

Evaluation of Poverty Reduction Strategies in Latin America – 2004

Bolivia: More of the same?



Preface

The poverty reduction strategy responds to a legitimate concern for the problem of persistent and high poverty in many developing countries. The PRSPs intend to reduce poverty through a participatory and result-oriented strategy that seeks to meet the needs of each country by bringing together both government and civil society in finding long-term solutions to the country's poverty problems. The commitment of the donors is to support the strategy with resources and debt relief.

The Swedish International Development Agency, SIDA, has requested the Institute of Social Studies (ISS) in The Hague, The Netherlands, to monitor and evaluate the PRSP processes in the three Latin America countries eligible for debt relief: Bolivia, Honduras and Nicaragua. The study will be carried out over a period of 5 years, beginning in 2003.

Each year five reports will be elaborated, including three country reports, one regional report and a thematic report. The country reports submitted in 2003 provided an in-depth analysis of the PRSP process itself, assessing in particular the processes of consultation and policy dialogue with civil society and to what extent these have laid the basis for a broad-based and effective poverty reduction strategy. The country reports are supported by a detailed and systematic stakeholder analysis, including the stock taking of local actors through visits to several municipalities in the three countries. A comparative analysis of the experience in the three countries is presented in the regional report, highlighting lessons to be learned by governments, civil society and the donor community. Additionally, a thematic report on a special issue is presented. In 2003 it referred to a detailed analysis of the decentralization process of budget management and its impact on the poverty reduction strategy.

'Pro-poor growth' is the central theme of the 2004 reports. It was chosen in response to one of the main complaints by several actors in the three countries. Those actors have pointed out that the process of consultation and PRSP design lacked a deep analysis of the relation between the PRSP and economic reforms, so as to assure that the implementation of economic policies be consistent with the poverty reduction objectives. Hence, we asked ourselves how the PRSPs in the three countries define the relation between growth and poverty reduction and whether the proposed policies can effectively promote pro-poor growth. The thematic report for 2004 concentrates on the potential of *local* economic development processes to achieve pro-poor

growth. It should be emphasized that the PRSP management process is continuous and susceptible to frequent changes. The data collection (particularly the interviews) was carried out between April and July 2004, but the document was updated until December 2004.

The five reports aim to make a contribution to existing evaluations of the PRSP process through the regional focus and an impartial assessment, given that the ISS has not taken part in the process of design, implementation and financing of the strategies.

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December 2004

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Executive Summary

"Bolivia: More of the same?"

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1. Introduction

The central goals of the PRSP process in Bolivia are to achieve national ownership of a medium to long-term plan for poverty reduction, to generate changes in donor-government relationships that would facilitate a joint fight against poverty, and, for HIPC II countries like Bolivia, to achieve fiscal sustainability. The first ISS report about the PRSP process in Bolivia, which was published last year, concluded that the first three years of the Bolivian experience with the PRSP process revealed serious weaknesses in this process, which raised doubts about the ability of the process to produce these objectives in practice. One year later, in 2004, it is even clearer that the PRSP process is not working in Bolivia as anticipated by the architects of this process. (See Figures 1 and 2).

Figure 1: The PRSP process as envisioned

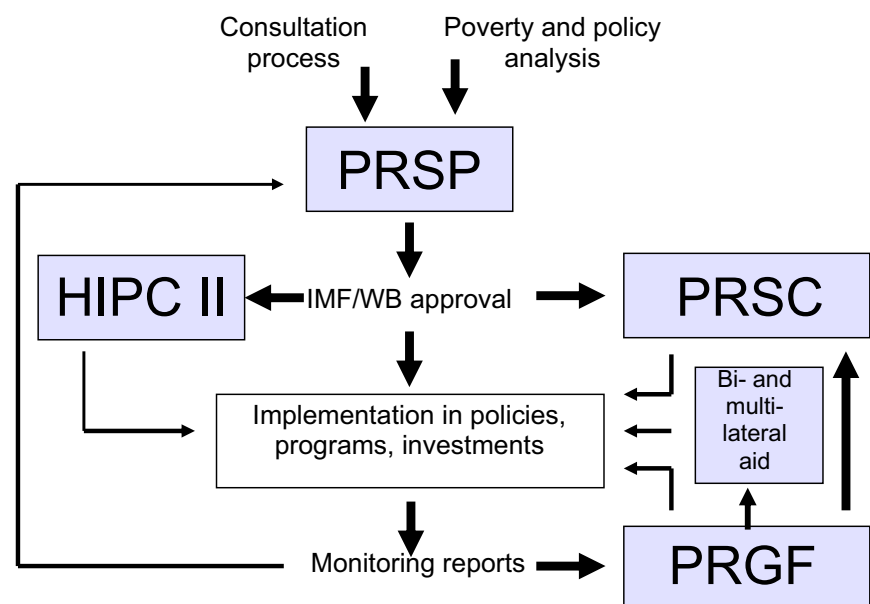
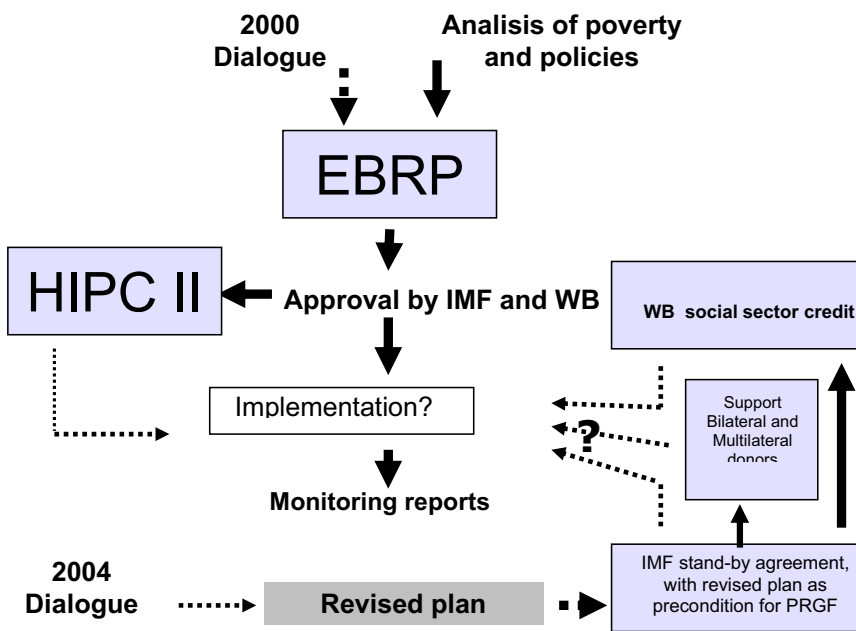


Figure 2: The PRSP process in practice in Bolivia



The EBRP (Estrategia Boliviana de Reducción de Pobreza, Bolivia's original PRSP approved in 2000) officially remains the PRSP in Bolivia, but it was only briefly accepted as a guiding document for government action. The long-anticipated move from the EBRP to a new strategy (which is yet to be written and approved) cannot be characterized as a learning process, as was envisioned in the design of the PRSP process. Instead, there was a rejection of the original plan, followed by two attempts by two different governments to design a new strategy. In this process, the governments have made significant efforts to engage in dialogue with civil society, but the links between the dialogues and the creation of poverty reduction strategies has not been as clear as originally envisioned. HIPC II funds, which were to have contributed to a national poverty reduction strategy, have protected expenditure levels in Bolivian municipal governments, but have not resulted in additional funding for poverty reduction due to a fiscal crisis. Donor coordination has improved, but the uncertainty surrounding the EBRP has made it difficult for donors to contribute to the implementation of a medium or long-term plan. In sum, although the PRSP process in Bolivia has generated important developments (such as the national dialogues), the EBRP and the PRSP process in which it is embedded has not managed to achieve the goals set out for them.

2. The political, social, and economic context

In Bolivia in 2004

The political, social, and economic context in 2004 have all complicated the task of moving the PRSP process forward.

New President, new agenda. Vice President Carlos Mesa assumed the Presidency of Bolivia in October 2003, after President Sánchez de Lozada was forced out of his post and out of the country in a wave of mass protests. With the change of government, the national government's focus and plan of action also changed. Whereas the revision of the EBRP had been a central point on the agenda of the previous administration, the PRSP process was not one of the new President's priorities in the early months of the presidency.

Social and political instability. The social and political instability of 2003, which led to the departure of Sánchez de Lozada, has not changed much in the last year. President Mesa began his mandate with a high level of popularity in Bolivian society, in part due to his reputation for being independent of the influence of political parties. However, this independence has complicated the process of governance for the new President, who lacks a base in Congress to help further his agenda. At the same time, continuous protests make conflict resolution a top priority for the new administration, demanding the time and attention of high-level officials in the national government. To resolve many of these conflicts, the government has resorted to deals that increase public spending, further complicating the difficult fiscal position in which the government currently finds itself.

Mixed economic picture. Political conflict and uncertainty have had a high social and economic cost in Bolivia. On the economic side, spending and investment as a percentage of GDP both fell in 2003. Private investment in the country has been almost nil in the past 5 years. Despite these internal economic problems, the external economy has been looking up for Bolivia, thanks to favorable international prices for Bolivian produced goods and to low interest rates. In the first half of 2004, the Bolivian economy looked on track to grow at 3.25%.

Social spending and monetary poverty. Social spending dropped 1 percentage point between 2002 and 2003, but still remained higher than in pre-PRSP years. This multi-year increase in social spending does not appear to have translated into the reduction of monetary poverty. Between 1999 and 2002, monetary poverty increased by 2.57%.

Debt sustainability. The composition, and thus cost, of public debt

has changed in the last few years, with a move away from multilateral concessional lending, toward non-concessional lending (for example from the CAF). Debt service on external debt has stayed stable at 3.5% of GDP, but the cost of internal debt nearly doubled between 2002 and 2003. Both inside and outside of Bolivia, concern about the sustainability of Bolivia's debt levels is increasing, just a few years after the HIPC II process sought to solve this problem.

3. The status of the EBRP and the process of revision in 2004

Status of the EBRP. Even in 2003, it was clear that most Bolivians felt that the EBRP approved by the World Bank and IMF was a dead document. In late 2004, this document was given new life by the government of Carlos Mesa to ensure the international community that Bolivia does indeed still have a PRSP. However, even if the EBRP remains Bolivia's official strategy, this strategy has been so criticized by successive governments and by civil society that it is difficult to imagine that it could actually serve as a document around which to organize government, donor activity, or the negotiations between the government and the international community.

President Mesa has confirmed his intention to revise the EBRP, following a similar statement by President Sánchez de Lozada early in his term. At the time of interviews conducted for this study, neither the government nor the international community had a clear picture of how this process of revision would be organized or exactly what would be expected of the revised PRSP. The principle motivation on the part of the government to revise the EBRP seemed to come from the need to have a poverty reduction strategy around which to organize negotiations with the international community at an upcoming Consultative Group meeting and to meet the conditions for a PRGF agreement with the IMF. Thus, just as HIPC II was a major motivation for the EBRP, the motivation for the revision of this strategy also originates outside Bolivia.

That is not to say that Bolivians and the Bolivian government do not see any utility in having a poverty reduction strategy. To the contrary, there seems to be a general agreement that the country needs a set of poverty reduction policies. There is growing interest in setting these policies within a wider development framework, possibly in the form of a national development plan. Both the government and the international community are eager to have a signpost that would set out the direction for future policy. There is hope that the PRSP process will contribute to achieving this, but how that will happen is still under discussion.

The revision of the EBRP and the National Dialogue. Despite continuing questions about the need for and the appropriate form for a new PRSP, many actors both inside and outside the government are participating with enthusiasm in the processes and dialogues that are linked to the revision of the PRSP. Civil society and government participation is not motivated only by concern for the new PRSP. Rather it is

clear that the dialogues about the PRSP are actually more fundamental debates about the distribution of public resources, the use and distribution of the fruits of natural resources, the allocation of political power, and the future direction of public policy for the productive sectors of the economy. All of these topics will be addressed in a planned Constitutional Assembly in 2005. In this environment, the process of revising the EBRP is highly politicized and very complex.

One important element of the revision process is the National Dialogue "Bolivia Productiva". The theme of the dialogue for 2004 reflects the growing realization that poverty reduction in Bolivia must be about more than reducing poverty through social spending; it must also be about creating wealth. This means a productive strategy for the country that will increase the participation of the poor in the benefits of growth.

Preparation for this national dialogue began under President Sánchez de Lozada with the decision to create a National Dialogue Directorate (Directorio del Diálogo Nacional), composed of representatives from the national government, municipal governments, the Mecanismo Nacional de Control Social (National Mechanism for Social Control) and some representatives of civil society groups (primarily indigenous groups and small producer groups). This group is responsible for planning the Dialogue. However, in its first months of life, the civil society representatives turned the discussion away from dialogue planning and towards the design of public policies, in particular, the "Compro Boliviano" plan to use government buying power to support Bolivian business and a Fondo Indígena. Once agreements on these policies were reached with the government, attention once again turned to the National Dialogue. It is clear that the Directorate has become much more than a planning instrument. It is a space for continual discussion between the national government and one part of civil society.

The National Dialogue 2004, which began after many delays, consisted of four phases. The first was a pre-dialogue process to prepare civil society to participate in the dialogues about productive strategies. Funds were made available to help civil society groups prepare Integral Productive Strategies (or EPIs by their initials in Spanish) for their members, sectors, or regions. These EPIs were then to be presented in the second phase of the dialogue: the municipal dialogue tables. The municipal level dialogue was also oriented towards identifying key products in the municipality and developing a municipal productive strategy. The departmental and then national levels of the dialogue were then to build these municipal strategies into higher level productive strategies.

In late 2004, it was still unclear exactly how this dialogue would translate into a new EBRP, or a national development strategy with a poverty reduction component. In a rush to organize a Consultative Group meeting, the government appeared to want to move ahead with the development of a strategy before the dialogue was finished, raising fears of a disconnection between the dialogue and the new strategy. The perception of a similar disconnection between the 2000 Dialogue and the EBRP seriously undermined support of civil society for the poverty reduction strategy. The decision was ultimately taken to delay the Consultative Group in order not to short circuit the dialogue process.

Medium-term framework. One of the fundamental principals of the PRSP process as originally envisioned by the international community is that it was critical to have a medium or long-term framework to facilitate donor-government cooperation in poverty reduction and the make sure these efforts are sustainable. The EBRP has not proven in practice to be a medium-term framework. To the contrary, the general pattern of changing plans with each change in government has continued in Bolivia, despite the EBRP. Neither the EBRP, nor President Sánchez de Lozada's proposed revised EBRP of 2003, lasted more than a few months before being rejected or ignored by the government. The government has thus spent much critical time and attention on short-lived plans, with attention to implementation suffering as a result. The current political problems faced by President Mesa's government only further detract from implementation. In this sense, some observers of the PRSP process in Bolivia feel that a fundamental design flaw in the conception of the PRSP process was to forget or ignore political realities.

Two other factors undoubtedly also contributed to the instability of Bolivia's poverty reduction strategies. One was the economic recession that hit Bolivia just as the EBRP was being written. This crisis led to a call for a new vision of poverty reduction, a vision more focused on building the productive economy than on the provision of social services and safety nets, which have been the focus of poverty reduction efforts in recent years. As Bolivia was one of the first countries to write a PRSP, it also has been affected by changes in the international community's vision and priorities in poverty reduction. Most notably, the Millennium Development Goals, which were not part of the EBRP, have become very important in the minds of many donors and have led to calls for Bolivia to adapt its strategy to these goals.

In many ways, the Bolivian experience with the PRSP could be described as a "worst case scenario" test for the PRSP process depicted in Figure 1. The changes that Bolivia has undergone have been significant, but there is not reason to believe that the future will not bring more similar changes. Nor should one expect the Bolivian government or the international community to sit still and stop looking for innovative new ways to attack poverty in the country. This means that any poverty reduction strategy (or medium-term strategy in general) for Bolivia will need to be able to live through and respond to inevitable changes and evolutions. The PRSP process as originally designed has not offered a solution to this dilemma in Bolivia.

4. Monitoring and implementation of the EBRP in 2004

A halt in the monitoring process. Despite the fact that the EBRP lacks the support needed to truly call it the country's poverty reduction strategy, the country should still theoretically be monitoring the plan. The production of these monitoring reports are a pre-condition for obtaining a PRGF. With plans to revise the EBRP on the table, however, no such reports were produced in the last 18 months. Monitoring efforts by civil society have also been weak. The Mecanismo Nacional de Control Social, created to unite civil society in the monitoring of the PRSP, lacks both budget and legitimacy. Recently, at the national level, this organization has been more involved in the national dialogue and the Dialogue Directorate than in monitoring the current EBRP. The departmental mechanisms seem to be more focused on monitoring, but some have shut their doors for lack of financing.

Difficulty in monitoring PRSP expenditures, beyond the HIPC II funds. One aspect of monitoring is tracking the use of funds. The Bolivian budgeting and expenditure process makes it very hard to track spending for poverty reduction. It is still not possible to determine which elements of the EBRP have received priority in terms of expenditure. The only funds that can be traced are the HIPC II debt relief funds. These transfers to the municipalities and to certain central government uses can be monitored and have continued as planned, despite the tight fiscal situation in which the national government finds itself.

Execution. In last year's report on the PRSP process in Bolivia, it was clear that the municipalities had been having trouble spending the HIPC II funds allocated to them. This situation improved in 2003, with 70% of resources being spent. These funds are being used for health, education, and social and productive infrastructure. The level of budget execution is lowest for the fraction of HIPC II that was to be spent on health and education (non-infrastructure needs). Budget execution at the national level this year looks troubling. In the first half of 2004, for example, less than 20% of the budget for the Ministry of Education, Services, and Public Works had been executed. Implementation of the budget, thus, continues to be a concern.

5. The International Community and the PRSP

In theory having a PRSP, implementing it, and monitoring it will be conditions for receiving support from both bilateral and multilateral agencies. Having a PRSP was supposed to lead to more donor coordination, to provide a basis for collaboration between government and the international community on poverty reduction, and to facilitate budget support. In practice, the uncertain status of the Bolivian PRSP has not led to a cut-off of support from the international community. In the absence of a PRSP, conditions for support have been set in much the same way as was done prior to the EBRP. Nor has the uncertainty surrounding the EBRP impeded increased donor coordination or convinced donors that the conditions are right for providing budget support. In short, the experience in Bolivia raises the question of whether a poverty reduction strategy is really an effective way in practice to ensure that governments and the international community work together towards poverty reduction.

The PRSP as a condition in theory only. The IFIs and many bilateral donors have officially incorporated the PRSP into their conditions for lending and providing donations. Having a PRSP, and producing regular monitoring reports, are both conditions for obtaining a PRGF from the IMF. Having a PRSP is also a prerequisite for obtaining a PRSC (Poverty Reduction Strategy Credit) from the World Bank. Once the government of Sánchez de Lozada rejected the original EBRP, it became difficult for the international community to use this strategy as the basis for support. Thus, the government's planned revision of the EBRP became a condition for this support. Many bilateral donors have joined the call for Bolivia to create a revised PRSP before asking for additional support in a Consultative Group Meeting.

And yet, the continued failure of the Bolivian government to produce this revised EBRP, much less implement and monitor a plan, have not led to a break in support. In 2004, Bolivia had a Stand By agreement with the IMF, with the hope of obtaining a PRGF before the end of the year once a revised EBRP was produced. The World Bank provided Bolivia with a SSPSAC (Social Sector Programmatic Structural Adjustment Credit), which was a PRSC in all but name. Many bilateral donors provided Bolivia with budget support in 2003 to help close the deficit gap, even though no PRSP was in place. Nonetheless, pressure on the government to produce a revised PRSP is high in most quarters, though some organizations, such as the BID, question whether the focus should be on another plan rather than implementation of the strategy.

Conditions for support in the absence of a revised EBRP. In the absence of a revised EBRP, the processes used to establish the conditions for support resemble closely the conditions used prior to the PRSP. Conditions are set in discussions between the certain sectors of the national government and the international community, with little or no involvement of civil society or other government officials and using the existing EBRP only as a reference. For example, the conditions for the SSPSAC are a mix of objectives and goals from the original EBRP and institutional reforms considered to be necessary for meeting the goals of the EBRP. The negotiations of these conditions took place between the financiers (the World Bank and KfW) and the government, with other donors being informed of the conditions. The result is a very detailed list of conditions, which is surprising for various reasons. First, it goes against the general consensus at the end of the 1990s that such conditions are not effective. Second, it runs counter to recommendations made in evaluations of budget support: budget support should not be accompanied by detailed micromanagement of internal policies, but rather by conditions for improvements in budgetary processes and accounting.

Budget and programmatic support. Similarly, the Memorandum of Understanding that was prepared in 2004 by 11 donors for multiyear budget support to support poverty reduction in Bolivia includes a matrix of conditions that goes beyond public financial management. It requires things as diverse as improvements in public financial management, fiscal policy measures, and poverty reduction policies. The bilateral donors are clearly aware of the problems in public financial management, but failure to make improvements in this area has not stopped budget support. The government's promise to create a plan of action to correct the problems appears to be enough of a guarantee.

Less progress has been made in moving towards programmatic support for different sectors. Even the original EBRP proved not to provide the level of detail that the international community was looking for as a basis for sector support. The coordination tables that bring the government and donors together to work on common strategies on various topics intend to eventually work towards providing more sectoral support, but concrete sectoral plans are lacking. The many recent changes in government ministries have not helped create an environment to facilitate multi-annual budget support.

Central role of the IMF. One of the most important factors, if not the most important factor, in determining whether multilateral and bilateral donors will provide budget support is Bolivia's relationship with the IMF. Despite continued noncompliance with IMF fiscal and PRSP conditions, the IMF has continued to give the country waivers and to reauthorize the stand by agreement. This agreement is a precondition to the rest of the international community providing its support. This drive to continue support for Bolivia despite noncompliance appears to come in large part from a feeling that Bolivia really needs the support at this critical juncture, but also from the pressure that both IFIs and bilateral donors feel to disburse aid.

6. Pro-Poor Growth in Bolivia

Despite the problems with the PRSP process in Bolivia, how to reduce poverty, or create wealth, in Bolivia retains a central role in current policy debates. A central theme in these debates is the relationship between growth and poverty reduction. The vision of the 1990s was that a high growth rate would be a sufficient condition for poverty reduction. Today this assumption is being questioned both in Bolivia and in international discourse. The debate is not how to achieve just growth, but rather "pro-poor growth". This chapter of the report analyzes how this concept is understood and applied in Bolivia and in the EBRP.

No consensus on the meaning of pro-poor growth. The international literature presents two definitions of pro-poor growth. By one definition, growth is pro-poor if the poverty rate decreases during the period studied. The second definition classifies a period of growth as pro-poor only if it leads to a reduction in both poverty and inequality. The discussion in Bolivia today is about "wide-based growth", or growth that is felt in the wide base of the population, among the poor. Several recent studies have tried to estimate (with different methodologies) whether growth in Bolivia has been pro-poor, but no clear picture emerges. The conclusions depend on the methodology used, the definition of pro-poor growth that is applied, the area studied, the period studied, and the data used.

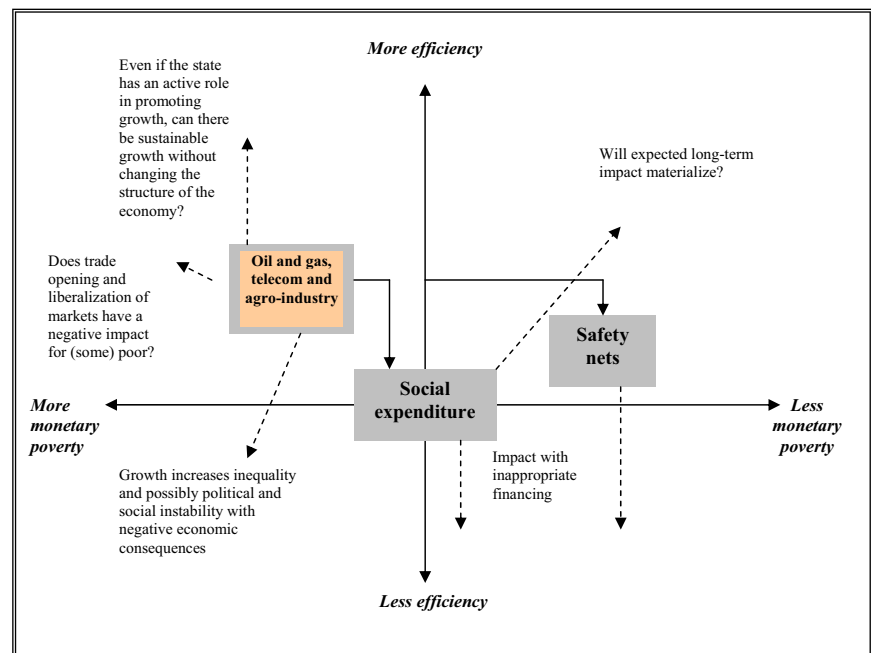
Bolivian strategy for pro-poor growth. During the 1990s, poverty reduction efforts in Bolivia consisted largely of a growth strategy (supported by macroeconomic stability) with redistribution through social spending at the municipal and national level. This approach assumed that either growth itself or the reduction in non-monetary poverty would eventually lead to a reduction in monetary poverty. The EBRP follows this general line of thought. The goal of the EBRP is to achieve impressive growth in the model sectors of the economy, to in this way increase government revenue and thus continue or accelerate redistribution through social programs and basic needs. To this basic structure, the EBRP adds two components. First, the EBRP adds a social protection net for the poorest. Second, there is a recognition in the strategy that it is necessary to improve the impact of growth on poverty reduction. To this end, the strategy proposes supporting microenterprise in rural and urban areas and creates an emergency employment program. These programs existed before the EBRP, but the EBRP signals the government's intention to put more effort behind them.

Beyond the EBRP. In the last four years since the EBRP was written, the demand in Bolivia for a more active role of the state in promoting production, in transforming the country into a "Bolivia Productiva" that will benefit the poor has grown. There is a growing recognition that the state has more weapons in its arsenal than just the investment in physical infrastructure. The proposed revised EBRP produced by President Sánchez de Lozada, President Mesa's plan of government, the new National Agricultural and Rural Development Strategy (ENDAR), and the National Dialogue 2004 all respond to this call for a more active and diverse role of the state in supporting production. One example of a more active role for the state is the new Compro Boliviano program, in which the state prioritizes purchases through national companies. In the ENDAR, the idea of state facilitation of productive chains in agriculture is developed. Many of those interviewed for this report also called for the state to take a role in the financial sector, to resolve problems of productive and agricultural credit. Others ask for public-private transfers to local businesses and producers. Large enterprise owners stress the need for the government to guarantee social stability, so as not to disrupt production in progress.

Gas has been an important part of the discussions about growth and pro-poor growth in recent years. Bolivia has the potential to become a large-scale exporter of natural gas. Whether to export the gas, who will benefit from the sales, and how to use the gas to develop the productive potential of Bolivia have been sources of constant debate. A referendum in 2004 appears to signal the decision to export gas, to increase revenue that Bolivia receives from the pumping and export of all gas and petroleum products by foreign firms, and that the additional resources will be invested in health, education, sanitation, and infrastructure. Though seen in Bolivia as a break from the past, this vision is in effect a continuation of the long-standing model of growing, generating resources, and redistributing with spending and investment.

Perspectives for the future. If we take the experience of the 1990s as an indication, many doubts about the ability of this long-standing model to significantly reduce poverty (Figure 3). There was impressive growth in parts of the 1990s, accompanied by much investment and spending in the social sector, and yet poverty reduction was minimal and temporary. Moreover, there are doubts about the ability of the Bolivian economy to sustain continued growth and about whether growth achieved in the oil and gas, telecoms, and agro-industrial sectors will reduce poverty or, as it has in the past, even increase inequality.

Figure 3: Taxonomy of possible effects of pro-poor growth policies in the EBRP



Just as the base model shows little clear prospect of reducing poverty, there are also doubts about whether the efforts in the EBRP to support microenterprise and productive chains in agriculture will reverse the trend. Microenterprises are the largest employer in Bolivia, but they contribute little to GDP, so growth in these enterprises does not automatically translate into significant GDP growth. Moreover, there are doubts about the quality of jobs in microenterprises and about the effectiveness government programs in place to support these enterprises. Likewise, there are many questions about the ability of productive chains to solve problems that plague the agricultural sector. On the one hand, there is tension between supporting product chains that lead to export and product chains in which the poorest small farmers are involved. Another problem is the need to have strong businesses at the top of the chain that can organize and pull the chain forward. Agro industry in Bolivia is relatively poorly developed in most cases. Finally, the distribution of benefits within a productive chain is critical to determining to what extent progress in the chain will lead to poverty reduction. The current unequal balance of power between those at the bottom of the chain and those at the tops would work against benefits accruing to the poorest unless the power imbalances are addressed.

A conceptual analysis of the proposals in the EBRP and those that are currently under discussion provides a pessimistic picture of prospects for rapid and significant poverty reduction in the near future. This impression is confirmed by two recent quantitative studies: the World Bank's Poverty Assessment, and a study by Klasen and others on pro-poor growth in Bolivia. A draft of the Poverty Assessment concludes that to reach the Millennium Development Goals the Bolivian economy would have to grow at a rate of 6.5% per capita per year for the next 13 years, which would mean doubling per capita incomes. Even in this overly optimistic scenario, the reduction in rural poverty would be insufficient to achieve the goals. Neither this study

nor the Klasen study thinks it is possible for Bolivia to reach this level of growth, even with significant reforms. Nor does Klasen's analysis generate a clear picture of what reforms might help improve the poverty reduction impact of growth significantly.

Given the restrictions faced by the Bolivian economy, gas appears to be an important opportunity for the country in the coming years. It offers the possibility to significantly increase government revenues, which could be used for spending, investment, redistribution, or debt service. Gas and its byproducts would also be used to strengthen or create industries in the country. However, for gas to contribute to poverty reduction, three things need to happen. First, the country has to reach agreement on a strategy for exporting the gas, which means resolving questions about the division of benefits between the companies and the state, and between regions of the country. Second, more attention needs to be paid to how to use the resources. The proposal on the table to use them for health, education, sanitation, and infrastructure will help continue progress towards the reduction of non-monetary poverty, but does not immediately respond to the growing demand for using government action to address monetary poverty. Third, attention needs to be paid to problems in the execution of government programs, which continue to plague the country. These problems could undermine new programs just as they have slowed down existing work.

7. Conclusions

Two clear messages emerge from this evaluation of the Bolivian experience with the PRSP Process. First, the PRSP process is not working as expected and has not achieved its objectives. Second, there is not a clear vision (in either the government or the international community) of how Bolivia will be able to reduce its monetary poverty levels to achieve or even approach the Millennium Development Goals.

This second point suggest that there could be significant value in debating, studying, creating, implementing, evaluating, and perfecting a poverty reduction strategy and aligning donor and IFI actions with that strategy. However, it appears that the PRSP process, as currently designed, is not the appropriate framework for sustaining this type of policy development process during turbulent times. Neither has it produced a clear and shared vision of the path Bolivia should take to reduce poverty. Moreover, the fact that the PRSP process is off-track in Bolivia has not stopped international assistance, nor prevented donors from providing budget support.

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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