

Report No. 19326-BO

Bolivia

Implementing the Comprehensive Development Framework

May 21, 1999

Country Management Unit LCC6C
Latin America and the Caribbean Region



Document of the World Bank

CURRENCY EQUIVALENTS
(Exchange Rate Effective May 13, 1999)
Currency Unit = Bolivianos (Bs)
1 Bs = US\$ 0.17
US\$1 = Bs 5.76

WEIGHTS AND MEASURES
Metric System

FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

APL	Adaptable Program Loan
CAR	Country Assistance Review
CAS	Country Assistance Strategy
CDF	Comprehensive Development Framework
CG	Consultative Group
CIDA	Canadian International Development Agency
CNI	National Integrity Commission
DEC	Development Economics Department
ESAF	Enhanced Structural Adjustment Facility
FDC	Peasants' Development Fund
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GEF	Global Environment Facility
HD	Human Development Network
HIPC	Highly Indebted Poor Country
IDA	International Development Association
IDB	Inter-American Development Bank
IFC	International Finance Corporation
IMF	International Monetary Fund
INE	National Statistical Institute
IRP	Institutional Reform Project
LIL	Learning and Innovation Loan
MECOVI	Living Standards Surveys Strengthening Project
MIGA	Multilateral Investment Guarantee Agency
NAP	National Action Plan
NGO	Non-Governmental Organization
NSS	National Strategy Study
OED	Operations Evaluation Department
PER	Public Expenditure Review
PREM	Poverty Reduction and Economic Management Network
SERNAP	National Service of Protected Areas
SMEs	Small and Medium-sized Enterprises
UDAPSE	Unit of Analysis of Social and Economic Policies
UN	United Nations
USAID	United States Agency for International Development
WBI	World Bank Institute

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Bolivia

Implementing the Comprehensive Development Framework

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BOLIVIA: IMPLEMENTING THE COMPREHENSIVE DEVELOPMENT FRAMEWORK

1. On January 21, 1999, James D. Wolfensohn sent a proposal for a Comprehensive Development Framework¹ (CDF) to the Board, Management, and Staff of the World Bank Group. An Internal Guidance Note² on making the CDF operational in Bank programs was discussed on April 16, 1999. We have used the CDF proposal to foster an intensive discussion of possible ways to implement the Bolivia Country Assistance Strategy³ (CAS) more effectively and to attain the objective of reducing poverty through higher sustainable growth. Even though donors have devoted an equivalent to 7 percent of GDP in aid for Bolivia in the last decade, little poverty reduction has been achieved. The Bolivia CAS addressed this issue by proposing a strategy focused on poverty reduction.
2. The purpose of this paper is to present to the Board of Directors of IDA the key implementation features of the CDF—holistic approach, country ownership, partnerships for development and long-term strategy—as applied to Bolivia under the Bolivia Pilot. The CDF is a logical extension to the CAS in that it has allowed the Government of Bolivia and the country team to focus on key issues related to the societal transformation and institutional aspects of the development challenge.

1. BOLIVIA'S DEVELOPMENT CHALLENGES AND COUNTRY STRATEGY PROCESS

3. With a GDP per capita of around US\$1,000 and social indicators similar to Sub-Saharan Africa countries, Bolivia is one of the poorest countries in Latin America. About two-thirds of the Bolivian population is poor, with low levels of education, health and nutrition. The average schooling completed is less than seven years, infant mortality stands at 69 per thousand live births, and 10 percent of the children under five are malnourished.
4. Bolivia is landlocked, and its poorly developed communications infrastructure limits its access to export markets. After significant macroeconomic stabilization and structural adjustment efforts started in 1985, supported by the International Development Association (IDA) and International Monetary Fund (IMF), twelve-month inflation fell from a peak of 23,500 percent in 1985 to less than 4.5 percent by end of 1998. International reserves and foreign direct investment have increased significantly. And the external debt burden—while still high—has eased, thanks to the HIPC initiative⁴. But Bolivia is a segmented society, with

¹ *A Proposal for a Comprehensive Development Framework* (A Discussion Draft), Memorandum from the President, January 21, 1999.

² *Comprehensive Development Framework: Internal Guidance Note* (Discussion Draft), April 12, 1999.

³ *Memorandum of the President of the International Development Association and the International Finance Corporation to the Executive Directors on a Country Assistance Strategy of the World Bank Group for the Republic of Bolivia* (Report No. 17890-BO), May 21, 1998.

⁴ Bolivia was the second country to reach the completion point under this initiative in September 1998. See *Report and Recommendation of the President of the International Development Association to the Executive Directors on Assistance Strategy to the Republic of Bolivia under the HIPC Debt Initiative* (Report No. P7260-BO), Memorandum of the President, September 4, 1998.

insufficient investment, weak institutional capacity, and entrenched vested interests hampering the private sector. It is a good example of a country that has achieved successful stabilization and implemented innovative market reforms, yet made only limited progress in the fight against poverty.

The National Dialogue

5. Aware of the tremendous challenge it faces, the Bolivian administration launched a participatory process, known as the “National Dialogue—Bolivia towards the 21st Century,” soon after taking office in August 1997. It brought together a wide range of representatives of civil society to discuss the main development constraints of the country and propose corresponding solutions. The consensus: poverty can be reduced by working on four pillars, which now frame the government’s five-year development program:

- Opportunity—to generate higher economic growth with better distribution.
- Equity—to raise the standards of living of the disadvantaged groups in society.
- Institutionality—to strengthen the institutional framework for better justice and a corruption-free administration.
- Dignity—to remove Bolivia from the drug circuit by 2002.

The Bolivia CAR

6. Shortly after the National Dialogue and parallel to the preparation of the 1998 CAS, a Bolivia Country Assistance Review (CAR)⁵ by the Operations Evaluation Department concluded that despite a broad range of reforms, growth and poverty reduction had been disappointing. This was attributed partly to falling terms of trade and partly to the fact that several administrations had postponed some important reforms.

7. The CAR pointed out that growth had been slow for four main reasons:

- First, reforms were initially limited to macroeconomic stabilization and trade liberalization (from 1985-91). Privatization and social security reforms started only in 1995. The labor market had not been subject to any major reforms. Financial sector reforms had only been incremental. And the capital market was underdeveloped.
- Second, growth had been limited because entrenched vested interests had thwarted private sector development. The CAR stated that the keys to private sector development in Bolivia are to improve the transparency and legitimacy of the legal and regulatory environment, overhaul the judicial system, radically restructure the civil service, and improve tax compliance. It also mentioned the lack of adequate roads and infrastructure as part of the challenge for private sector development.

⁵ *Bolivia Country Assistance Review* (Report No. 17957), Operations Evaluation Department, June 5, 1998.

- Third, growth had not been broad-based in part because most of the Altiplano, which had a high incidence of poverty, continued to be highly underdeveloped, and neither the Government nor the Bank had been able to formulate a specific strategy to develop it.
- Fourth, weak growth and inadequate service provision were another reason for slow poverty alleviation. Although social funds scored visible results, the rural poor had benefited only from the smallest and weakest of Bolivia's three social investment funds, the Peasants' Development Fund (FDC). In the education sector, reform began in 1995-96 without the participation of parents and teachers. Although the Government had managed to reach tens of thousands of Bolivians with basic health and sanitation needs, this outreach had not been forward-looking, investment was more for curative care than preventive, and a nationally integrated health strategy had not yet emerged.

8. The CAR concluded that although the Bank had provided frequently compelling economic and sector work, this diagnosis was not translated into effective IDA operations. Effectiveness was compromised by three factors: poor design in relation to the strategic goals, less than full borrower ownership for the reforms IDA was supporting, and weak institutional capacity.

9. Some of the CAR observations have been addressed by recent policy changes proposed by the National Action Plan (NAP), others by the implementation of the strategy proposed in the 1998 CAS. Privatization, for example, mostly carried out from 1995–1997, is being completed under the present government. The agenda for reforms in the regulatory environment, the financial sector, the civil service, taxes and the judicial system has been put forward to Congress in the first two years of the new administration (see CAS progress to date: Annex 2). Anticorruption work is an important component of the Bank's work in Bolivia (Annex 3). Road infrastructure and maintenance as well as loans to finance investments of the rural poor in the Altiplano are part of the CAS (par. 29 and Annex 2). The education reform has progressed by including parents' associations in its implementation and a health sector strategy is supported under our upcoming health operation (Annex 2). Still other concerns should be addressed in the CDF with detailed analysis of institutional obstacles and plans to overcome them with the participation of all key development partners.

Enhanced Development Effectiveness through a Results-oriented Country Assistance Strategy

10. The CAS was deeply influenced by the Bolivian vision articulated in the National Dialogue and by the CAR. Endorsing the vision that came out of the National Dialogue ensured full borrower ownership for the reforms supported in the CAS. The CAS presented a comprehensive private sector development strategy for the Bank Group coinciding with three of the four pillars in the Bolivian strategy: opportunity, equity, and institutionalality.⁶ Given the lack of progress in poverty and strong barriers to private sector development, the 1998 CAS was focused on poverty alleviation and jointly prepared with the International Finance Corporation

⁶ The Bank did not have a comparative advantage in the dignity pillar (eradication of coca production).

(IFC). Taking into account the lesson that past project design was not linked well to strategic goals, this CAS pioneered a results orientation. It uses a limited number of poverty and human development outcomes as benchmarks for country progress, and it links these outcomes to both intermediate indicators of progress and indicators of the Bank's contribution to the country. Discussed by the IDA Board on June 16, 1998, the CAS received strong support.

11. The CAS presented a detailed matrix indicating not only the Bank Group's contribution to each of the three pillars, but the complementary activities of other donors working in Bolivia. The CAS paid particular attention to monitoring and evaluation, proposing a set of core outcome benchmarks to judge effectiveness during implementation. It also included self-evaluation indicators to monitor the performance of our projects in concrete and measurable terms.

12. To focus our joint efforts with the Government and other partners on results, three sets of performance benchmarks are being identified and corresponding targets defined: core poverty reduction benchmarks; the intermediate outcome indicators; and external donor performance benchmarks. Annex 1 of the CAS has a detailed description of sector interventions linking impact, outcomes, outputs, and inputs.

13. The CAS presented a set of benchmarks suggested by the donor community in the Consultative Group (CG) meeting in Paris in 1998, which defined the objective of the National Action Plan and the focus of external assistance. To guide the implementation of the CAS/CDF during the coming three years, the targets have now been set and adopted by the Government. But these are very ambitious stretch targets, which should be used just as key indicators of direction toward advancing in the very complex task of reducing poverty. In Indonesia, for example, the incidence of poverty declined by one percentage point a year with real GDP per capita rising 6 percent per year over the 1986-96 period.

Table 1: CAS Core Benchmarks^e

	Baseline	2001
COUNTRY PERFORMANCE		
Poverty Headcount Ratio (%) ^a	66	60
Poverty Gap Ratio (%) ^b	33	28
Prevalence of Child Malnutrition (% of children under five) ^c	10.8	7
Infant Mortality Rate (per 1,000 live births) ^d	69	60

a. Number of persons below the poverty line as a percent of total population.

b. Mean shortfall below the poverty line expressed as a percent of the poverty line.

c. Percent of children under five whose weight by age is less than minus two standard deviations from the median of the reference population.

d. Number of deaths of infants under one year of age, per 1,000 live births.

e. Maternal mortality rate originally included in this set of indicators, was removed because of the difficulties and cost of collecting the necessary information.

14. At a more concrete level, the Government and the donor community have agreed on 17 benchmarks for pillar performance, to be jointly monitored to evaluate progress. These intermediate outcome indicators for each of the four pillars will be discussed in the next CG Meeting in June 1999. The next step is for bilateral and multilateral agencies involved in each pillar to specify self-monitoring indicators of how their projects and activities will contribute to achieving the pillar outcomes. Joint monitoring and evaluation will be developed on-site,

learning from the experience of several important bilateral agencies (USAID, CIDA) that embarked on results-based aid some years ago.

15. Building on the lessons in the CAR and the experience from the HIPC Initiative (which linked improvements in social indicators to debt reduction), the Bank will include in each of its projects clear links between the pillar outcomes and project design. The first example is the progress indicators that have been developed for the Health Sector Reform Project⁷ Adaptable Program Loan (APL) scheduled for Board presentation in June 1999. Instead of tracking inputs, the project team will monitor achievement of these indicators. Table 2 presents the benchmarks that have been agreed with the Government for this project.

16. Both the pillar and project indicators will be monitored annually for each of the pillars to provide the basis to evaluate the effectiveness of the overall program (ideally with other donors and selected civil society organizations). If the desired targets are not met, the interventions should be corrected along the way. The performance benchmarks could then be a useful focal point to coordinate investment activities. In the opportunity pillar, the effort of identifying self-monitoring indicators of how the projects and activities will contribute to the pillar objectives will be done jointly with the IFC, for which this exercise will be an experiment.

17. Our view of the discrete tasks likely to be followed in the implementation of results-oriented management for each pillar is in Annex 4. The first two tasks—establish working arrangements and identify key indicators—have been completed. Progress in the third task—set targets—has also been substantial. Achieving progress has been arduous at times, but all donors and the Government have been moving forward together. Next steps include measuring results, linking with the public investment program, and defining accountability at the different levels.

Table 2: Health Sector Reform APL Performance Benchmarks

Institutional Indicators	Performance Benchmarks				
	Baseline	1999	2000	2001	2002
1. Coverage of births attended by trained health personnel	36%	38%	40%	43%	46%
2. Complete prenatal care attendance	28%	30%	32%	36%	40%
3. Early neonatal hospital mortality (per 1,000 live births)	14.40	14.00	13.00	12.00	11.00
4. Number of pneumonia cases attended in health services	68,346	85,000	95,000	105,000	115,000
5. Number of diarrhea cases attended in health services	292,417	310,000	340,000	370,000	400,000
6a. Three doses DPT coverage	75%	82%	----	----	
6b. DPT/Hib/Hepatitis B vaccine coverage			65%	75%	85%
7a. Number of municipalities with three doses DPT coverage less than 80%	212	200			
7b. Number of municipalities with DPT/Hib/Hepatitis B vaccine coverage less than 80%			180	119	83
8. National financing of vaccines (millions of \$)	0.5	2.5	3	3.5	4

⁷ *Project Appraisal Document on a Proposed Adaptable Program Credit in the amount of SDR 17.8 million (US\$25 million) to the Republic of Bolivia for the Health Sector Reform Project* (Report No. 18980-BO), March 31, 1999.

2. PROGRESS SINCE THE CAS

Recent Economic Developments

18. The country's economic performance in 1998 was broadly in line with the IMF–Enhanced Structural Adjustment Facility (ESAF) program. GDP grew at an annual rate of 4.7 percent despite the adverse effects of El Niño. Inflation fell to 4.4 percent. The non-financial public sector deficit was 4.1 percent. And international reserves increased more than expected (by US\$125 million). But, an important weakness in macroeconomic performance was the current account deficit, which reached nearly 7.9 percent of GDP, mainly due to large foreign direct investment (FDI). The surge in FDI will have to be monitored closely to prevent overheating the economy or eroding investor confidence. Authorities agreed in the ESAF program to a tighter fiscal stance for 1999 and beyond if the current account deficit is larger than envisaged in the program.

19. Instability in international markets and lower growth prospect for its neighbors have hit economic activity in Bolivia, with growth appearing to have slowed down significantly in the first months of 1999. And although inflationary pressures continued to abate, exports and imports fell by 13 and 8 percent, compared to the first two months in 1998. Exports of natural gas to Brazil through the pipeline have been delayed pending the contract with the importing Brazilian company. Fortunately, FDI has remained robust, though it ended its upward climb. All IMF-ESAF financial benchmarks were met for the first quarter, but there are signs of credit tightening: commercial banks reduced their liquid deposits in the central bank, and international reserves declined by some US\$70 million. In mid-May, the Banco Boliviano Americano (BBA) bank was intervened by the authorities. Weaker than programmed tax revenue (partly due to the economic slowdown) has been more than compensated by the containment of expenditures. The original overall public sector deficit target of 3.9 percent of GDP is still viable.

20. Bolivia faces a tough fiscal challenge in the short and medium term due to the large reform agenda and fiscal costs from previous structural measures—notably pensions—which accounted for 4 percent of GDP in 1998. Bolivia will have to undergo a fiscal adjustment of the non-pension balance of the non-financial public sector from zero to a surplus of 1.5 percent of GDP by the year 2002. The resulting reduction of the overall deficit below 2 percent of GDP will help to: (i) reduce domestic deficit financing, thus capitalizing on the increased private savings resulting from the pension reform; (ii) prevent the FDI boom from overheating the economy; and (iii) lower the foreign debt burden to ease the transition from concessional financing. Continued fiscal discipline, as envisioned in the IMF–ESAF program, will allow Bolivia to maximize the benefits of a series of rescheduling with bilateral creditors and the debt relief under the HIPC Initiative.

21. Bank-Fund relationships continue to be strong. The joint HIPC decision and the completion point documents and missions were a success. The IMF played an integral part in the elaboration of the Public Expenditure Review (PER)⁸ by jointly determining the expenditure envelope and being responsible for the domestic resource mobilization chapter. We are working

⁸ *Bolivia Public Expenditure Review* (Green Cover No. 19232-BO), May 5, 1999.

together on complementary aspects of the tax and customs reform. The yearly Policy Framework Paper mission is planned for September 1999.

The Public Expenditure Review

22. In April 1998, the donor community asked the Bank to prepare a PER for the 1999 CG meeting, as perspective on the role of external assistance in the public expenditure program. The PER was extended to also include tax issues, which were covered by IMF staff. The previous PER had been carried out in 1992, predating many of the structural reforms. The main thrust of the 1992 report was to recommend lower direct state involvement in productive activities through its public enterprises.

23. Since the last PER, Bolivia staged comprehensive reforms—moving the government from direct involvement in production to a regulator of public services. The 1999 PER found that public enterprises shrank from 25 percent of GDP in 1995 to 8 percent in 1998, and they are expected to be at less than 2 percent by end of 1999. And great strides have also been made in increasing revenue collection from well below 10 percent of GDP in the mid-1980 to 15 percent in 1990 and to 19 percent in 1998. The PER also found that, contrary to donors' concerns, Popular Participation (started by the previous administration) is functioning well, and decentralization is enhancing efficiency and making mayors more accountable to their constituents.

24. The main issues identified in the PER are:

- Two main fiscal challenges: increase the non-pension fiscal balance to prepare for the reduction of concessional aid in the coming years.
- Insufficient operations and maintenance funds across the public sector.
- Low health expenditures by international standards.
- For decentralization to be sustainable, it is important to maintain strict limits on sub-national debt, a new role for prefectures, and a modified political process for mayors (too much rotation).
- The cumbersome complementary regime to value added tax, which needs to be replaced with a simple-personal income tax with a wide base, as part of an integral package of tax reform.
- The much needed expansion plans for the road network should be adjusted within fiscal constraints and increasing private participation.

CAS Implementation

25. The implementation of the Bolivia CAS has proceeded as planned (see detail in Annex 2).⁹ Five projects were approved in FY98, and four are scheduled for FY99. These operations

⁹ Wherever possible, this section and the annex attempt to assess progress with regard to outcomes. Nevertheless, it is currently difficult to measure outcomes of each of the pillars, given that the CAS has been under implementation for less than a year and that many of the older projects in the portfolio need to be “retrofitted”—a task envisioned during the initial phase of the pilot—to incorporate clear pillar outcomes.

have been addressing the main constraints, identified in the 1998 CAR. They include support to the Government's efforts to:

- Consolidate the implementation of the regulatory framework, with laws and the full staffing of 9 superintendencies in the financial and infrastructure sectors.
- Strengthen the financial sector through enhanced regulatory oversight and bank provisioning and a law to enable swift banking resolution mechanisms.
- Establish a sustainable mechanism for maintenance of the national road network and hence, improve road conditions—in recent years all periodic maintenance has been supported by Bank interventions; between the end of 1997 and 1998, there was an increase of 50 percent (although from a small base) in the amount of the national network under good maintenance.
- Finance rural investments stemming from popular participation through the FDC—more than US\$ 1.5 million in rural investments were realized through Bank support since the CAS was discussed last year.
- Adopt a strategy to deal with corruption and weak governance (Annex 3).
- Support education reform through greater participation of parents' associations, greater efficiency in the sector and implementation of the transformation process—during 1998, Bank support resulted in improving the student/teacher ratio in primary education to 23, and consolidating the advances in the transformation process with 46 percent of all primary schools in the country currently participating.
- Build judicial capacity and credibility of the judicial branch through the appointment of the Judicial Council, the Ombudswoman and seven Supreme Court Judges.
- Improve coverage and quality of basic services—Bank interventions helped to increase the safe rural water supply coverage from 37 percent at the end of 1997 to about 39 percent by March 1999.

26. As a result of the transition to the new administration and ongoing institutional changes, such as decentralization, IDA's portfolio in Bolivia deteriorated significantly last year. At the end of FY98, there were five problem projects in our portfolio. Following project restructuring and exemplary pro-activity from part of the Government of Bolivia, a notable improvement of IDA's portfolio has been achieved, reducing the number of problem projects currently to one.

27. The three operations being presented to the Board in June 1999 include the Health Sector APL, the first project for Bolivia explicitly designed under a results-oriented framework, the Institutional Reform Project, and the Abapo-Camiri Road Project. These operations are also in line with the recommendations in the CAR to support the Government's efforts to:

- Radically restructure the civil service.
- Improve the transparency of customs and tax administration.
- Improve the physical infrastructure through the construction and maintenance of roads.

28. Although there have been very few changes from the time of the CAS, we are currently preparing a Learning and Innovation Loan (LIL) for environmental management which was not originally envisaged in the program. While we were preparing the CAS in early 1998, the Bank

was asked by the Government to limit our involvement in the critical area of environment to non-lending services, because of large undisbursed resources from the Inter-American Development Bank (IDB). Eighteen months since the initial discussions, however, there has not been enough progress in the monitoring and environmental planning associated with upstream explorations brought about by the Bolivia-Brazil pipeline which was inaugurated in February 1999. During the Environmental Dialogue that took place in April, this was also identified as a priority. Therefore, during the last quarter of FY99, preparation was initiated for a LIL to address this issue through capacity building at the Vice Ministry of Energy as well as through establishing participatory practices to involve civil society in monitoring.

29. Another change has been a much stronger emphasis in including indigenous leaders in the design and the monitoring of our projects as well as in the articulation of a long-term development strategy for the rural communities, including the Altiplano. Many past development efforts by the Bank and the Government have relied on a top-down approach, thereby failing to address the self-defined needs of indigenous peoples. The Bank's new approach for rural areas is to promote the active participation of indigenous populations and directly strengthen the organizational structure of indigenous communities to design, implement, and manage projects. In doing this it has become clear that regional and ethnic sociocultural factors are an important factor in enabling indigenous communities to take an active role in attacking poverty. One input into this approach has been a rural productivity study, recently completed by the Bank, which provides recommendations for including Bolivia's rural poor in a process of more inclusive economic growth. The study recommends various measures for reducing poverty by revitalizing productivity and local economies, production diversification and income generating strategies as central pillars in a rural strategy. Applying this approach by involving the active participation of indigenous peoples as discussed above will help promote an effective strategy for reducing poverty and promoting inclusive economic growth at all levels of society.

3. BOLIVIA AND THE COMPREHENSIVE DEVELOPMENT FRAMEWORK

30. As we were starting the implementation of the CAS, we realized the high degree of commonality between what the Bolivian Government was trying to implement and what became known as the comprehensive development framework, as first articulated in the 1998 Annual Meetings speech delivered by James D. Wolfensohn. This framework underlined the importance of:

- A long-term vision—this was initiated in Bolivia under the National Dialogue.
- A holistic approach to development that recognized the interactions across different domains of the development process and the fundamental role of societal functioning—this was reflected in the organization of public action across “pillars” and the emphasis on governance.
- Ownership—in Bolivia the Government has started building consensus under the National Dialogue.
- Partnerships—an area increasingly lead by the Government in donor coordination and initiated in Bolivia in the domestic dialogue, but one where we realized we needed to do much more work while we prepared the CAS.

31. In both the overall vision of the CDF and the vision of the Bolivia Government, the fundamental goal was to design a development strategy and process with the purpose of reducing poverty in all its dimensions.

32. By the time the CDF was conceived, the Bolivia team was in a good position to try to transform these ideas into action. Since the CDF is predicated on ownership, the best way to identify the main implementation bottlenecks was to work with the Government and our task managers, who have to deliver results on the ground. The Government accepted our invitation and in January 1999 came in full force to a three-day workshop with the Bank Bolivia Country Team. The delegation, led by the Vice-President and the Minister of Finance, included the ministers of Agriculture, and Housing and Basic Services, vice-ministers from some of our counterpart agencies, one superintendent, and one of the facilitators of the National Dialogue. It was agreed that the success of our effort would be judged against results on the ground.

33. During these meetings, there was general consensus that Bolivia exhibits very favorable initial conditions to launch this effort:

- Shared vision by the Government, the Bank, and donors on the urgency of becoming more effective in reducing poverty.
- Good track policy record—Bolivia is a top IDA performer.¹⁰
- The Bolivian National Action Plan based on broad consensus of a long-term vision attained through national dialogue.
- Convergence of the CDF and the Bolivian National Action Plan, including active participation of the private sector—as reflected in the joint Bank/IFC CAS.
- Trust and strong sense of partnership between the Government and the Bank teams, and fertile ground for strong partnership with donors and civil society.

34. Furthermore, the Government, through the National Dialogue, involved all Bolivian development participants—civil society, and private sector—in the definition of the key problems and their solutions. These problems have been identified as national goals, which transcend any individual political administration. Given the long-term solutions required for poverty alleviation, this inclusionary approach provides a strong foundation for sustainable measures that are less likely to be reversed in the future. Only by having a more concerted and targeted effort by all development participants can we hope for better results.

4. IMPLEMENTING THE CDF IN BOLIVIA

35. Starting in FY00 we will be testing how to move from the abstract concept of the CDF to applying its principles in Bolivia. This includes testing the “what” of CDF—the holistic approach within a long-term strategy—and the “how” of CDF—ownership by the country and partnership in development. As mentioned earlier, some of the elements of the CDF were already in place—under the National Action Plan and the current CAS. But for each area of the

¹⁰ Bolivia falls in the first quintile when we rank all IDA-eligible countries on the basis of their average ratings for each of the clusters for IDA country performance assessment (the clusters are: A—Macroeconomic Policies, B—Structural Policies, C—Policies for Reducing Inequalities, and D—Governance and Public Sector Performance).

CDF, it is clear that implementation will require going further as outlined below. Measures for evaluating progress in each of these areas are discussed in section 5.

Long-term Vision

36. A long-term vision is important because cross-country experience shows that the transformation of human and social conditions of Bolivians will take decades.

37. *What is already in place.* The National Action Plan already lays out an overall vision of where Bolivia needs to go in order to reduce poverty, and of the development challenges that will have to be faced to get there. The agreement to focus on a limited number of indicators of human welfare, based on a subset of the International Development Targets—agreed by the donor community and the government at the 1998 CG meeting—also provides a point of departure for defining final outcomes for the future.

38. *What more is required under the CDF.* An overall vision of a future Bolivia that is richer, more socially integrated, has more robust and effective national institutions and is more deeply economically integrated in the region has been laid out. However, there is still considerable work to be done in terms of filling out what this implies—both within each of the pillars and in terms of the interactions across the pillars, and in terms of designing a long-term vision to eliminate aid dependency in Bolivia by enhancing domestic resource mobilization and private flows.

39. Filling in the long-term vision is likely to be an ongoing process for the Government and its internal and external development partners. From a poverty and human development perspective, one of key missing ingredients has been the absence of a nation-wide survey of living conditions to provide a base for analyzing Bolivia's long-term options. As part of the CDF, the Government is putting this in place. These and other resources will be used to flesh out the long-term goals and the role of the different pillars in reaching those goals.

40. The Bank will align its analytical resources to support the work in defining what needs to be done in each of the major domains of economic and social functioning. This will draw heavily on international experience—providing Bolivians with access to comparative experience to assess and benchmark their own options. Current plans are to undertake a joint study on constraints and options to enhance economic growth and reduce poverty in FY00. The Bank will also be open to providing support for building domestic capacity and fostering domestic dialogue on both the analysis of and debate upon the process of change required to achieve the long-term vision. Finally, since there will be open questions on how development changes actually occur in Bolivia, the programs the Bank supports will be designed to have a strong learning content to provide feedback for redesign (see below on the use of APLs and other flexible lending instruments).

Holistic Approach

41. By a holistic approach we mean recognizing that:

- Progress in development is driven by an overall transformation of society, including both formal and informal institutional changes.

- Development outcomes are the product of the interactive effects of multiple factors, within the macroeconomic, social, and structural domains.

42. *What is already in place.* In the Bolivian context, the Opportunity, Equity, Institutionality, and Dignity pillars laid out in the National Action Plan are fully consistent with the building blocks of the CDF (Annex 1 presents a draft of the CDF matrix based on the Bolivia CAS). These explicitly recognize the role of institutional functioning and the importance of the key reform of popular participation. The centrality of corruption for development was made explicit at the National Dialogue and has been in the public arena ever since. And by grouping sectors within pillars, the government sought to capture their dynamic interrelationships for reaching the overall poverty reduction objectives. This has the potential to facilitate addressing the main cross-sector linkages and the bottlenecks for poverty alleviation—though this will occur only if these are effectively dealt with in practice and if interactions between the pillars are soundly covered.

43. *What more is required under the CDF.* Much of the challenge concerns implementation of the diagnosis. However, as we have started to implement the CAS we have realized there was insufficient emphasis—at least by the Bank—on the extent to which developmental actions are embedded in social and institutional functioning. Tackling governance issues and continuing support to the complex social changes initiated in the Popular Participation Law are necessary to shape and deliver equitable and responsive institutions (including legal, economic and social services).

44. *For the Government.* A significant broadening of the institutional reform program will effect the first aspect of holistic—on social and institutional functioning.¹¹ These reforms are to bring a results-oriented management framework to the process of long-term reform in the public sector. While the legal framework for results-oriented management is already in place in the SAFCO law, its implementation has been hindered by deep-seated ways of doing business that do not envision public administration as a service to the public.¹² The ambitious Institutional Reform Project (IRP), pivotal for the implementation of the CDF, was part of the CAS and will be presented to the Board in June 1999. Specifically the project will focus on:

- Reforms in human resource management in the civil service, a broad-based Anticorruption program, budgeting by results, and a National Evaluation System. These institutional reforms seek to change the legal and regulatory framework as well as incentive structures for public sector operations.
- Implementation of these reforms in pilot agencies (among them customs and the tax revenue agency) to create efficient and transparent organizations, as reflected in explicit contracts between the National Integrity Commission chaired by the Vice-President of the Republic and each of the pilot agencies. Disbursements from the Bank and donors would be linked to key performance indicators for overall project implementation, and restructuring of each of the pilot agencies. Eventually this

¹¹ For further explanation of the first aspect of “holistic” see: Joseph Stiglitz, *Towards a New Paradigm For Development: Strategies, Policies and Processes*, 1998 Prebisch Lecture, UNCTAD, Geneva, October 19, 1998.

¹² See Country Assistance Review (Report No. 17957): Box 2.3: SAFCO-How Implementation of a Promising Concept Languishes in Bolivia.

approach is expected to be replicated throughout central and regional government agencies.

45. The second holistic aspect—dealing with interactions across sectors will be dealt with by reorganizing governmental as well as donor activities around the four pillars. The Bolivian version of the CDF matrix will be used as a management tool to provide all players with a shared framework of information to coordinate efforts, examine the roles of different stakeholders, and identify intersectoral linkages. The Government will establish pillar teams to facilitate the focus on the strategic objectives, which cut across sectors. Donors, starting with the preparation for the 1998 CG meeting, have also formed working groups for each of the pillars. The matrix is an evolving tool, and the Government has already started the work with donors and civil society to refine the CDF matrix, which will be discussed in June at the 1999 CG meeting. Refinements of the columns will identify missing sub-sectors and reduce overlaps, current activities being undertaken by the various partners in development, and cross-sectoral linkages, complementarities, and interdependencies among subsectors and bottlenecks.

46. *For the Bank.* The Bank is providing analytical support on both informal institutional functioning (through the Participatory Rural Investment Project) and formal institutions (through a National Institutional Review). It is also supporting the key IRP outlined above. In all these areas there will be systematic learning about Bolivian conditions (the IRP is designed as an APL for this reason), bringing to bear international experiences.

47. To support inter-linkages across activities, the Bolivia country team has been realigned around the three pillars (opportunity, equity, and institutionality) and new analysis and operations will be designed to take explicit account of the interactions and complementarities across sectors. The overall approach will be programmatic, often intersectoral, and linked to effects on outcomes—through a structured approach that links inputs and outputs to intermediate and final outcomes.

48. Specific instruments used in Bank lending activities will depend on the overall mix of activities in a pillar (see *Partnerships*), the state of knowledge on what does and does not work, and the state of the Government institutional capacity in each pillar (see *Ownership*). It is anticipated that it will sometimes be optimal to use APLs (as already noted for the IRP) or pillar APLs. The full content of pillar APLs cannot be spelled out at this early stage, one of them is the IRP presented jointly with this paper, which constitutes the Institutionality Pillar APL. These APLs would be designed based on clear diagnostics of development constraints, desired results and specific inputs, outputs, outcomes and impacts in parallel to the assumptions underlying progress along the result chain. Since most of the existing portfolio was linked to specific activities in individual sectors, there may also be a case for restructuring existing operations. This will be assessed in each of the pillars in partnership with the Government and other agents. Last, there will be close coordination between the Bank, the Government, and the IMF on the interlinkages among macroeconomic, social and structural policies and conditions.

Ownership

49. Ownership is central to the implementation of development strategy, and fundamentally, to the process of societal transformation that lies at the heart of effective development.

50. *What's already in place.* The principle of ownership is already well established in the work of the Bank and other donors in Bolivia, as shown in the CAS, which is based on the National Dialogue, which was a process of consensus building with Bolivian stakeholders, including civil society.

51. *What more is required under the CDF.* The shift to government leadership of donor-supported activities is recent and will need to be deepened. For fuller ownership, there is a long-term need for strengthening of capacity at different levels of government. Participation of local government institutions in the implementation of the CDF objectives will need to be enhanced. This is also true for other Bolivian development agents such as Non-Governmental Organizations (NGOs).

52. *The Government* will chair all CG meetings and lead government/donor working groups in each of the pillars. There will be an inter-donor program of building capacity so that the Bolivians be the ones that determine the goals, and the phasing, timing and sequencing of Bolivia's development program as well as the implementing agents of these programs.

53. *For the Bank.* The process of fuller ownership will be facilitated by the locally based pillar team leaders who will work day to day with Government, other donors, civil society and the private sector. The Country Director and Lead Economist will be initially operating from La Paz to support the first phase of the Pilot. Capacity building will be one of the main focuses of the Bank team working in La Paz. The three pillar team leaders, the financial management specialist, the procurement specialist, and the civil society coordinator will work with the Government teams, bringing the Bank's best practice and experience from other countries.

54. The Bank will start this work by carrying out several diagnoses of existing capacity requirements in Bolivia. These include a National Institutional Review, a Country Financial Accountability Assessment, and a Country Procurement Assessment Review. Capacity development programs will be defined on the basis of these studies. For financial management and governance, the partnership of the Bank and the ownership by the Government are premised on adequate public sector financial management and accountability, in addition to an acceptable level of financial controls specific to individual projects. Regarding procurement, a strong component of institutional assistance will be included to help the government revamp and strengthen their procurement system as well as to improve the government procurement function.

Partnership

55. To achieve the goals set out in the National Action Plan, and the CAS, a partnership approach is essential. Deep societal change will occur only if all the agents are working together. Partnership is also essential to have efficient use of scarce financial, institutional, and human resources in tackling tough development challenges.

56. *What's already in place.* The foundation has been laid by the Government in the reforms to open up to indigenous groups (under the Popular Participation Law), to open up the national debate, and to take the lead in donor coordination.

57. *What more is required under the CDF.* While the National Dialogue was a good beginning, there is some dissatisfaction from NGOs and the private sector who feel this should

be a continuous process, not a one-off event. Bringing indigenous groups into project design is also only beginning. And there continues to be a wide array of uncoordinated donor activities, with the Bank in almost all areas, except Dignity.

58. *For the Government and other internal actors*, the CDF will require:

- *Institutionalizing the National Dialogue.* The vision is to do this in a transparent and consultative way, with clearly defined responsibilities for each of the partners. The Government will re-establish communication with representatives from a number of civil society organizations, including indigenous groups, to exchange information on key national issues.
- *Coordination around the pillars.* The Government continues to deepen the information exchange by convening meetings around the pillars. Pillar working groups will be the key mechanism for coordinating across donors. A local CG took place in La Paz in November 1998. And a workshop was held to consult with donors on the CDF in February 1999. These confirmed that the pillar working groups would serve as focal points for CDF coordination.
- *Selectivity.* Partnerships allow for more strategic selectivity. As shown in the CDF matrix, the Bank and other donors are spread throughout most sectors. Under the Pilot, the Government would encourage selectivity based on comparative advantage and relevance to Bolivia's strategic objectives.
- *Learning.* Knowledge gained by donors, NGOs, implementing institutions and different parts of the Bolivian Government on lessons learned and critical implementation issues must be shared in a timely and effective manner. Pillar team meetings, organized by theme rather than by institutional affiliation, will be the new mechanism to promote this dialogue. This should feed into a process of continuous fine-tuning of interventions to maximize the desired impact.
- *Procurement.* An effort will be made to harmonize procurement guidelines with other donors and put together a best-practice procurement system for Bolivia, for all donors to safely use.
- *Accountability.* To reduce the risk that partnerships might bring diluted accountability, the government is working with the international community in moving to a results-oriented aid coordination in which accountability could be clearly established. The specific actions for this will be agreed at the upcoming CG meeting.

59. *Implications for the Bank.*

- *Civil society.* The partnership and capacity building aspects of CDF will entail a larger than anticipated role for the civil society coordinator and for the involvement of NGOs in Bank activities.
- *Donors.* The challenge is enormous as we try to work close with the Government to be more selective in our assistance, coordinate and avoid duplication with other donors, and jointly monitor and evaluate the impact of external assistance.
- *The IMF.* The Bank will continue its long partnership with the IMF in assisting Bolivia based on the IMF's primary responsibility for macroeconomic stabilization

and surveillance through ESAF programs and the Bank's responsibility for structural and social issues.

- *The IDB.* The World Bank will continue coordinating with the IDB, another major donor and key player in Bolivia, the programming of operations within the context of the work presently being carried out in the field in each of the pillars. In this effort, we will seek to achieve mutual compatibility and to avoid conflicts or overlaps in the design of programs aimed at the fulfillment of the pillar objectives.
- *The World Bank Group.* The Bolivian challenge also requires partnerships across the World Bank Group. Private Sector led growth has been identified as one of the main issues. IFC will be a key player in the Bolivia CDF. An IFC staff person in La Paz will be part of the Bolivia team for the Opportunity Pillar. The Multilateral Investment Guaranteed Agency (MIGA) is another important agent: although Bolivia became a full member of MIGA in 1991, MIGA has issued only one guarantee contract. Increased coordination with MIGA for its services to facilitate foreign direct investment would be very beneficial to promote private sector investment.

Pilot Implementation Parameters

60. At this time, we are not proposing changes to Board-approved Operational Policies. Instead, we are exploring how far we can improve implementation under existing Operational Policies and Bank Procedures. If in implementing the Pilot we find changes necessary, we will bring them to the Board for consideration.

61. After eighteen months of implementing this Pilot (December 2000), we expect most development partners to be engaged in a discussion of initial development results. The CG meeting in June 2000 should assess the development results in each of the pillars based on targets agreed in the 1998 and 1999 CG meetings. This, in turn, could generate information that would then feed the National Dialogue for 2000.

62. The process toward a December 2000 National Dialogue could be as important as the final outcome. The vision is a dialogue where NGOs, private sector, and bilateral and multilateral institutions are working together toward a common goal, promoting transparency, and learning throughout the process. The National Dialogue in this context would thus have been institutionalized to accompany the CDF, with consultations extending all the way from the municipal level to the CG.

5. PILOT EVALUATION AND MONITORING

63. After the 18 months of implementation, the success of the Pilot will be measured through the three sets of indicators described in Annex 4 and through annual client and staff surveys. The assessment needs to be seen in two time frames. During the 18 months of the Bolivia Pilot, we will assess how the Pilot is performing on both the "what" and the "how" of the CDF. And beyond the 18 months, we will assess how the implementation of the CDF affects development outcomes in the long-term. Progress on both the "what" and "how" indicators will be assessed periodically, and an interim report card will be provided to the Board when results of the CDF pilots are scheduled for discussion. A CAS Progress Report scheduled for FY01 will be used for a final assessment of the Bolivia Pilot.

64. The "*what*" of the CDF, which addresses expected development outcomes, cannot be assessed conclusively on the basis of performance in the next 18 months. The Bolivia Pilot will in due course, as the content of the "pillars" is defined, focus on producing a set of *leading indicators* of development outcome (intermediate outcome indicators referred in para. 14) and set the benchmarks based on international experience to allow comparison down-stream (see annex 4). During the next 18 months we will assess how these indicators have been defined and evaluate the mechanisms put in place to track their progress.¹³ The numeric value of the indicators is, however, only a component of a more comprehensive analysis of the relevance, efficacy, and efficiency of CDF actions, which will need to be evaluated at different levels of the Pilot implementation.

65. The "*how*" of the CDF includes the implementation of the CDF principles—all of which have to do with changes in processes, or in the ways of doing business. To track their implementation, we will use qualitative indicators of:

- *Holistic/balanced approach to a national development strategy*: How well is the Bank working with the Government and other donors on implementing the CAS and taking into account the macroeconomic concerns simultaneously with structural and social concerns, and their interactions? And how well are the macroeconomic concerns being worked out with the IMF?
- *Long-term national strategy*: How successful is the Bank, along with other donors, in helping the Government develop a long-term strategy for each pillar, and in ensuring that shorter term programs are fully consistent with a *holistic long-term view*?
- *Country ownership*: How well is ownership of the development program deepened through capacity building and through identifying interventions and setting priorities? And what success has there been in institutionalizing the National Dialogue and in broadening the participation of civil society?
- *Partnership*: Have all other partners in development been brought together in support of the country's long-term national strategy under the leadership of the Government? Have the key development actors identified their *short and longer term comparative advantages*, with the objective of enhancing efficiency of the aid delivery system by avoiding duplication and lack of policy and procedure harmonization, reducing transactions costs for the Government, and encouraging greater *selectivity* by external actors? How much learning has there been in the development community in Bolivia?

66. The Bolivia Team—relying on the work of OED, PREM, DEC, HD and probably other networks, is working on defining the specific framework for evaluating the CDF Pilot. This work should be completed within three months of launching the Pilot.

6. BENEFITS AND RISKS

Expected Benefits from the Pilot

67. The expected benefit from the Pilot would be its contribution to poverty reduction in Bolivia through the implementation of the Bolivia National Action Plan and the CAS. A positive

¹³ For some of the self-evaluation indicators, progress will be measured within the 18 months.

outcome of the Pilot should also be the integration of the development effort of all partners in Bolivia, with better alignment of strategies and greater selectivity, essential in current circumstances with international aid declining significantly. The Pilot should also allow development actors to think more strategically about sequencing policies, programs and projects and about pacing reforms better. If successful, the Pilot would facilitate expanded partnerships, transparency, and accountability under the leadership of the government, as well as learning from each others' successes and failures. An area in which the Bank would benefit in this learning process is from the ongoing work of many donors that have already adopted a decentralized, results-oriented approach.

68. Within the Bank, the pilot will also allow testing a closer collaboration and an integrated approach to private sector development among parts of the World Bank Group through the joint work with IFC in the opportunity pillar.

Risks

69. The Bolivia Pilot may be jeopardized in four ways.

- First, donor coordination and working with civil society represents a challenge in Bolivia. While the CDF is building on the very active partnerships fostered in Bolivia in the last 18 months, this could come under great pressure as development actors move to accountability for results.
- Second, the currently very open public discussion and the fight against corruption could be repressed by interested parties that do not want to see the national integrity drive succeed. The involvement of all development participants—civil society, main political parties, external bilateral and multilateral agencies, and private sector—in the national integrity initiative provides a strong foundation for sustainable actions that are less likely to be reversed in the future and therefore lessen the above risks.
- Third, this Pilot requires profound institutional changes in the Bolivian civil service. While the current administration is fully committed to this change, political nepotism could make its implementation very difficult, especially when the power of political parties becomes threatened by the change process. Again, building consensus is the only way to reduce this risk. Prompt implementation of the Institutional Reform Project will also lessen this risk.
- Fourth, change in our partners in the Government could lead to a withdrawal of the commitment to results-oriented management and accountability for results. If this materializes to jeopardize successful and timely implementation, the Pilot will be terminated and locally based headquarters staff re-deployed.

ANNEX 1

COMPREHENSIVE DEVELOPMENT FRAMEWORK – BOLIVIA														
POVERTY ALLEVIATION														
OPPORTUNITY <i>Higher Rates of Sustainable Economic Growth</i>				EQUITY <i>Improve Income Distribution and Inclusion</i>				INSTITUTIONALITY <i>Governability for Opportunity and Equity</i>			DIGNITY <i>Remove Itself from the Coca Drug Trafficking Circuit</i>			
Infrastructure	Regulatory Framework for PSP	Financial System	Natural Resources and Environment	Rural Development	Income and Productivity of the Poor and Indigenous	Social Services for Gender and Excluded Groups	Decentralization and Community Empowerment	Efficient and Transparent State	Judicial Reform	Corruption	Alternative Development for Coca Areas	Coca Crops Eradication	Enforcement Policy	
World Bank Group	- Transport - Rural Infrastructure - Rural Water and Sanitation - Municipal Development - El Niño - IFC Water in La Paz - MIGA power and infrastructure guarantees	- Regulatory Reform - Privatization	- Financial Regulatory Reform - MIGA Services for Investing in Banking - IFC financial Inst. For microfirms	- Biodiversity Conservation - Environment Industry and Mining	- Agro Technology - Rural Communities Development - Land Administration	- Participatory Rural Investment - Indigenous Peoples - Social Investment Fund	- Education Quality - Education Reform - Health Sector - Child Development - Secondary and Higher Education	- Municipal Development - Financial Decentralization	- Institutional Reform - Public Expenditure Review - Decentralization and Accountability	- Judicial Reform - National Integrity	- National Integrity			
IDB	- Transport - Power - Urban Development - Housing	- Water Regulatory Reform - Sectoral Privatization	- Environmental Regulations	- Ecological Tourism	- Agricultural Sector	- Basic Sanitation for Small Municipalities - Micro-enterprise	- Education Reform - Basic Health - Child Development	- Social Participation Strengthening	- National Governance	- Justice Program				
Other Donors	- CAF Roads - Korea Roads	- Canada Private Investment Development - Sweden Industrial Cooperation	- USAID Micro-finance - CAF Financial System Expansion	- USAID Natural Resources - KFW Biodiversity - UNDP Ecological Tourism and Biodiversity	- Netherlands Rural Telecoms. And Energy - Spain Rural Power - UNDP Information Capacity - NDF Land Administration - Denmark	- OPEP Rural Water and Sanitation - KFW sewerage - Denmark and FIDA Indigenous	- Sweden and UNDP Education Reform - Germany Education Quality - UNICEF Health, Nutrition and Sanitation - UNDP and USAID Health	- Netherlands Administrative Decentralization - UNICEF and EU Municipality Strengthening	- USAID Governance - Sweden, Denmark and GTZ Civil Service	- Complementary activities by USAID and GTZ	- USAID Alternative Development - UNDCP Alternative Development	- USAID Eradication - UNDCP	- USAID	
Priv	- Telecomm - Water - Power		- Banks - Insurance Co.											
NGOs	- Local NGOs		- Local NGOs	- Local NGOs	- Local NGOs	- Local NGOs	- Local NGOs			- TI				

CAS PROGRESS TO DATE

1. Implementation of the Bolivia Country Assistance Strategy (CAS) has proceeded as planned. In FY98 five projects plus one IDA reflow, for a total of US\$200.6 million, were approved by the Board. This fiscal year one project has been approved by the Board and three other projects will be presented later this fiscal year, including the Health Sector Reform Adaptable Program Loan (APL)—the first project for Bolivia explicitly designed under the results-oriented framework. Total lending this fiscal year will be US\$193.1 million, including one IDA Fifth Dimension Supplemental Credit. Nonlending services have also been completed as expected. The IFC's implementation of the strategy has gained momentum in FY99, with approvals for a loan of up to US\$15 million for its own account and an equity investment of up to US\$1 million to finance a private water concession in La Paz (Aguas del Illimani), and a US\$2 million credit line for a microlending institution (Los Andes).

2. As a result of the transition to the new administration and ongoing institutional changes, such as decentralization, IDA's portfolio in Bolivia deteriorated significantly this past year. At the end of FY98, there were five problem projects in our portfolio. Following project restructuring and exemplary pro-activity from part of the Bolivian Government, a notable improvement of IDA's portfolio has been achieved, reducing the number of current problem projects to one.

3. Specific achievements in each of the pillars are discussed below.

Opportunity

4. Since the definition of the CAS, the Government has begun taking steps to strengthen the financial sector, institutionalize the nascent regulatory system, and establish a sound basis for road construction and maintenance activities. Legal measures have been enacted to strengthen regulatory oversight and bank provisioning requirements and a draft law has been prepared to enable swift banking resolution mechanisms. The regulatory institutions in the financial and infrastructure sectors, whose independence was threatened at the beginning of the administration, are now fully staffed with qualified professionals (including superintendents) and are operating relatively well. The **Regulatory Reform and Privatization Technical Assistance Credit** (FY98) and **Regulatory Reform Sector Adjustment Credit** (approved 11/98) have supported the government's efforts to maintain an independent regulatory system; strengthen the stability of the financial sector; and improve the coverage, quality, and productivity of key infrastructure services with appropriate tariff structures.

5. The decentralization process enacted by the previous administration had the unforeseen consequence of decentralizing road maintenance funds to local authorities, resulting in poor maintenance. This administration has re-established a national road maintenance unit funded by tolls and fiscal revenues that were also recently recentralized. Now that funding for maintenance of existing national roads has been secured, investments in major national road improvements are progressing quickly. Routine maintenance efforts supported by the Bank prior to 1997 resulted in 700 kms of roads in the national road network rated as under good maintenance. During 1998,

an additional 350 kms of national roads were maintained; and works have been initiated to ensure that approximately 250 additional kms of the network will be under good maintenance by the end of 1999. In addition, the Government has finalized a master plan for the road sector, approved a concessions law and implemented the “Ley de Cargos,” through which vehicle weights will be regulated. Many of these actions have been supported through improved implementation of the **Second Road Maintenance Project** (FY92). Also in support of the road sector, the **Abapo-Camiri Highway Project**—a key export corridor connecting Bolivia to Argentina—will be presented to the Board in June 1999.

6. At the time of the CAS, we were asked by the Government to limit our involvement in the critical area of environment to nonlending services because of large undisbursed resources from the IDB. Eighteen months since the initial discussions, however, there has not been enough progress in the monitoring and environmental planning associated with upstream explorations brought about by the Bolivia-Brazil pipeline, which was inaugurated in February 1999. Therefore, during FY99 preparation was initiated for a Learning and Innovation Loan (LIL) to address this issue through capacity building at the Vice Ministry of Energy as well as through establishing participatory practices to involve civil society in monitoring. Four other activities in environment were initiated by the World Bank during FY99:

- Sector work to develop **Environmental Management Strategies for Small and Medium-sized Enterprises (SMEs)**. Fieldwork was carried out to characterize the Bolivian context, and initial proposals have been prepared. This activity will contribute to the design of a strategy for the Clean Industry Center, jointly funded by USAID and the World Bank.
- The initiation of a **Clean Development Mechanism (CDM) National Strategy Study (NSS)**. With financing from the Swiss Government, it will examine prospects for Bolivia to enter the emerging carbon market, covering activities in the energy, industry, mining, transport, agriculture, and forestry sectors, with a view to establishing a negotiation position in the context of implementation of the Kyoto Protocol and the UN Convention on Climate Change.
- The **GEF II Sustainability of the Bolivian Protected Areas System Project** will be appraised in June 1999. The project will strengthen the newly created autonomous National Service of Protected Areas (SERNAP).
- The **Environmental Dialogue** took place from April 19–29, 1999 in four cities. With over 600 participants, the findings and recommendations of the Bank’s Bolivia: Issues in Environmental Management paper (Report No. 16760-BO) were presented and discussed. It proposed a 12-month work program covering a set of 10 high priority, short-term initiatives relating to, (i) setting priorities for implementation and diversifying the instruments for environmental licensing and enforcement, (ii) promoting compliance in key sectors, and (iii) promoting sustainable regional development.

7. Although not an area of Bank intervention under the CAS, there have also been notable achievements in the area of microcredit and micro-enterprises. There has been a consolidation of microcredit through financing from Spain and the IDB and a clarification of the roles of the key institutions. Specifically, (i) FONDESIF (Financial and Productive Sector Development Fund)

will provide capacity building for NGOs graduating to the financial system, (ii) NAFIBO (National Finance Corporation of Bolivia) will channel credit lines to financial intermediaries, and (iii) SAT (Technical Assistance Service) will provide technical assistance to micro-entrepreneurs.

Equity

8. During the past year, there have also been significant advances in implementing programs within the equity pillar. An important achievement since the discussion of the CAS has been Bolivia's reaching of the "completion point" under the Heavily Indebted Poor Countries (HIPC) initiative in September 1998. Bolivia was the second country in the world, and the first country in Latin America and the Caribbean, to reach the HIPC completion point—a signal of its strong policy track record and its satisfactory progress toward achieving the social development criteria set out at the decision point. The US\$450 million debt relief received under the HIPC initiative has allowed Bolivia to increase spending in the social sectors. In the 1999 budget, 50 percent of public investment will be directed to health, education, water and basic sanitation, and housing, and an additional 10 percent will be directed to rural investment, compared with 1990, when the social sectors received approximately 20 percent of public investment resources.¹⁴

9. Implementation of the education reform program—a complex and highly political reform—has been very well managed by involving parents and students, and as a result resistance from the teachers and administrators has diminished. In addition, the creation of *Consejos Educativos de los Pueblos Originarios* has strengthened the participation of indigenous people in the reform process. The consensus developed by the Minister of Education at the beginning of the 1999 school year to resolve differences with the teachers union resulted in the most orderly opening of schools that has been achieved in many years. Other major accomplishments include the development of the sectoral strategic plan for 1999–2002 and the introduction of the training programs for teachers and community planning in 85 selected municipalities. There has been significant progress in the development of the SIMECAL (the system to measure education quality), a tool that will be essential in monitoring the results achieved by the reform. To improve administration of primary education, a new institutional structure was developed for the Vice Ministry; although not yet implemented, there have been some administrative efficiency gains.

10. Specific outcomes during 1998 include: (i) 46 percent of all primary schools in the country have entered the transformation program, with 91 percent of the nucleos having a trained pedagogical advisor; (ii) all district directors (271) were trained in education management and 12,000 teachers were trained in the preparation of educational improvement projects; and (iii) the student/teacher ratio in primary education improved to 23. In higher education, the Government has initiated a diagnosis of the situation of private universities and has initiated a series of capacity building events. These activities have been supported by the **Education Reform Project (FY95)** and the **Education Quality and Equity Project (FY98)**.

¹⁴ The Japanese ODA recently pledged US\$260 million, raising the total amount under the HIPC to US\$700 million.

11. In the health sector, the Government has approved a basic health insurance system designed to improve access of mothers and children below five to a group of essential services contributing to the reduction of maternal and child mortality. In addition, the Government has prepared a medium-term immunization program that covers not only primary vaccinations for infants, but also endemic diseases. There have also been advances toward the process of decentralization of health services. The **Health Sector Reform Project Adaptable Program Loan** (to be presented to the Board in June 1999) will support the implementation of these programs, with a focus on reducing infant, child, and maternal mortality rates.

12. There have been significant advances in housing and basic services during the past year, as the leadership in the sector has been strengthened and strategic plans have been formulated and are being implemented. In housing, measures have been taken to improve the access to housing finance through the development of a national plan which includes housing subsidies to the poor through NAFIBO (some in cash). In water and sanitation, a basic sanitation law has been written that will define the role of the regulator and the rules to be applied (and is currently awaiting congressional approval). Anticipating passage of this law, the Government has also begun working on developing concession agreements that will be entered into with water and sanitation suppliers in the large cities. These activities have been supported by the **Regulatory Reform and Privatization Technical Assistance Credit** (FY98), while improvements in access to rural water and sanitation services have been supported by the **Rural Water and Sanitation Project** (PROSABAR; FY96). Specifically, through the interventions of PROSABAR, safe water supply coverage in rural areas increased from 37 percent at the end of 1997 (compared to 24 percent in 1992) to about 39 percent by March 1999.

Institutionality

13. Measures to strengthen institutional capacity have been the subject of intense analysis led by the Government, but involving civil society and the donor community. Since the CAR and the CAS were completed, a strategy—the National Integrity Program (NIP), supported by IDA and the WBI—has been developed to deal with weak governance, corruption, judicial systems, and the enabling environment for the private sector. On September 21, 1998 an inter-institutional agreement (Vice Presidency, ministries of the Presidency, Finance and Justice, Attorney General, Comptroller General's Office, President of the Senate, President of the House of Representatives, Supreme Court, and Judicial Council) established a high level National Integrity Commission (CNI) chaired by the vice president to oversee a major anticorruption effort. A national integrity workshop was held in November 1998 with representatives of civil society and the government to endorse the comprehensive NIP aiming at changing public and civil service attitudes and behavior through a combination of measures. This program encompasses a series of reforms of the state, specific anticorruption initiatives, and in general a redefined relationship between the government and society (Annex 3).

14. A major component of the NIP has been the design of the public sector modernization program, which seeks to improve the effectiveness, efficiency, and transparency of the Bolivian public administration in order to strengthen the country's ability to implement its economic and social development programs and thus combat poverty. It should also improve the quality of service delivery and the client orientation of government operations by creating more honest,

cost-effective, results-oriented organizations. Notable advances include the drafting landmark customs and civil service reform legislation that will be considered by Congress in June 1999. The preparation of this program and the financial support is a good example of what the Bolivia CDF aims to achieve. This comprehensive and ambitious 10-year program has been prepared jointly by the Government, the World Bank, and other donors in consultation with civil society. Bank support to this program will be through the **Institutional Reform Project** (the first phase of an APL) to be presented to the Board in June 1999. This has been complemented by a fundamental reprogramming of the existing financial management project—**Financial Decentralization and Accountability** (FY98).

15. On the Judicial reform front, there have been a number of advances in the past year. Three key institutions—the Office of the Ombudswoman, the Judicial Council, and the Constitutional Tribunal—have been established by law, fully staffed, given budgetary resources, and are currently operational. In addition, some key laws—including a new code for penal procedures—have been passed. Furthermore, the selection of seven members of the Supreme Court by Congress under qualified constitutional majorities represents a major step toward the strengthening of sector institutions and signals the Government's commitment to protect and enhance the independence of the Judiciary. The President of the Court (ex officio President of the Council) will be appointed shortly and the selection of the judges of the superior courts in the nine judicial districts is underway. The **Judicial Reform Project** (FY95) has been supporting these efforts particularly the judicial training and the in-depth diagnostics and strategic planning of the Judiciary. This project has also set up the basis for a sustainable reform process and has kept the momentum in the middle of volatile political and institutional situations.¹⁵ During FY99, preparation began on a follow up judicial reform project, which is expected to be presented to the Board during FY00.

16. Another significant achievement (in which the Bank has played an important role through the **Rural Communities Project** (FY96), the **Participatory Rural Development Project** (FY98) and the **Municipal Development Project** (FY94)) are the advances in implementing popular participation—the participation of communities in public investment decisions and implementation. Popular participation is functioning well. Through the support of the above mentioned Bank interventions, there are currently 143 municipalities (46 percent of the total) which have participatory plans under implementation—this is remarkable given that the majority of these municipalities did not exist five years ago. There has been a revival of smaller cities, in particular, following the transparent, almost unconditional central government transfers. Municipalities are more autonomous and responsive to civil society preferences and controls—though there may be some instances of clientele bondage in ways that require further in-depth studies. To provide further support to capacity building in municipal areas, preparation of a follow up municipal development project (to be presented to the Board in FY00) was initiated in FY99.

¹⁵ Specifically, last March a strategic planning exercise organized by the Bank brought together the highest authorities of the Judiciary and key representatives of the donor community active in the sector. The meetings concluded with a broad consensus on the blueprint for a mid-term judicial reform program.

Dignity

17. Although not receiving support from the Bank, Bolivia has made tremendous progress toward implementing the components of the dignity pillar—eradication, alternative development, interdiction, and prevention and rehabilitation. As an example, Bolivia passed certification with flying colors in 1998 since all eradication targets have been met—during 1998, in net terms, there was a reduction of approximately 8,000 hectares of coca, significantly more than any other time in Bolivian past. If current trends continue, Bolivia should not experience problems with the annual certification process in the future. Furthermore, the eradication has been achieved with a reduced environmental impact—by avoiding spraying and doing it by machete.

BOLIVIA'S ANTICORRUPTION PROGRAM

1. In October 1997, the World Bank responded to the Government of Bolivia's request for assistance in devising an anticorruption action plan for Bolivia by sending a World Bank Institute (WBI) mission to meet with high-level officials including President Hugo Banzer, Vice President Jorge Quiroga, and representatives of the Bolivian public and private sector. Following intensive collaboration, a National Integrity Workshop was held on November 23–24, 1998 to launch a series of steps to help design a National Integrity Strategy for Bolivia, with the broad support of civil society and other Bolivian stakeholders. This strategy is designed to help promote a credible, efficient, and transparent state by adopting practical measures to combat corruption, promote increased citizen awareness and participation in this effort, strengthen the judicial system, and enhance the effective delivery of services. As such, it conforms fully to the objectives of the Country Assistance Strategy.

2. With the Bank's assistance the Bolivian Government has accomplished the following as part of its National Integrity Action Plan:
 - Established and staffed a National Integrity Unit
 - Conducted, with the help of the Bank and an international polling firm, a household (7,000) and a business survey (1,500) to assess the levels and types of corruption in Bolivia
 - Established a National Integrity Commission chaired by the vice president, and composed of high level representatives from the Congress, the Administration and the Judicial branch.
 - Conducted the first National Integrity Workshop
 - Drafted a National Integrity Action Plan presented to the workshop
 - Established and staffed an Ombudsman Office
 - Established a Judiciary Council to help oversee the strengthening of the Judiciary
 - Established a Constitutional Tribunal to provide effective protection to the citizens' fundamental rights
 - Incorporated key features of the Action Plan into the Institutional Reform Project scheduled for Board presentation by the end of June 1999.
 - Implemented technical assistance for the areas of procurement, administrative procedures, and coalition building

3. The Action Plan is comprehensive, focusing on several initiatives, including: introducing formal instruments of restraint (increasing the independence and capacity of the judiciary), reforming the civil service (in the areas of hiring, pay, tenure), and establishing a result-oriented administration (including new national evaluation and budgeting by results systems). It also focused on completing the integrated financial management project funded by the Bank to increase the timeliness, accuracy, and relevance of public sector financial accounts, reducing opportunities to act corruptly (by increasing competition, reducing discretion in decisionmaking, and streamlining bureaucratic procedures), and strengthening specific anticorruption measures such as the system of asset declaration and publication by officials and improving the forensic audit capacity of the Comptroller General. Lastly, it focused on enhancing accountability by

involving the civil society implementation of the Bolivian Action Plan and increasing the focus on transparency in Government operations and results.

4. Demonstrating its commitment to national integrity and establishing new ground rules for public sector operations, the Bolivian Government has taken some major actions during the past year to dismiss several senior government officials suspected of corruption. These and other cases are now being investigated by the Comptroller's Office. Progress also has been made in the Judiciary to change the rules of the game through increased enforcement. Several judges at the Supreme Court are currently being investigated and the newly established Judicial Council is working on a project that will strengthen the methods applied to selection and appointment of judges. Recently, through a difficult consensus building process, 7 out of 12 Supreme Court judges were appointed by Congress, helping to strengthen the institutional capacity and credibility of the judicial branch.

5. To facilitate the implementation of the National Integrity Action Plan, the Bank will support the following activities:

- A 10-year APL will soon be presented to the Board, initiated by an Institutional Reform Project; the project will support reform in a number of pilot agencies (most especially Customs and Internal Revenue) during a first phase, and complete the reform of the central and regional governments through two subsequent operations.
- A new investment credit to support the modernization of the Justice administration and complete the judicial reform process is in preparation.
- Other technical assistance activities are being supported by the WBI to facilitate the implementation of the National Integrity Action Plan on the areas of coalition building, procurement, administrative procedures, judicial reform, the police as well as to facilitate a second National Integrity Workshop in 2000.

IMPLEMENTATION OF RESULTS-ORIENTED MANAGEMENT

1. This section explains how the Government, the World Bank, other donors, and civil society are expected to make use of performance benchmarks in the Bolivia Pilot. The performance benchmarks constitute a useful instrument or focal point around which coordination of investment activities can take place. Our view of the discrete tasks that are likely to be followed within each pillar is set forth below. The first two tasks—establishment of working arrangements and identification of key indicators—have been completed. Substantial progress in the third task—setting of targets—has been made. Achieving the progress to date has been arduous at times, but, so far, all the donors and the Government have been moving forward together. This is no small achievement. However, there is a lot more that remains to be done. There is a broad consensus on the remaining tasks that should be tackled, but agreement has not been reached on the specific actions to be taken. The Bank and, specifically, the pillar teams with the help of OED and PREM, DEC, HD, and probably other networks could be very helpful in moving the process along.

1. Key Tasks Fully or Partially Completed

A. Organize working arrangements within the pillar

2. The introduction of performance benchmarks is expected to have significant implications for how the sector ministries and the international cooperative efforts will work. The key agencies within the Government that will be leading this process are:

- The Vice Ministry of Investment and External Finance. This Vice Ministry will take the lead in ensuring that the support of the international cooperative efforts will be directed toward achieving the agreed-upon pillar targets.
- The National Statistical Institute (INE). This agency is responsible for producing and compiling the data on indicators. This will include carrying out the censuses and surveys and coordinating efforts of public and private agencies in maintaining an accurate system of data generated from administrative records.
- The Unit of Analysis of Social and Economic Policies (UDAPSE). This agency (part of the Ministry of Finance) is responsible for providing technical assistance to the sectoral ministries in the definition of targets and the modification of programs to increase the probability that the targets will be met. This agency is also responsible for preparing reports on progress in achieving targets.

3. All members of the international cooperative effort are participating actively in the work related to the setting of performance benchmarks within each pillar. Subgroups within each pillar have been formed to look at a particular sector in more depth and to set performance targets. In this effort, the subgroups have received technical assistance from the INE, UDAPSE and the World Bank. Agreement has been reached that Consultative Group meetings in Paris and mini-Consultative meetings in La Paz will provide forums to examine progress made toward reaching performance targets. One pending task is to broaden the working teams to include NGOs and civil society.

B. Select key indicators

4. A consensus has been reached that indicators are needed at three levels:

- Macro level. These are the CAS Core Benchmarks presented in table 1 of the main body of this report.
- Pillar level. Here there is a need to have a reduced set of indicators that can be aggregated across pillars and used by high-level policymakers and a more expanded set for internal use within the pillar. A reduced set of 17 indicators is presented in table A4.1. These were developed through a lengthy process of discussion. They are not ideal, but are certainly good enough to begin with and improvements can be made once the first results come in. An initial expanded set of 41 indicators that are expected to be used within the pillars is included in table A4.2. There has been less discussion surrounding this set and, thus, it is expected that it is likely to change.
- Program and project level. It is expected that there will be a set of indicators oriented to the expected impact of programs or specific projects for each of the major activities, whether financed by the Government or jointly with the international cooperation. An example of the type of indicators contemplated are those developed as part of the World Bank's Health Sector Reform APL. These indicators are presented in table 2 of the main body of this report. The specific targets were set after a careful analysis of what was reasonable to expect given the amount of money invested. And disbursements in the project are tied to meeting the performance benchmarks. More detail on these calculations is available in the Project Appraisal Document of the Health Sector Reform Project (APL)¹⁶.

5. Efforts are underway to improve the quality and timeliness of the data that will be used to generate the indicators. Special mention should be made of Bolivia's recent decision to participate in the MECOVI project which will strengthen their system of household surveys. A pilot test of using hand-held computers to improve the timeliness and quality of data collection is underway.

C. Set targets for the key indicators

6. Targets will be set for all levels of the indicators. To date, targets have been set for the first two levels—the macro level and the reduced set of pillar indicators (see tables 1 and 2 in the main body of this report). As the targets at each higher level are dependent on reaching targets set for the lower level, this approach is not entirely satisfactory. There will have to be a process of checking the internal consistency of the targets set at different levels after targets have been set for the program and project level.

¹⁶ *Project Appraisal Document on a Proposed Adaptable Program Credit in the amount of SDR 17.8 million (US\$25 million) to the Republic of Bolivia for the Health Sector Reform Project* (Report No. 18980-BO), March 31, 1999.

7. The setting of specific targets has been (and will be) based on:
- International experience. The World Bank and other donors should help bring this international experience to Bolivia's attention. As the Bank strengthens its knowledge management, it will be easier to provide information on how rapidly other countries have achieved improvements in their key indicators, what the most important factors leading to the improvements were, and what implications the international experience has for Bolivia. The World Bank's recently developed on-line data base (the Statistical Information and Management Analysis system) will be made accessible to the Government.
 - Bolivia's historical experience. A comprehensive system of on-line social indicators has been developed by the National Statistical Institute, financed by the IDB. This will provide some context for target setting to be achieved in the future.
 - Bolivia's regional experience. In setting national targets, it is possible to simulate what would be the overall value of the indicator if those households or municipalities in the lowest quintile or decile were to have the values of those in the next lowest decile. Recent work has shown tremendous inequalities in social indicators within countries. Reducing these inequalities may be the fastest way of meeting overall national targets.
 - Analysis of ongoing and projected programs and projects. While some progress in meeting the targets is expected to come from general improvements in GDP per capita, the specific programs and projects directed at achieving the targets should also play a role. A rapid review of the programs and projects was carried out in arriving at the targets for the 17 indicators, but a more profound analysis needs to be undertaken.
8. The work in setting the targets has been supported by a technical team of the INE and UDAPSE, with some input by the World Bank.

2. Expected Next Steps

9. Once the targets are set for indicators at different levels and there is a check of internal consistency among the targets, there is a sequence of tasks that should be followed in comparing results relative to the targets at each level. These tasks are described below. Because the work related to performance benchmarks is (and must) be done in a participatory manner that involves all the actors, it is not possible to specify the exact timing of the tasks. While conditions are extremely favorable for this process to be a success, one should not underestimate the difficulty of the task since it involves all actors subsuming individual actions, which may run counter to the incentives currently prevalent across the international donor community.

A. Check consistency between stated targets and investment programs

10. The task of completing the setting of targets for individual programs and checking the consistency of targets across the different levels will commence after the Consultative Group

meeting at the end of June. This is expected to take some time. The objectives of the consistency check are:

- To assess whether the targets could actually be reached.
- To identify major inefficiencies, gaps, and inconsistencies in approaches in the projects and programs of all partners. Some of these have been noted in the recently completed Public Sector Expenditure Review. Examples include: duplication in financing of municipal strengthening components across projects of different donors, concentration of external resources in municipalities that are near-poor, but not the poorest, and serious problems that are considered to be too large to address in a single project, but hamper effectiveness of many investment projects.

11. It is too much to expect that this initial review will result in an optimal investment allocation. Finding and addressing second- and third-order effects may be difficult. However, it should be possible to identify first-order effects. Over time some of the second-order effects could perhaps be identified and addressed.

B. Based on assessment, either modify targets or rationalize investment program

12. The assessment is likely to lead to a fruitful discussion concerning priorities and expected effectiveness of investments. In this effort, the Government and, specifically, the Vice Ministry of Public Investment and External Finance is expected to take the lead role. If an inconsistency or gap is detected, there are two choices: either modify the target or modify the investment program. Note that it is not necessary for all actors to modify their investment programs. If large donors and the multilateral banks are willing to invest where other donors find it hard to, the nature of the Government's investment portfolio will shift. The World Bank's willingness to restructure its own portfolio would provide a strong signal to other donors to do likewise.

C. Measure results

13. The objective of the assessment and the review of the investment portfolio is to arrive at a set of interventions that, given current best available information, makes the most sense. Once that is completed, the values of the key indicators need to be measured. Below are some noteworthy points to keep in mind for this task.

- Most effort should be spent on monitoring.
- Impact evaluation should be conducted for 2–3 important projects a year. Which projects should be selected for these more costly impact evaluations should be decided by consensus among joint government and international cooperation pillar teams. The choice should not be based on which agency happens to finance the activity, but rather on the marginal benefit of the information likely to be gained by conducting the impact evaluation.
- An effort should be made to publicize widely where the country stands with respect to progress in meeting the targets.
- Civil society and NGOs should play a role in monitoring results.
- The Consultative Group and mini-Consultative Group meetings provide a forum to discuss results.

D. Analyze reasons for not meeting targets

14. Once the measure of results is completed, we will analyze the reasons why proposed targets were not met.

- We do not have to analyze much if performance targets are reached (although we may want to reconsider whether performance targets were ambitious enough given the resources devoted to the task).
- Direct major effort to analyze why targets were not met and what options there may be to improve performance.
- Bring the Bank's international experience to bear on this analytical work (part of the transition of the Bank to the Knowledge Bank).

E. Modify existing programs

15. Once the measurement of results is completed and reasons for not meeting proposed targets are analyzed, we will proceed with the modification of existing programs.

- Modify existing programs that still have potential, drop ones that have problems and show little potential, and consider new efforts to fill in the gaps
- Schedule the task of ascertaining what changes are needed so as to give plenty of time to incorporate changes into the Bolivian budget cycle and to prepare requests for new financing in the CG meeting.

3. Observations

16. The task of determining who can be effectively held accountable and for what has not been defined as yet. It is difficult to do when there are many actors involved and could probably not be completed before the first five tasks have been done. By the end of the fifth task, the CDF partners would be in a position to assert that, based on currently available information and under current restrictions, the programs being financed are the ones that stand the best chance of achieving the performance targets.

17. To bring about a change toward results, there will need to be several iterations of the process of setting targets, looking at results, analyzing the reasons why the results were obtained, and collectively taking action. With the current Government, there is an opportunity to go through two iterations. It would be extremely useful if the CDF approach and the results-oriented approach were to be extended into the next Government. The donors and multilateral banks could be instrumental in making this happen.

Table A4.1: Pillar Indicators

	Sector	Indicator	Institution	Base Year 1997	GOALS					
					1998	1999	2000	2001	2002	
OPPORTUNITY	Road Infrastructure	Investment on road projects carried out by public institutions (in thousand dollars)		88,398.62	100,263.70	108,798.12	113,538.97	117,286.62	124,025.08	
	Environment	Contribution of resources by TGN to SERNAP (dollars)				500,000	600,000	700,000	800,000	
	Finance and Microenterprise	Percentage of portfolio belonging to Microfinance Organizations with respect to the financial sector's portfolio		6.15%	7.54%	9.24%	11.33%	13.89%	17.03%	
	Norms and Regulations	Number of solved complaints against number of complaints accounted for (percentage)	SPVS (Pensions, Stocks and Insurance)		n.d.	n.d.	90%	92%	94.00%	96%
			SIRESE		62%	82%	85%	87%	89%	90%
SIRENARE				91%	78%	81%	84%	87%	90%	
EQUITY	Health	Annual rate coverage of births attended by trained personnel								
	Rural Development	Productivity of labor in the non-traditional agricultural sector (non-industrial GDP/number of working population in agricultural sector)		1,062	959.00	965.00	999.00	1,045.00	1,096.00	
	Popular Participation	Municipalities' own counterpart resources by kind of municipality (percentage)	Municipality A		7.3%	7.0%	7.0%	6.0%	6.0%	6.0%
			Municipality B		7.7%	8.0%	8.0%	9.0%	9.0%	9.0%
			Municipality C		23%	24%	25%	26%	27%	28%
			Municipality D		112.6%	112%	122%	133%	145%	158%
	Education	Rate of student retention in elementary public education for girls (National)		64.4%	64.6%	64.7%	69.9%	73.3%	77.0%	
	Housing and Basic Services	Number of new homes with access to potable or piped water (rural and semi-rural areas)		33,592	22,093	22,093	22,093	22,093	22,093	
Poverty	Poverty gap (urban)									
Human Development	1/50 of human development		0.6587							
INSTITUTIONALLY	Public Adm. Modernization	Percentage of personnel in selective service against the total of the public service								
	Public Adm. Modernization	Percentage of specific regulations of the systems of Law No. 1178 compatible by the governing institution, against the total of specific regulations required for the fulfillment of Law No. 1178			10.0%	7.0%	12.5%	17.5%	19.0%	
	Fight against Corruption	Percentage of compliance on behalf of audited entities of the recommendations in the Controller's Audit's reports		48%	54%	60%	65%			
	Status of the Law	Percentage of judges and prosecutors selected by a system based on merits or by obeying the law				40%	16%	32%	11%	
DIGNITY	Area of illegal cultivation of coca leaf in Chapare (Has) against that of legal agricultural cultivation in Chapare (Has) (percentage)	44.82			29.39	19.13	10.63	3.11	0	
	Total eradication of coca leaf cultivation (hectares)			1,616	7,010	7,010	7,010	7,010	3,344	

Note: Shaded area indicates that information is still to be received.

Table A4.2: Expanded Pillar Indicators
PILLAR: OPPORTUNITY

SECTOR	INDICATOR	INSTITUTION	BASE YEAR 1997	GOALS					
				1998	1999	2000	2001	2002	
ROAD INFRASTRUCTURE	Percentage of paved road of fundamental network (FN) with respect to the total miles of FN		32.70%	34.85%	28.37%	30.62%	35.55%	40.69%	
	Percentage of km. of roads maintained respect to the total miles of FN roads		79.57 (96)	...	78.73%	76.34%	76.34%	83.96%	
	Investment on road projects carried out by public institutions (in miles and dollars)		88,398.82	100,263.70	108,798.12	113,538.97	117,286.62	124,025.08	
ENVIRONMENT	Number of operations with environmental licenses (mining, hydrocarbons, energy)	National		105	170	235	300	365	
		Mining		10	30	50	70	90	
		Hydrocarbons		90	130	170	210	250	
		Energy		5	10	15	20	25	
	Contribution of resources by the TGN to the SERNAP (in US\$)				500,000	600,000	700,000	800,000	
Number of certified forest acres		60,000	520,000	630,000	750,000	850,000	1,000,000		
FINANCE AND MICROENTERPRISE	Patrimonial adjustment of FFPs (percentage)		15.0%	15.0%	15.5%	15.7%	16.0%	16.0%	
	Percentage of portfolio belonging to Microfinance Organizations (OMF), regarding the financial sector's portfolio		6.15%	7.54%	9.24%	11.33%	13.89%	17.03%	
	Deposits by the public (thousands of Bs.)		16,771.1	19,160.3	21,449.6	24,019.5	26,741.3	29,680.9	
NORMS AND REGULATIONS	Percentage of private investment (GDP)		11.5	12.0	11.5	11.6	12.8	13.1	
	Number of solved complaints against number of complaints accounted for (percentage)	SIRESE		62%	82%	85%	87%	89%	90%
		SIRENARE		91%	78%	81%	84%	87%	90%
		SRJ							
	The calculated indicator is the number of resources interposed with respect to the number of appealable resolutions.	SPVS (Pensions, Stocks, y		n.d.	n.d.	90%	92%	94%	96%
		SIRESE		75%	100%	100%	100%	100%	100%
		SIRENARE							
		SRJ							
		SPVS Pensions		0	0	0	0	0	0
		SPVS Stocks		0.02	0.02	0.02	0.02	0.02	0.02
SPVS Insurances			0.025	0.025	0.025	0.025	0.025	0.025	

Note: Shaded area indicates that information is still to be received.

Table A4.2: Expanded Pillar Indicators
PILLAR: EQUITY

SECTOR	INDICATOR	INSTITUTION	BASE YEAR 1997	GOALS				
				1998	1999	2000	2001	2002
HEALTH	Annual rate of coverage of births attended by trained personnel							
	Prevailing of malnutrition of children less than 3 years-old, indicated by weight and age (percentage)		15.7 (94)					
	Percentage of public expenditures in health respect to GDP		1.27	1.28	1.34	1.4		
RURAL DEVELOPMENT	Productivity of labor in the non traditional agricultural sector (non-industrial GDP/number of working population in agricultural sector)		1,062	959	965	999	1,045	1,096
	Number of Has. in : land of communitary origin, indigenous territory by D.S. and indigenous territories claimed with respect to the number of issued titles to individuals and collectivits.		0.35	0.00	0.33	0.33	0.50	0.33
POPULAR PARTICIPATION	Municipal public investment per capita by kind of municipality (Bs. Per Inhabitant)	Municipality A	117	140	161	185	211	241
		Municipality B	102	139	159	183	209	237
		Municipality C	114	147	172	201	232	265
		Municipality D	133	202	251	313	379	444
	Municipality's own counterpart resources by kind of municipality (percentage)	Municipality A	7.3%	7%	7%	6%	6%	6%
		Municipality B	7.7%	9%	9%	9%	9%	9%
		Municipality C	23.0%	24%	25%	26%	27%	28%
		Municipality D	112.6%	112.0%	122.0%	133.0%	145.0%	158.0%
EDUCATION	Elementary education coverage (net) registered/population in schooling years (%)		79.8%	82.2%	85.3%	86.1%	86.9%	87.7%
	Rate of school retention in elementary/public education (1st to 4th grade) (National)		64.4%	64.6%	64.7%	69.9%	73.3%	77.0%
	Percentage of current expenditure in elementary and high school education with respect to total expenditures for the sector.		71.0%	71.0%	73.6%	74.6%	75.5%	76.4%
	Percentage of children in third grade of elementary in public schools with performance at risk (language and mathematics)		30.2%	n.d.	29%	n.d.	n.d.	26%
HOUSING AND BASIC SERVICES	Number of new homes with access to potable or piped water (rural and semi-rural areas)			22,093	22,093	22,093	22,093	22,093
	Number of new beneficiaries with access to sewerage services.		42,373	40,000	40,000	40,000	40,000	40,000
	Number of new houses built, and remodeled.				11,908	11,908	11,908	11,908
POVERTY	Poverty gap (urban)							
HUMAN DEVELOPMENT	Index of Human Development		0.6587					

Note: Shaded area indicates that information is still to be received.

Table A4.2: Expanded Pillar Indicators
PILLAR: INSTITUTIONALITY

SECTOR	INDICATOR	BASE YEAR	GOALS				
		1997	1998	1999	2000	2001	2002
PUBLIC ADMINISTRATION MODERNIZATION	Percentage of personnel in selective service against the total of the public sector						
	Percentage of specific regulations of the systems of Law No. 1178 compatible by the governing institution, against the total of specific regulations required for the fulfillment of Law No. 1178		10.0%	7.0%	12.5%	17.5%	19.0%
	Percentage of salary expenditures in Public Administration with respect to the total expenditures of the TGN.	39.57	38.63	39.63	40.19	42.29	41.39
FIGHT AGAINST CORRUPTION	Percentage of compliance on behalf of audited entities of the recommendations in the Controller's Audit's reports.	48%	54%	60%	65%		
	Number of audit reports that require National Controller's special review due to finding staff's non compliance with respect to the total number audits carried out.	30%					
	Number of internal audit reports finding staff's non compliance with respect to the number of total internal audits carried out.		8.00%	7.70%	6.70%	5.40%	4.60%
JUDICIAL SYSTEM	Percentage of allocated resources in the Political Constitution of the state with respect to the total resources.	8.40%					
	Percentage of judges and prosecutors selected by a system based on merits or by obeying the law			40%	16%	32%	11%
	Percentage of disciplinary procedures concluded by judges, with respect to the total declaration received by the Council of the judicature (accumulated).						

Note: Shaded area indicates that information is still to be received.

Table A4.2: Expanded Pillar Indicators
PILLAR: DIGNITY

INDICATOR	BASE YEAR	GOALS				
	1997	1998	1999	2000	2001	2002
Value-added to the sub-economy of coca-cocaine with respect to GDP (percentage)	2.72	2.06	1.45	0.88	0.36	0.12
Area of illegal cultivation of coca leaf in Chapare (Has) against that of legal agricultural cultivation in Chapare (Has). (percentage)	44.82	29.39	19.13	10.63	3.11	0.00
Net eradication of coca leaf cultivation (acres)	1,616	7,010	7,010	7,010	7,010	3,344
Amount of seized cocaine with respect to total production (percentage)	6.97					

Note: Shaded area indicates that information is still to be received.

BOLIVIA: STATUS OF WORLD BANK GROUP OPERATIONS IN BOLIVIA
OPERATIONS PORTFOLIO

Project ID	Fiscal year	Borrower	Purpose	Original Amount in U.S.\$ millions				Difference between expected and actual disbursements		Last PSR Supervision Rating b/	
				IBRD	IDA	Cancel.	Undisb.	Orig	Frm Rev'd	Dev Obj	Imp Prog
Number of Closed Projects: 55											
<u>Active Projects</u>											
BO-PE-6180	1992	Government of Bolivia	Road Maintenance	0.00	80.00	0.00	19.15	16.92	8.07	S	S
BO-PE-6196	1993	Government of Bolivia	Integrated Child Development	0.00	50.70	20.25	18.32	30.82	0.00	S	S
BO-PE-6190	1994	Government of Bolivia	Municipal Development	0.00	42.00	0.00	8.27	7.63	0.00	S	S
BO-PE-6205	1995	Government of Bolivia	Judicial Reform	0.00	11.00	0.00	4.55	3.65	0.00	S	S
BO-PE-6197	1995	Government of Bolivia	Land Administration	0.00	20.40	0.00	6.41	-1.69	0.00	U	U
BO-PE-6181	1995	Government of Bolivia	Education Reform	0.00	40.00	0.00	19.95	7.61	0.00	S	S
BO-PE-6206	1996	Government of Bolivia	Rural Water & Sanitation	0.00	20.00	0.00	9.74	8.93	.67	S	S
BO-PE-6191	1996	Government of Bolivia	Power Sector Reform Ta &	0.00	5.10	0.00	1.66	1.96	0.00	HS	S
BO-PE-6186	1996	Government of Bolivia	Env.Ind. & Mining	0.00	11.00	0.00	8.89	3.60	0.00	S	S
BO-PE-6202	1996	Government of Bolivia	Rural Communities De	0.00	15.00	0.00	.82	1.95	0.00	S	S
BO-PE-57396	1998	Government of Bolivia	Reg. Reform Tac	0.00	20.00	0.00	20.22	.93	0.00	S	S
BO-PE-40110	1998	Ministry of Finance (MOF)	Fin Decen. & Acct	0.00	15.00	0.00	11.47	-.42	0.00	S	S
BO-PE-6204	1998	Government of Bolivia	Education Quality	0.00	75.00	0.00	72.33	11.25	0.00	S	S
BO-PE-55974	1998	Government of Bolivia	BO El Niño Emergency	0.00	25.00	0.00	16.06	2.54	0.00	S	S
BO-PE-40085	1998	Government of Bolivia	Participatory Rural Inv.	0.00	62.80	0.00	60.98	-.34	0.00	S	S
BO-PE-57030	1999	Government of Bolivia	Reg. Reform Adjustment Credit	0.00	41.78	0.00	19.81	-2.30	0.00	S	S
Total				0.00	534.78	20.25	298.63	93.04	8.74		

	<u>Active Projects</u>	<u>Closed Projects</u>	<u>Total</u>
Total disbursed (IBRD and IDA):	212.68	1,157.97	1,370.65
Of which has been repaid:	0.00	294.96	294.96
Total now held by IBRD and IDA:	514.53	841.00	1,355.53
Amount sold :	0.00	.05	.05
Of which repaid :	0.00	.05	.05
Total undisbursed :	298.63	3.20	301.83

- a. Intended disbursements to date minus actual disbursements to date as projected at appraisal.
- b. Following the FY94 Annual Review of Portfolio performance (ARPP), a letter-based system was introduced (HS = highly Satisfactory, S = satisfactory, U = unsatisfactory, HU = highly unsatisfactory): see proposed Improvements in Project and Portfolio Performance Rating Methodology (SecM94-901), August 23, 1994.

Note:

Disbursement data is updated at the end of the first week of the month.

Bolivia
STATEMENT OF IFC's
Committed and Disbursed Portfolio
As of 31-Mar-99
(in U.S. \$ millions)

Fiscal Year Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic	Loan	Equity	Quasi	Partic
0	Minera	0.00	3.40	0.00	0.00	0.00	3.40	0.00	0.00
1976/88/90/91/95/98	BISA	12.00	4.70	0.00	0.00	12.00	3.16	0.00	0.00
1989/92/94/96	COMSUR	10.79	0.00	2.14	2.50	10.79	0.00	2.14	2.50
1991	Bermejo	0.00	5.90	0.00	0.00	0.00	5.14	0.00	0.00
1991	Central Aguirre	.60	.35	0.00	0.00	.60	.35	0.00	0.00
1992	Inti Raymi	5.00	0.00	5.00	0.00	5.00	0.00	5.00	0.00
1993	GENEX	.36	0.00	.72	0.00	.36	0.00	.72	0.00
1996	Mercantil-BOL	10.00	0.00	0.00	0.00	10.00	0.00	0.00	0.00
1996	Telecel Bolivia	10.00	0.00	5.00	20.00	6.67	0.00	5.00	13.33
1999	Los Andes	2.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Portfolio:		50.75	14.35	12.86	22.50	45.42	12.05	12.86	15.83
		Approvals Pending Commitment							
		<u>Loan</u>	<u>Equity</u>	<u>Quasi</u>	<u>Partic</u>				
1999	ILLIMANI	15.00	1.00	0.00	0.00				
Total ending commitment:		15.00	1.00	0.00	0.00				

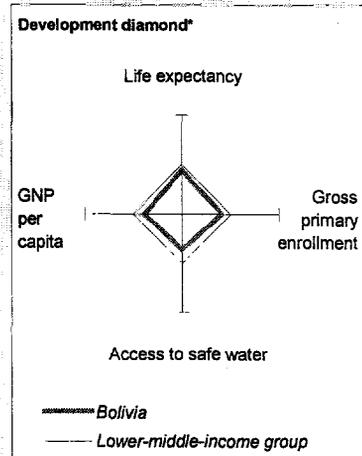
ANNEX 6

Bolivia at a glance

10/1/98

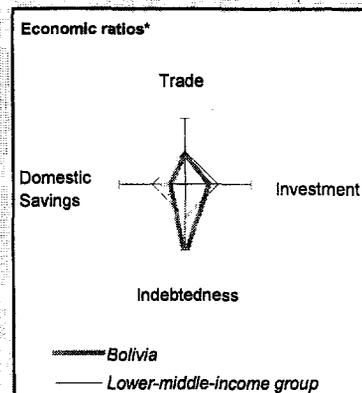
POVERTY and SOCIAL

	Bolivia	Latin America & Carib.	Lower-middle-income
1997			
Population, mid-year (millions)	7.8	494	2,285
GNP per capita (Atlas method, US\$)	950	3,880	1,230
GNP (Atlas method, US\$ billions)	7.4	1,917	2,818
Average annual growth, 1991-97			
Population (%)	2.4	1.7	1.2
Labor force (%)	2.6	2.3	1.3
Most recent estimate (latest year available, 1991-97)			
Poverty (% of population below national poverty line)	67	..	..
Urban population (% of total population)	59	74	42
Life expectancy at birth (years)	61	70	69
Infant mortality (per 1,000 live births)	67	32	36
Child malnutrition (% of children under 5)	9	..	..
Access to safe water (% of population)	60	73	84
Illiteracy (% of population age 15+)	17	13	19
Gross primary enrollment (% of school-age population)	91	111	111
Male	95	..	116
Female	87	..	113



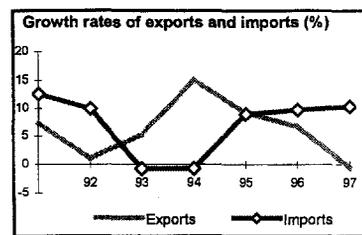
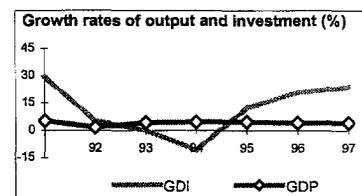
KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	1976	1986	1996	1997
GDP (US\$ billions)	2.2	4.0	7.2	7.8
Gross domestic investment/GDP	..	13.6	16.6	19.8
Exports of goods and services/GDP	..	21.3	22.9	21.0
Gross domestic savings/GDP	..	..	11.2	12.3
Gross national savings/GDP	..	..	16.6	15.0
Current account balance/GDP	-2.6	-8.1	-5.3	-8.3
Interest payments/GDP	1.8	2.5	2.3	2.2
Total debt/GDP	58.6	140.8	72.1	67.6
Total debt service/exports	21.5	35.0	29.8	30.5
Present value of debt/GDP	..	..	46.4	..
Present value of debt/exports	..	..	241.4	..
	1976-86	1987-97	1996	1997
(average annual growth)				
GDP	-2.7	4.1	4.1	4.2
GNP per capita	..	1.9	2.6	1.4
Exports of goods and services	-5.0	8.6	6.7	-0.5



STRUCTURE of the ECONOMY

	1976	1986	1996	1997
(% of GDP)				
Agriculture	..	28.5	14.1	14.1
Industry	..	51.9	29.2	27.9
Manufacturing	..	..	17.0	15.7
Services	..	19.6	56.7	58.0
Private consumption	..	81.4	75.6	74.0
General government consumption	..	9.4	13.1	13.7
Imports of goods and services	..	25.7	28.3	28.5
	1976-86	1987-97	1996	1997
(average annual growth)				
Agriculture	..	3.3	3.6	4.9
Industry	..	4.5	3.4	3.5
Manufacturing	..	4.3	3.9	4.2
Services	..	3.9	4.4	4.5
Private consumption	-0.5	3.0	2.4	3.9
General government consumption	-4.4	2.9	1.0	3.8
Gross domestic investment	-4.1	7.8	20.9	23.8
Imports of goods and services	1.6	6.0	9.7	10.3
Gross national product	..	4.4	5.1	3.8



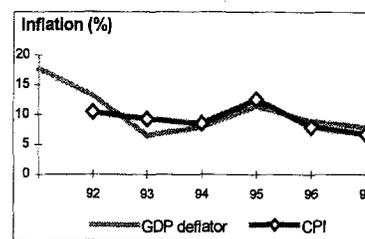
Note: 1997 data are preliminary estimates.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

Bolivia

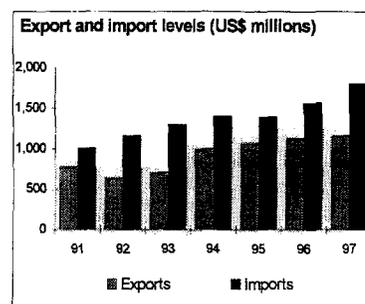
PRICES and GOVERNMENT FINANCE

	1976	1986	1996	1997
Domestic prices				
(% change)				
Consumer prices	7.9	6.7
Implicit GDP deflator	..	211.4	8.9	7.9
Government finance				
(% of GDP, includes current grants)				
Current revenue	..	18.7	26.3	24.1
Current budget balance	..	1.4	6.3	3.0
Overall surplus/deficit	..	-3.3	-2.0	-3.3



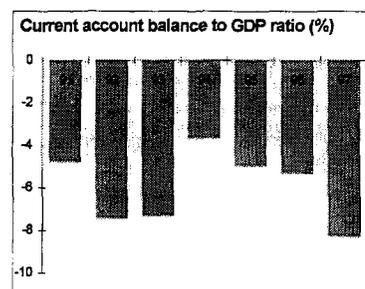
TRADE

	1976	1986	1996	1997
(US\$ millions)				
Total exports (fob)	..	588	1,132	1,167
Tin	..	104	86	81
Fuel	..	334	153	200
Manufactures	144	183
Total imports (cif)	..	674	1,568	1,810
Food	148	188
Fuel and energy	86	349
Capital goods	586	734
Export price index (1995=100)	..	156	104	106
Import price index (1995=100)	..	50	109	110
Terms of trade (1995=100)	..	310	95	96



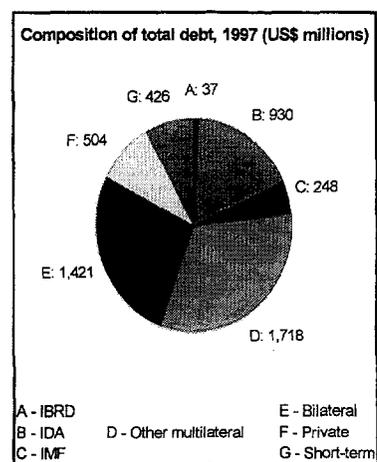
BALANCE of PAYMENTS

	1976	1986	1996	1997
(US\$ millions)				
Exports of goods and services	623	704	1,318	1,362
Imports of goods and services	658	816	1,779	2,050
Resource balance	-35	-112	-461	-688
Net income	-36	-309	-168	-212
Net current transfers	14	99	245	252
Current account balance	-57	-321	-384	-648
Financing items (net)	113	432	726	751
Changes in net reserves	-56	-110	-342	-103
Memo:				
Reserves including gold (US\$ millions)	..	505	1,125	1,192
Conversion rate (DEC, local/US\$)	3.00E-5	1.9	5.1	5.3



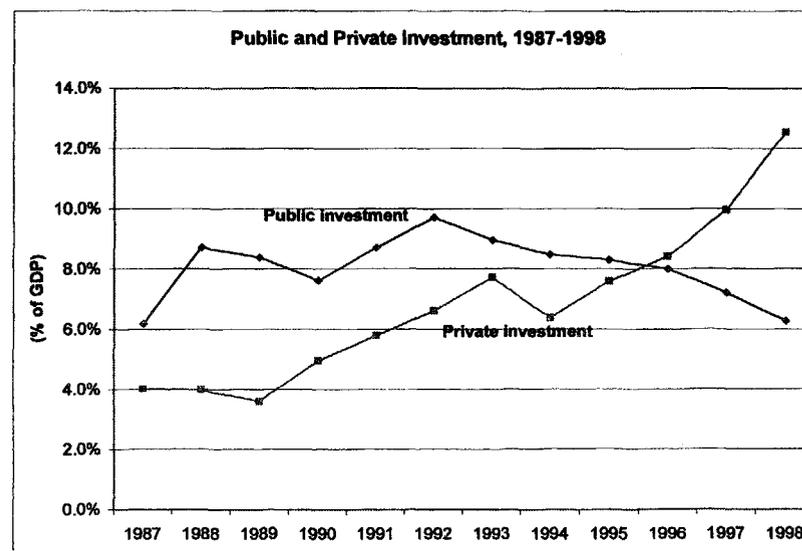
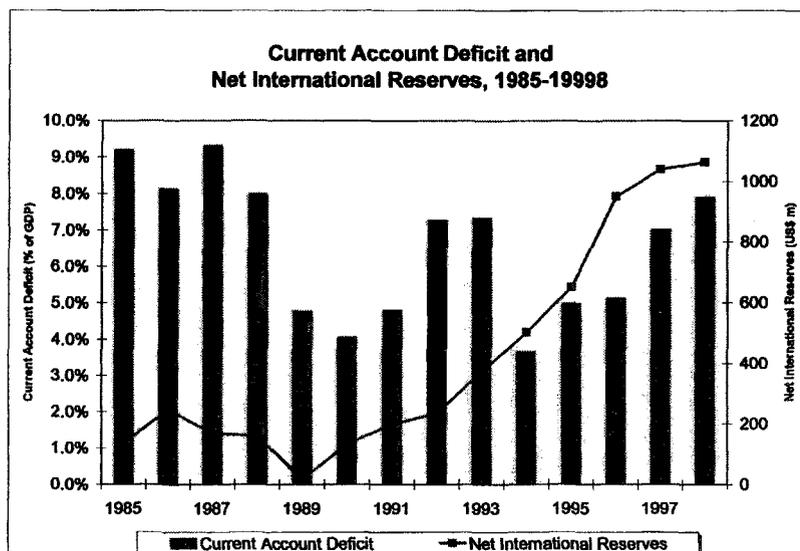
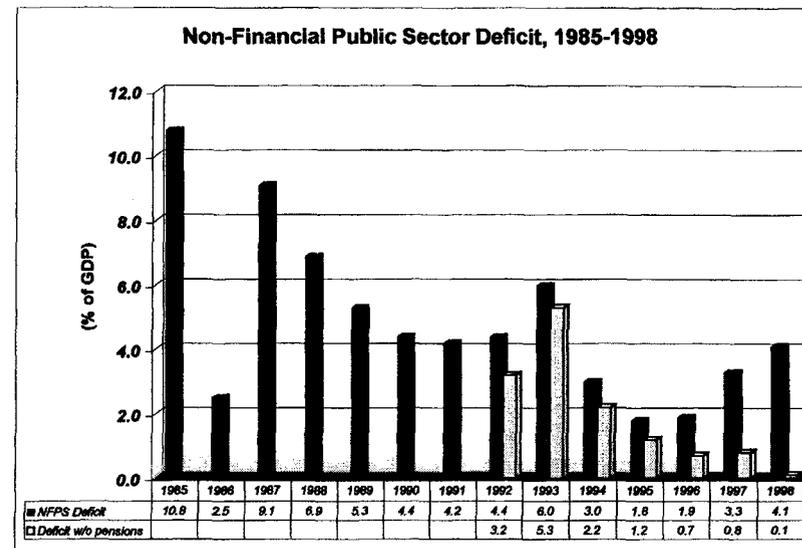
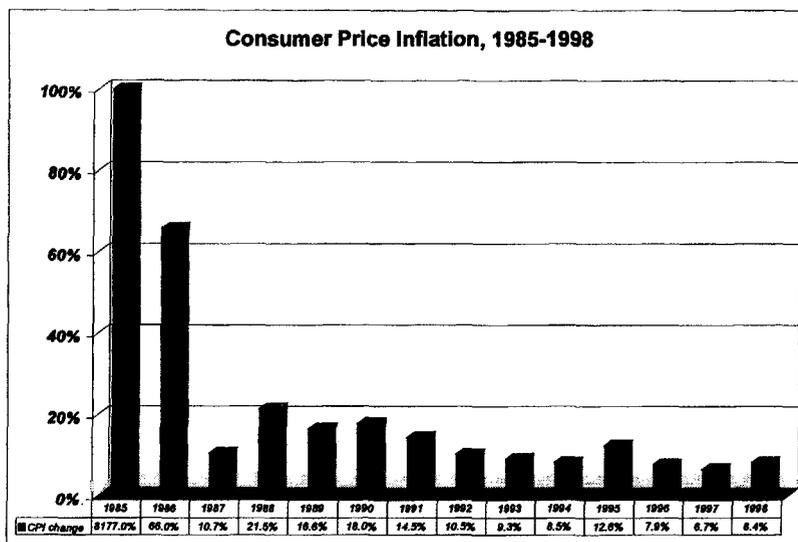
EXTERNAL DEBT and RESOURCE FLOWS

	1976	1986	1996	1997
(US\$ millions)				
Total debt outstanding and disbursed	1,290	5,575	5,200	5,284
IBRD	31	235	61	37
IDA	53	97	843	930
Total debt service	137	251	413	453
IBRD	4	38	32	24
IDA	1	2	8	10
Composition of net resource flows				
Official grants	11	147	394	..
Official creditors	104	229	196	220
Private creditors	143	-4	44	-29
Foreign direct investment	-8	10	426	591
Portfolio equity	0	0	0	0
World Bank program				
Commitments	68	72	59	15
Disbursements	16	7	100	136
Principal repayments	2	19	28	23
Net flows	14	-12	72	113
Interest payments	2	20	12	11
Net transfers	12	-32	59	102

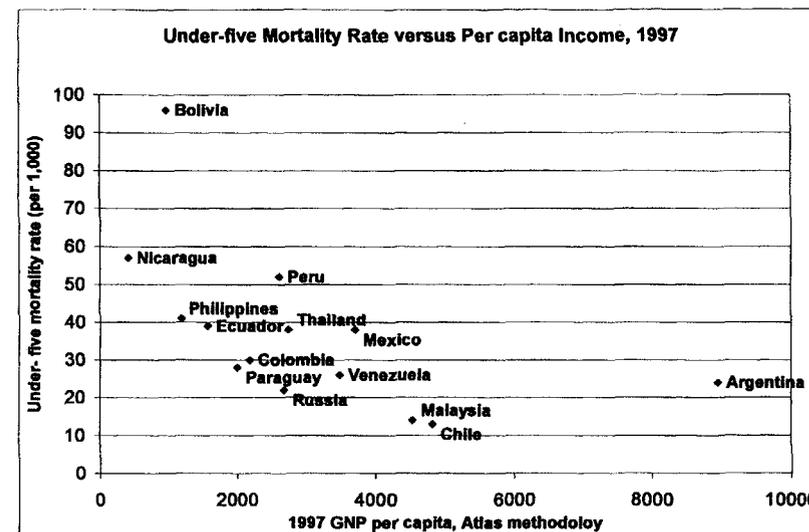
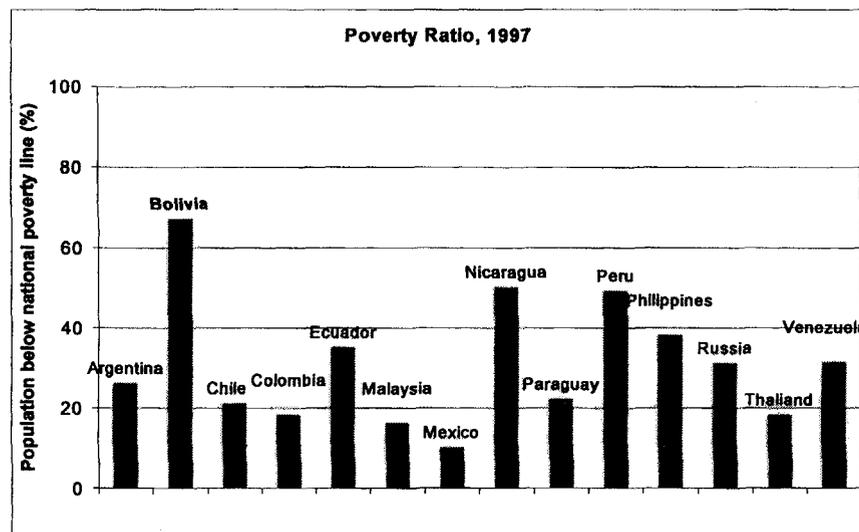


Diagnosis

1 Stabilization has been a great success,



2 but macro stability and liberalization failed to solve Bolivia's poverty and social problems



3 because underlying structures and social issues were not sufficiently addressed, reflected in low investment, low quality education, and an inadequate road network.

Academic Achievement in Bolivia			
	Urban	Rural	Total
3rd Grade			
At risk	20.4	36.5	27.3
Intermediate	41.8	37.6	40.0
Satisfactory	37.8	25.9	32.7
6th Grade			
At risk	46.3	64.3	51.5
Intermediate	34.7	25.9	32.2
Satisfactory	19.0	9.8	16.4
8th Grade			
At risk	24.7	47.9	32.0
Intermediate	36.6	36.4	36.5
Satisfactory	38.6	15.8	31.5

Source: SIMECAL, 1998

COUNTRY	Pop. 1997 million	GDP Per capita US\$	Density	% network paved 1996	% in Good Condition	Km paved b/	
			Inhab. per Km ²			60's	90's
BOLIVIA	8	950	7	6	21%	569	2,933
PERU	25	2,460	19	10	24%	4,016	7,500
BRAZIL	164	4,720	19	9	30%	12,703	161,503
PARAGUAY	5	2,010	12	10	..	254	3,000
ARGENTINA	36	8,570	13	29	35%	22,712	57,280
CHILE	15	5,020	19	14	42%	2,604	10,983
ECUADOR	12	1,590	41	13	53%	719	6,322
COLOMBIA	38	2,280	35	12	42%	2,998	10,329
NIGER	10	200	7	8	60%	..	4000
MALI	10	260	8	12	63%	..	5959

Source: 1994 World Development Report (WDR) on Infrastructure and WDR 1998/99.