any, was achieved on the Government reform agenda.

The Catholic Church and Human Rights organisations mediated between the Government and various opposition groups on several occasions, before as well as after February. The former took the initiative to “El Encuentro Nacional” and the Bolivian Assembly of Human Rights to a Social Summit. Neither managed to bridge the gap between the opposition and the Government.

During the last quarter of 2003, the Government of Carlos Mesa was forced to concentrate most of its efforts on the fulfilment (within 90 days) of the three vows made upon seizing power. Consequently, to begin with, the new President and his Government had limited capacity to resume and accelerate the reform plans that had suffered from the idleness during the Lozada Government.

Human Rights

On the Human Rights scene, 2003 was marked by the violent responses of the Armed Forces to the protests in February and October, causing the deaths of more than 90 persons. The Organisation of American States, OAS, undertook an investigation of the February events, which concluded that the police was the main actor to blame, freeing the military from responsibility. The investigation was neither considered to be impartial nor objective and received strong criticism. No further action was taken by the Government of Bolivia, and impunity – always a major problem in Bolivia – seems to be confirmed by the absence of legal action against those responsible for these abuses. As for the October events, the Office of the General Auditor presented a claim to the Congress in the beginning of 2004. How it is to be handled in the fragile political context is very uncertain.

During 2003 the Defensora del Pueblo, Ana Maria Romero Campero, who was the pioneer in the office and widely seen as a competent and successful leader of the institution, stepped down as her term came to an end. The situation that followed was typical for the Parliament during Sánchez de Lozada’s presidency in that it was incapable of nominating a successor. Iván Zegada, the first person who was finally appointed, barely took office before he resigned following the October events and after that it became evident that he lacked the necessary support from important groups. In December, Waldo Albarracín, a well-known human rights activist and NGO leader, was appointed Defensor del Pueblo. The appointment of Albarracín has in general been positively received.

The judicial system is characterised by high levels of corruption and extremely low efficiency, which implies that well intended reforms such as the Reforma Procesal Penal have given limited or no results. The exclusion from economic and political power of large segments of the population is one of the major characteristics of Bolivian society and was one of the factors leading to the overthrow of Sánchez de Lozada. Confrontations between security forces and coca growers in the Chapare province continue to be a source of abuse of various rights.

2.2 Macro-economic Development

Preliminary results for the Bolivian economy in 2003 are slightly positive. The economy grew by 2.6% in 2003, as compared to 2.75% in 2002. GDP was US\$ 800 million, and GDP per capita is about 900 US\$ /

Capita, representing an increase of 0.3% in relation to 2002. The registered unemployment rate is estimated to reach some 11.6% in 2003, while it is said that half of the labour force remains underemployed.

Total exports increased by 16.6% while imports decreased by 10.3%. As a result, the deficit in the balance of trade diminished by US\$ 399 million. As in previous years, oil, natural gas and soybean and its related products were the main export products, with increases of 52, 41 and 37% respectively. As for the import side, important decreases were experienced in capital goods (-15%) and intermediate goods (-10%).

On April 2, 2003 the IMF approved a Stand-By Arrangement, SBA, for Bolivia for a 12-month period of an amount equivalent to SDR 87.75 million, approximately US\$ 121 million. While the monetary targets of the programme were met, the fiscal management came under considerable pressure, especially in the wake of the October events, and the fiscal deficit for 2003 rose to 8% of GDP, significantly above the programme target.

On the income side, fiscal revenues did not increase because of sluggish domestic demand and delays in passing tax reforms. Further, Government expenditures increased sharply, mainly due to the high costs of the pension reform, the freeze of domestic gasoline prices since 2000 and an increased wage bill. The fiscal gap rose to around US\$ 603 million and was covered to 70% by external sources, including grants from the international Cooperation.

Although a bit higher than originally envisaged (2.8%), the inflation rate remained moderate (3.94%) in 2003. October was the most inflationary month (1.25%) after the road blockades and political events, mainly in La Paz and El Alto that caused shortages in various consumption goods.

While still cautious to contain inflationary pressures, the monetary policy exercised by the Central Bank was eased over the 2002–03 period in the face of increased Government financing needs and liquidity requirements of the banking system to enhance confidence of the public and to halt withdrawals of deposits during the above mentioned conflictive months. At the end of the year, net international reserves of the Central Bank had increased by US\$ 122 million from a level of US\$ 854 million in 2002.

The financial situation has stabilised although severe vulnerabilities remain in a highly dollarised economy (91% of dollarisation in deposits and 97% in loans) and in a fragile political situation, which may easily deteriorate and cause reduced confidence of the public, provoking unexpected withdrawals of deposits.

The contraction of the financial system, which began in 1999, continued in 2003. Political uncertainty weakened confidence, especially in the banking system. Deposits and credits declined by US\$ 112 million and US\$ 138 million respectively, whereas in the non-banking system deposits and credits increased by US\$ 81 and 119 million. The non-performing loan ratio remained as high as 19% and domestic interest rates in US currency for loans and deposits ended at 10.23% and 1.54% respectively. The exchange rate crawl policy with respect to the US dollar continued to preserve competitiveness. The nominal depreciation of the boliviano was only 4.53% in 2003 (9.81% the year before), taking into consideration the appreciation of the currencies of Bolivia's main trading partners with respect to the US dollar. In real effective terms the boliviano has

depreciated by 13% and reached its most competitive value since 1996.

At the end of 2003 the outstanding public external debt rose to US\$ 5,040 million, (US\$ 4,300 million in 2002), mainly due to higher disbursements from multilateral agencies (US\$ 680 million) while bilateral debt only rose by US\$ 63 million.

As for 2004, the increasing fiscal deficit and the lack of fiscal sustainability remain the main economic restrictions. The new Government has committed itself to take strong action to bring down the fiscal deficit to 6.8% of GDP in 2004. On the revenue side, revisions of the Hydrocarbons Law are to incorporate higher taxes for oil and gas producing enterprises. Also, new tax codes are to be approved by Congress to raise revenues by introducing new taxes, such as a transaction tax and a tax on net property capital; adjusting the tax base for fuel excises, re-categorising tax payers into appropriate categories and modifying regulations to improve the collection of direct taxes. In order to reduce expenditures, the Government is planning to cut its current expenses by 5% in 2004, apart from reducing the so-called “reserved expenditures¹” to 60 million bolivianos (143 million in 2003).

While originally agreed for a twelve-month period, the SBA with the IMF is expected to be extended for an additional year. Nonetheless, if Bolivia succeeds in carrying out a National Dialogue in order to consolidate a new Poverty Reduction Strategy and if the fiscal situation is on track, the country could apply for a Poverty Reduction and Growth Facility, PRGF, from the IMF before the extension is over.

2.3 Poverty Reduction

The Millennium Development Goals

According to the UN system in Bolivia, it is unlikely that Bolivia will reach the first MDG of eliminating poverty and extreme poverty, as well as hunger, by 2015. In terms of the national poverty line, the census of 2001 classified 64.4% of the population as poor, hiding big variations between urban and rural poverty (55% and 80% respectively), the altiplano and lowlands (69.6% and 53.6%), as well as between men and women. Poverty, as measured by unsatisfied basic needs, is 60.9% in average, but 93.1% in rural areas. Due to a prolonged recession with an average growth rate of 1.7%, in combination with a population growth of 2.27%, overall poverty in absolute and relative numbers has increased. The estimated GDP/capita was US\$ 895 in 2003.

As for the other MDG's, the outlook is positive in the areas of infant and maternal mortality, gender equity and primary universal education. Infant mortality is 67 per 1000 live births, and maternal mortality is 390 per 100,000 live births. The indicators show a downward trend. The same applies for universal primary education, where the problem is rather one of permanency rather than matriculation. Lastly, it is estimated that the sixth and seventh goals, of HIV/AIDS as well as sustainable development are less likely to be achieved by 2015, even though the trend is positive. In 2001, the incidence of HIV was 25.1 per 1,000,000 inhabitants. In all subgroups of the population, including those of higher risk, prevalence is less than 5%.

¹ In Spanish - Gastos Reservados; a secret amount of resources that traditionally has been used to top up the salaries of high ranking public officials and pay for expenses of national security, among other.

The Poverty Reduction Strategy

Since 2001, and following a consultative process, “the National Dialogue”, Bolivia implements the Bolivian Poverty Reduction Strategy, EBRP. Its main objective is to halve extreme poverty by 2015, by achieving four sub-objectives – the reduction of poverty from 63 to 41%; the reduction of extreme poverty from 37 to 17%; the increase of average life expectancy from 62 to 69 years as well as the increase of average coverage of eight year primary education from 51% to 67%.

According to the National Dialogue Law, a participatory consultative process on the EBRP should take place every three years, allowing for revisions. During 2003, the Government elaborated a “revised EBRP”, which was presented to the Donor Community at the Consultative Group Meeting in Paris in October. The underlying concern of the Government was how to come out of the fiscal crisis, while ensuring long term social goals. In principle, the draft of the revised strategy presented various advances compared to the previous strategy. It was based on more realistic economic growth estimates, and gave clear priority to increased productivity and income-generating opportunities for the poor, while at the same time including the achievement of the MDG’s. Pro-poor growth became the priority. The strategy also gave priority to fiscal and institutional sustainability and outlined innovating instruments, for example multi-year expenditure frameworks as well as harmonisation and alignment of donors around eight programmatic areas – four social pacts and four productive pacts.

While established priorities and instruments were well received among the Donor Community, the lack of dialogue and social participation in the elaboration of the new strategy was seriously questioned. No in-depth consultations took place on the strategy, and ownership was not achieved. These themes were brought up by the Donor Community at several opportunities, including the CG-meeting in October.

Then, the strategy was overtaken by events. Despite the change of Governments, the technical team in the Public Institute for Economic and Social Analysis, UDAPE, responsible for the poverty strategy, remained. In November, the process of organising a National Productive Dialogue was reinitiated. Meanwhile, the original EBRP remains formally valid.

Development Planning and National Reform Programmes

The weakening of planning and operational capacity of Government was reflected in several areas of the national reform agenda. Bolivia has since almost twenty years back implemented an ambitious reform agenda, including the areas of economic policy, decentralisation, education, privatisation (in Bolivia this has come to be known as “capitalisation”), pensions and public administration, among others. This agenda has received support from the donor community. In 2003, many state reforms encountered difficulties and were increasingly questioned by different segments of the population.

The most important to the Swedish Cooperation were the Public Administration Reform, PRI, the decentralisation reform and the educational reform. While the Public Administrative Reform was delayed in public institutions, it did not advance at all in the ministries. The Second Phase of the Reform was not initiated, due to a lack of vision and evaluation of

PRI I. Towards the end of the year, a restructuring of the resources was done; in practice, this was a way to use PRI funds for salaries and thereby strengthen the national budget at a critical time. In the area of decentralisation, the Government lacked a vision and a strategy on how to proceed with the reform. This, in part, relates to the uncertain status of the Vice-Ministry of Popular Participation and unclear responsibilities for this reform. However, in the educational sector, slow progress was done in the elaboration of the national policy for the following five years.

The Government elaborated a draft General Plan for Social and Economic Development, the PGDES. However, despite consensus on the plan, the final decision was never taken and it did not enter into force.

The attention of the Carlos Mesa Government was focused on the preparation of a Constituent Assembly and a referendum, as well as on taking care of increased regional tensions. Thus, institutional reform processes were given less importance.

The National Budget

As mentioned, the fiscal deficit in 2003 was equivalent to 8% of GDP. Modest increases in total revenues up to US\$ 2,000 million were insufficient to finance US\$ 2,600 million of total expenditures, of which 75% represented current expenditures. Expenses in salaries represented US\$ 781 million (39% of current expenditures); the cost of the pension reform exceeded US\$ 380 million (5% of GDP) and interests paid due to external and internal public debt rose by more than US\$ 50 million, compared to 2002. The execution of public investment, which explains most of the capital expenditures, was around US\$ 626 million, US\$ 76 million higher than in 2002. Social sectors including hydric resources, were recipients of 44% of total public investment.

Within the framework of the EBRP, Bolivia planned to introduce a Medium Term Expenditure Frameworks, MTEF, the Presupuesto Plurianual, PPA, with the objective to ensure fiscal sustainability and improve efficiency in resource allocation. Several actions were taken in this direction, for example, the elaboration of a draft PPA Law as well as a general legal framework – Ley Marco. However, with the fall of Government and economic crisis, the MTEF was no longer part of the agenda at the end of the year.

An online information system, SIGMA, containing information on the national budget, treasury-executed expenditures, both planned and executed, is gradually being introduced in Bolivia. At the end of 2003 it covered the Central Administration, nine capital cities and a limited number of municipalities. SIGMA faces several challenges, for example, the costs implied in reaching national coverage, its sustainability, the rotation of personnel and its efficient use. At present, budget information is not easily accessible to the public. This is especially true for the gastos reservados, covering secret expenditures of the Government.

2.4 Development Co-operation and Partnership

External Assistance

External assistance reached roughly 9% of GDP in 2003, equivalent to US\$ 701 million. The bilateral Cooperation represents 16% of total. The biggest creditors are Japan, Spain and Brazil, with US\$ 568, 131 and 74

million respectively. Among the multilateral donors, the IDB remains the biggest lender with US\$ 1,620 million of outstanding debt. Between 2001 and 2003, the Andean Development Corporation, CAF, increased its contribution from US\$ 261 million to US\$ 641 million, as a response to the financial crisis. The World Bank and the IDB contributed around US\$ 202 million in 2003. Overall, the funding is increasing, mainly through the contribution of the multilaterals.²

The main areas of assistance are rural development (21%), transport (19%), institutional strengthening (16%) and health (12%). There are more than 1,700 projects and programmes, and more than 600 agreements signed between the Government and the international Cooperation. Within the revised poverty strategy, importance was given to harmonisation and alignment. However, the Government has not followed up on the Rome meeting on harmonisation and has not yet elaborated a plan of action in the area.

Towards the end of the year, the relation between the international Cooperation and the Government was marked by the need to liberate funds to fill the financial gap, with the overall objective of achieving the IMF target of a budget deficit of 8% of GDP. Lacking the capacity to engage in a national dialogue on substantial issues, national ownership of the PRS process was severely weakened. The Nordic countries initiated a process to see how harmonisation and co-ordination could be strengthened, “the Nordic+Initiative”.

The Consultative Group Meeting

On October 8–10, the XVth Consultative Group Meeting took place in Paris, the very week preceding the downfall of President Sánchez de Lozada and his Government. In a preparatory meeting, the President called the CG-meeting a meeting with destiny, hinting that democracy was at stake should the meeting not be held and additional resources not be granted the Government. The donors expressed their concern that a national dialogue had not taken place on the EBRP, and that the strategy subsequently lacked ownership. They required that substantial issues such as the lack of results in long term institutional reforms be discussed at the meeting, not only the fiscal gap.

The Government pressed forward. In Paris, the emphasis was on the fiscal gap and the need of instant budget support. Strong criticism on the lack of long-term vision was expressed from several donors, calling for an increased attention on reforms in the area of public administration, decentralisation, as well as improved public financial management. Very few promised increased budget support, the notable exception being the USA, which granted a support of US\$ 8 million, stating that when “the neighbour’s house is on fire, we all have to contribute”. The domestic press later disseminated the Government’s point of view, that the CG-meeting was a success, and that the Government had gained some additional US\$ 1,900 million.

² The figures mentioned in this paragraph relate to disbursements.

3. The Swedish Development Cooperation

In February 2003 a five-year bilateral agreement on development Cooperation between Sweden and Bolivia was signed, which implies the implementation of the Swedish Country Strategy for Bolivia 2003–2007, adopted by the Swedish Government in December 2002. The strategy assumes the presence of a valid poverty reduction strategy towards which the Swedish assistance is to be geared. Further, it relies heavily on Government leadership and public reform processes.

The main aim of 2003 was to assess and initiate a series of contributions within the sectors outlined in the strategy. However, even though the strategy was initiated in 2003, it quickly became outdated, mainly due to the political development in Bolivia. Hence, there was a need for portfolio review and strategic analysis. An additional factor that contributed to the need of revising the strategy was the launching of two new development policies for Sida – the Perspectives on Poverty and Sweden’s new Policy for Global Development.

3.1 Portfolio Assessment

Portfolio Review

In 2003, Bolivia had a country allocation of SEK 140 million (allocation accounts 15526). In addition, the country received a budget support of SEK 35 million, support to Swedish NGO’s of SEK 12,9 million (allocation account 15561) and humanitarian support of SEK 96 000 (15571). At the end of 2003, SEK 139,5 million had been executed of the country assignment of SEK 140 million, hence, there is an almost 100% implementation rate.

At the beginning of the year there was a substantial over planning, SEK 184 million as compared to the allocation of SEK 140 million. The over planning is even greater for the outside country allocation, mainly due to an indicative budget support of SEK 80 million of which SEK 35 were granted.

Table 1: Portfolio Overview

Sector	Planned Disbursements*	Execution		% of initial alloc.	Assessments		Completed	Unplanned Decisions**	
		SEK	Sector distrib. (%)		Planned & Indicated	Initiated		Above SEK 2 million	Below SEK 2
HH.RR. Democracy	64 380	47 024	26.9	73	8	2	1	1	1
Social Sectors	47 670	43 334	24.8	91	4	1	3		
Infrastructure, Water and Sanitation	50 512	32 730	17.5	60	6	1	4		
Research					0				
Other	3 500	N/A		N/A	1		2		
Unclassified	18 000	14 231	8.2	79		4	2		
SUBTOTAL Country Plan	184 062	139 470	79.9	76				1	1
Infrastructure	20 000	0		0	1	0	0		
Humanitarian Assistance	0	96	0	N/A	0		1		
Economic Reforms	80 000	35 000	20.0	44	1		1		
SUBTOTAL	100 000	35 096	20.1	35					
TOTAL	280 462	174 566	100	62	21	8	14	1	1
Note: does not include support to Swedish NGO's (allocation account 15561) – SEK 12,9 million.									
*According to country plan. Includes an overplanning of 31%									
** The unplanned decisions were PLANE of SEK 26 million, and GOLES.									

There were many planned and indicated assessments, but only two thirds took place. The sector with greatest difficulty was the area of human rights and democracy, where only one assessments was completed – support to the dissemination of the Human Development Report. Meanwhile, preparations and assessments of contributions such as support to the Vice-Ministry of Women, the National Institute of Statistics, Citizens' rights, Decentralisation and the second phase of the Institutional Reform were not completed during the year. The only two unplanned decisions were support to the Emergency Employment Programme, PLANE of SEK 26 million, and, a minor support to local operative groups, GOLES. The fact that many of these contributions are directed towards the state and institutional programmes creates difficulties.

In the other sectors difficulties were not as great. Within the social sector a support was initiated to sexual and reproductive rights for adolescents through UNFPA, while an indicated support to the Fast Track Initiative was not assessed. In the area of private sector development four major assessments were completed –the Wood Industry Service Centre, the Standard Account Plan, the private sector support via CAINCO and the technical education via UPSA.

The high amount of indicated assessments and over planning allowed for flexibility in a critical first year of the implementation of the country strategy in adverse circumstances.

The sectorial assignation of funds is in line with the outline of the country strategy. The main part of the support was assigned to human rights and democracy (27%), followed by social sectors (25%), mainly education,, economic reforms (20%) and private sector support and water and sanitation (17,5%).

Main Tasks and Trends

The Country Plan for 2003 outlined the preparation and assessment of ten programmes/projects as the main tasks for 2003. The following areas

of contribution were mentioned – education, gender equity, the public administration reform, the decentralisation reform, the PRS follow-up programme, the elections support programme, adolescent reproductive health, the forestry sector, the wood industry's higher technical education and private sector support. As mentioned above, only three assessments were completed during the year, those in the private sector and with the UN, the others were delayed.

The Country Plan 2003 also planned for a preparedness for major policy trends – the PRS, the Sida Field vision, new development Cooperation modalities, as well as the consequences of the Globcom committee proposal. As for the Field Vision, the DCS was strengthened during the year (see chapter 3.4). No major change was introduced as a consequence of the new policy on global development. However, as for new cooperation modalities, there were certain setbacks in working together with other donors in SWAs and within the framework of the EBRP.

Strategic Considerations

The threat to and vulnerability of Bolivia's democracy, the paralisation of the reform processes and the increased instability and conflict climate called for reflection in the donor community. The general view of Bolivia as the successful pilot country of CDE, HIPC and PRSP was revised.

The Swedish development Cooperation in Bolivia to a very high degree depends on national reform processes under Government lead and hence, the capacity within public institutions. In a context where the Government – especially at the central level – is not trusted and there is a growing lack of implementation capacity, the relevance as well as the effectiveness of the strategy is reduced. Hence, there is a need to revise thematic priorities, methods and partners.

In this situation, the country office undertook an analytical process, which resulted in the memo "Bolivia – Changing Conditions for Implementing the Country Strategy". Overall the DCS found that there is a need to diversify risks, implying a diversification of the portfolio, while maintaining focus. This can be done by working with more actors but within the same sectors. Further, the strategy cannot only rely on the central Government, but must seek other channels and partners. One way would be to work directly on the local level with municipal Governments, with Civil Society, as well as with the private sector. The DCS also needs to work more directly with the excluded groups and indigenous populations; increase its contact with – and understanding of – different segments of society. It is also of greater importance than previously to show results also in the short run.

There are many areas where the degree of conflict is significant. The DCS intends to take on a more active role in some of these areas, where it has a comparative advantage and can facilitate information exchange, civic education and the creation of meeting spaces. Fiscal pacts and taxation policy is one such area. Sida has significant experience of working in this area from projects carried out in Central America together with the IDB. The idea would be to replicate this experience in Bolivia. The DCS also sees a need to work in the area of conflict management. It intends to ensure that the portfolio is conflict sensitive, as well as to undertake special actions in the area of conflict management.

On a more general level, the present country situation requires an increased level of flexibility on behalf of the donors, increased efforts of harmonisation and alignment and internal co-ordination to facilitate for the Government. Many important considerations have to be made and there are limits to the extent of flexibility, as in the area of budget support.

3.2 Follow-up of Country Programme Performance

Democratic Governance and Human Rights

Institutional Reform Project

Sida contributes to the Institutional Reform Project, PRI, with SEK 66 million during 2000–2005. The difficulties in advancing the reform in Ministries were highlighted during 2003, leading to the idea shared by the donors and the Government that the reform efforts should be deepened in Public Service Agencies and abandoned in the politicised Ministries. Such a shift in the implementation will probably contribute to a much-needed focus on tangible results and service delivery and make the reform process less vulnerable to changes in political power.

In relation to the critical situation in the public finances during 2003, the Government managed to negotiate an agreement with the World Bank implying the front loading of a great part of the outstanding World Bank loan that is connected to the PRI. This contributed to lower the expected public finance deficit in the last days of 2003. Through the agreement, a number of new institutions will enter the reform in 2004 with some retroactive effect. Bilateral donors were to a large extent excluded from this negotiation despite its repercussions on the implementation of the project and their discontent with this procedure has been made clear to the Bank and the Government.

An evaluation of PRI was postponed repeatedly during 2003 due to the political and social unrest and is currently being programmed for mid 2004. The evaluation will contribute to clarify what the concrete results of the reform have been so far and it will lay the foundation for a possible PRI 2 to be implemented from 2005 onwards.

Linked to the discussion on a second phase of PRI are the attempts of launching a Judicial Reform that may be labelled Judicial PRI. This issue has been under discussion for quite some time and there exists a draft reform proposal, which has been elaborated with support of the PRI. Sida commissioned a consultancy study during 2003 in order to assess the reform proposal. In brief, the conclusion of the study was that the proposed reforms merit support provided that fundamental questions regarding leadership and co-ordination capacities as well as political commitment to the reform are satisfactorily answered. Sida is therefore awaiting further precisions from the Mesa Government concerning the planned reform before decisions are taken.

Decentralisation Reform

In the area of decentralisation, a former landmark in Bolivian reform history, the lack of progress during the last Government has frustrated expectations and the result is a situation of unclear roles and responsibilities, under-utilisation of available resources and growing discontent among local actors.

During 2001–2003 Sida supported the decentralisation process in Bolivia with some SEK 30 million. The funds were channelled as co-financing to the World Bank Programmatic Structural Adjustment Credit 1, PSAC 1, aimed at supporting decentralisation efforts. The programme ended in July 2003 and was followed by an evaluation, which was co-financed by Sida. One important conclusion of the evaluation of the PSAC is that this programmatic approach was not the ideal instrument to match the variety of objectives set up in the area of decentralisation.

Since the end of the PSAC 1, donors, including Sida, have interacted with the Government in pursuit of a successor programme based on a coherent national strategy for decentralisation. This process was to a large extent hindered by the political and social upheavals during 2003 and the following lack of continuity in the Lozada Government's politics and visions in terms of decentralisation. Today, the perspectives for a clear and defined long term strategy for decentralisation are even less advantageous considering the political commitment of the present Government to undertake a Constituent Assembly in the short to medium term. Such a constitutional revision will most likely have some bearing on the division, structure and organisation of the country and may consequently have a fundamental impact on the "rules of the game" that govern decentralisation efforts. Hence, it is not likely that the present Government will be able to present a convincing long-term strategy in the area of decentralisation in the near future.

As a consequence of the above, there is a need for Sida to find alternative ways to support decentralisation in the short and medium term run. Such alternatives include supporting municipalities or "mancomunidades" directly at the local or regional level or co-financing other donors' initiatives in this area. In this context, Sida commissioned a consultancy study in 2003 with the aim to identify alternative ways and opportunities to support decentralisation efforts. Although the study points to some possible initiatives that Sida should further assess and analyse, the recommendations of the report have been difficult to follow up in practice due to the general uncertainty that prevails in the area of decentralisation after the shift of Governments in October 2003 as noted above.

However, one on-going interesting example of Swedish support to decentralisation is the Goles-initiative, Grupos Operativos Locales, within the Decentralised Programme for Improving Municipal Investment, PIM. This project is supported during 2003–2004 with SEK 810 000 in co-ordination with Holland and the UK. So far, Goles is a small-scale effort aimed at strengthening administrative and management capacities of small municipalities. The possibilities of up-scaling this experience will be looked into in the near future.

Support to the Bolivian Ombudsman

Sida is presently supporting the Bolivian Ombudsman, the Defensor del Pueblo, through two parallel projects. The first project was initiated in 2000 as a joint Swedish-Danish support and aimed at supporting infrastructure, planning and training activities. The Swedish contribution to this project amounts to SEK 6,4 million. The project will come to an end in the beginning of 2004. The second project is part of a multi-donor effort to support the Institution through a basket funding mechanism on

the basis of the Ombudsman's strategic five-year plan 2001–2005. The Swedish contribution amounts to SEK 25 million for the period 2001–2005.

The first project in support of the Ombudsman has suffered severely from delays and administrative as well as technical problems related to the assignation and restoration of new premises for the Institution. However, other parts of the project have proven highly successful and efficient considering that it supported the formulation of a strategic plan and thereby lay the foundation for the multi-donor basket funding mechanism.

The experience of the basket fund and its implementation has been widely positive so far. This initiative gathers a dozen different donors under a common set of planning, monitoring and reporting procedures and is a good example of well functioning donor co-ordination to the benefit of both donors and the Ombudsman institution. Nevertheless, during the last years and most notably in 2003, the crisis in public finances has implied that the Bolivian State has not been able to live up to its commitment of providing half of the resources for the implementation of the Strategic Plan. The financial sustainability of the Plan and the Basket Fund is thus endangered. Donors have recently raised these issues with the Ombudsman and the Government at several occasions and some changes in the implementation agreements are likely to take place.

In general terms Sida views the Defensor del Pueblo as an important and positive addition to the Bolivian institutional setting. The Ombudsman has managed to become a respected actor in a relatively short period of time and is one of the more trustworthy institutions in the public eye. Much of this is explained both by the organisational efficiency proven so far and the role as a mediator in social conflicts that the Institution has played at several occasions. However, its role during the political and social unrest in 2003 was rather limited due to the fact that the Institution was going through a change in its leadership, a process that was delayed and hindered by the typical political negotiations in Congress surrounding the appointment of top managers in public agencies. Finally, in December 2003 Waldo Albarracín, a well-known human rights activist and NGO leader, was appointed Defensor del Pueblo. The appointment of Albarracín has in general been positively received.

Anti-Corruption Efforts

Although Sida has no clear-cut on-going support in this area, during 2003 there have been discussions among donors on how to support the Government in its anticorruption efforts. The Presidential Delegate for Anticorruption has developed an ambitious agenda, which needs further prioritisation and a more strategic approach. At the same time, Holland and Denmark are trying to improve conditions for launching a more integral anticorruption plan including several other public institutions and agencies. This and other initiatives will be further assessed by Sida in the near future for a possible co-financing.

The Human Development Report

The dissemination of the UNPD Human Development Report 2004 has been supported by Sida bearing in mind the success of the report of 2002, which was acknowledged for its investigations and final contents. The report “Interculturalismo y Globalización” focuses on how to inte-

grate Bolivia in a global world, and how to take advantage of the inter-cultural characteristics of the country. In these areas, the Internet is an important instrument that is discussed in the report.

Support to the Vice-Ministry of Women

During the year, Sida followed the Vice-Ministry's of Women, VMM, closely in its effort to elaborate a national plan for gender equity. In the beginning of the year, the "Citizen Plan" was elaborated. Then the change of Viceministers stirred the elaboration of a new plan. Discussion had just been initiated on this plan, when the Viceminister was changed yet again after the October events. The new viceminister then re-initiated the process of elaborating a plan for gender equity – the eighth plan in three years.

While the elaboration of national policies for gender equity did not advance, the donors discussed how to create a basket fund for supporting the VMM. Therefore, once there is a plan; there is the mechanism to support it.

Social Inclusion

An important area that Sida has supported before and is considering to support again is that of inclusive citizenship. It is fundamental within a democracy that people not only have the right to vote and participate in society, but also that they can practise this right. The right to an identity, to documentation and to exercise ones right to vote is essential. Therefore Sida is considering to support a sequel programme directed to the National Election Court, the Corte Nacional Electoral. Further, it is also important to have a broader view and to look at the other institutions that are related to the documentation process, such as the Police and the Civil Directory, the Registro Civil. Civil Society also has an important role to play in disseminating information on rights and in mobilising local communities around these.

The programme that will be initiated and co-financed by Sida, DFID and possibly other donors, will have a short- and a long-term perspective. The short-term perspective concentrates on the documentation of people before the municipal elections in December 2004 as well as awareness-building on the right to vote. The long-term perspective is mainly directed to the Court and how to improve the existing organisation of registration and documentation. The project has been complicated to develop because of the many different actors involved and the difficulty to find a suitable co-ordinator for the project.

Support to the Social Sectors

The Educational Reform Programme

The support to the Educational Reform Programme amounts to SEK 105 million for a three-year period (2000–2003). This support aims to strengthen the implementing capacity of the Educational Reform Programme; improving teachers' proficiency, the production of educational material and curricula, improving the quality of education as well as promoting parents' participation in schools. Gender equity and inter-cultural awareness are important cross-sector criteria for the entire programme.

The first phase of the Education Reform process should have ended in December 2003; however, a one-year extension was carried out in order to allow for the achievements of the objectives that were designed at the Programme's beginning.

In 2003, the Ministry of Education worked with the elaboration of a new strategy for the sector. Due to the country's political crisis, the Ministry suffered significant changes that caused delays in the elaboration process. For example, the Minister was replaced after the turmoil in October and the preparations of the new plan were disrupted. In 2004, the Ministry of Education will continue the elaboration of a strategic plan, based on the results of an analysis of achievements and difficulties of the first phase of the Educational Reform Programme. According to the new policy of the Ministry of Education, this strategic plan must be based on a consensus with the Civil Society and grass-root organisations. According to the Educational Reform Law, a national convention should be held yearly to reach broad agreements on educational policies. The very first convention is scheduled for next August. In its preparation, consultations will be held with departmental councils. The National Education Council, CONED, a consensus mechanism was also created in 2003. The Civil Society, the Ministry, the Teachers' unions and NGO's that work in education are all represented in the CONED. It is the CONED that shall approve the new strategic plan.

The above-mentioned plan will be the base for the new support to the education sector. Sweden, together with Denmark, The Netherlands and the Ministry of Education, have initiated an identification process for a new common support to the sector striving for a sector-wide approach, SWAp. Sida has elaborated an action plan together with Denmark and The Netherlands in order to prepare this new support.

Despite significant progress in the Education Reform process since 1995 there are still a series of questions in all areas that need to be solved. These issues are, among others: the lack of financial management capacity, co-ordination with the international Cooperation, the amount of available resources for education in the short- and medium term, the political framework for education at the national level and its relation to the EBRP, the institutional capacity and the introduction of results based management, including a monitoring and evaluation system.

PROANDES – The Alphabetisation Programme

Within the framework of Proandes, an UNICEF programme, the Alphabetisation Programme targeted at women has been extended (2002–2005). The programme includes alphabetisation, micro-credit and institutional strengthening of the Vice-Ministry of Adult Education³. Its main objective is to give continuity to the ongoing process of adults' education and to educate rural women in order to contribute to the revaluation of their role, to increase their self-esteem and encourage and value their political, social, and economic organisation and participation, thereby achieving greater gender equity.

The emphasis of the support has been at departmental level, through the provision of technical assistance to the Departmental Education Services, las

³ Educación Alternativa has been translated to Adult Education.

SEDUCAs, thereby strengthening their role in providing technical support, training and follow-up to the municipal education centres.

During 2003 a baseline study was carried out under the leadership of the Vice-Ministry of Initial, Primary, Secondary and Adult Education, and with support by UNICEF. In 2003, the principal assistance that Sida provided in this area was to the elaboration of a national policy on adult education, including human and financial resource allocation on behalf of the Government, as well as accreditation of educators and technical staff. Once the National Plan of Adult Education was elaborated, it was introduced in the Ministry's strategic plan. Thereby, this is an important step toward eliminating the fragmentation of adult education. As this support ends in 2005, support to adult education will be granted via the Ministry of Education and its sectoral plan. As a consequence of the political context, the Vice-Ministry of Adult Education changed into a Department within the Vice-Ministry of Initial, Primary, and Secondary Education at the end of 2003.

Education Councils for Indigenous Peoples in Bolivia

The Project's objective is to improve the quality of bilingual intercultural education, through the active participation of Education Councils for Indigenous Peoples in Bolivia, CEPOS, in the formulation of education policies. This support began in November 2002 and will end in December 2005. Sweden has contributed with SEK 15 million to a basket. The project consists of four areas – institutional strengthening, financial sustainability, domestic organisation, and technical assistance.

During 2003, the emphasis has been on the component of institutional strengthening of the CEPOS, mainly through support of the elaboration of national guidelines for the CEPOS, as well as administrative support to CEPOS. As for sustainability, it is interesting to note that the generation of CEPOS' own resources has been included in the project. This aspect was thoroughly analysed and as a consequence, it was decided that radio stations should be established. The objective of the radio stations is to generate resources and to support the dissemination of the Bilingual Intercultural Programme in the country. The production of a weekly journal with topics related to indigenous peoples has been started. It is published as a newspaper supplement in one of the main newspapers of Bolivia.

A mid-term audit is foreseen for 2004, in order to establish the basis for sustainability of the Programme. In this sense, it is important to consider the salaries of CEPOS personnel committed by the Ministry. The negotiation process with the Ministry in order to achieve these posts has already begun.

The Emergency Employment Programme

An Emergency Employment Programme, PLANE, has been launched during the last years to mitigate the consequences of the recession by providing jobs for the poorest and improving local infrastructure. Together with several other donors, Sida has supported PLANE since 2001 and during 2003 the Swedish contribution, to PLANE II, amounted to SEK 26 million. A decision was made to enhance the Swedish contribution (originally of SEK 20 million) during the year as a way of reaffirming the support to the Government's efforts to produce concrete and positive results in

some areas. PLANE is widely viewed as well functioning and has rendered positive results, e. g. in terms of local infrastructure. The Programme's efficiency has improved during the years, focusing more on structural issues and the sustainability of the Programme. Although sustainability in a strict sense could hardly be expected from a programme of this type, the more long term aspects of PLANE is an issue that needs further discussions before deciding on a possible continued Swedish support. An evaluation of PLANE II is expected to take place in early 2004.

The Adolescent Reproductive Health Programme

Sida financed a pilot project on sexual and reproductive rights for adolescents, which ended in 2002. The evaluation of the project was completed in 2003. Even though the project had varied results in different geographical locations, the overall results of the evaluation were positive and promising. Therefore, and considering the importance of preventive action of HIV/AIDS among adolescents, Sida has initiated support to the continuation of the pilot project, based on the lessons learned and results of its evaluation.

Sida is co-financing the new programme, "the Adolescent Reproductive Health Programme", together with UNFPA, Danida and the municipalities of Santa Cruz, El Alto and La Paz. By the end of 2003 a new agreement was signed for the period of 2003–2007, with a Swedish contribution of SEK 25 million.

The programme will be implemented on a greater scale than the pilot project and aims at having a greater impact through reaching a broader audience. It will institutionalise the integral model. The programme will be implemented directly in municipalities rather than, as in the pilot project, via the education and health sectors.

Support to University Investigation

The second agreement-period of Sida's support for research Cooperation with Bolivia started in January 2003. It is a continuation of previous contributions in order to strengthen the research capacity of the San Andres and San Simon Universities, UMSA in La Paz and UMSS in Cochabamba. The Cooperation programme focuses on the areas of natural sciences, technology, social sciences, and humanities. Some additional projects in the area of health research are also being planned at UMSA. During 2003, UMSA has worked to solve administrative weaknesses that were found in 2002' audit.

During 2003 important changes took place in the university authorities. These changes caused delays of the implementation of research activities.

At UMSA, the development of infrastructure for a computer network has been planned in collaboration with the Lund University in order to satisfy the requirements of information and communication technology. The network will be installed in 2003 – 2004 and will interconnect all UMSA faculties, libraries and administrative buildings. Staff and students will have access to the Internet. A plan has been developed on how to apply the information technology project. However, there are serious delays in its implementation due to changes of university authorities. The activities are financed via the appropriation for Global Programmes. The San Simon University, UMSS, has elaborated a comprehensive Plan for the management of research. It provides a framework for UMSS'

scientific policy, including policies and priority areas of research, as well as system for selection, evaluation, and follow-up of research projects. During 2003, the UMSS changed its authorities. The new authorities have stated their willingness to continue the implementation of the research plans well as the modernisation of the University structure. A book on the achieved results in the above-mentioned projects has been planned.

A third component of the Research Programme supports the formulation of a national plan for scientific development and research at Bolivian universities. The Vice-Ministry of Higher Education, Science, and Technology co-ordinates this component which is carried out at UMSS. The first report "Pensar la Universidad", was published in April 2003. The project has changed direction and at present, its aim is to strengthen the Vice-Ministry of Higher Education in the elaboration of policies for higher education. Several studies that support this process have been carried out, for instance, on the labour market and on Andean Universities. The Vice-Ministry has begun a process to mainstream policies of bilingual intercultural education policies and is working hard in order to create an Andean University.

Private Sector Development

During 2003, the Sánchez de Lozada Government undertook a revision of the EBRP. The revised EBRP gave priority to the development of the productive sector as the engine of economic growth, particularly in labour intensive areas. On the one hand, it gives priority to the development of 14 productive chains, of for example, leather, quinoa, wood, and tourism; and on the other, it pretends to increase the importance of the Competitiveness and Productivity Unit, focusing on pro-poor growth.

The Swedish Cooperation intends to facilitate the strengthening of the investment climate and the development of entrepreneurial skills and competitiveness, thereby creating a favourable climate for productive investments. While there has been significant progress in this area, there are also setbacks due to the institutional weakness of counterparts, reflected in for example the implementation of the Project "Modernisation of the Commerce Code" and in the project in support of the Standardised Account Plan, the Plan Unico de Cuentas, programmed since 2002. Despite an adverse context and change of governments, Sida intends to continue its programmes in support of a favourable business climate, as well as to give special attention to the informal sector and the situation of the poorest groups in Bolivia.

The assistance is channeled through foundations, private and public institutions, and is focused on the knowledge transfer from Sweden. There are also examples of triangular Cooperation with other countries in South America, especially with countries that have institutions with an in-depth knowledge of private sector development.

The Programme of Entrepreneurial Development

Part of the Swedish Cooperation to private sector development takes place through the Programme of Entrepreneurial Development, El Programa de Desarrollo Empresarial Boliviano, PDEB. The programme identifies local counterparts, identifies and designs programmes and projects with goals that aim to strengthen the productive and business

climate. The Chamber of Industry, Trade and Services in Santa Cruz, CAINCO, the main chamber of Commerce in Bolivia leads the programme. An agreement was signed in May for three years and SEK 17,4 million, in support of four areas of the productive sector:

- Common vision for competitiveness in Bolivia,
- Promotion of the diversification of products,
- Development of capital markets, and
- Development of the private sector regulation.

The Forestry Sector

The other area of support is the forestry sector. In 2003, Sida supported forestry development through the Bolivian Forestry Chamber. The support aims to achieve the sustainable development of forestry management, to support wood industry and the commercialisation of wood as well as institutional strengthening of the Forestry Chamber. Between 2003 and 2004, Sweden contributes with SEK 4,8 million to finish the extension of the Industrial Services Centre, CSI. The centre provides services and training to sawmills and to forestry- and wood companies.

Given the high interest expressed on behalf of forestry actors in Bolivia, Sida has taken steps to prepare an integral programme of forestry development. Its main objective would be to achieve a positive impact on the Productive Chain of Wood. In 2003, a background study was undertaken that would serve as input in the elaboration of a possible programme during 2004. In this context, the following existing projects will be considered:

- The Forestry Engineering Career, a project with SEK 26,8 million to be executed during three years from November 2003 onwards;
- The institutional strengthening of the Forestry Superintendence of Bolivia. The main objective of the Project is to create an efficient institutional structure in order to supervise the development of a sustainable, transparent and legally secure forest management in Bolivia. This includes assistance to the elaboration of a strategic plan as well as the development of efficient organisational and administrative instruments for the institution;
- The creation of a Fund in support of Voluntary Certification of Forests;

Further, the programme will also consider the experiences and proposals for forestry development from various geographic regions of Bolivia. The entrepreneurial communities that form the Organisations of Tierras Comunitarias de Origen, TCO, and the Local Social Associations, Asociaciones Sociales de Lugar, ASL, are new actors in the sector. There is a need to strengthen their capacity in forest production.

The Environmental Industry Project

This support began in the middle of 2003 and will end in August 2005. Sweden has contributed with SEK 10,4 million. The general objective of the Project is to reduce the environmental impact of emissions from the Bolivian Industrial sector, by providing Bolivian companies and governmental institutions with independent professionals in environmental protection matters.

The project is a continuation of a former project with the same purpose – to enable National and Departmental Industry Chambers, CNI and CD's, as well as involved industries, to assist professionally in solving industrial environmental problems.

Water and Sanitation

One of the objectives of the Swedish Country Strategy for Bolivia is to strengthen the basic security of poor people, by strengthening the Government's and communities' capacities to deliver basic services, especially water and sanitation.

Therefore, Sida has continued to support the area of water and sanitation. Its specific objective is to increase and improve poor peoples' access to water and sanitation services, as well as to strengthen the sector's institutional capacity, especially at the municipal level. Within this framework there are two projects: the Water, Sanitation, Hygiene and Environment Project with UNICEF, and the Project of Technical Assistance to the Vice-Ministry of Basic Services, PROAT.

PROANDES – The Water, Sanitation, Hygiene and Environment Project

This second phase of the project began in January 2002 and will end in June 2006. Before that, Sweden had contributed with SEK 32 million. The Water, Sanitation, Hygiene and Environment Project has so far achieved the proposed objectives, especially in relation to the construction of water systems for small communities spread out in rural areas, of school ecological latrines, and to a lesser extent, of family latrines. Further, the project has provided sanitation training for municipal technical staff, representatives from the Base Organisations responsible for the administration of the systems, the so called "Comités de Agua y Saneamiento", CAPY's, as well as for users. There is certain progress in the construction of micro-irrigation systems, a new component under the second phase.

Project of Technical Assistance to the Vice-Ministry of Basic Services

The objective of the Project of Technical Assistance to the Vice-Ministry of Basic Services, PROAT, is to improve investments in water and sanitation in poor rural areas of Bolivia, as well as to strengthen the capacity of poor municipalities to attract investments. In this framework PROAT has achieved the foreseen results, even though there were some delays due to the political-social events of 2003.

In 2003, four consultants were contracted in order to develop regulations for water management. The results are being discussed within the sector, giving emphasis to management, both of the technical design and the service administration for small towns with populations of up to 5,000 people. Training manuals on the new regulations, a communication strategy and the sector's policies and regulations are being disseminated. The water- and sanitation sector is taking the first step towards a possible SWAp through creating a Basket Fund. A Foundation, FUNDASAB, is to be created with resources from the EU and GTZ. It will be in charge of the management of resources aimed at technical assistance and community development.

Support to Civil Society

The overall object of Sida's support to the Swedish Non-Governmental Organisations, NGO's, is to strengthen the Civil Society in order to facilitate democratisation processes. Furthermore, the organisations contribute to spread information in Sweden on how it is to work in a developing country in general and what the local Bolivian reality is like. Sida's work with Swedish NGO's has become even more important after the political crisis that Bolivia experienced during 2003. Because of the fundamental importance of the Civil Society in the present political situation, this might be the moment for Sida to focus more on how to support the Civil Society directly i.e. provide a direct support to Bolivian organisations. The work of the Swedish NGO's is successful and very much appreciated. Any initiative of Sida to provide direct support to the Civil Society does not exclude a continued support to the Swedish organisations.

The support to Bolivia through Swedish NGO's was approximately SEK 13 million in 2003. The supported organisations are Diakonia (4,6 million), Forum Syd including las Golondrinas/Svalorna (SEK 5,5 million), Misión Sueca Libre de Bolivia (SEK 2,5 millions), Cooperación Técnica Sueca/UBV (SEK 2 millions), Centro Cooperativo Sueco/SCC (SEK 0,7 million) and Centro Olof Palme/OPC (SEK 0,4 million). The Swedish NGO's receive 80% of their funding from Sida and they have to top up the funding with a further 20% from their own organisation. The only exception is Diakonia, which receives half of its funds from the appropriation for Latin America, which it is not obliged to top up with funds of its own.

Diakonia co-operated with 17 permanent partner organisations during 2003. The thematic areas of work are principally local democracy, civil and political rights, economic, social and cultural rights, gender equality and peace culture. The activities are concentrated to the La Paz and Santa Cruz regions.

Forum Syd is an umbrella organisation that distributes funds to small Swedish NGO's. Its most prominent partner organisation in Bolivia is the volunteer organisation Svalorna/Las Golondrinas. In 2003, Las Golondrinas had seven volunteers with the following qualifications; Social Worker, "Networker", Recreational Pedagogue, Economist, Journalist, Financial Manager and Co-ordinator. During 2003, las Golondrinas started to apply their new guidelines, which indicate that collaboration should take place with more established organisations that work strategically. Therefore, the number of small supports has been reduced. Meanwhile, the new category of collaborating partners has still not been clearly identified.

Misión Sueca Libre de Bolivia, MSLB, has worked in Bolivia since 1920. The main area of work has always been education and knowledge transfer. The organisation has several schools in different areas of Bolivia and an existing education agreement with the Ministerio de Educación. MSLB is handing over more and more responsibility to its collaborating partners and reducing its foreign staff to the necessary minimum. They are searching for sustainable solutions and long-term projects by transferring property etc to local partners, and in some cases, founding Bolivian associations and foundations that will continue the work when MSLB terminates its activity.

Cooperación Técnica Sueca, UBV, is passing through a period of change. In the future, UBV will not only work with volunteers but also with different kind of contributions like projects, exchanges, trainees and seminars. During the first half of 2003 UBV had seven volunteers and during the latter half there were five. At the end of the year four new volunteers arrived and one of the old left. The work is concentrated to Santa Cruz, Oruro and El Alto/La Paz. There is also an ongoing two-year project with UBV in Ecuador, which is an exchange programme for Ecuadorian and Bolivian youths.

Centro Cooperativo Sueco, CCS, collaborates with an Uruguayan organisation supporting a housing project in Cochabamba. Centro Olof Palme/ABF is together with the organisation ABC and the Swedish organisation ABF educating adults in the departments of Oruro and Cochabamba. The purpose is to educate the rural population, especially women and the indigenous populations, in their rights and obligations and how they can improve their handmade products and elaborate sale strategies.

During 2003 Sida changed its rules for how to apply for funding from the Regional Department for Latin America, RELA. Within the new system, organisations can seek financial support directly from RELA. The system has been developed to strengthen and support the work of the Swedish NGO's in Latin America since their work is of special importance for RELA. During 2003 RELA received seven applications from NGO's of which four was partially granted financial support.

Support to Economic Reforms

Since the autumn of 2001, Bolivia was off track with the IMF, mainly due to the significant budget deficit and the inability to introduce a tax reform. Following the February events, and the reaction against tax reform, the IMF granted Bolivia a Stand By Arrangement. The fact that Bolivia had an agreement with the IMF enabled Sweden to provide budget support. Hence, in May, and as a direct response to the political and economic crisis, Sweden provided an non-earmarked support to the national budget of SEK 35 million.

During this period of time, discussions took place within the bilateral community and with the multilateral donors on how to co-ordinate support to the budget and how to combine it with technical assistance to strengthen public financial management. Sweden and the Netherlands used the same agreement and conditions. It asked for quarterly information on the economic, fiscal and debt development of the country; reports on the implementation of the EBRP as well as indicators on poverty alleviation achievements. Denmark waited for the Public Expenditure Review, PER, and did not provide support before the end of year. Its conditions were similar of those of Holland and Sweden. A few other donors encountered difficulties in provided budget support, and hence, provided earmarked support after long processes of negotiation and clarification. Towards the end of the year, a mechanism had been established and discussions retaken within the bilateral community on how to facilitate budget support to the Government. Its aim is that budget support shall be co-ordinated within a framework of a Memorandum of Understanding, on a multi-year basis and that all donors use the same conditions and triggers.

3.4 Office and Administrative Issues

Within the framework of Sida's new Field vision, a goal of 2003 was to strengthen the DCS. As a consequence, an economic advisor was recruited locally, as well as an economist/programme officer from Sweden. Hence, at the beginning of 2004, the DCS staff includes six sent-out Officers (Head of Cooperation, Head of Administration, three Programme Officers and one BBE). There are also three National Programme Officers, two assistants (for the National Programme Officers and Head of Cooperation), one receptionist, one administrative officer, one messenger and two drivers. As a result of the increased workload and additional posts, the DCS plans to recruit an additional assistant and bookkeeper, financing has been received in the administrative budget for 2004.

In 2003 all National Programme Officers received training in PLUS, the administration system of Sida; they have all been to Sida HQ for introduction. A two day course in Rating took place with support from Head Quarters, as did a longer course on procurement. Some staff also travelled to Sweden for further training, for example, the assistant and the financial assistant. Two programme officers undertook language courses abroad, while the drivers and messenger are learning English in Bolivia. During the October crisis, the Ministry of Foreign Affairs, UD, transferred the responsibility of Swedish citizen affairs from the Swedish Consulate to the Swedish Embassy Section. After the crisis the DCS supported the elaboration of a contingency plan, and undertook activities to increase the preparedness of a possible future crisis. In the beginning of 2004 the Ministry of Foreign Affairs, UD, together with Sida decided that the registration of Swedish citizens in La Paz and the responsibility for all future crisis management would fall on the Development Cooperation Section of the Swedish Embassy.

During the year, discussions were undertaken with the Ministry of Foreign Affairs in Stockholm, trying to change the status of the DCS to an Embassy headed by a chargé d'affaires. The main advantage with such an arrangement would be to facilitate relations with the Bolivian authorities as well as EU member states within the EU Cooperation in La Paz. No decision has yet been taken by the Ministry.

4. Conclusions

2003 was an important year for the Swedish development Cooperation with Bolivia. Dramatic political changes, that imply important challenges to the future development Cooperation between the two countries, took place. The challenges for 2004 will be to adjust the strategy for the development Cooperation to the new political realities, giving room for more flexibility and the implementation of more projects with visible results in the short term. Furthermore, the political turbulence requires that we give less importance to Cooperation with the central Government and instead complement this with activities with other important actors, on the national as well as the local level. Social inclusion has to be put even higher on the agenda and the increasing institutional instability has to be taken into account in the design of new projects.

Important efforts have been done in strengthening co-ordination between donors in areas as budget support and the development of sector wide approaches in some sectors that have to be followed up during 2004. Co-ordination with the Government has been weak, mainly due to lack of capacity and to an intense political agenda. However, recent initiatives from the Government might improve this situation during 2004.

The main challenge for the development Cooperation in Bolivia during 2004 will be how we can support the efforts undertaken by the Mesa Government to reduce conflicts in society, reinforcing a reform agenda and maintaining democracy in the country. This in order to increase efforts of social inclusion and constructing a social pact between main actors under an extremely difficult economic situation with small prospects of immediate progress in poverty reduction.

5. Further Readings

The year 2003 was a year of important developments in the case of Bolivia. The following documents complement Sida's Country Report with important background information:

- About Recent October Events
- The Gas Situation in Bolivia
- The Situation of Human Rights in Bolivia, 2003
- The Bolivian Economy in 2003

The documents can be found on the sida homepage Partner Point www.sida.se/latinamerica

Annex 1

Table 1: Bolivian Economic and Poverty Indicators

	1999	2000	2001	2002	2003	
Macroeconomic situation						
Real GDP growth (%)	0.4	2.3	1.5	2.8	2.6	^p
Real GDP growth per capita (%)	-1.9	-0.1	-0.8	0.4	0.3	^p
Inflation rate (%)	3.1	3.4	0.9	2.5	3.9	
Total budget deficit / GDP (%)	-3.5	-3.8	-6.9	-8.7	8.0	
Net domestic financing			3.9	2.5	2.5	^p
Net external financing			3.1	6.1	5.5	^p
Trend in terms of trade (1997=100)	89.8	92.6	88.8	83.8	91.6	^p
Trade deficit / GDP (%)	-8.5	-7.1	-5.3	-6.0	-1.4	^p
Current account deficit / GDP (%)	-5.9	-5.5	-3.5	-4.3	0.3	^p
Nominal GDP (USD millions)	8,297	8,405	8,036	7,812	7600	^{p1}
GDP per capita (USD)				940	895	^{p1}
Gross foreign exchange reserves (No. of months of imports of next year)	8.0	7.8	7.7	5.9	n.a.	
Exchange rate – end of period (Bs / USD)	6.00	6.40	6.83	7.50	7.84	
Debt situation						
Nominal external debt (USD millions)	4,573.8	4,460.5	4,322.8	4,299.7	5,041.0	
multilateral	3,073.5	3,077.4	3,100.9	3,537.3	4,217.9	
bilateral	1,473.3	1,364.3	1,206.6	756.9	820.3	
private	27.0	18.8	15.3	5.5	2.8	
NPV of external debt (USD millions)	n.a.	2,791.8	1,774.7	2,281.4	3,765.5	
Exports (USD millions)	1,310.4	1,470.0	1,520.7	1,562.2	1,863.8	^p
NPV of external debt to GDP	n.a.	33.2	22.1	29.2	30.0	^{p1}
NPV of external debt to Exports	n.a.	1.90	1.17	1.46	2.02	^{p1}
External debt service before HIPC (USD millions)	334.1	348.8	341.7	412.7	422.2	^p
External debt service after HIPC (USD millions)	253.8	266.8	248.6	253.4	268.8	
External debt service before HIPC to Exports	25	24	22	26	23	
External debt service after HIPC to Exports	19	18	16	16	14	
Poverty – distribution						
Population (millions)			8.3		8.5	²
Population growth (%)			2.3		n.a.	²
Human Development Index				0.64	n.a.	²
Gini coefficient (total population)	0.58	0.62	0.59	0.61	n.a.	²
Gini coefficient (rural population)	0.64	0.69	0.64	0.62	n.a.	

Notes: ^p preliminary n.a. not available

Sources: Banco Central de Bolivia, Annual Reports: 2000, 2001 and 2002 unless other sources are indicated.

¹ Own calculations based on BCB Annual Reports and INE information.

² Instituto Nacional de Estadística – Anuario 2002 (web site) and EIH–1995, ENE–1997, MECOVI–1999–2002.

Annex 2

Country report - Bolivia			Delimitation:	
Outcome and forecast in TSEK			Status: I, P, A and C (agr end > 200300 or Outcome <> 0)	
			Region/Country: Bolivia	
			Data	
Allocation Frame	Allocation Account	Sub Sector	Outcome 2003	Forecast 2004
Inside country allocation	15526 Bolivia	-	0	23,750
		100 Human rights (incl PLANE)	28,202	7,000
		109 Human rights	5,223	5,157
		120 Democracy	10,322	6,250
		131 Central public administration	2,294	3,128
		132 Financial adm (incl Budget Support)	35,133	0
		139 Other within government and public adm	850	11
		199 Other within HR & Demo	0	0
		200 Primary education	32,541	5,318
		209 Other within education	8,832	8,832
		210 Health care system	0	0
		211 Health service	1,961	7,000
		219 Other within health care	0	0
		292 Culture	0	0
		299 Other within social sectors	0	0
		300 Transport	0	600
		303 Water supply and sanitation	8,348	8,375
		310 Trade and industry	20,211	26,413
		311 Financial sector	0	0
		399 Other within infra, trade etc	1,975	1,800
		401 Water	2,196	3,480
		409 Other natural resources	-2	0
		910 Research	-8	571
		920 Other	0	3,559
		929 Other	840	0
	15526 Bolivia Total		158,916	111,242
Inside country allocation Total			158,916	111,242
Outside country allocation	15551 Research	-	0	11,000
		202 Higher education	121	0
		910 Research	15,431	11,190
	15551 Research Total		15,552	22,190
	15561 Non- governmental organisations	100 Human rights	192	0
		109 Human rights	-30	0
		120 Democracy	910	0
		199 Other within HR & Demo	2,929	524
		200 Primary education	-74	0
		209 Other within education	3,353	1,602
		210 Health care system	-2	0
		211 Health service	287	31
		219 Other within health care	747	360
		292 Culture	-0	0
		299 Other within social sectors	618	0
		303 Water supply and sanitation	-1	0
		304 Housing and construction	-14	0
		311 Financial sector	161	12
		399 Other within infra, trade etc	475	62
		400 Land	-22	0
		409 Other natural resources	2,185	0
		499 Other natural resources	491	323
		929 Other	703	156
	15561 Non- governmental organisations Total		12,908	3,070
	15571 Humanitarian assistance	291 Basic provisions	96	0
	15571 Humanitarian assistance Total		96	0
Outside country allocation Total			28,555	25,260
Grand Total			187,471	136,503

Annex 3

Bolivia – Changing Conditions for Implementing the Country Strategy

I. Introduction

The Swedish Government in December 2002 approved the prevailing Country Strategy for the Swedish development Cooperation with Bolivia. Nevertheless, important political changes in the Country during the beginning of this year have underlined the necessity to analyse to what extent these political shifts imply changes in conditions to implement the Strategy. The following memo is the result of discussions held at a Planning Seminar that the Embassy had in the middle of May and complementing discussions held at the Embassy the following month where all Program Officers at have participated..

II. Political Context

In August 2002 a new government took office in Bolivia. The fragmented result of the elections in June the same year had forced the two traditional rival parties Movimiento Nacionalista Revolucionario (MNR) and Movimiento de la Izquierda Revolucionaria (MIR) to enter into an unholy alliance with MNR's leader Gonzalo Sánchez de Lozada (Goni) as President. The elections also brought new political actors to the national stage. Movimiento al Socialismo (MAS), a party created around the coca issue and mainly supported by indigenous groups, became the second largest party in Congress.

After taking office the new Government faced an extremely difficult situation. The economic situation inherited from the previous Administration was very troublesome, with a deep recession for the past three years and extremely high unemployment levels. Many social demands had accumulated and the newly elected Government had a fragile majority in Congress, creating obstacles to pass its bills.

In order to restore growth and employment the Government launched the Plan Bolivia, which intends to substantially increase public investment in infrastructure, i.e. roads, irrigation, housing, etc. However, the process has proved to be very slow.

The toughest negotiations were held, without any doubts, with the International Monetary Fund, who wanted the country to reduce the fiscal deficit by three percentage points, from 8,5 to 5,5%, during 2003. As always, IMF was the key negotiation, before an agreement was reached with them funds would not be released from most donors.

The negotiations dragged on and continued throughout January. In the same month many social movements, that had been relatively calm during the first months of the new Administration, started to raise their voices. Especially the coca producers supported by Evo Morales, the influential politician and leader of MAS, started protests and roadblocks in the Chapare region. The Government decided not to negotiate under pressure and clashed head-to-head. During the confrontations between the military and the coca producers around 13 people died. Eventually the Catholic Church and the Human Rights Movement mediated between the two parties and negotiations started around a comprehensive agenda.

Bolivia now entered into a phase of increased tension and endless negotiations. Without having managed to finalise negotiations with the IMF, the Government was unable to submit a budget for 2003 to Congress.

The February Crisis

The crisis of February 12–13 was triggered by the Government's proposal to introduce a direct income tax, which thus far had not existed in the country. The tax, that was slightly progressive, was lunched to increase revenues and thereby reduce the high fiscal deficit.

The measure was very unpopular and induced a police mutiny, though this group almost not was affected by the tax proposal as such. The mutiny soon got out of hand and the military were called by the President to defend the order. Armed confrontations developed between the mutinous police and the military outside the Presidential Palace in La Paz. Both militaries and police officers died and were injured, as well as several civilians.

Lots of people also went out to protest, and to loot and destroy; as in fact almost two days passed before law and order were restored. There has, of course, been a lot of speculations about the riots being part of destabilising actions of irregular groups with some kind of political motivation, as well as talks that there was a deliberate attack against the President's life during those days. However, so far no credible proofs have been presented supporting these allegations. Over thirty people died during the two days and approximately 200 people were injured and a vast number of buildings and shops were destroyed or looted.

The Aftermath of the February Events

The immediate results of these events were the reshuffling of the Government. In an effort to show austerity several vice-ministries were abolished and some ministers, such as the Minister of Government, were not confirmed in their portfolios. Because of the complicated negotiations between MIR and MNR, concerning the distributions of the vice-ministries, this nomination process took more than three months to complete.

The February events accentuated a number of complex problems in the Bolivian society; namely, the perception of a society in a comprehensive governance crisis, an increasing political vacuum and a vast lack of confidence in public institutions, and a general social pessimism.

Since February the President has tried to establish agreements with the Armed Forces and parts of the Police in order to ensure the country's internal security. As a result of the February events the Armed Forces have gained extensive political influence. There are indications that

various political leaders have had meetings with the Armed Forces, some to ensure the democratic order, others to exploit alternatives to the present democratic system. The Bolivian people are very discontent with the Government and with the judicial system's handling of the aftermath of the February crisis. It has been proved that snipers, probably both from the Police as well as from the Military, shot against innocent people during those days, but both the Police and the Military have obstructed the criminal investigations. Furthermore, the Armed Forces stated, without being contradicted by the Government, that they may only be judged in a Military Court and not in Civil Courts. This is just another example of the problem of impunity in Bolivian society, due to a judiciary system that is widely corrupt and far from independent.

The February events have led to a severely weakened Government, which is mainly fighting for its political survival, with a very short time perspective. Continuing strikes and social demonstrations forces the Government to countless negotiations, where social peace is bought through expensive deals, that are further straining a, still much too large, fiscal deficit.

Although there have been several attempts from Government, especially before the February events, to reach an agreement with coca growers they have so far been in vain. The general weakness of the Government has made them less inclined to reach an agreement that substantially deviates from the interests of the US Government in this area. Notwithstanding several comprehensive alternative projects to stimulate coca-growers to leave this illicit activity, the returns of coca growing are still much too high in comparison with any other alternative activity at hand for these farmers, which makes a conversion very difficult during the continued economic recession.

Congress has severe difficulties in reaching agreements on almost any decision, and an important part of the Government's Economic Reactivation Programme has been delayed due to prolonged discussions in Congress. Especially preoccupying are almost 50 nominations of judges, superintendents, civil rights attorneys, etc., which are delayed because of the Congress' incapacity to reach the necessary two-thirds majority.

At the same time, the rift between the governing parties MIR and MNR has become wider. MIR leader, Jaime Paz Zamora, is accusing MNR of being too slow in the execution of the agreed Plan Bolivia. MIR is also very discontent with the pact that MNR has made with VIMA, a party of retired policemen, mainly from the police intelligence branch, that some consider having been instruments of previous dictatorships.

The Catholic Church has, since February, tried to promote a social and political dialogue (Reencuentro Nacional) with all the important political actors in the Bolivian Society. So far progress has been very slow due to the mutual suspicion between the different actors. The Permanent Assembly of Human Rights has also done similar efforts, however not totally co-ordinated with the Church.

The main dilemma is that almost all of the country's problems are structural and are the result of decades of neglecting to deal with the effects of exclusion and an extreme unequal distribution of income and fortune. Starting a process to solve these problems requires long term solutions, a high political will and consensus, which are very difficult to mobilise under the current political situation.

III. The Actual Situation Regarding the Implementation of the Country Programme

General Situation

The strategy for the present Swedish Country Programme was elaborated within a year after the adoption of the Bolivian Poverty Reduction Strategy (EBRP –La Estrategia Boliviana de Reducción de la Pobreza) by the IMF and the World Bank Boards. The EBRP by then seemed to be a natural point of departure for the Swedish Country Strategy, since the national ownership was largely stressed in this document and a continued national dialogue on the implementation of the Strategy was stipulated by law.

Nevertheless, Sweden and other donors were well aware of a number of deficiencies in the EBRP, such as the unrealistic projected economic growth and the corresponding reduction in poverty and the lack of a strong commitment towards the combat of corruption. The importance of institutional strengthening was not either given adequate importance.

Another important fact stressed in the Country Strategy is the well-organised donor co-ordination between the Bolivian government and the international donor committee. This co-ordination has resulted in a number of programmes, in which several bilateral donors (e g Holland, Denmark, UK and Sweden) assist the Bolivian government together – in basket funds or similar co-financing arrangements. However, it should also be mentioned that an important question mark existed regarding the, in several cases non-existing or weak sector policies.

According to the Law on National Dialogue a dialogue should take place 2003 in order to follow up the implementations of EBRP. Furthermore, the Government has expressed its will to adjust EBRP and give more emphasis to economic growth and employment generation. This adjusted Strategy will be consulted during the National Dialogue. Due to the complex political situation the Dialogue has not yet started and there are doubts regarding its feasibility.

If the plans to organise a comprehensive Dialogue would be set aside, the Government will loose even more in legitimacy and so would possibly the Swedish Country Strategy. However, it is yet to soon to draw any conclusions regarding the future of the EBRP.

When it comes to the donor co-ordination, the Government has had difficulties in redesigning the previous system. According to the new system launched a couple of months ago co-ordination will be achieved through a dozen of working groups covering sectors, working themes as well as mainstreaming issues. To date work has not been very efficient, all groups have not met and the mainstreaming issues have not been represented in the groups already initiated, although this was the intention in the proposal.

The lack of well-defined sector policies has been a large issue on the donor's agenda for the past year. One among many impediments was the aftermath of the February incidents, which led to a change in the Law of the Organisation of the Executive Power which in its turn resulted in a reorganisation and a sharp reduction in the number of vice-ministries and their capacities.

The Implementation of the Country Plan for Bolivia

According to the prevailing Country Plan a country frame of SEK 175 million has been allocated to the Swedish Development Cooperation with Bolivia for 2003. At the end of June approximately SEK 50 million had been disbursed or 29% of the country frame. In the same plan the preparation of 10 new or continued projects/programmes should be carried out during the year by the Embassy. To date only one of these project preparations has been concluded and three are under way. The others have been postponed mostly due to delays or changes in Government's plans.

The Situation at Sector and Programme Level

Here follows a description of the situation in the different sectors where the Swedish Development Cooperation is active.

Water and Sanitation: In this sector the changes have been few. The programmes supported by Sweden had a well-elaborated sector policy at their point of departure (although this policy is a pure public state product without the involvement of civil society). The donors co-ordinate their efforts without any co-financing arrangement. In the beginning of the year the UNICEF programme was extended to a further number of villages. The UNICEF water programme generally is very well considered, especially on the country side of Bolivia, while the Bolivian authorities sometimes would prefer running their own water programmes with the funds of the international donor community. In a possible enlargement of the programme, this aspect ought to be further considered. A consultancy have been commissioned in order to analyse if possibilities exist to enlarge our support in the water and sanitation area preferably through co-financing a programme/project run by other donors which have natural connections with the work we are already developing.

Good Governance: Although the actual president is the "godfather" of the Institutional Reform Programme (PRI) and the Decentralisation Reform, activities developed during his earlier presidential period, these efforts have unfortunately been left without much attention during the past year. No further plans for the extension of the PRI to other parts of the Bolivian state administration have been presented, although the government has shown its interest in further developing the parts of the programme directed to the national services (customs service, road authority and tax authority). The development of the Institutional Reform in ministries has been very difficult and progresses slow. Under great pressure from the coalition partners and opposition Government has announced that it want to change the direction of the reform in ministries without so far defining what that would imply. The donors co-financing PRI together with the World Bank will within a few months make an assessment of if conditions exist to continue financing PRI or maybe a modified and reduced version of the Reform.

As mentioned the implementation of the Decentralisation Reform has almost come to a standstill. One important bottleneck is the vast lack of capacity at municipal level to manage the comprehensive resources that now are decentralised to them. Last year e.g. almost half of the HIPC-

resources delegated to the municipalities were not used because of lack of capacity. Furthermore, FPS and FNDR (two important state run funds that manage large resources for productive, social infrastructure and agriculture investment) were very slow in executing projects and several times hit by corruption scandals. Bilateral donors have initiated an evaluation of the PSAC- support to decentralisation (co-financed by bilateral donors and the World Bank). Doubts exist on the effectiveness of the support and on how a continuation of donor support to decentralisation ought to be designed. The possibility of finding other means of supporting decentralisation are under investigation. This could e. g. be done through support to municipalities, the Confederation of Municipalities or strengthening the capacity of poor and small municipalities.

All these non-actions should be mentioned in the perspective of a society with an ever growing deep mistrust for the authorities and where the corruption shall be considered one of the major impediment for the development of people's well-being. The impunity is increasing every day, due to a very slow and inefficient judicial system ready to take bribes from each and everyone.

The government has institutionalised the fight against corruption through creating an Anticorruption Secretariat under the responsibility of the Vice-president. This is however, a rather toothless body mainly dealing with receiving claims of corruption but without authority to pressing charges against those involved in corruption cases. Furthermore, Government has recently launched a Judicial Reform Programme that mainly tries to make an institutional reform within the Judiciary. Bilateral donors had together with Government agreed on certain precondition for initiating the Reform, conditions that not yet have been fulfilled. Preoccupations exist on if a real political will exist to make a comprehensive reform in this important area. The Embassy has commissioned a consultancy to analyse the proposed reform and the result it might imply before a decision on possible financing is taken.

Education: The education sector has also suffered from the changes of vice-ministers and accusations of corruption within the Ministry. An investigation has been carried out by the Anti-Corruption Secretariat and some of the allegations has been transferred to the Comptroller Generals' Office for further investigation.

However, the Ministry under the leadership of a new dynamic minister has now presented an overall sector policy. This is an important achievement and the next step is now to discuss the document with the different interest groups in the area. To the challenges of the Education Reform (PRE) belongs the institutionalisation. The Ministry has a small capacity to run the administration and planning of the PRE. The multilingual education still needs to be set to function at the classroom level and a scholarship system needs to be elaborated to reduce the number or dropouts.

In order to provide the Ministry with the time needed to take necessary actions and present a comprehensive programme, Sweden has decided to extend the present agreement with one year. The execution of funds has been extremely slow this year. Also the alphabetisation programme through UNICEF has suffered from the institutional problems at

the Ministry and therefore slowed down in the beginning of this year. On municipal level the results seem to be at hand, however. The support to the Native Language Councils (CEPOS) has turned out to everybody's satisfaction. Their funds have been well administered and they have also been able to provide the Ministry with important in-puts to the sector strategy.

At the same time initiatives have been taken by the Embassy together with Holland to make efforts to harmonise procedures together with the World Bank and the IDB to get closer to a sector wide approach in the Educational sector together with the Ministry. This might lead to enhanced efficiency in giving support but one important bottleneck is still the capacity of the Ministry.

In order to diversify our educational support we are looking into the possibility to give support via World Food Programme to poor municipalities in order to supply school luncheons to pupils. The idea would be to give a temporary support while one is enhancing the capacity of those municipalities to gradually take the full responsibility for supplying school luncheons and using other existing and forthcoming financing for this purpose.

Research: There remain some problems with the conceptualisation of the programme for higher education, since the different vice-ministries within the Education Ministry are not co-ordinating efficiently. The higher education should, however, be incorporated in the PRE in future. Within the research support programme, the levels of execution of funds have also been modest. A challenge is to try to better support efforts conducting a university reform in the Country.

The Productive Sector: The Swedish support in this sector has not been affected so much by the reduction of capacities at Government level since it mainly co-operates with private sector actors. A new three years agreement has recently been signed with CAINCO continuing supporting the PDEB- programme. A continuing support to the Industrial Environmental Programme PAIB has also been launched as well as an institutional strengthening support to the Superintendence for the Forestry Industry. The support to the Chamber of Forestry Industry has been prolonged two years in order to give possibility to enhance the Industrial Service Centre established within the Programme.

Following the guidance of the Country Strategy a planning process will start to create a coherent Forestry Programme where some of the ongoing projects will be integrated parts. Focus will be put on how forestry activities managed by indigenous groups could be integrated in the Forestry Industry and how employment intensive activities could be supported in order to maximise the poverty reduction effect and strengthen the productivity of the Forestry Sector.

As mentioned before Government will prioritise the creation of employment and economic growth in the planned revision of EBRP. Focus will be put on how to stimulate the development and increase added value in the small and middle-sized enterprises that mostly belong to the informal sector in the country. Today firms with less than 50 employees represent over 93% of total employment in the country but

just 35% of GDP. Efforts ought to be done to find efficient ways of supporting these endeavours within the Productive Sector Support. Another challenge is to strive to find ways reducing the administrative burden for the Embassy of all the projects financed in this sector. The creation of a coherent Forestry Programme ought to be one action in this direction.

Human Rights: The difficulties in the human rights area are very much related to the Good Governance problems with increasing impunity and mistrust for the judicial system. The Ombudsman's support is basically running without any large deviations from the plans. However, the future support is related to the outcome of the election of a new Ombudsman. If the new nominee would be more politically coloured and less efficient, the future of the Basket Fund could be questioned.

Gender: The vice-minister for gender has been changed after the February incidents. The new one is a well-known politician from MNR. The impression by donors of her performance is generally positive. She has concentrated her plans to areas, where the Vice-ministry has comparative advantages, such as mainstreaming of the public sector and left out many of the more NGO like activities planned for by her predecessor. This is also evident in her Annual Plan, for which she has turned to the principal donors for financing. PROCAL, a well-known NGO, working with women as female heads of household in order to insert these into the labour market, is negotiating its entrance into the five-year-plan. If it manage to do so, the level of funds to be executed by Sida this year is not likely to be reduced. If they do not manage the entrance, one possibility could be to support their project independently together with other donors.

Statistics: The National Institute for Statistics (INE) is in a process of developing its strategic five year plan, which will be presented to the donor committee at the next CG-meeting. INE has turned to Sweden with a proposal to contract two consultants, which are supposed to help out with the planning process – one general project document designer and one gender specialist. It is highly unlikely that the new plan can be initiated before October 2003. The idea is to together with other donors finance a programme like support to the Institution including among other things an institutional strengthening component as a support to the continued follow up of the implementation of EBRP.

Youth Issues: The pilot UNFPA project for Sexual and Reproductive Health (SRH) for youth financed by Sweden turned out to be successful. Therefore, UNFPA is elaborating a new Project Proposal. One challenge is to establish a well-functioning Cooperation with all national counter partners. If they manage a broad national participation and financial ownership for the project, Sweden is prepared to give a further support to an extended version of the previous project. The new proposal will also tackle youth violence, youth statistics and youth participation in a broad sense and not only concentrate on rights directly related to SRH.

Social Inclusion and Civil Society: In accordance with the Country Strategy, Sweden has so far mainly concentrated its resources for the Bolivian Civil Society to the Swedish NGOs. In line with this, Sweden recently has taken a decision on an additional support to Diakonia and its counter partners to assist a campaign against impunity and to let the Permanent Assembly of Human Rights enter into the Swedish support stock. In the Country Strategy, p 24, the following phrase is also at hand: “Above this (the support to the Swedish NGOs), small amounts could be channelled directly to Bolivian NGOs. This would only be the case, when a support to the civil society is deemed necessary to enable the implementation of some of the large reform processes supported by Sweden”. It has already been stated that the social exclusion is a major obstacle for the consensus building in Bolivia to day. The Swedish NGOs have limited potential to increase here, if not the new application mechanism decided upon by the Latin American Department provides Sweden with new initiatives.

Alternatives at hand to better address the social inclusion could be:

- A continuation of the former election support through assistance to a consortium of civil society organisations,
- support to social control mechanisms within the follow-up of the EBRP,
- increased number of direct support to vulnerable target groups like in the alphabetisation project, the employment programme PLANE, the female labour market project, youth projects or projects directed directly to indigenous areas
- start dealing with one of the possible roots of the conflict and help out the state together with NGOs, such as support to land reform programmes.

IV. Conclusions

To sum up, in comparison with the prevailing Country Plan and the Country Strategy the main difficulties in implementation lies with the big state-run reforms as PRI (The Institutional Reform), The Educational Reform and the support to the decentralisation reform. According to the Country Plan these represent almost half of the planned yearly disbursements (budget support not included).

No signs exist that the slow down of the Reform Process, the weakening of Governments capacity and the growing questioning of the political and democratic system as such is a temporal phenomena that soon will revert. Therefore, there are reasons to question whether it is advisable to depend so much on the implementation capacity of the Bolivian State in the future composition of the Swedish development Cooperation. A widening of the number of counterparts giving less importance to central government seems a to be desirable from that perspective. Supporting development initiatives on municipal and “mancommunal” level could be a way of diminishing implementation risks and giving possibilities to other important actors continuing supporting decentralisation efforts.

If the disintegration of the state authority continues there might be wise to augment the portfolio together with civil society in those areas very they have comparative advantages and work with important development problems. An area of priority that maybe has to be studied further from a NGO perspective is support to conflict management and the processes of “concertation” within the Bolivian Society. At the same

time one has to be aware of the administrative burden that a increased NGO Cooperation implies for the Embassy as well as the limitation that exist in their absorption capacity in Bolivia.

As established in the Country Strategy one overwhelming problem in Bolivian society is exclusion of indigenous groups. So far the Swedish Development Cooperation has not financed programs that are working directly with these groups in an integrated way, though programs as the Educational Reform, CEPOS and the Gender programme give a more indirect support to those groups. One ought to contemplate whether reasons exist to support some activities in this area preferably together with other donors that already have experience in the area and maybe under a co-financing or basket arrangement.

Another central problem in Bolivian society is corruption. As already pointed out a judiciary reform proposal has been presented by Government that is under appraisal by the Embassy. Doubts exist on the political will of Government to do an effective reform in this area. At the same time, effective reforms in the judicial area would have an important impact in everyday life for almost all Bolivian Citizens. Because of the importance alternative or complementary ways of supporting a judicial reform should also be analysed at the same time.

On the initiative of Government a CG-meeting is planned for in the beginning of October this year. A preparatory work in different committees covering sectors and problem areas with the participation of donors have been going on during the latest month with a varying quality of work (especially policy discussions in important areas have been weak). As mentioned before Government is planning for a National Dialogue that will prepare an adjustment of EBRP giving more emphasis to production, growth and employment. The Dialogue is provisionally planned for August but doubts exist on the political feasibility for this. Furthermore, the timetable is extremely stretched and there exist a risk that the CG will take place without a dialogue has taken place. Nevertheless, the IMF seems to be willing to take a decision on a 3 year PRGF in October without the National Dialogue having been carried out. A central question for Sida will be a judgement of to what degree the revised EBRP will be a strategy owned by other than the Government and if tools for implementation have been sharpened in comparison with the old version. In other words a judgement has to be made whether the modified strategy is worth giving a substantial economic support for its implementation.

One way of doing this would be through a continued budget support. Some likeminded donors have done a preparatory work during the last months in order to map necessary reforms regarding public financial management. Actions as strengthening the Comptroller Generals' Office, introducing a mechanism for a medium term fiscal framework and supporting efforts of better aligning EBRP priorities with the allocation of fiscal resources in the national budget have been discussed. Furthermore, the World Bank plans an interesting result based programmatic PRSC with indicators and actions plan regarding the implementation of the revised EBRP in central policy areas. If progress are made in public financial management and the revised EBRP is credible regarding the possibilities for implementation, budget support might be feasible maybe co-financed with the PRSC.

One important feature in the revised EBRP will be an enhanced support for the development of small and middle sized companies in the informal sector. Depending on the design of these programmes this could be an interesting area of support to develop within our Productive Sector Support with a clear poverty focus. This and the planned Forestry Programme could then be the cornerstone of our support to the private sector where the future role of PDEB maybe needs revising.

Though state execution capacity has weakened there would still exist possibilities for continuing with basket financing and other donor harmonised project solutions in several areas. As have been mentioned before the intention is to continue try to give a programmatic support in the educational field taking in consideration the limitations in the execution capacity of the Ministry of Education. The principle has to be to adopt the mechanisms of Cooperation to the varying pre-conditions that exists in different sectors.

The Country Strategy underlines the importance of concentration of the Swedish Development Cooperation. It further states that if a new sector should be added another has to be taken away. We do agree on the general principle of concentration on sector level but at the same time one also has to bear in mind how to manage the risks of delays in execution and disbursements that has grown with the present political situation. One way of doing this is initiating new projects in the same sectors where we already are working and complementing the already existing projects in those areas. Initiatives of that kind have already been taken in the decentralisation and water area, see above. This is also a way to counter-balance the effects of the increasing difficulties and uncertainties of execution of big projects as PRI, PSAC and the Education Reform

Taking into consideration the slow down of disbursement in certain areas and the new initiatives already taken in other a rough judgement on projected disbursements at the end of this year would approx. be SEK 150 – 175 million. The aim of this year not necessarily has do be to disburse all allocated SEK 175 million. Priority has rather to be given to dedicate sufficient time for the continued adjustment of the Bolivian project/ programme portfolio so that the Embassy can prepare and implement a well-balanced Development Programmed during 2004 in accordance with the new circumstances. The plan and the time table for that adjustment has to be further developed in the Country Plan that should be prepared by the Embassy in the beginning of October this year.

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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