



MAESTRÍAS *para*  
el DESARROLLO

*establecido con la cooperación técnica de*  
HARVARD INSTITUTE FOR  
INTERNATIONAL DEVELOPMENT

---

UNIVERSIDAD CATÓLICA BOLIVIANA

---

# CANADIAN AID TO BOLIVIA UNDER THE MILLENNIUM DEVELOPMENT GOALS: ACTIONS AND PERSPECTIVES

*Written by*

**Gonzalo Chávez A.<sup>\*</sup> &  
Beatriz Muriel H.<sup>\*\*</sup>**

February, 2005  
La Paz, Bolivia

---

**Working Paper  
MpD 002/2005**

This study was written for the NSI Canadian Development Report on Canada. The authors are grateful for useful comments received from NSI, CIDA and other colleagues.

---

---

<sup>\*</sup> Director of Masters to Development courses at The Catholic University of Bolivia.

<sup>\*\*</sup> Chef Economist at Grupo Integral S.R.L.

# CANADIAN AID TO BOLIVIA UNDER THE MILLENNIUM DEVELOPMENT GOALS: ACTIONS AND PERSPECTIVES

## Contents

I. Socioeconomic Development in Bolivia under the Millennium Development Goals.....	1
I.1. Background.....	1
I.2. Policies Surrounding the Millennium Development Goals .....	2
Millennium development goals 2 and 3 - Education.....	3
Millennium development goals 4, 5 and 6 - Health .....	4
Millennium Development Goal 7- Ensure environmental sustainability .....	6
Millennium Development Goal 1- Eradicate extreme poverty and hunger.....	7
II. Canadian Aid to Bolivia under the Millennium Development Goals... ..	8
II.1. Background.....	8
II.2. Canadian Aid Objectives for the 2003 - 2007 Period .....	8
Health.....	10
Water and Basic Sewage.....	11
Modernization of the State .....	11
Gender Equity as a Transversal Topic.....	13
Environmental Sustainability as a Transversal Topic.....	13
III. Final Considerations .....	14
IV. References.....	16
IV. References.....	16

# I. Socioeconomic Development in Bolivia under the Millennium Development Goals

## I.1. Background

Bolivia is considered one of the poorest countries in Latin America. According to the human development index of the year 2002, estimated for 177 countries by The United Nations, Bolivia is in position 114, 80 places below the country with the highest index in South America - Argentina (see UNDP, 2004).

With the turn of the century, significant transformations oriented to further economic growth with equity have not taken place in Bolivia. The gross national product (measured in millions of US Dollars) has had a slight decreasing tendency in the period between 1999 and 2004 as shown in Table 1. This behavior is the reflection of four shocks undergone in the country: the eradication of the coca leaf, decreasing direct foreign investment, the rise of the exchange rate with regards to the currency of two main commercial associates, Argentina and Brazil, and the sociopolitical conflicts that took place in the period.<sup>i</sup>

**Table 1**  
**Bolivia: Gross National Product and Poverty Indicators, 1999 – 2004**

	1999	2000	2001	2002(p)	2003(p)	2004(p)
<b>1- Gross National Product</b>						
In millions of US\$	8,298	8,405	8,036	7,812	7,666	8,107
Per capita, in US\$	1,008	997	932	885	849	879
<b>2. Incidence of Extreme Poverty</b>						
Total	35.8%	39.2%	37.3%	36.8%	n.i.	n.i.
Urban	23.5%	27.9%	26.2%	25.7%	n.i.	n.i.
Rural	59.7%	58.7%	55.6%	54.8%	n.i.	n.i.
<b>3. Income Inequality Indicators</b>						
Gini Index	0.53	0.56	0.56	0.57	n.i.	n.i.
Ratio P90/P10	13.1	15.2	12.9	11.6	n.i.	n.i.

Source: Instituto Nacional de Estadísticas (INE), Unidad de Análisis de Políticas Sociales y Económicas (UDAPE)

(p) preliminary;

Notes: 1) The incidence of extreme poverty is defined as the percentage of the population with income below the cost of a food basket; 2) In the Gini Index, inequality increases when it nears 1; 3) The P90/P10 ratio measures income between the 90 and 10 percentiles.

In this period there was also a slight increase in the incidence of extreme poverty: in 1999 the (extremely) poor population was 35.8%, but in 2002 this rate was around 36.8%.<sup>ii</sup> There is nevertheless an improvement of the indicator in rural areas - which are the poorest of the country - from 59.8% in 1999 to 54.8% in 2002.

The poverty gap by areas is closely related to the Indigenous concentration in rural areas.<sup>iii</sup> According to the Census 2001, the 35.4% of the population is Indigenous in Bolivia, the 22% of urban population and the 66% of rural population; and approximately the 59% of Indigenous People are indigent or marginal compared to the 19% of non-indigenous ones.

Lastly, inequality observed in the distribution of income, measured by the Gini Index, is high in Bolivia, compared to Brazil or Chile (see Hernani, 2002). This index also shows a slight deterioration in time, with a value of 0.57 in 2002 versus 0.53 in 1999. A contrary tendency is nevertheless observed in the ratio of income between the 90 and 10 percentiles, which suggests that the problems of inequity in the medium income strata have deepened.

## **I.2. Policies Surrounding the Millennium Development Goals**

Notwithstanding the not very encouraging perspectives with regards to the reduction of poverty and inequality, Bolivia has been carrying out new efforts for finding solutions to these problems since the Structural Reforms of 1985. The public policies of the country have been reoriented towards accomplishing the Millennium Development Goals (MDGs). With the support of the international cooperation, processes of agreement with organized civil society were realized (National Dialogues I and II), which culminated with the preparation of The Bolivian Poverty Reduction Strategy (EBRP) year 2001.

The Strategy compiles the Government and civil society common perception on the relevance of reducing poverty and promoting human development, particularly of the population with the greatest needs. The improvement of the living conditions is sought to be achieved through greater employment opportunities and income, better access to markets, development of human skills, greater social protection and security and the promotion of citizen participation and integration, within a context of growth with equity and the rational use of natural resources.

In the Dialogues also have been mentioned the significant governance problems in Bolivia, like corruption, excessive bureaucracy, lack of institutional coordination, inefficient public resources administration, lack of administration capacity and high rotation of public personal, among others.

In the year 2004, the revision of the EBRP was proposed, mainly due to the lacking of definition of the priorities of tasks in the 2001 Strategy. In order to overcome this problem, 4 areas of intervention and 42 priorities were proposed. The reformulating of the EBRP emphasizes increasing productivity, assuring a minimum degree of equality; it focuses on the development of the micro, small and medium-sized enterprises.

The general objective of the Revised Strategy is to achieve a pattern of development with a wide base that significantly reduces inequality in the distribution of income. This goal seeks to structurally transform the economy, raising the income of the population that is close to the poverty line, reducing the degree of poverty of the population that is below the poverty line and establishing a minimum safety net of universal social services and productive opportunities for the poorest groups. The Strategy had been enriched with the Dialogue III *Bolivia Productiva* carried out in December of 2004, that had delineated the most productive sectors for all country departments in order to promote regional development.

The objectives and actions surrounding the Strategy have been reinforced by the pledges of the country with the international cooperation community for reaching the MDGs. The following is the progress achieved according to each proposed goal.

### Millennium development goals 2 and 3 - Education

With regards to education, the target 3, of the MDG 2, looks for **to guarantee that by 2015 all children will be able to complete primary education.**

The actual educational policies have been promoted in Bolivia on the basis of The Educational Reform Law of 1994, before the EBRP. This law defines the fundamental basis for Bolivian education, where it is positioned as the highest function of the State; the obligatory nature of education is ratified for the primary level in accordance with The Nation's Constitution; civil society participation is encouraged in planning, organizing, executing and evaluating, in order for education to respond to the population's interests, needs, challenges and aspirations; and the social-cultural heterogeneous nature of the country is recognized, giving education an intercultural and bilingual nature (see Muriel, 2002).

The different programs and projects surrounding the Educational Reform have nevertheless been questioned due to the lack of clarity and consistency with regards to the causes of educational deficiencies, as well as efficiency problems in the designation of human, material and financial resources. These factors have probably led to slow progress in the improvement of the educational system from its onset (see Muriel, 2002). Nevertheless, some important progress in primary education may be observed in Table 2.

**Table 2**  
**Bolivia: Coverage in the Provision of Primary Educational Services, 1992-2002**

INDICATOR	1992	1999	2000	2001	2002(p)
Gross Coverage Rate <sup>(1)</sup>	97.10%	106.6%	107.7%	108.4%	108.1%
Net Coverage Rate <sup>(2)</sup>	n.i.	87.0%	87.0%	87.9%	88.0%
Rate of Completion of Eighth Grade <sup>(3)</sup>	52.30%	66.5%	71.8%	71.5%	77.3%

Source: Sistema de Información Educativa (SIE) and UDAPE, (p) preliminary

<sup>(1)</sup> Gross coverage rate = number of students enrolled in a given educational level without distinction of age / population in the age group that corresponds to the respective educational level. <sup>(2)</sup> Net coverage rate = number of students enrolled in a given educational level for the age that corresponds to the respective level / population in the same age group. <sup>(3)</sup> Rate of completion of eighth grade = population that graduated from eighth grade / population aged 13.

The focusing of the Government's efforts (and of some non-governmental organizations) may be observed in the increase of the gross coverage rate, which increased slightly over 10% between 1992 and 2002. Furthermore, there are no significant differences between urban and rural areas (see Fernandez and Reinaga, 2004). The proportion of children aged 13 that graduated from eighth grade (rate of completion of eighth grade) also underwent significant improvement across the decade, reaching 77.3 per cent in 2002.

These tendencies in education indicators and in some present actions surrounding universal primary educational coverage - the use of resources for constructions, equipping of schools, pedagogical resources, etc - have made it possible to the Government to conclude that Bolivia will accomplish the MDG 2 by 2015 (see UDAPE et al, 2002; and UDAPE, 2003).<sup>iv</sup>

A second relevant aspect surrounding education is that of inequities between men and women. In this framework, the target 4 of the MDG 3 looks for **to eliminate the gender disparity in primary and secondary education, preferably by the year 2005 and in all of the other educational levels by 2015**. These reinforcements for decreasing the gender gap have also been contemplated within the Educational Reform for illiteracy and primary levels and are being reevaluated at the secondary and superior levels.

The greatest disparities by gender exist among the illiterate. According to information from Census 2001 (see INE, 2003), 6.4% of men are illiterate versus 19.4% of women. More important is, however, the gap by areas: 6.4% of urban population is illiterate compared to 25.8% of rural – mainly Indigenous-population. These differences are particularly of the adult and senior population.

The educational gap by gender for youth and children are significantly lower. In the Census 2001, the gross coverage rates had a gender gap of 5.71% for children for secondary education, 2.11% for primary education and -1.5% (for girls) for initial education.<sup>v</sup> These indicators show tendencies that make the achievement of the MDG 3 likely.

### **Millennium development goals 4, 5 and 6 - Health**

With regards to health, it has been emanated three targets from the Millennium Declaration. The target 5, of the MDG 4, is **to reduce by two thirds, between 1990 and 2015, the under-five mortality**. The target 6, of MDG 5, is **to reduce by three quarters, between 1990 and 2015, the maternal mortality ratio**. Finally, the target 7, of the MDG 6, is **to have halted and begin to reverse the spread of HIV/AIDS and the incidence of malaria and other major diseases**.

The provision of health services in the maternal-infant population is conceived as a strategy of the Government beginning in 1996 with the creation of the Maternity and Infancy National Insurance (*Seguro Nacional de Maternidad y Niñez*). In the years that followed, this initiative was redefined through the Basic Health Insurance (*Seguro Básico de Salud*) in 1998, and finally, through the Universal Maternal-Infant Insurance (*Seguro Universal Materno Infantil, SUMI*) in 2002. In time, the number of provisions is increasing, as well as health services coverage.

Some difficulties surrounding health services provision are: the limiting factors of demand due to the social-cultural characteristics, mainly of the Indigenous Population, problems in the supplying of medication and inputs to the health institutions and geographical inaccessibility in certain rural areas (see INE et al, 2002 and UDAPE, 2003).

The problems of child and maternal mortality are, nevertheless, closely related to the socioeconomic conditions of the environment and of the families: age - in the case of child mortality, young mothers are at higher risk - and the level of education of the mothers (see Narváez, 1998; and INE et al, 2002). As such, to the degree that the years of schooling increase and poverty is reduced, improvements in the health sphere shall consequently be achieved.

Table 3 shows the evolution of some health indicators related to the Millennium Development Goals. The reduction of the child mortality rate (children under 5) by two thirds implies that by the year 2015 the rate shall be approximately 40. This goal, according to the Government (see UDAPE et al, 2002; and UDAPE, 2003), will very likely be achieved, for in the period between 1989 and 2001, because the rate decreased by slightly over one half that has been accompanied with higher coverage health efforts in time (principally of infectious diarrheic and respiratory diseases, which are so common in Bolivian infants). Nevertheless, it is worth noting that there are significant differences according to geographic areas in Bolivia. In 1998, for example, the child mortality rate was 50 in the urban area and 90 in the rural area.

**Table 3**  
**Bolivia: Health Indicators, 1989 – 2003**

	1989	1994	1998	2001	2003(p)
<b>Mortality Rates (MR)</b>					
MR of children under 5 (per 1,000)	96	75	67	n.i.	54
MR of mothers (per 100,000 live born)	416	390	n.i.	310 <sup>(1)</sup>	n.i.
<b>Coverage Rates (CR)</b>					
CR, provision of services of acute diarrhea diseases in children under 5 <sup>(2)</sup>	n.i.	n.i.	29%	35%	46%
CR, provision of services for pneumonia in children under 1	n.i.	n.i.	14%	20%	24%

Sources: INE, UDAPE

(p) preliminary

<sup>(1)</sup> corresponds to the year 2000. <sup>(2)</sup> From the year 2000 on, the denominator of children under 5 was changed to children of low income families under 5.

Maternal health shows more modest improvement than that of children. Maternal mortality has been reduced by merely one fourth between 1989 and 2001. Notwithstanding this tendency, the new Government policies have made it possible to conceive the accomplishment of the reduction of maternal mortality rates by the year 2015.

With regards to contagious diseases, sexually transmitted diseases (STDs) are of less priority in Bolivia. Between 1984 and 2002, there were 914 registered cases of HIV/AIDS and 56,000 cases, in 2002, of other STDs (such as Syphilis, Chancroid, Gonorrhea and Chlamydia) with a population of over 8 million.<sup>vi</sup> In order to avoid the spreading of these diseases, The Sexual and Reproductive Health Program has been implemented; it proposes prevention policies based on information initiatives, promotion of the use of condom and sexual and reproductive education (see INE et al, 2002).

The most important diseases within the epidemiological profile in Bolivia are Chagas' Disease (American *trypanosomiasis*), Malaria and Tuberculosis. Within this framework, the Government has implemented an Epidemiological Shield Strategy for controlling and reducing these diseases. The preventive interventions against Chagas' Disease - such as fumigation in households and peripheral-residential areas - have made possible a significant reduction in the presence of the vector in households in areas with high infestation; from rates above 50% in 1999, to rates below 10% in 2003. With regards to Tuberculosis, there is no tendency in the decrease of the number of positive cases; nevertheless, treatments increased from 82% in 2000 to 86% in 2002. Lastly, with regards to Malaria, the prevention and control initiatives allowed the annual parasite incidence to decrease from 8.0 in 2000 to 6.1 in 2003 (see UDAPE, 2004a and 2004b).

### **Millennium Development Goal 7- Ensure environmental sustainability**

With regards to the environment and sustainable development, two targets are discussed. Target 9: **integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources.** Target 10: **halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation.**

The Government has progressed in the formulation of policies linked to environmental and sustainable development management, with the passing of fundamental laws such as The Forestry Law, The National Agrarian Reform Institute Law (INRA), The Mining Code, The Hydrocarbons Law and others. Nevertheless, according to the Government, it is necessary to complete the norms framework that guarantees management oriented towards sustainable development (INE et al, 2002).

With regards to potable water and basic sewage, the coverage of water services increased in the urban area from 81% in 1992 to 90% in 2001 and in the rural area from 24% in 1992 to 39% in 2001. Basic sewage coverage increased in the urban area from 49% in 1992 to 55% in 2001 and in the rural area from 17% in 1992 to 33% in 2001.<sup>vii</sup> These indicators reveal, on one hand, some relevant changes, which are the result of public policies that were strongly supported by international organizations, but on the other hand, there is still inadequate coverage of services in the rural areas of Bolivia.

One of the most important restrictions of water and basic sewage services is weak public institutions, attributable not only to the limited resources, but also to weaknesses in coordination, technical and management capacities at the different levels of Government. Little investment in national and local resources has also been observed in the analysis of community, investment and impact needs and inappropriate evaluation and monitoring. One of the main problems is the incipient nature of integral planning and the lack of joint collection and distribution of information at all of the levels of the sector. With the objective of attending to these problems, the Bolivian Government has introduced The National Basic Sewage Plan 2000-2010, the main objectives of which are:

equitable and universal coverage, strong and sustained institutions. However, the probability of achieving the target 10 is still low.

### **Millennium Development Goal 1- Eradicate extreme poverty and hunger**

Lastly, with regards to poverty, the target is **to halve the proportion of people living on less than a dollar a day and those who suffer from hunger**. According to the perspectives of the Government - corroborated by the indicators in Table 1 - there is little chance of reaching this goal.<sup>viii</sup>

There are several factors that prevent economic growth in favor of the poor in Bolivia. Firstly, improvement in agricultural productivity is almost not present; agriculture is the main source of income for the majority of the poor population.<sup>ix</sup> Secondly, the industrial sector is incipient, subject - most importantly - to investment problems (high costs), unjust competition due to weak illegal imports control and scale problems. Lastly, the sectors that have had good development perspectives, such as electricity, finance, hydrocarbons and communications, are not labor intensive.<sup>x</sup>

Throughout the last decades, through the promotion of diverse plans and programs, the Government has set as objectives the attaining of productive integral and sustainable development, making possible productive empowerment and transformation, creating institutions that make socioeconomic development possible, improving physical infrastructure - mainly roads -, with state intervention, promoting exports by increasing competitiveness of the production of goods, giving impetus to the economy through the creation of stable employment, both in quantity and quality, and increasing the income of the poorest sectors of the population (see Chávez, 2004).

There have been several policies surrounding the attainment of these objectives; among these is support of micro, small and medium-sized enterprises, the promotion of chains of production, the opening up of external markets through bilateral and multinational agreements, technical assistance and tax reductions. Nevertheless, these policies have been very disperse and not very effective in practice, and the result have simply been an economy that is more excluded with regards to the rest of the world. Considering, for example, the medium labor productivity of the sectors of tradables between Bolivia and the United States, it is estimated that the gap has doubled in the '90s (see Vera, 2005).

highland

The most important option for the Bolivian Government for growth in favor of the poor is that of development with regards to human capital and the promotion of micro, small and medium-sized enterprises. There exist, nevertheless, certain limitations in this perspective. Firstly, the productivity of these firms is low, and, due to limitations of economies of scale, it is more difficult to develop and promote them in the external market.<sup>xi</sup> Secondly, the returns on education are low for the population with primary education; for the urban area, for example, Muriel (2004) reveals that an additional year of education improves labor income per hour by only 2 per cent. (In secondary education, the return is slightly higher, 4 per cent).

## **II. Canadian Aid to Bolivia under the Millennium Development Goals**

### **II.1. Background**

Canadian cooperation began in Bolivia at the end of the '60s in areas of infrastructure, rural development, education and technical assistance. This focus was maintained during the decade that followed. In the '80s, CIDA responded to the natural disaster caused by El Niño and the severe drought during 1982 and 1983 with food aid. During this decade, Canadian aid began to grant financing to international organizations such as The Pan-American Health Organization (PAHO), The United Nations International Children's Emergency Fund (UNICEF) and The Inter-American Development Bank (IADB). The areas of intervention were widened to include health, water and basic sewage projects, social development and research, telecommunications, mining and energy.

With the return of democracy in 1982 and the inauguration of a new institutional framework and of new economic policies with the Government of Víctor Paz Estensoro in 1985, CIDA reoriented its development program in Bolivia to include support in the balance of payments for supporting the structural adjustment efforts of the Government and to channel funds from counterparts through new national institutions such as The Social Investment Fund (FIS), The National Environment Fund (FONAMA), The Foundation for Development Alternatives (FADES) and The Foundation for the Promotion and Development of Enterprises (PRODEM). Towards 1992, two thirds of bilateral funds were assigned to Government entities in support of the national reform processes. This support was maintained in the following Governments, which were pledged to continuing the reforms.

### **II.2. Canadian Aid Objectives for the 2003 - 2007 Period**

In the second half of the '90s, Canadian aid consolidated its focus of action for Bolivia. This focus is still present; it consists of support for Bolivian institutions and skills in the reform processes. CIDA has decided to deepen coordination between cooperation and the national Government and overcome isolated action or action centered solely on the demands made by Canadians. As well, a goal has been established for concentrating program resources in strategic objectives in coordination with other development actors. CIDA's present programming in Bolivia is defined in the New Framework of Government-Foreign Aid Relations (*Nuevo Marco de Relacionamento Gobierno y Cooperación*) subscribed by the Government of Bolivia and by the international community of donors at the Consulting Group meeting in 1999, in the Millennium Development Goals 2001 and in the Bolivian Poverty Reduction Strategy (EBRP).

Concretely, CIDA has contributed and participated in an active manner with other donors in the preparation of the EBRP in Bolivia. It has also supported many of the critical processes for the success of the EBRP, including the Survey for the Improvement of Living Conditions (MECOVI), the National Census 2001, the Sole Funding Directory (DUF), the National Dialogue Law and the National Compensation Policy. As well, CIDA's programming has been influenced by the

EBRP. As such, bilateral and multilateral programs respond to some of the EBRP's objectives.

However the CIDA's aid has not been focus on the core policies proposed by EBRP. The EBRP emphasizes the achievement of greater employment opportunities and income, better access to markets through the development of micro and small enterprises. In contrast, CIDA linked the reduction of poverty and the improvement of the standards and of quality of life of poor Bolivians mainly trough two strategic objectives: 1) to help consolidate the economic and political reforms in Bolivia, supporting the efforts of the Bolivian Government for modernizing the State, and, particularly, for increasing regulation capacity, efficiency in the sectors of hydrocarbons and 2) to help satisfy the basic needs of Bolivians struck by poverty through the improvement of access of women, men, boys and girls to essential health services and to potable water services and the progress of the national and local institutional capacities in the two services. Table 4 shows the CIDA's grants to Bolivia related to these purposes.<sup>xiii</sup>

**Table 4**  
**Canadian Aid to Bolivia**

Fiscal year	2000-01	2001-02	2002-03	2003-04	2004-05(p)
<b>Total Aid (in 000 of C\$)</b>	<b>14,797</b>	<b>16,885</b>	<b>13,440</b>	<b>18,930</b>	<b>9,903</b>
<b>By sector</b>	100.00%	100.00%	100.00%	100.00%	100.00%
Education	2.32%	3.80%	4.61%	3.27%	7.03%
Health	9.43%	4.37%	4.31%	34.64%	6.01%
Water and basic sanitation	0.85%	0.80%	0.50%	0.54%	0.69%
Governance and civil society support	35.06%	40.51%	55.81%	42.75%	51.32%
Environment	1.84%	0.71%	1.96%	0.49%	1.37%
Productive and service sectors	44.22%	45.63%	27.43%	13.39%	25.17%
Others	6.28%	4.19%	5.38%	4.91%	8.41%
<b>By branch</b>	100.00%	100.00%	100.00%	100.00%	100.00%
Communications	0.00%	0.05%	0.12%	0.11%	0.28%
Americas	64.49%	72.33%	64.57%	73.38%	48.46%
Multilateral Program	7.78%	0.41%	0.00%	0.00%	0.00%
Canadian Partnership	27.73%	27.21%	35.32%	26.51%	51.26%

Source: CIDA  
(p) preliminary

The strategic goal of modernization of the State is reflected on the high proportion of resources designated to these programs; for the FY 2004-05, for example, it is – with other expenses on civil society support- around 51% of the total aid. Resources for health had been essentially important in the FY 2003-04, with the 35%.

The modernization of the State reflects the assumption that the development of the hydrocarbons and utilities sectors will sustain the Bolivian economic growth and in the long run poverty reduction. These sectors have been important support from

CIDA: oil and gas sector, for example, got, on average for 2000-2005, around 37% of the resources of the “productive and service sectors” - comparing with the 8% for industry and agriculture.

The connection between the State and the hydrocarbons and utilities sectors would reside on the fiscal income to the State (taxes and royalties from the privatized enterprises that would latter be converted into basic services (health, education and sewage) and infrastructure benefiting the PYMES. However, some problems arise with this perspective. First, it is highly probable that the bureaucracy and corruption restrain the efficient use of these resources. Second, the connection between the development of these sectors, long run economic growth and poverty reduction has been questioned in the literature. Besides the low capacity of these sectors to absorb the one hundred and thirty thousand new entrants in the labor market every year, there is the Dutch Disease Problem: a boom in the natural resources sector may generate growth in the short term but, in the long run, the industrial sector is negatively affected by the exchange rate appreciation caused by the excess of dollars in the economy. Lastly, there is also the tendency that a boom in a natural resource sector – as oil and gas - may attract the most productive factors such as human capital limiting the growth capacity of the other sectors of the economy.

## **Health**

The CIDA program in the health sector is oriented towards developing the practice of national appropriation and of contributing with coordination and rationalization of the activities of the donors towards the efforts of the national Government for reducing poverty. These principles are in harmony with the processes defined in the EBRP. The efforts of CIDA are also established around deep knowledge of the progress and limitations of the public policies in the area in the last few years, as well as in the lessons learned from its past interventions. With regards to the latter, learning has taken place from the limitations of superficial expansion or from support for many isolated projects determined by CIDA, which made monitoring by CIDA and coordination and follow-up by the Government difficult.

With regards to the Government’s efforts, CIDA underscores the health sector’s reform and decentralization. The new Bolivian shared management model implies that the representatives of the Prefectures, Municipal Governments and local communities jointly manage the provision of health services. Nevertheless, there are weaknesses in institutions, technical and financial capacities, which lead to management and administration problems of the services. Many of the poorest Municipalities cannot adequately provide the health services to their inhabitants. As well, coordination between the central Government and the Municipal Governments is not adequately developed and the latter lack the technical and administrative support for developing the capacities required by their new responsibilities. In addition, problems are faced with regards to the participation of civil society through the Observation Committees (*Comités de Vigilancia*) in the monitoring of the quality of the provision of local health services and in the presentation of health project proposals to the Government.

On the basis of these management problems, as well as on the limitations of the health services mentioned previously, CIDA proposes the need to strengthen institutional, coordination and management capacities at different levels of the public sector. CIDA in Bolivia is pledged to actions directed towards supporting public health reform infrastructure for health services and the development of innovative models for the management of local health. The new logistic health program, which CIDA is in the process of designing, orients its support both in the national and decentralized spheres.

CIDA has accumulated experience and knowledge from the Project for the Development of Skills for Health Reform in the departmental health districts, Municipalities and grassroots organizations in San Lorenzo, Tarija and in Guayaramerín, Beni. CIDA supported the development of its capacities for formulating, planning, implementing and monitoring public health administrative plans and systems. This project covers two of the twelve promising models of local health management identified by the Government of Bolivia. Presently, these models are being considered for propagation in other districts and, as such, they have allowed CIDA to establish a niche and a good reputation in the sector, as well as having made essential contacts with Bolivian and Canadian health experts and innovate with promising models of cooperation and participation of community health management and of institutional and individual capacity building.

### **Water and Basic Sewage**

Water and basic sewage are areas that are relatively new for CIDA in Bolivia. Among its past experience is the Water, Irrigation and Potable Water in Laka Laka Project between 1989 and 1997 and the Integrated Water and Health Project in selected communities in the Departments of Potosí and Chuquisaca between 1990 and 1995. As in the health sector, the learning obtained from these experiences led CIDA to seek - in the new programming - more programmatic interventions linked to the reform processes of the Government and better-coordinated interventions with other donors.

In coordination with the national efforts, Canadian aid is supporting the creation of an information system for the management of hydro resources and basic sewage that has as its objective the linking of the needs of the Municipalities in this field with the national planning system. The objectives of the project are: 1) to contribute to improving the quality of information, and strengthening the collection, aggregating and coordination of information; and 2) to strengthen planning capacities through the introduction of a computerized information system, providing feedback that is essential, and information to the Municipalities with regards to the existing norms and legislation of the sector.

### **Modernization of the State**

The modernization of the State is the main area of intervention in CIDA's new programming in Bolivia; its strategic importance is established in the significant reforms promoted during the '90s, also known as the second generation of reforms that substantially redefined the role of the State in the economy and in

society. Following the stabilization of the Bolivian economy at the end of the '80s, the State ceased to be an economic agent and assumed the role of conductor of the policies and of the creator of an environment favorable towards development through the provision of regulation, infrastructure and essential social services frameworks; it also proceeded to decentralize the jurisdiction of the Municipal Governments and districts. Among the main reforms are Capitalization (privatization), the Pension Reform, Administrative Decentralization and Popular Participation, the Health Reform, the Educational Reform and the Public Sector Reform, which includes the Civil Service Reform Program.

Although the Governments have achieved significant progress in improving the governability structures of the country, there is still far to go in implementing these very ambitious and wide reforms. The Bolivian State is still weak both institutionally and politically, and there is still much to do in order for the public institutions in Bolivia to be considered effective. With regards to the Municipalities, they are only capable of absorbing approximately 35 per cent of the funds assigned to them by the central Government and the Prefectures only absorb 50 per cent due to the limited planning and implementing capacity and the lack of a clear work vision among the different sectors, departments and levels of Government. As well, it is important to note that the governability problems of Bolivia are also the result of long-standing structural inefficiencies of its democratic system, besides a history of political exclusion and lack of legitimacy of the public institutions.

In accordance with the pledges of the Bolivian Government and the learning accumulated by CIDA in the area of Modernization of the State, the new programs defined three components: regulation frameworks in the strategic resources and minerals sectors, reform of the civil service and of the public sector and human rights.

The first component is the effective formulating and application of regulation frameworks in the strategic resources and minerals sectors, specifically hydrocarbons and mineral resources. CIDA's participation for improving the regulation of the hydrocarbons industry began in 1993. CIDA's support in the creation of a legal framework for privatization, in the increasing of investment and in the improvement of environmental regulation in this sector has been widely recognized. CIDA's assistance in mining began in 1997 and has centered around the strengthening of the Government's capacity to formulate operational policies and frameworks that support the regulation of the sector, the practice of environmental, health and safety standards, conflict resolution and with regards to greater economic opportunities for small miners and women and children miners.

In order to contribute to Bolivia's governability in a more integrated manner, both in terms of efficiency of the Government and the reconstruction of social and political equilibriums, CIDA's support should join the efforts oriented to the regulation framework in productive sectors and industrial policies for PYMES. In accordance to the EBRP's policy to strengthen small production as central to fight poverty, CIDA's could participate in the creation of an institutional environment consistent with the characteristic and dimensions of the micro and small entrepreneurs. Some lines of action are changes in the legal, tax and finance rules

supportive of PYMES, a better coordination between Central and Municipal Governments under the model of local development and the strengthening of the institutional capacity of Municipalities to lower transactions costs and to increase synergies in the entrepreneurial local environment. Moreover, the EBRP proposes industrial policies to increase productivity and competition capacity of production chains and, as a result, the transformation of underemployment to dignified employment.

The reform of the civil service and of the public sector includes institutional support for selected Bolivian institutions that are in the process of reform towards becoming more efficient, responsible and accessible. In more specific terms, there is financial support through the Local Fund for the Reform of the Public Sector (FLARSP) and technical assistance through the strategic designation of Canadian specialist volunteers in selected institutions that are undergoing a reform process.

The second component, human rights, is a new area for CIDA. Jointly with other donors, CIDA is supporting the Office of the Ombudsman (*Defensor del Pueblo*), a recently-created institution that is not under political control. The Ombudsman mandate is directly linked to the correction of governance errors in Bolivia, be they regarding the inadequate or insufficient provision of service services, corruption, politicization of bureaucracy or lack of access to justice or to public services on the part of marginalized Bolivians. Presently, CIDA has a specialist in human rights with a seat at the office of the Ombudsman in La Paz.

### **Gender Equity as a Transversal Topic**

Gender equity, understood as the elimination of the inequalities that exist between men and women in terms of capacities, opportunities, participation and others, is a transversal topic in the programs and projects supported by Canadian aid in Bolivia, in accordance with the EBRP. The gender topic entered into the agenda of Bolivian public policies in a significant and irreversible manner in 1993 with the creation of the Vice-ministry in charge of the preparation and implementing of policies directed towards gender equity.

The general focus of CIDA with regards to gender equity is concentrated in supporting efforts directed towards: a) the progressive participation of women in the development processes, mainly through the increasing of political conscience and with regards to the rights of women; b) the growing capacity of women's organizations for playing an active role in the dialogue on policies, as well as in the planning, implementing and evaluation of development; and c) greater direct participation of Bolivian women in the decision-making processes, within the State, in the private sector, in civil society, in communities and within the family.

### **Environmental Sustainability as a Transversal Topic**

Environmental sustainability is the other transversal topic in the Canadian Aid Program in Bolivia in accordance with the EBRP. Sustainability is also defined as protection, effective management and preservation of the integrity of natural resources for future generations. The Governments of Bolivia have developed

important efforts for dealing with the environmental program and the EBRP grants the issue considerable importance.

The CIDA program seeks to assure that all of its programs and projects comply with the Canadian Environmental Evaluation Law, and it has pledged the direct promotion of awareness-building and the application of the environmental standards. One example is the Bolivian Gas and Petroleum Project, which has among its objectives the adoption of ecologically sustainable technologies that are safe and more efficient, through training and the transfer of technical skills to the Environment Unit of the Vice-ministry of Energy and Hydrocarbons.

### **III. Final Considerations**

CIDA's policies in Bolivia - related to health, water and basic sewage, gender equity and environmental sustainability - are coordinated with the Millennium Development Goals through harmonization with the processes defined in the EBRP. As well, CIDA has contributed in a direct manner to Dialogues I and II and to the preparation of the EBRP; it has also contributed to the processes and activities that allowed the reformulation of the EBRP, as well as to construction of the monitoring indicators and processes. Coordination of Canadian aid with the Bolivian Government and with bilateral and multilateral aid constitutes a significant progress in relation to interventions that are isolated, disperse and based on unilateral aid initiatives. Additionally, the policies for the modernization of the State and for the strengthening of the Municipalities make viable the accomplishment process of the EBRP.

However, CIDA's goals in Bolivia have not selected the revised EBRP's general objective related to the promotion of a more inclusive model of development capable of overcoming poverty and social inequality. CIDA does not include as its objectives the development of PYMES through the strengthening of production chains and the support of an adequate regulatory framework for productive sectors and municipal capabilities under the local development concept. These enterprises - with less than 10 workers - absorb around 85 per cent of the total labor force, therefore, the exclusion of this important objective restricts the results of the CIDA's contribution to Bolivia in its fight against poverty.

As well, the EBRP asserts that the model of development based on natural resources such as hydrocarbons, electricity and telecommunications is not sustainable in the long run due to the lack of production connections and low employment generation. Although the Bolivian economy has grown 4 per cent between 1990 and 1998, it neither generated employment nor it reduced poverty.

The CIDA's decision to invest marginally in productive sectors that generate the majority of employment may also be related to the total disbursement to Bolivia. It is important to consider that a larger allocation of resources to Bolivia - perhaps developing an additional line of programming - toward the support of PYMES under the EBRP policy would allow CIDA to play a more significant role in the Bolivia's poverty reduction. Since Bolivia is one of the nine countries of focus for CIDA, its actions could be more comprehensive and significantly support an inclusive model of economic development.

Finally, efforts oriented to the execution of projects after the October crisis, the monitoring and evaluation of the social and environment impacts must also be strengthened.

## References

Agencia Canadiense para el Desarrollo Internacional. Marco del Programa de Desarrollo de País Bolivia, June. 2003.

Andersen, L. and B. Muriel H. “Cantidad versus Calidad en Educación: Implicaciones para Pobreza.” *Revista de Estudios Económicos y Sociales* 1:1-43. 2002.

Bolivia. INE –Instituto Nacional de Estadísticas. *Estadísticas Nacionales 2003*. La Paz –Bolivia. 2003.

Bolivia. UDAPE- Unidad de Análisis de Políticas sociales y económicas. “Estrategia boliviana de reducción de la pobreza: Informe de avance y perspectivas.” [www.udape.gov.bo](http://www.udape.gov.bo). La Paz – Bolivia. 2003.

Bolivia. UDAPE- Unidad de Análisis de Políticas sociales y económicas. “Evaluación económica 2003.” [www.udape.gov.bo](http://www.udape.gov.bo). La Paz – Bolivia. 2004a.

Bolivia. UDAPE- Unidad de Análisis de Políticas sociales y económicas. “Evaluación económica al primer semestre del 2004.” [www.udape.gov.bo](http://www.udape.gov.bo). La Paz – Bolivia. 2004b.

Bracamonte, G. [personal interview]. Interviewed by Gonzalo Chavez in November, 2004.

Hernani, L. W. “Mercado Laboral, Pobreza y Desigualdad en Bolivia.” *Revista de Estudios Económicos y Sociales* 1: 44-104. 2002.

Chavez, A., G. “Marco de Políticas Públicas en Bolivia: 1980 – 2003.” *Maestrías para el Desarrollo – Universidad Católica Boliviana*, mimeo, La Paz- Bolivia. 2004.

Fernández, M. and T. Reinaga. “Rural Girls Education.” IISEC-EGG-BID, mimeo, La Paz- Bolivia. 2004.

Muriel, H. B. “Políticas Gubernamentales en torno al mejoramiento de la educación boliviana,” *Instituto de Investigaciones Socioeconómicas-Universidad Católica Boliviana*, mimeo. 2002.

Muriel, H. B. “Urban female employment in Bolivia,” IISEC-EGG-BID, mimeo, La Paz- Bolivia. 2004.

Narváez, G. R. “inequidades en el estado de salud, acceso y uso de los servicios de salud,” *Unidad de Análisis de Políticas Sociales y Económicas – UDAPE*, La Paz – Bolivia. 1998.

Orihuela, R. C. *Contribución diferenciada del Capital Humano al Crecimiento Económica en América Latina, África del sur del Sahara y Bolivia*, Universidad Católica Boliviana, La Paz-Bolivia. 2004.

UDAPE- Unidad de Análisis de Políticas sociales y económicas. INE – Instituto Nacional de Estadísticas, Naciones Unidas. Progreso de los Objetivos de Desarrollo del Milenio. Bolivia. 2002.

UNDP – United Nations Development Programme . Human Development Report 2003. 2003.

UNDP – United Nations Development Programme . Human Development Report 2004. 2004.

Vera, N. A. Efectos de los diferenciales de productividad sobre el tipo de cambio real en Bolivia, Universidad Católica Boliviana, La Paz-Bolivia. 2005.

---

<sup>i</sup> In the year 2003, President Gonzalo Sánchez de Lozada was ousted from office by several social movements, due to the implementing of questionable economic policies, corruption and strong citizen protests' repression.

<sup>ii</sup> The incidence of extreme poverty is defined as the percentage of the population with income below the cost of a food basket.

<sup>iii</sup> Indigenous People are determined according to their mother language, which can be: quechua, aymara or other native language.

<sup>iv</sup> In Bolivia there are still important problems related with quality of education, principally for indigenous people, but these are not contemplated in the MDGs (see, for example, Andersen and Muriel, 2002; Fernandez and Reinaga, 2004; and Orihuela, 2004).

<sup>v</sup> Nor does the rate of completion of the eighth grade present significant gender differences (see UDAPE, 2003).

<sup>vi</sup> Nevertheless, this data may be underestimated.

<sup>vii</sup> These data have been extracted from the Census 1992 and 2001.

<sup>viii</sup> The indicator of basic unsatisfied needs between 1992 and 2001 (census years) reveals that poverty has been reduced by less than one fifth in practically one decade.

<sup>ix</sup> This is evident principally for the valleys and Altiplano regions of Bolivia.

<sup>x</sup> As suggested by UNDP (2003), these problems reflects structural impediments that have made very difficult to achieve sustained economic growth.

<sup>xi</sup> Even large firms are often limited in their capacity to market their products in the external market due to scale of production problems.

<sup>xii</sup> We thank to Alex Carrasco from CIDA for given us this information.