

THE DEPARTMENT FOR INTERNATIONAL DEVELOPMENT

The Department for International Development (DFID) is the British government department responsible for promoting development and the reduction of poverty. The government elected in May 1997 increased its commitment to development by strengthening the department and increasing its budget.

The policy of the government was set out in the White Paper on International Development, published in November 1997. The central focus of the policy is a commitment to the internationally agreed target to halve the proportion of people living in extreme poverty by 2015, together with the associated targets including basic health care provision and universal access to primary education by the same date.

DFID seeks to work in partnership with governments which are committed to the international targets, and seeks to work with business, civil society and the research community to encourage progress which will help reduce poverty. We also work with multilateral institutions including the World Bank, UN agencies and the European Commission. The bulk of our assistance is concentrated on the poorest countries in Asia and Sub-Saharan Africa.

We are also contributing to poverty elimination and sustainable development in middle income countries, and helping the transition countries in Central and Eastern Europe to try to ensure that the widest number of people benefit from the process of change.

As well as its headquarters in London and East Kilbride, DFID has offices in New Delhi, Bangkok, Nairobi, Harare, Pretoria, Dhaka, Suva and Bridgetown. In other parts of the world, DFID works through staff based in British embassies and high commissions.

COUNTRY STRATEGY PAPERS

Country Strategy Papers (CSPs) are prepared for all countries where we provide development assistance programmes, and are normally produced every three years. CSPs set out how we aim to contribute to achieving the international development targets in the country in question. Progress will be assessed against the strategic objectives set out in Section E of the paper. In preparing CSPs, we consult closely with governments, business, civil society, and others within both the partner country and the UK.

**Department for International Development
December 1998**

BOLIVIA: COUNTRY STRATEGY PAPER 1998

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A. SUMMARY

A1. Bolivia is the poorest country in South America. The Government of Bolivia has made the fight against poverty one of its key objectives. But it faces considerable challenges in delivering concrete results.

A2. DFID's existing development programme in Bolivia is supporting sustainable rural development projects in environmentally-sensitive areas, health sector reform, reproductive health services and English language teaching. The programme has been modest in scale, amounting to just over £4 million in 1997/98 financial year.

A3. For the future, poverty elimination will be the primary target of everything we propose to do in Bolivia. There is good potential for partnership with the Bolivian Government and civil society, other donors and partners in the UK. The Government is making increasing efforts to establish a clear framework for donor involvement and co-ordination. Civil society has strengthened and developed during the 1980s. The scope for effective partnership is particularly important as other donors (especially the multilateral institutions) have a much more significant financial presence than the UK.

A4. Our aim will be to contribute to sustainable improvements in the livelihoods of poor people in Bolivia. We will build on our previous experience in the country but give a much greater emphasis to reaching the poor. We will do this by contributing to efforts to make a real impact in two key areas:

- improved rural livelihoods; and
- better health for the poor.

A5. We will continue to look for opportunities to feed into the wider policy debate. Our proposed support in the above two sectors should enable us to support environmental sustainability and political stability, particularly in drugs-producing areas. We will also continue to be closely involved in multilateral discussions concerning Bolivia's external debt and will explore options for providing support on trade and investment issues.

A6. Our proposals involve an increase in programme resources to Bolivia over the three-year planning period, to some £6 million a year by 2000/01.

B. THE CHALLENGE

POVERTY LEVELS ARE HIGH IN BOLIVIA...

B1. Bolivia is the poorest country in South America (GNP per capita of \$830 in 1996). Some two thirds of the 7.4 million population are estimated to be living in poverty¹. Poverty is greatest (estimated at 81%) in rural areas. Social indicators are poor. Bolivian women suffer the highest level of maternal mortality in South America and preventable diseases such as TB and Chagas continue to undermine the livelihoods of the poor. Average life expectancy is 61 years.

CONCENTRATED IN PARTICULAR GROUPS...

B2. Poverty is particularly concentrated in Bolivia's indigenous groups which make up over half of Bolivia's population. The vast majority of the rural population are from the Quechua and Aymara cultures. Most are either poor or extremely poor, with livelihoods threatened by logging interests. The movement to protect their rights has not always been effective. Gender is also a significant factor in poverty. Women suffer from lack of access to health and education services. In education, for example, women receive less schooling and achieve lower grades than men. Social norms limit their participation in public life and restrict opportunities, and in urban labour markets their low levels of educational attainment result in occupational segregation and inequality.

THE GOVERNMENT HAS DEVELOPED BROAD POVERTY POLICIES WHICH SUPPORT THE INTERNATIONAL DEVELOPMENT TARGETS²...

B3. The current coalition government, led by General Hugo Banzer of the Accion Democratica Nacionalista (ADN), came to power in 1997. Following a national consultative process, they formulated a National Action Plan for 1997-2002 aimed at fighting poverty and securing economic growth. It consists of four pillars: opportunity, equity, institutionality and dignity. The Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) have concluded that this plan is in 'general harmony' with their own objectives although more work is needed on specifics.

ECONOMIC GROWTH REMAINS A CHALLENGE DESPITE EARLIER REFORMS...

B4. The Government has set out objectives for continued sound macro-economic management and the creation of opportunities under the 'opportunity' pillar of its National Action Plan. This provides broad support for the international development target concerning the reduction of extreme poverty and economic well-being³. However, the National Action Plan does not include specific targets for reducing extreme poverty. As the 1998 Consultative Group concluded, the key challenge for Bolivia will lie in the effective translation of the Government's broad policy approach into concrete (and measurable) actions to reduce poverty.

B5. Promotion of pro-poor economic growth will be key to tackling poverty. High levels of poverty persist despite the fact that Bolivia, as one of the earlier economic reformers in Latin America, has pursued broadly sound macro-economic policies for over a decade. Successive administrations (from 1985) have pursued economic liberalisation and structural measures aimed at raising the potential for long-term economic growth. But growth has averaged little more than 4% in recent years. With an annual population growth of 2.4%, average per capita incomes have only increased slowly. The International Monetary Fund (IMF) and World Bank have backed the reform process with successive programmes, most recently the new three-year IMF Enhanced Structural Adjustment Facility (1998-2000). Projections for future economic growth indicate some improvement to 5% or so, assuming no major shocks to the system.

AND EXTERNAL INPUTS...

B6. The Heavily Indebted Poor Countries (HIPC) initiative will provide relief on Bolivia's external debt worth some \$448 million. Bolivia reached its Completion Date under the package in September 1998. This should allow Bolivia to continue to re-establish international creditworthiness over time although the international community will need to keep the precise effects of the package under review, taking account of any adverse knock-on effects of the Asian

¹ It is difficult to obtain precise estimates in this area - the figures given are from the national headcount index as reported by the World Bank.

² The international development targets are based on UN conventions and resolutions and are set out in the White Paper on International Development: Eliminating World Poverty - November 1997.

³ International Development Target (IDT): a reduction by one-half in the proportion of people living in extreme poverty by 2015.

B. THE CHALLENGE

CONTINUED

financial crisis. In May 1998 the Export Credits Guarantee Department restored some insurance cover for UK exporters. Foreign direct investment has risen significantly in the last two years, partly due to external investment in Bolivia's "capitalisation" programme (a privatisation programme linked to pensions reform). Bolivia is a member of the Andean Community and signed an agreement with the Mercosur⁴ in October 1996 which will gradually reduce tariffs on trade. Europe is the second biggest trading partner (larger than the United States). Official development assistance is some \$112 per head.

THERE IS A NEED TO TRANSLATE BROAD POLICY INTO CONCRETE ACTIONS - IN HUMAN DEVELOPMENT...

B7. The Bolivian Government sets out its broad policies on education and health in the 'equity' pillar of its National Action Plan. These are closely tied to the relevant international development targets in these sectors. The Plan seeks to improve the efficiency, coverage and quality of the primary and secondary school system and to reduce the drop-out rate from 55% to 25% by 2002⁵. There has been a slight increase in primary education enrolment over the past eight years: from 83% in 1990 to 85% in 1996. The Government's Plan also proposes ways of measuring gender disparity in primary and secondary education but does not include specific goals in this area⁶. The combined enrolment rate in primary and secondary schools for 1994 was 61% for girls and 72% for boys.

B8. The Government has set out specific objectives in its National Action Plan to reduce under-5 child mortality and maternal mortality (both by 50% by the beginning of the 21st century)⁷. Some progress has already been made in these

areas: infant mortality has reduced from 99 to 69 (per 1000 live births) between 1989 and 1995 and maternal mortality has reduced from 416 to 373 (per 100,000 live births) over the same period. Access to contraceptive and reproductive health services continues to be patchy with state services mostly under-utilised and of poor quality. The Government's new Strategic Health Plan includes (i) the provision of a basic package of free health care, (ii) the development of family medicine to improve access, (iii) an expanded programme to control communicable diseases and (iv) an enhanced reproductive health programme⁸. But again, the Government needs to develop detailed implementation plans for these broad policies.

- THE ENVIRONMENT...

B9. The environment remains a source of concern. Deforestation, soil erosion and loss of biodiversity are significant issues, particularly in areas of new agricultural colonisation in the Lowlands. Over the last six years, some environment-related legislation has been introduced including the Environment Law (1992) - which set up the National System of Protected Areas (SNAP) - and the Forestry and INRA (land reform) Laws (1996). The Government's plans include objectives related to the international development target on environmental sustainability⁹. But there needs to be a greater focus on implementation and on effective institutional structures to support the process of sustainable poverty reduction. The Government set out policy proposals on rural development in the 'equity' pillar of its National Action Plan. Building on this, it recently (June 1998) prepared an outline Strategy for Rural and Agricultural Development. This needs to be developed further to indicate priorities and institutional roles and responsibilities.

⁴ The free trade area covering Argentina, Brazil, Paraguay and Uruguay.

⁵ IDT: universal primary education in all countries by 2015

⁶ IDT: demonstrated progress towards gender equality and the empowerment of women by eliminating gender disparity in primary and secondary education by 2005

⁷ IDT: a reduction by two-thirds in the mortality rates for infants and children under age 5 and a reduction by three-fourths in maternal mortality, all by 2015

⁸ IDT: access through the primary health-care system to reproductive health services for all individuals of appropriate ages as soon as possible and no later than the year 2015

⁹ IDT: the implementation of national strategies for sustainable development in all countries by 2005, so as to ensure that current trends in the loss of environmental resources are effectively reversed at both global and national levels by 2015

B. THE CHALLENGE

CONTINUED

- AND GOVERNANCE

Bio. The Administrative Decentralisation and Popular Participation Laws (1994) decentralised political and economic decision-making. These laws transferred the administration of key public services and resources to the local (particularly municipal) level. For the first time this has put significant resources into local hands, offering the potential for more demand-driven development, and greater local ownership and accountability. At the same time municipal governments face significant challenges in developing local capacity to fulfil their remit.

Bii. The Bolivian Government set out its plans to improve the executive and judicial system and to eradicate illegal coca by 2002 (under the 'institutionality' and 'dignity' pillars of the National Action Plan). Bolivia ranks third in the world in coca leaf production despite programmes by successive governments over the last ten years for compensated reduction in coca cultivation. The new Government has set ambitious new targets for 1998-2002 for the total eradication of all excess/illegal coca; the implementation of a strong alternative development programme; effective interdiction; and a prevention and

rehabilitation policy. The 1998 Consultative Group noted donors' concern that the Government should respect related human rights issues in its fight against drugs. In response, it has pointed to its recent creation of an ombudsman post to investigate complaints of human rights abuses.

B12. *The key challenges* to achieving significant reductions in poverty levels in Bolivia will centre on:

- continuing the process of sound macro-economic management, the development of the private sector and the country's integration into the regional economy, in order to achieve the higher growth rates necessary for poverty reduction;
- ensuring that the growth process is inclusive, through policies and programmes which provide opportunities for the poor in the rural areas and urban shanty towns;
- establishing a credible and coherent approach to human development, with investments in both health and education to improve access and the quality of services for the poor; and
- continuing institutional strengthening at local level.

C. PARTNERSHIPS

C1. DFID will need to work closely with others in order to maximise potential impact. Partnership - see box below - will be particularly important, given the limited resources available to us.

C2. There is good potential for an effective partnership between donors and the new administration in Bolivia. The Government's policies generally support the international development targets. There is a strong consensus on the priority that should be attached to tackling poverty in the country. Their continuing participatory approach to policy development is very welcome. But the process has taken time and there is general agreement on the need to focus now on implementation. The 1998 Consultative Group stressed the need to monitor closely the fight against poverty and suggested a set of core DAC indicators in the following areas: incidence of extreme poverty, poverty gap ratio, inequality, child malnutrition, infant mortality rate and maternal mortality rate. While central government will remain important, given their focus on policy formulation and regulation, the decentralised framework also offers opportunities for working in partnership with local government, particularly municipalities.

'The Government believes that genuine partnerships between poorer countries and the donor community are needed if poverty is to be addressed effectively and in a coherent way. The establishment of such partnerships moves beyond the old conditionalities of development assistance and will require political commitment to poverty elimination on both sides.

Just as we want to develop partnerships with developing countries, the Government will seek a new partnership with the UK private sector based on a shared understanding of the role that the public and private sectors - including the commercial private sector, the voluntary sector, academic and research institutions and local as well as central government - can play in development.' - *Eliminating World Poverty: White Paper on International Development*, November 1997.

C3. The *Inter-American Development Bank (IADB)* and the *World Bank* have significant programmes in Bolivia (annual commitments of around \$100 million each). It will be important for DFID to establish effective partnerships with these agencies where there is a clear overlap of objectives and to support their increasing poverty focus. The regular donor co-ordination meetings in the follow-up to the April 1998 Consultative Group (consisting of bi-monthly meetings on the different policy 'pillars' in preparation for a 'mini' Consultative Group in La Paz in October 1998) provided an opportunity for our locally-based staff to make an input.

C4. There is reasonably good potential for working in partnership with the *European Community*, particularly since the opening of a Commission delegation in La Paz in 1995. Bolivia is the second largest recipient of EC aid in Latin America - £22.6 million in 1996. We have helped them develop their support to the health and population sector and have recently agreed a joint reproductive health project with them. The EC plans to focus in five key areas in the future: combating poverty through health care programmes and improving the education system; support for river and land links; alternative development; the environment; and economic co-operation. We have also worked with them on a natural resources project which we are jointly funding (together with the Netherlands). The *United Nations International Drug Control Programme (UNDCP)*, the *United Nations Children's Programme (UNICEF)* and the *Pan-American Health Organisation (PAHO)* also offer potential for productive partnerships.

C5. The main *bilateral donors* are Germany, Japan, the United States, Belgium and the Netherlands. There are opportunities to build on existing donor co-ordination in key sectors: such as health, rural livelihoods and the environment.

C. PARTNERSHIPS

CONTINUED

C6. Bolivia has a diverse *civil society*, including a tradition of union movements (originally based around the mining industry but now with broader interests), agrarian communal organisations, small scale business associations and an increasingly large non-governmental organisation (NGO) sector. NGOs have developed expertise in rural development, health, urban poverty, human rights and recently in institutional development (reflecting decentralisation). They tend to be heavily geographically

focused around the three Departments and main cities of La Paz, Cochabamba and Santa Cruz.

C7. There is potential for partnership with the *private sector*, particularly as the Commonwealth Development Corporation (CDC) has recently started activities in Bolivia. Specific sectoral opportunities are discussed briefly in sections E11 and E12.

D. CURRENT UK PORTFOLIO

D1. DFID's current work in Bolivia mainly consists of technical co-operation with a focus on natural resources and the environment. It also includes a growing portfolio of support to health and an English Language Teaching project. Locally-based Field Managers support our efforts in these fields.

D2. We have been involved in renewable natural resources in the Bolivian lowlands for three decades. Much of our support has been to the Tropical Agriculture Research Centre (CIAT) at Santa Cruz. A recent evaluation found that this long-running project had generally had a strong positive impact on the local agricultural economy. There is little doubt however that the larger commercial farmer has particularly benefited, despite past attempts to ensure adequate focus on the smallholder. We have also supported the development of a regional veterinary laboratory and a national veterinary epidemiological unit in Santa Cruz. These have been successful so far, although again many of the benefits will flow to the larger farmer.

D3. Over the last two years, we have sought to promote sustainable rural development in environmentally-sensitive areas: in the buffer zone of the Amboro National Park and in the Pilon Lajas Biosphere Reserve and Indigenous Territory. It is too early to judge impact, but a key question will be whether our efforts in this area have struck the right balance between conservation and poverty reduction objectives. We are also a contributor to the Trust Fund set up by the Government to help finance the management costs of Bolivia's national parks.

D4. Over the last two years we have worked to increase our involvement in the health sector, pursuing a twin track approach to focus on: health sector reform (addressing issues of policy development and implementation); and improvement in the availability and quality of reproductive health services. It is too early to judge overall impact. We have also provided some essential drug supplies. Our support for small scale innovative reproductive and sexual health projects with NGOs has generally succeeded in identifying new participatory approaches to improve access, particularly for adolescents and women. But there is scope for a more coherent and well-targeted focus on the poor. Our support for post-abortion care has been widely disseminated.

D5. Our project to support English Language Teaching in seven universities in Bolivia, which is nearing completion, has gone well but the link with poverty is extremely indirect.

D6. In 1997/98, we spent £4.1 million through our bilateral technical co-operation programme, plus £342,000 through the Joint Funding Scheme; £68,000 for Chevening Scholarships; and some £1.3 million on support for research in the natural resources and environmental sectors. We wrote off all our aid debt in 1991. Following various debt reduction agreements, the outstanding UK official debt (relating to ECGD¹⁰ credits) is now some £70 million. This will be reduced by a further £28 million as a result of the HIPC initiative.

¹⁰ Export Credits Guarantee Department

E. FUTURE UK DEVELOPMENT STRATEGY

E1. The partnership we will offer will be shaped by the overall steer given in the White Paper on International Development on support for poverty elimination in middle income countries:

‘There are many poor people in middle income countries - 110 million in Latin America alone. We shall therefore seek appropriate ways to contribute to poverty elimination in middle income countries... Middle income countries generally have sufficient financial resources to address their own problems, and substantial resource transfer from the bilateral development programme is not appropriate. We can however offer a partnership based on a broader development co-operation particularly for institution building, sharing skills, experience and technology at a variety of levels within and outside government. Where the UK is not well placed to make an effective contribution we will work within the multilateral system to provide support.’
- Eliminating World Poverty: White Paper on International Development, November 1997.

E2. The proposed strategy seeks to support efforts being made by the Government and other partners to deliver measurable results in the fight against poverty. The indicators against which we and partners plan to measure our progress - discussed in C2 - particularly relate to the poverty and health international development targets (footnotes 3, 7 & 8). The proposed strategy will also contribute to all of DFID’s specific objectives set out in the White Paper on International Development:

1. policies and actions which promote sustainable livelihoods;
2. better education, health and opportunities for poor people;
3. protection and better management of the natural and physical environment.

E3. Given the poverty context in Bolivia (Section B), the possibilities for partnership (Section C), the experience of

our development assistance to date (Section D) and the new DFID policies as set out in the White Paper, we propose the following overall goal:

- to reduce the proportion of Bolivians living in extreme poverty by 2015.

To achieve this, we would work in partnership:

- to contribute to sustainable improvements in the livelihoods of poor people in Bolivia in the next three years.

E4. We need to develop our ideas further with potential programme partners but, given the limited resources available, we propose to take a tightly focused approach. This would concentrate on two key objectives:

1. improved livelihoods for the rural poor; and
2. better health for the poor.

E5. We will also seek to ensure that we support Bolivia in relation to the broader policy agenda (discussed in E18-19) through work in the above areas; continuing support on debt issues; and looking for new opportunities to offer support in trade, investment and agriculture.

E6. In developing our future strategy, we will need to recognise and reflect the extreme vulnerability of certain groups such as women and children in rural areas and indigenous peoples. Where necessary, we should build the capacity of our partners to identify and address the range of problems caused by gender, ethnic, social and economic disadvantage.

IMPROVED LIVELIHOODS FOR THE RURAL POOR

E7. Our strategy in this area will seek to contribute to the international development goals on poverty and sustainable development (footnotes 3 & 9). Poverty is concentrated in rural areas. Despite continuing migration to the major cities, rural poverty will remain a key long-term challenge for Bolivia. Following a review of livelihoods issues and needs in

E. FUTURE UK DEVELOPMENT STRATEGY

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the different Bolivian regions which DFID commissioned in early 1998, we have concluded that we should seek to work with partners to improve opportunities for the rural poor in the valleys and lowlands. We propose to focus in these areas rather than the altiplano for a number of reasons: the resource base offers greater potential to improve livelihoods; migration from the altiplano has led to rapid population growth in the valleys and lowlands, further marginalising indigenous communities; and there is greater potential for contributing to DFID's objectives concerning the protection and better management of the natural and physical environment.

E8. Our approach will reflect the broader policy approach which DFID is working up on sustainable rural livelihoods, which covers areas such as the provision of more secure access and better management of natural resources; a more supportive and cohesive social environment; and a policy and institutional environment which supports multiple livelihood strategies. We will seek to take account of the diverse ways in which the rural poor seek to support themselves, in particular, the impact of permanent and seasonal migration. In determining how best to offer effective support, we will need to weigh the advantages of investment in areas with larger numbers of poor but lower productive potential against areas with fewer poor (but to which the poor migrate) and greater productive potential. We will also look for opportunities to contribute to work on land tenure and land conflict in the lowlands.

E9. Our discussions with Government, NGOs, donors, local communities and farmers suggest that this programme of support should focus on:

- building social and institutional infrastructure to improve rural livelihoods;
- support for agricultural production for poor farmers; and
- providing access for poor farmers to technical knowledge and services.

E10. We will work with a diverse range of Bolivian partners in support of these objectives. Key partners would be local government, local NGOs, the rural communities themselves

and the parent Ministries (in particular, Agriculture, Livestock and Rural Development; and Sustainable Development and Planning). Achieving our objectives will depend on the Bolivian Government continuing to attach priority to the fight against poverty and the creation of opportunities. We have had recent confirmation of the Government's interest in working with us in this field. We also expect it to continue to take steps to place a higher priority on environmental issues. We will particularly promote the participation of women in issues that affect them in order to best reflect their particular needs in this sector. We will look for opportunities for partnerships with private companies involved in adding value to forestry and agricultural products and seek to build on the strong partnerships that already exist between UK research institutions and local institutions and NGOs. We will look for opportunities to work with the larger multilaterals in this sector: for example, we will look for the scope for linkages with the World Bank on land reform and with the World Bank and IDB on technology transfer and agricultural extension.

E11. We will explore the scope for working in partnership with the Commonwealth Development Corporation (CDC) which has recently established a regional office in Bolivia. There should, for example, be potential for working with the CDC to promote high-value smallholder agricultural production and to generate employment opportunities in agro-processing.

E12. We propose that our support for improved rural livelihoods should include drugs-producing areas in Bolivia to help establish a more stable licit society in these areas. We plan to do this by working with the UNDCP and EC to promote agro-forestry as an alternative means of sustaining livelihoods in the Chapare. We will also look at the scope for promoting partnerships between the CDC and UNDCP.

E13. A DFID programme identification mission which visited Bolivia in June 1998 has made specific recommendations on how we should develop our programme of support to the rural livelihoods sector, in line with the above approach.

E. FUTURE UK DEVELOPMENT STRATEGY

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BETTER HEALTH FOR THE POOR

Ei4. Our strategy in this area will particularly seek to support the implementation of the Government's Strategic Health Plan and contribute to international development targets on health and poverty (footnotes 3, 7 & 8). We propose to build on our existing involvement in the health sector but to focus clearly on improving the access of the poor to quality health services. Following dialogue with Bolivian partners, we envisage that our support should develop along three strategic lines:

1. support to the Ministry of Health in developing and implementing a **health system** that improves access to essential care;
2. support to initiatives which deliver improved access to quality **reproductive health** care services in areas where poverty (and extreme poverty) is concentrated; and
3. a focus on those **diseases** that disproportionately affect poor people and militate against their ability to develop sustainable livelihoods.

Ei5. The Ministry of Health will be a key partner in this process and its continued commitment to tackling health issues (see B8) will be crucial. We will concentrate on developing a good working relationship with the new administration on the key policies for pro-poor health. Given the impact of decentralisation, our work will also need to involve capacity-building at local level. We will seek to work closely with NGOs where they can strengthen the Ministry's ability to deliver services and/or offer innovative approaches. We will also explore the scope for partnerships with the Bolivian private sector to provide access for the poor to good quality products.

Ei6. We will seek to ensure that our efforts are closely tied to the initiatives of the large multilateral donors in this sector. In particular, we will look for opportunities to work with the World Bank and IADB who plan support to increase access to health services and bolster health service provision. There is good potential to work with PAHO in relation to

communicable disease control and with UNICEF, who have been active in the development of the new administration's health policies. We will continue to try to contribute to EC policy-making at an early stage: for example, through working with the EC in Brussels in developing its new proposed support for primary health care, which is included in the Indicative Multiannual Guidelines Paper (March 1998). We will also seek to have a positive impact on implementation of EC projects: for example through the close involvement of our locally-based field managers in our recently agreed joint reproductive health project. The details of all these partnerships will need to be developed during programme preparation.

Ei7. A DFID programme identification mission visited Bolivia in May 1998 and made specific recommendations for interventions in the health sector in line with the above.

SUPPORT ON WIDER POLICY ISSUES

'Development assistance is an important part of the way in which we can help tackle poverty. But it is not by any means the only aspect of our relationship with developing countries. Both nationally and internationally, there is a complex web of environmental, trade, investment, agricultural, political, defence, security and financial issues which affect relations with developing countries. These are driven by a range of policy considerations, all of which affect the development relationship. To have a real impact on poverty we must ensure the maximum consistency between all these different policies as they affect the developing world.' - Eliminating World Poverty: White Paper on International Development, November 1997.

Ei8. The proposed strategy discussed above will offer opportunities for support to the wider policy objectives set out in the White Paper on International Development (summarised in the above box). Our support for improved rural livelihoods for the poor will foster environmentally sustainable development. It should also help to ensure

E. FUTURE UK DEVELOPMENT STRATEGY

CONTINUED

political stability - for example, in areas of conflict over land rights. In particular, our work with the UNDCP on alternative development will seek to contribute to greater political stability in the coca-producing area.

E19. We will also seek to play a part in broader policy issues, building on the areas discussed in B6. Taking account of any knock-on effects of the financial crisis in Asia, we will continue to monitor closely Bolivia's ability to manage its external debt under the recently agreed HIPC initiative. We will be prepared to consider offering further support as

appropriate. We will also explore whether we can offer support to Bolivia on trade and investment issues. The EC plans future co-operation with a focus on strengthening Bolivia's economic links with the Andean Community and Mercosur and enabling Bolivian enterprises in facing the increased international competition that will result from liberalisation of markets. Forthcoming rounds of World Trade Organisation talks, notably on agriculture, are likely to have significant impact on regional trade flows. We will examine the scope for an effective DFID input to this area.

F. IMPLEMENTING THE NEW STRATEGY

F1. We have developed this outline strategy through a process of discussion principally with the Bolivian Government and other partners in-country. It will be necessary to continue this process and involve a wider range of interested partners in firming up our plans. The Government is keen to see a deeper and closer partnership develop over the coming months.

F2. The proposed sectoral focus should keep demands on DFID staff and advisory capacity to manageable levels. Local programme administration is the responsibility of the British Embassy in La Paz, supported by DFID-funded local staff based within the Embassy. The post is small and the successful operation of the programme is heavily reliant on support from the Ambassador and his Deputy Head of Mission. We will also need to have a continued local field management presence. Our locally-based field managers will be of key importance in building up local partnerships. They will also provide day to day management and monitoring of current projects in the rural livelihoods and health sectors. Our British Technical Co-operation office in Santa Cruz

provides useful logistical support to the lowlands-based part of our programme. Management of British Technical Co-operation training has been contracted to the training services provider, IRD Ltd, since 1992.

F3. As our programme develops, we should keep our administrative support arrangements under review. Pipeline project design should take account of the need to control the burden of the increased programmes on the relevant field managers, through, for example increasing the scale of our project interventions to keep the overall total to a manageable number and working with reliable and experienced partners not requiring extensive monitoring and supervision. We should continue to encourage linkages with other DFID field managers in the region to foster lesson-learning and sharing of experience. We will also need to free up time from day to day programme management issues to invest in building close and regular links with our partners and to explore our scope for offering support on wider policy issues.

G. PROGRAMME RESOURCES

G1. Based on the above discussion, we propose that there should be a phased increase in DFID programme resources for the country programme to Bolivia from the current level of £3.7m to some £6m a year by 2000/01. Indicative sectoral allocations are annexed.

BOLIVIA COUNTRY STRATEGY PREPARATION PROCESS

1. The Country Strategy Paper was drawn up in the first half of 1998, in consultation with a range of stakeholders.
2. The Latin America, Caribbean and Atlantic Department's policy and resources plan, which was approved early this year, provided the overall steer for this paper. In drawing up the detail over the past four months, we have taken account of advice and comments from a range of interested organisations, both in Bolivia and the UK.
3. In Bolivia, we have drawn on the knowledge and expertise of the British Embassy and our locally-based field managers. We discussed our future proposed strategy in

health and rural livelihoods with key ministries during programme identification missions (in May and June respectively). During those missions, we also held round-table discussions with donors and NGOs to guide our thinking in these sectors. The British Embassy in La Paz have also recently consulted key ministries and various local NGOs on a draft of the paper.

4. In the UK, we held a workshop with NGOs on 31 July to discuss our draft proposals in key countries in Latin America, including Bolivia. We received helpful comments at that well-attended meeting and further useful written comments in the following weeks.

ANNEX 2

BOLIVIA COUNTRY PROGRAMME EXPENDITURE PROFILE

£ MILLION	1997/98	1998/99	1999/00	2000/01
BINDING COMMITMENTS				
Natural Resources	2.29	2.05	1.51	0.02
Health & Population	0.65	0.80	0.37	0.31
Education	0.26	0.20		
Drugs	0.01	0.03		
Others (TCT, Small Grants, Aid Administration)	0.89	0.65	0.11	0.11
SUB TOTAL	4.10	3.73	1.99	0.44
OTHER PLANS				
Natural Resources			1.00	2.50
Health & Population			1.00	2.36
Education			0.10	
Drugs			0.20	0.20
Others (TCT, Small Grants, Aid Administration)			0.21	0.50
SUB TOTAL	0	0	2.51	5.56
GRAND TOTAL*	4.10	3.73	4.50	6.00

*These are planning figures only and do not represent any firm undertaking