



REPÚBLICA DE BOLIVIA

BOLIVIA

Interim Poverty Reduction Strategy Paper

Prepared by the Bolivian Authorities

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I. INTRODUCTION

1. In the context of a fully participatory National Dialogue, Bolivian society, together with the donor community, will soon begin the process of developing a comprehensive poverty reduction strategy that will be implemented and monitored over the coming years. This interim poverty reduction strategy paper (PRSP) is intended to serve as background for the upcoming National Dialogue. It contains a brief analysis of poverty in Bolivia and a conceptual framework that could guide the discussion of the National Dialogue. It is expected that, through open discussion, participants in the dialogue will determine the procedures of the dialogue itself, modify the initial conceptual framework, propose which specific actions will receive priority, suggest budgetary allocations within a sustainable macroeconomic program, and develop a system of monitoring progress in reducing poverty. This poverty reduction strategy will continue to evolve over the years through an extended participatory process.

2. It is important to note that this dialogue is the continuation of a first National Dialogue that took effect on October 1997. After this dialogue, a multidisciplinary group was conformed to work on a proposal to fight poverty. In September 1998 this group published a document called "Proposals Against Poverty" identifying actions to fight the causes of poverty and the underdevelopment of the country. The document also noted that the main assurance for these proposals to be implemented was the capacity of Bolivian society to take responsibility to carry out this program. This is precisely the objective of this new dialogue, which will let the various participants of the Bolivian society transform their needs into demands and their demands into initiatives. Only then, will civil society and the poor assume the strategy of growth and poverty reduction as their own, and carry it as their flag.

3. The above-mentioned document recommended that the general strategy against poverty be structured around two large issues: the policy guidelines to establish the basic criteria for policy action; and the effective actions against poverty.

4. The interim poverty reduction strategy paper (PRSP), which is the preliminary proposal of the government, assumes that one of the basic conditions to fight poverty is to reduce segregation as well as social and political exclusion, and increase the number and quality of jobs while ensuring higher growth rates with equity. Economic growth is thought to be the result of the combination of several factors: capital investment, availability of labor, and improvement in human capital associated with higher levels of education and use of more modern technology.

5. The public investment program proposed by the government focuses on health, basic sanitation, housing, education, rural development, and infrastructure that cannot be carried out by the private sector due to the low economic return despite its high social return. To ensure a higher level of private investment, the government will start—as part of the National Dialogue—a process of consensus building with private sector employers and employees, with the purpose of defining a development agenda in each sector, with emphasis on the agricultural and industrial sectors.

6. Within this process, the present paper suggests lines of action against poverty that, through the process of the dialogue, will turn into specific actions.

II. BACKGROUND

7. Over the past 15 years Bolivia has made a major effort to maintain and develop its democracy, consolidate macroeconomic stability, and carry out structural reforms designed to open up the economy and raise economic growth as well as the well-being of the population. With respect to macroeconomic stability, the results have been encouraging. During the 1990s, real GDP grew by 4.3 percent a year on average, thanks to higher levels of domestic and foreign investment, increased exports, and a rapid growth in agroindustry, mining, manufacturing, and services. Growth would have been even higher if Bolivia had not had to face various natural disasters and a significant deterioration in its terms of trade, estimated at 38 percent for the decade. In 1999 inflation was only 3.1 percent, the lowest annual rate in recent decades, while the public sector deficit was estimated at 4.2 percent of GDP, reflecting almost entirely the cost of the pension system reform.

8. Even though the improved macroeconomic performance has had some positive impact on the rates of employment and income, a large part of the population still depends on precarious jobs in both urban and rural areas. This partly explains why approximately 70 percent of the population are poor and 38 percent live in extreme poverty.¹

9. To tackle this situation, in October 1997 the government convened a National Dialogue to agree on the objectives and state policies that would be pursued during its tenure. Representatives of the business community, the church, labor and civil society organizations, universities, NGOs, and the government and opposition parties took part in this dialogue. Despite some shortcomings, this dialogue produced various positive outcomes, including an agreement to foster a program to reduce poverty and boost economic growth. Those agreements led to the Operational Plan of Action 1997–2002 based on four pillars: opportunity, equity, dignity, and institutional reform.

10. The **opportunity** pillar focuses on fostering economic development and improving the distribution of income within a framework of stability, increasing domestic savings, and improving economic infrastructure in order to increase competitiveness. **Equity** entails focusing actions on poverty reduction through policies and programs directed at education, health, housing, the provision of basic services, and projects aimed at raising productivity in rural areas.

¹ This figure is based on unmet basic needs calculated from 1992 Census data. Based on a methodology that combined data from separate household surveys done in urban and rural areas, the World Bank estimated that poverty in 1997 was 67 percent. This estimate is subject to error. In January/February 2000 new data from a nationwide Household Survey that collects consumption data will be available to provide more reliable estimates of poverty.

11. The **dignity** pillar refers to the effort to free Bolivia once and for all from the cocaine circuit and the stigma attached to it. Finally, the **institutional reform** pillar seeks to generate the conditions required for transparent relations between the government and civil society in order to ensure that policies are sustainable. This pillar also includes government efforts to modernize the State and fight corruption.

12. Against this backdrop, the government prioritized social spending and began implementing programs aimed at alleviating poverty and improving the living conditions of the population. The share of public investment outlays directed at poverty reduction rose from 18.5 percent of all public investment in 1990 to 60 percent in 1999. This was made possible in part by the transfer of productive activities from the State to the private sector, thus freeing resources which could be redirected principally to social sectors and transportation infrastructure.

III. STRUCTURAL REFORMS, ECONOMIC GROWTH, AND OUTLOOK

13. The structural reform process in Bolivia began in 1985 with the implementation of the new economic policy, which deregulated prices, interest rates, and the exchange rate, opened up the economy, introduced fiscal discipline, allowed free movement of capital, and pursued a monetary policy geared to price stability. Major reforms included streamlining the tax system—by reducing the number of taxes, simplifying collection procedures, and broadening the tax base—and reforming the financial sector with a view to increasing its efficiency and competitiveness. The Investment Law, together with the Mining Code and Laws on Oil and Gas, Exports, Property and Popular Credit, Concessions, Bonds and Insurance, the Law for Regional Integration that will allow a greater integration among countries of the region, as well as laws on forestry, the environment, water use, and capitalization paved the way for a substantial flow of domestic and foreign investment as well as for privatization of most public enterprises. The recently passed Customs Law is designed to support a broad reform of the customs department.

14. Social reforms were introduced at the same time, notably the education, health and pension reforms, the basic sanitation and social infrastructure programs, citizen participation, and decentralization of government administration. Political and administrative reforms were also implemented, which included the creation of the Constitutional Court, the Magistrates' Council, and the Office of the Ombudsman. A Civil Service Statute was adopted, aimed at professionalizing the civil service and establishing rights for public sector employees. A reform of the judicial system is under way, which will see the promulgation of new codes for Criminal Procedure and Civil Law Procedure.

15. Implementation of structural reforms has significantly altered the role of the main economic agents. The private sector has acquired a predominant position in economic activity, while the public sector is now focusing on its normative, supportive, and regulatory functions, as well as on road building, basic sanitation, education, and health as key ingredients in poverty reduction.

16. The reforms have boosted economic performance. In 1998 output grew by 4.7 percent, the highest rate of economic growth in South America, while domestic savings rose to 12.1 percent of GDP and private investment to 14.2 percent of GDP. Gross official international reserves increased to the equivalent of seven and a half months of imports of goods and services by year-end, and a competitive exchange rate has been maintained. However, preliminary indicators of economic activity in 1999 signal a significant slowdown in growth, reflecting the effects of the recent international crisis. In the external sector, the current account deficit is estimated at 6.3 percent of GDP, covered entirely with foreign direct investment. These statistics indicate that the domestic economy continues to be highly vulnerable to international economic shocks, because of the high degree of dependence on raw material exports from primary sectors (agriculture, mining, and hydrocarbons).

17. The 2000–02 outlook for the Bolivian economy includes average annual rates of economic growth of about 5 percent and a rate of investment equivalent to 21 percent of GDP, consistent with a projected increase in private investment, the execution of several large sectoral projects, and a recovery in the mining sector. A gradual decline in the fiscal deficit is projected over the period, together with some narrowing in the current account deficit, resulting from a recovery in raw materials prices and higher export volumes.

IV. ANALYSIS OF POVERTY

18. Poverty characterizes a sector of the population which cannot satisfy its **basic needs** for food, clothing, housing, education, health, security, and citizen participation as a result of the lack of opportunities to obtain sufficient income, reduced access to public services, high vulnerability, and social exclusion. As a result, the causes of poverty are both economic and social.

19. The inability of the poor, who lack property rights, to **accumulate physical and financial assets**, means that the assets they do possess tend to have a low rate of return, in the cases of both urban housing and rural property. Weak ownership rights also discourage maintenance and investment to improve property. The poor are more vulnerable to adversity, because their ability to generate income is exposed to greater risk of illness, unemployment, natural disasters, high inflation, and social conflict.

20. A recent World Bank study² assessing how the **poor perceive their situation**, both in rural areas and in cities, shows that they associate poverty with the lack of civic rights, family violence, social exclusion, job insecurity, and income insecurity.

21. Bolivia is among the countries with the highest **indicators of poverty in Latin America**. In 1992, 70 percent of households lived below the minimum threshold for

² World Bank, 1999. *Bolivia: Consultation with the Poor*.

satisfying the needs of housing, basic services, education, and health. In the rural areas in particular, poverty affected more than 90 percent of the population³ (Table 1).

22. **Social indicators reflect this situation.** Life expectancy at birth (61 years) is the lowest of all countries in the continent. In 1992, 20 percent of the population was illiterate, with that rate reaching 50 percent for women in rural areas. The infant mortality rate (67 deaths per thousand births in 1998) is high compared with that of Peru (47 per thousand) or Paraguay (41 per thousand).

23. In 1997 household surveys on family income, mostly in urban areas, showed that approximately 51 percent of the urban population was poor and 21 percent lived in conditions of extreme poverty.⁴ On a national level, the survey estimated that around 63 percent of the population lived in poverty, with 38 percent in conditions of extreme poverty (Table 2). Rural poverty is more prevalent—the same surveys show that approximately 80 percent of the population in the countryside live on income below the poverty line, with 58 percent receiving incomes below the value of a food basket.

24. Economic growth and the implementation of social policies during the 1990s have allowed for a moderate reduction in poverty indicators. Between 1989 and 1997, these data show that the percentage of poor urban households was reduced by approximately six points, while the limited data available for rural areas suggests that the percentage of the population living in poverty remained broadly unchanged at about 80 percent.

25. Bolivia faces not only high levels of poverty but also marked inequality in income distribution. In 1997 the poorest 20 percent of urban households accounted for less than 5 percent of aggregate income, while the top quintile accounted for 53 percent of aggregate income (Table 3).

A. Income, Employment, and Poverty

26. **Macroeconomic instability, low growth rates and income inequality are all factors that contribute to high rates of poverty.** An unstable economy reduces the income of the poor, while low growth rates limit employment opportunities, particularly when distributive mechanisms lead to income concentration.

³ The calculation of poverty regarding basic unsatisfied needs was performed using information obtained from the National Population and Housing Census of 1992. Such information constitutes the official data on poverty nationwide.

⁴ The 1997 National Survey of Employment covers capital cities, cities larger than 10,000 habitants, and the rural area. As measuring income levels in rural areas is notoriously difficult, the estimates of rural poverty may not be entirely accurate.

27. During the 1990s the favorable evolution of the economy allowed for an **increase in employment** and a corresponding reduction in open unemployment. Between 1990 and 1997, urban employment is estimated to have grown by 6.5 percent annually, with formal employment rising by 7.7 percent and informal employment by 5.1 percent. Over the same period, the rate of open unemployment fell from 7.3 percent to 4.4 percent of the economically active population.

28. In 1997 the rate of **gross participation** (the economically active population as a percentage of total population) was 41 percent for all Bolivian cities combined; however, the activity rate of the non-poor was 47 percent while that of the poor was only 34 percent. Inactivity tends to be greater among the poor due to lack of job satisfaction and the scarce possibilities of finding work, a situation confirmed by the levels of open unemployment in urban areas when assessed by income groups—2.4 percent for the non-poor sector and 7.1 percent for the poor.

29. **Informal employment** has remained at about 45 percent of total urban employment during the 1990s. By income group, in 1997 this percentage was estimated to be 53 percent for the poor and 39 percent for the non-poor (Table 4). Over 600,000 employed persons work in informal urban establishments under precarious conditions, with uncertain income, a lack of social security and long working hours.

30. Additionally, 51 percent of **non-skilled workers** in urban areas are poor and others live very close to the poverty line. Between 1989 and 1997, total employment income in urban areas grew by 6.2 percent a year, but non-skilled worker income only grew by 2.6 percent, a rate similar to that of GDP per capita growth during the same period.

31. While economic growth was accompanied by a growth in formal employment, jobs were also created in the informal sector, which absorbed the excess workforce. This higher rate of employment appears beneficial, but it masks the **vulnerability of those employed in the informal sector**.

32. In **rural areas**, 84 percent of the population is primarily engaged in agricultural activities, mostly in small family units with low levels of productivity and income, and few possibilities to increase their earnings. The median family income of agricultural workers is one-third the rural family income for those employed in commerce, and is less than half the level achieved by those working in rural transportation.

33. **Women and indigenous groups** are at a disadvantage in the labor market, as reflected by the disparity of income between men and women (35 percent lower for women) and between non-indigenous and indigenous groups (45 percent lower for the indigenous group), as measured in 1997. A significant part of these discrepancies cannot be explained by differing educational levels and experience, and thus must be traced to salary discrimination.

B. Regional Disparities

34. **Regional disparities reinforce poverty.** The distinct evolution of regional development has created important gaps, with some areas experiencing lower growth, reduced employment, lower income, and access to public services. All these factors are reflected in elevated poverty levels.

35. These regional gaps explain in large part the **migratory flows** to urban areas, as workers move in search of greater job opportunities and access to services. The depressed situation encountered in rural areas, especially those located farthest away from the large urban centers, is reflected in a negative net migratory flow. It is estimated that over one-third of the total urban population growth (3.9 percent) can be explained by immigration from rural zones.

36. **Regional GDP per capita** differences are significant. In Santa Cruz, GDP per capita is one-third above the national average. Oruro, Pando, and Cochabamba also are above the average. By contrast, Potosi lags far behind, with GDP per capita below two-thirds of the national average.

37. Between 1976 and 1992 the **Departments** which made the greatest advances in terms of the provision of basic services were Santa Cruz and Tarija, which reduced their indices of Unsatisfied Basic Needs (UBN) by more than 17 points, particularly with regard to the quality of materials employed in housing and the provision of electric power. By contrast, Potosi, Chuquisaca, and Pando all experienced a slower rhythm of reduction in their UBN indexes (see Table 1).

38. In 1997 **unemployment** was greatest in the cities of Sucre (10 percent), Cobija (7 percent), and La Paz (5 percent). This is in marked contrast with the open unemployment rates registered in Santa Cruz, Oruro, and El Alto, which were below 3.5 percent. The highest levels of informal employment are found in El Alto and Oruro (they are estimated at 60 percent and 48 percent, respectively).

39. Job opportunities are generally concentrated in the Departments of the **central axis of the country** (La Paz, Cochabamba, and Santa Cruz), as demonstrated by an overall poverty percentage of 58 percent, compared with that of the other Departments where poverty affects an average of 74 percent of the population.⁵

⁵ Estimations based on data from the National Employment Survey of 1997.

C. Human Capital and Poverty

Education

40. **Education** is one of the key elements to **raise income**, and thus help stop the intergenerational transmission of poverty within the population. In the urban sector, a greater level of formal education, particularly if the head of household reaches high school, can raise real income by an estimated 22 percent with respect to the previous generation.

41. Given this strong correlation between education and higher income, statistics show that the majority of the poor are only able to complete **elementary school**, with a smaller proportion reaching high school or the university. On the other hand, the non-poor population has greater opportunities to continue studying through the university level.

42. At the national level, the proportion of the population over 15 years of age which reaches **high school or above** is 41 percent; that proportion is of 29 percent for the poor and 58 percent for the non-poor. Similarly, the percentage of the population which reaches technical or higher education level is 14 percent at the national level, which also shows a large disparity when assessed for the poor (6.3 percent) and the non-poor (25 percent).

43. The percentage of the population over 15 years of age which receives **no formal education** whatsoever is 16 percent at the national level. For the poor, the proportion is of 21 percent. The percentage of the population completing only elementary school is 44 percent overall, but it reaches 55 percent for the poor population (Tables 5 and 6).

Health and nutrition

44. **Health conditions** in Bolivia are deficient: the epidemiological profile is characterized by elevated rates of morbidity and infant-maternal mortality; a high incidence of transmittable diseases such as Chagas, malaria, and tuberculosis; and a high prevalence of malnutrition in children under three years of age, particularly in rural areas (20 percent). The greatest incidence of disease is encountered in regions and areas of extreme poverty.⁶

45. Severe **respiratory infections** (IRA), diarrheas (EDA), and malnutrition are the principal causes of infant deaths. The prevalence of IRAs and EDAs is higher in rural areas and affect primarily children of mothers with low levels of education who live in poverty.

46. The **population living in extreme poverty are at higher risk** of contracting diseases due to the lack of basic public services, the type of occupational hazards they face, the lower levels of education, and a lack of information. As shown in Table 7, 18 percent of the population five years and older has been ill during the month just completed, and 21 percent of the population living in extreme poverty had been involved in an accident. Of those

⁶ In marginalized local Municipalities, infant mortality is 110 per thousand.

reporting to be ill, 41 percent received medical attention while only 29 percent of those living in extreme poverty did so, which illustrates again that the poor, who are more prone to illness, are less able to receive medical attention.

47. The principal **health concerns** are related to the lack of medical services, in turn resulting from the lack of resources and failures in institutional coordination. Bolivia has only three health establishments per 10,000 habitants, one hospital bed per 1,000 habitants, and five doctors per 10,000 habitants (Table 8). There are also no mechanisms guaranteeing continuity in vaccination and epidemiological surveillance programs.

Water, basic sanitation services, and electrification⁷

48. Substantial differences in **access to water and basic sanitation** services are revealed when examined by area and socio-demographic cross sections of the population. Data from 1997 reveal that in urban areas 12 percent of households lack running water and 42 percent lack proper sewerage facilities. In rural areas, 63 percent of households are without drinking water and almost 70 percent lack sewerage facilities (Table 9).

49. At the national level in 1997, 35 percent of all dwellings did not have **running water** (45 percent for poor households). Correspondingly, the lack of sewer facilities affected 41 percent of all private dwellings and 53 percent of all poor households (see Table 5). The percentage of households lacking access to electricity is 33 percent nationally, with a striking discrepancy between poor households (43 percent) and non-poor households (19 percent).

50. These **low coverage rates** are a result of poor management of the services, which have neglected infrastructure maintenance. The worst effects are felt in rural areas, where a large proportion of available resources has been channeled to projects for water, basic sanitation, and electrification. In 1999 investment in basic sanitation projects accounted for 18 percent of total investment, second only to investment in roads (31 percent).

Vulnerability of poor households

51. Over 80 percent of **rural workers** are employed in agriculture and close to half of urban workers are self-employed. The income of both groups, which include a high percentage of poor, is precarious, volatile, and subject to adverse weather and market conditions as well as changes in the social, economic, and political environment.

52. These conditions increase the **risk of loss of income** and expose households to extreme poverty, principally if they lack physical assets which would allow them to complement and diversify their sources of income, and are exacerbated by very limited access to justice and security. In Bolivia, vulnerability is high due to the problems

⁷ Statistics based upon the National Employment Survey of 1997.

surrounding land ownership and urban property while access to justice and security rarely reach the poor.

Land tenure and home ownership

53. Land ownership in rural areas suffers from a lack of **legal documentation**, making tenure insecure. The areas covered by title deeds by end-1999 totaled 7.8 million hectares, or 37 percent only of the surfaces requiring proof of ownership. Although this problem affects the poor and non-poor alike, its resolution is particularly urgent for the poor in order to reduce their degree of vulnerability.

54. The National Agrarian Reform Service Law has been in effect since 1996 and has made headway in settling conflicts with respect to **land ownership, land concessions, and expropriation** in indigenous groups. The functions of the Agrarian Superintendency have also been defined, and criteria are to be established regarding the taxation of agricultural property. So far, however, the lack of definition of the more specific points of the reform has not made it possible to reach its objectives.

55. Although a substantial segment (53 percent) of poor households in urban areas own their own **homes**, they often are of poor quality and legal documentation. For example, 47 percent of the housing of the poor consist of separate areas in shared houses, generally irregularly built and almost 30 percent lack a separate room for cooking. Furthermore, a large number of these dwellings have been built in informal settlements, which adds to insecurity of ownership.

Justice

56. The **administration of justice** has typically generated mechanisms for excluding the neediest groups, including delays in administering justice, a lack of local representatives, cumbersome procedures, and scant dissemination of citizens' rights; all of these conditions have made the poor even more insecure. The current reform of the judicial system is aimed at overcoming these problems, by creating the conditions for an equal treatment of all before the law.

D. Participation by the Poor

57. Given the lack of formal participation instruments, the poor have developed, within their own set of cultural values and traditional forms of organization, an **extensive network of guilds, cooperatives, credit unions, and other forms of social capital** that have lowered the costs of reaching agreements, created trust mechanisms based on people's reputations, and have become promoters of social mobility. The proportion of the population participating in social organizations is higher in Bolivia than the average in Latin America, with an even greater participation found in the rural areas of the *Altiplano* and the valley regions.

58. The **Citizens' Participation Law** is a step forward toward recognizing rural and urban grass-roots organizations as entities that participate in and help oversee municipal resources. This recognition has led to the creation and development of civic commitment networks and generated a series of participatory linkages with local governments.

V. THE POVERTY REDUCTION STRATEGY

59. The development of a **poverty reduction strategy** (PRS) is conceived as a process in which there is ample participation by representatives of the State and civil society in determining which actions may significantly reduce poverty in the coming years. Analysis shows that poverty in Bolivia is the result of a combination of economic, social, and cultural factors. From that perspective, eradication of poverty must be based on a comprehensive approach that takes into account the interrelation of economic, social, and political decisions. This **integral approach** implies that both economic development considerations and aspects related to the promotion of human capital, greater involvement of the poor, and reduction of the risks that they face must form part of the PRS.

60. This strategy proposal aims at **coordinating the activities carried out under the opportunity, equity, and institutional consolidation pillars** set forth in Bolivia's Operative Plan of Action, its commitments in the context of Consultative Group meetings, and any additional programs and actions needed to enable poverty reduction. The proposed strategy comprises specific challenges that translate into targets for economic growth, poverty reduction, and welfare improvement. To that end, it aims at assessing the effects on poverty of current economic policy, development policy, and priority social programs over the medium and long term.

Bolivia: Growth and Poverty Targets¹

	2000	2001	2002	2005	2010
GDP growth	4.0	5.5	6.0	6.0	6.0
Population growth	2.35	2.35	2.35	2.18	2.00
Growth of GDP per capita	1.6	3.1	3.6	3.7	3.9
Poverty rate	65.0	63.5	62.0	58.0	53.0
Urban	55.0	54.0	52.5	49.0	45.0
Rural	80.0	78.4	77.5	74.0	68.0
Poverty gap²	33.0	32.0	31.0	29.0	25.0
Urban	24.0	23.0	22.0	20.0	18.0
Rural	49.0	48.0	47.0	45.0	42.0

¹ The initial baseline for poverty rates was specified at the value estimated by the World Bank for 1997 and the targets were set in reference to this baseline. Given the uncertainty surrounding this estimate and the imminent availability of more reliable estimates from the 1999 National Household Survey in January/February 2000, the government will update the baseline prior to entering the National Dialogue to reflect the more recent and reliable figures. The results from this survey will provide the baseline for tracking progress in poverty reduction in the future. As a result of updating the baseline, it may be necessary to revisit the targets for subsequent years.

² The poverty gap is the difference between the poverty line and the average income of the poor (as defined as those who are below the poverty line).

61. This forecast should be considered as a reference framework to **guide the National Dialogue**, which, based on this information, will set the priorities and organize the activities and coordination of social actors in such a way as to shape Bolivia's poverty reduction strategy. Figure 1 presents an overview of different elements of the proposed strategy. These elements will be discussed in turn below.

VI. THE PROPOSED STRATEGY'S COMPONENT PARTS

62. The **strategic components** below form the general guidelines to overcome the principal causes which determine poverty conditions in Bolivia. It is expected that during the National Dialogue these specifications will be refined to reach a final proposal for implementation.

A. Generating Opportunities for the Poor

63. The purpose of this component is to provide incentive for economic development to **broaden income and employment opportunities** for the urban and rural poor. This requires increasing the level of economic growth, pursuing more equitable distribution of income, and promoting the economic activities carried out in low-income households.

64. In this context, the **Development Agenda** is aimed at promoting opportunities through improving the competitiveness of the productive sectors with greater value added, identifying the economic capacities of each region, and using rational non-renewable resources.

Macroeconomic conditions

65. In order to create more opportunities for the poor, it is necessary to **preserve macroeconomic stability** which, in turn, requires continuity in implementation of prudent fiscal policies, including through higher revenue by deepening the tax reform, widening the tax base, and proceeding with the customs reform. On the other hand, this will also require restricting fiscal expenditures, in order to generate more public savings to support the social reforms. Monetary policy will continue to be focused on maintaining price stability, and the exchange rate regime will also continue to be flexible to promote competitiveness in the external sector.

66. Policies will be oriented toward **reducing the current account deficit of the balance of payments** by increasing agroindustrial, mineral, oil and gas, and manufacturing exports. In turn, this will depend on a favorable foreign trade and international price environment (Tables 10 and 11).

Development Agenda

67. While it is recognized that the responsibility for **competitiveness** lies with the productive sector, it is in turn influenced by the quality of infrastructure, technological

advances, electrification, transportation, institutional quality, the financial system, the judicial system, human resources capacity, and the legal framework. For this reason, the Development Agenda incorporates actions to be taken in two areas: development of comparative advantages and the development of non-renewable resources.

For the development of comparative advantages three areas of intervention are considered:

(i) **Productive development.** Notwithstanding that economic stability and the free market provide a favorable economic environment for the development of productive activities, economic progress to date has yet to satisfy expectations regarding economic growth, employment, and exports. Productive development proposes the creation of a support system in the financial and technological sectors, along with physical infrastructure and information which, based upon market signals, permits the development of competitive advantages in activities which have export potential. These activities will be intensive in the use of resources and factors of production available domestically, in order to provide impulse for marginalized regions of the country. Policies and actions in this area are related to transport, market studies, commercial promotion, productive infrastructure, and training.

(ii) **Norms and institutions.** Structural reforms have enabled a reduction of state participation in the economy. However, governmental agencies charged with the registration, support, monitoring, and the provision of services to the productive sector and its norms have played a marginal role. This weakness has created obstacles to and bottlenecks in the functioning of productive activities. Similar effects have been observed as a result of the inadequate structure of ownership in private companies, characterized by obsolete organizational designs and internal administrations.

Normative and institutional reforms will be introduced with the objective of improving the context in which the productive sectors operate. These include strengthening the capacity of the State to fulfill its functions and promoting modern organizational structures, internal organization, and shareholder representation in private companies. Proposed **normative changes** include updating regulations and enforcing sectorial laws already in the books to promote the participation of the private sector in areas previously assumed by the public sector, and to modernize other legislation through the passage of laws concerning economic promotion, labor statutes, legal security, and contract law. With regard to **institutional reforms**, efforts are underway to reduce red tape and bureaucracy in public entities, limit discretionality through the transfer of a number of responsibilities from the public to the private sector, and reorganize some public institutions.

(iii) **Support infrastructure for production.** A major factor limiting competitiveness in the productive sectors is the deficient productive infrastructure in the transport, electricity and telecommunication sectors. Thus priority will be attached to improving the national road network and to completing of the inter-ocean corridors. Support will continue for improvements in communication systems and increased efficiency in electric power and petroleum byproduct systems. The government will also support the building of irrigation systems in order to raise rural productivity.

For the development of non-renewable resources, two areas of intervention are envisaged:

(i) **Utilization.** Economic stability, the passage of the Hydrocarbons Law and the Mining Code, the signing of commercial gas agreements with Brazil, the transfer to the private sector of public enterprises, and the signing of several agreements guaranteeing foreign investment and avoiding duplication of international taxation have provided the framework for attracting foreign capital. As a result, hydrocarbons exploitation has increased, providing the basis for overcoming the current difficulties in the mining sector. These policies must be complemented by an active promotion of investment, the signing of new commercial agreements, and consistent sectorial regulations.

Future plans include expanding the gas market in Brazil and gaining access to markets in Paraguay and other countries, liberalizing market access, and generating conditions to improve the level of competitiveness of operators. In the mining sector, available resources will be promoted, research capacity will be increased and developed in both the public and private sectors, legislation will be updated to permit water exports, and fiscal and financial stimuli will be provided for the exploration and exploitation of reserves.

(ii) **Transformation.** An effort will be made to further the integration of productive processes, particularly primary sector activities with processing activities, by boosting branches of activity associated with agroindustry, nonmetallic minerals, and oil. Production chains linking large-, medium-, and small-scale enterprises will also be promoted in order to generate virtuous output circles. In the hydrocarbons sector, studies will be performed to assess the possibilities of the sale of electrical energy to Brazil, develop the petrochemical industry, and promote the use of natural gas. In the mining sector, the industrial production of minerals, precious gems, and nonmetallic minerals will be promoted.

Development and equity

68. In order to generate greater equity, **growth must be broader-based**, because the activities to which the poor have access are precarious both in urban areas (with informal, small-scale activities) and in rural areas, characterized by a low productivity and weak links to markets. For these reasons, efforts to promote growth will be accompanied by incentives to activities in which the poor are engaged, so as to raise their incomes. The efforts will be geared toward strengthening microenterprises, raising rural productivity, broadening the markets for such activities, and promoting microcredit.

(i) **Strengthening microenterprises.** With a view to creating the necessary conditions for the development of microenterprises, a strategic plan for this sector is being drawn up, designed to create an appropriate regulatory framework, support productivity and competitiveness, and strengthen public and private bodies specializing in this field. Furthermore, the productive, commercial, and service infrastructure required for these activities will be strengthened.

(ii) **Increasing rural productivity.** Steps will be taken to raise rural productivity by providing better access to technology, reducing food insecurity by increasing food output in poor rural areas, and expanding irrigation, micro-irrigation, and rural electricity infrastructure. A number of projects and programs already exist to support the above-mentioned activities.

(iii) **Opening up market opportunities.** Information systems regarding potential markets will be developed and producers will be encouraged to participate and negotiate in input and product markets.

(iv) **Promoting urban and rural microcredit.** The activities of Nacional Financiera Boliviana (NAFIBO), which channels medium- and long-term credit lines to small enterprises, and those of the Fondo de Desarrollo del Sistema Financiero (FONDESIF), which provides technical assistance to financial enterprises wishing to enter the microfinance field, will both be continued.

B. Promoting Skills Development Among the Poor

69. With the goal of reducing the differences in human capital observed between poor and non-poor households, steps will be taken to improve the provision of social services such as health, education, housing, access to drinking water, and basic sanitation. The impact of these policies is expected to become apparent in the medium and long term.

Education

70. The poor population generally exhibits **low levels of schooling** associated with an inferior quality of education which, in turn, prevents raising the incomes of the poor in a sustained manner over time or overcoming the circle whereby poverty is handed down from one generation to the next. In addition, the benefits of a higher standard of education can be seen in improvements in productivity, economic development, the general state of health of the population, and the capacity for the poor to take advantage of other basic services.

71. In the area of education, the main objective is to increase the quality, efficiency, and equity of **access to educational services**, especially for primary and secondary education. A set of programs will be developed aimed at strengthening educational management, raising teacher qualifications, adapting the school curriculum to the needs of the population, and introducing mechanisms to encourage participation and efficiency at the various levels of education. Given that providing educational services entails establishing priorities for action, the following policies are proposed:

(i) **Educational reform.** This reform is currently underway. In the first phase, institutional and curriculum changes were implemented with emphasis placed on primary and secondary education. In a second stage, the reform includes components relating to school infrastructure, participation by local communities, and strengthening local government management of the educational system. Defining these components will make it possible to

prepare Nuclear Educational Projects (PEN), which ought to be designed by the schools themselves in coordination with municipal, departmental, and national bodies.

(ii) **Higher education reform.** This reform is aimed at improving the quality of higher education and elevating the calibre of human capital. To that end, a reform proposal will be crafted that includes criteria to ensure: (a) more effective and efficient expenditure and investment; (b) implementation of an academic credentials agency; (c) a hierarchy of university-level professional training courses; and (d) increased accountability.

Health

72. The adverse effects of **ill health** are more serious among the poor, due to their frequent exposure to ailments and because their homes are more exposed to diarrheic and respiratory illnesses. Actions are to be carried out to improve the provision of public health services and thus raise the levels of productivity, quality of life, and well-being.

73. These steps are aimed at reducing the high maternal-child morbidity and mortality rates and lowering the high incidence of transmissible diseases such as Chagas' disease, malaria, and tuberculosis which are found more frequently among the poor. To achieve those objectives, the reform contemplates technical and institutional changes, which include:

(i) **Basic health care service.** This program provides a key set of high-impact, low-cost health care services in order to ensure a reduction in maternal-child and child mortality. Basic health insurance has been implemented as a part of this program.

(ii) **Control and surveillance of transmissible diseases.** This program aims at reducing the incidence of transmissible diseases through: (a) the control, prevention, and treatment of transmissible diseases; and (b) strengthening the Epidemiological Surveillance System. Both components are included in the Epidemiological Shield Program.

(iii) **Health infrastructure.** Efficient use of existing capacity will be achieved by using a services network system, improving maternity facilities, obstetric networks, and neonatal care centers. Mobile medical units will be used to reach the population in outlying rural areas.

(iv) **Nutrition and childhood support.** Efforts to improve nutrition, further the education of mothers, and carry out public health programs are to be directed toward reducing the levels of chronic and severe malnutrition. The Program of Attention to Children under the age of six (PAN), currently underway, provides an integral approach to this problem including health, nutrition, and early education components.

Housing

74. Given the inadequate living conditions that the poor face, this segment of the population should be provided with access to decent housing facilities, equipped with essential basic services. The following programs have been established:

- (i) **Improvement of neighborhoods and housing**, which includes investment in basic infrastructure, community development, hygiene education, and strengthening local governments to improve the services for poor homes in suburban areas.
- (ii) **Access and home improvements.** To provide access to housing for the poor population, subsidies will be provided to finance part of the total cost of the dwelling. In rural areas, home improvements will be promoted, especially in areas affected by endemic disease, with housing refurbishments and wall and roof repairs.

Water and sewerage

75. The homes of the poor have limited access to water services and basic sanitation, which, in turn, worsens living and health conditions, and diminishes the quality of neighborhoods and communities. In order to maintain, extend, and improve the supply of drinking water and basic sanitation facilities, particularly in rural and suburban areas, the following programs will be implemented:

- (i) **Suburban area.** Increased coverage of drinking water services and sewerage will be achieved by expanding the network of basic sanitation in urban areas and suburban areas outside the major cities. In addition, municipal staff will be trained in the administration, operation, and maintenance of basic sanitation systems; training will also be provided to beneficiaries in the appropriate use of these systems, thus ensuring the maintenance of the network.
- (ii) **Rural area.** The coverage of drinking water and basic sanitation services will be expanded through the provision and improvement of infrastructure, technical assistance, and the active participation of beneficiaries. On the other hand, the Rural Basic Sanitation Program (PROSABAR) focuses on the construction of water and sewerage systems in communities of less than 5,000 inhabitants.

C. Promoting Participation

76. Participation by the poor will contribute to poverty reduction by making it possible to identify their needs and demands, monitor public policies and, in some cases, manage social programs. This component, therefore, includes activities designed to strengthen areas in which the poor can participate in order to raise the levels of social capital.

Strengthening areas of participation

77. The mechanisms of **civil participation** will be strengthened. While the Citizens' Participation law is a major step forward, in that it allows for civil society participation through local grass-roots organizations (*Organizaciones Territoriales de Base*—OTBs) and Vigilance Committees (CVs), the results are not yet satisfactory, due to shortcomings in local government management and the lack of coordination among the various levels of government administration.

78. It is important to boost civil society participation by **consolidating local communities** as areas in which social policies are put into effect, and to incorporate efficiency criteria. To achieve these goals, the authorities will implement the Local Government Strategic Plan, aimed at consolidating the participation process through measures designed to: (a) strengthen self-management; (b) consolidate the public management system; (c) deepen the processes of participation, control, and social dialogue; and (d) improve the living conditions of the poor.

Enhancing social capital

79. **Social capital** comprises the values and attitudes which influence the way people interact with one another. Consequently, it can be enhanced by defining a set of standards and reciprocity arrangements, and by forming groups of citizens who facilitate cooperation and assist in management. In many instances, such networks tend to become substitutes for the formal participation mechanisms.

80. Although the poor show willingness to take part in **cooperation networks**, the latter have yet to receive government backing. Hence, there is a need to protect and foster social capital through actions designed to: (a) promote civil society organizations; (b) support social intermediaries; (c) delegate public functions; and (d) promote the participation of communities and beneficiaries in program design and implementation.

D. Reducing the Vulnerability of the Poor

81. Changes in macroeconomic conditions, external shocks, deterioration of the terms of trade, natural environmental factors, the legal framework, and the administration of justice all affect the few assets owned by the poor in both rural and urban areas. The following actions aim at reducing that vulnerability:

Guaranteeing ownership of the assets of the poor in urban areas

82. Many of the plots on which the poor build their homes **lack title deeds**, which creates uncertainty regarding right of use and discourages investment in improvements. In order to establish ownership rights in peri-urban areas, steps will be taken to: (a) update the urban property cadastre in the Municipalities; (b) establish and improve registration of urban property, giving priority to conflictive neighborhoods; (c) establish an urban property municipal appraisal system; and (d) prevent and mitigate risks, and respond to emergencies when natural disasters strike.

Guaranteeing small farmers' land ownership rights

83. There is a need to define individual **ownership rights** to facilitate the buying and selling of land, the use of this asset as collateral in obtaining credit, and its transfer through inheritance. With these goals in mind, the following activities will be continued and strengthened through: (a) establishment and upkeep of a rural property cadastre;

(b) acceleration of land titling; and (c) creation of a decentralized land appraisal system for rural areas.

Increasing the value of the assets of the poor

84. In order to raise the **value of the assets** possessed by the poor, programs will be pursued to: (a) provide basic services in peri-urban neighborhoods; (b) build local roads in rural areas; and (c) construct micro-irrigation systems.

Reforms in the administration of justice

85. In many cases, the poor are excluded from the **administration of justice** due to the lack of courts or to the high costs of these services. In order to ensure that all citizens are equal in the eyes of the law, the following steps will be taken: (a) the main laws governing the way the judicial system is organized will be reformed; (b) an appropriate system for decentralizing judicial activities will be established; and (c) the justice system will be streamlined, using new mechanisms to speed up judicial procedures.

E. Fighting Discrimination

86. **Discrimination** generates greater inequality, poverty, and unwanted exclusions that normally affect women and indigenous populations. To counter such inequalities, explicit policies aimed at fighting discrimination need to be applied in all social programs. The law against family violence, the Indigenous Peoples Law, the draft law against sexual harassment, the amendments to the Electoral Code, the Political Parties Law, and the enabling regulations of the Agrarian Reform Law (INRA) all pave the way for a more equal treatment of women in the social and economic areas. Labor regulations likewise attempt to ensure equal treatment for men and women.

87. **Ethnic and gender perspectives** have been incorporated into the Educational Reform, which includes bilingual intercultural education and a program to promote the enrollment of girls in the educational system. Health programs, especially the Basic Health Service (SBS) health care package, are oriented toward protecting women through reproductive and maternity health care. The Health with Identity program aims at overcoming cultural barriers to access to services, while the Epidemiological Shield Program contemplates training community leaders in indigenous areas.

VII. THE INSTITUTIONAL FRAMEWORK

88. Implementation of the activities listed for each strategic component presupposes the existence of an **institutional framework** in line with the proposed objectives. The bodies within the central government that set and monitor rules and regulations, as well as the decentralized local authorities and implementing agencies, need appropriate organizational structures to enable them to perform efficiently, effectively, and on time.

89. The **institutional structure of the Bolivian state**, with its central administration, Prefectures, and Municipalities constitutes one of the major instruments for establishing standards and designing the operational arrangements needed to achieve the poverty-reduction goals. However, the institutional framework required to carry out the poverty reduction strategy needs to be reinforced, and rapid and efficient coordination must be established.

90. The recent norms passed to modernize the State were designed in this perspective, and the following institutional levels will put the strategy into practice:

(i) **Central administration.** The National Social Policy Council (CONAPSO) and the National Economic Policy Council (CONAPE), which comprises the Ministries of the Presidency, Education, Health, Housing, Sustainable Development, Labor, Economic Development, Foreign Trade, Agriculture, and Finance will continue to be the principal bodies setting the standards governing economic and social policy, coordinating it, directing the distribution of resources, and monitoring the indicators defined under the poverty reduction strategy. The ministries of the social sector will be in charge of proposing norms, policy guidelines, and the transfer of resources to the regions.

(ii) **Prefectures.** The Prefectures will be responsible for carrying out national policies at the regional level and for the utilization of resources in coordination with Municipalities and funds of the Departmental Services of Education, Health, Basic Sanitation, and Infrastructure.

(iii) **Municipalities.** The most important operational level is that of Municipalities, as they directly execute or contract the communal projects. Control of their activities is overseen by Vigilance Committees which have the authority to denounce irregular processes to the state and to the legal bodies; in turn, these will be strengthened to attend to these demands.

(iv) **Funds.** The cofinancing system which unifies the development funds will support the Prefectures and Municipalities with complementary resources necessary to carry out regional and local projects, with priority placed on social infrastructure.

(v) **The private sector.** A large part of the projects of the Municipalities and Prefectures will be delegated or bidden out to the private sector, the NGOs, and other private institutions with the capacity to assume responsibilities in a competitive fashion.

(vi) **The National Dialogue.** The National Dialogue will be the forum in which government institutions, civil society, and the political parties can analyze progress being made under the strategy and make recommendations.

(vii) **Monitoring and evaluation.** Monitoring and evaluation of the strategy will be carried out by the National Statistics Institute (INE) and UDAPE, which will report to CONAPSO, CONAPE, and the National Dialogue.

VIII. FINANCING

91. Funding for the programs and projects under the poverty reduction strategy components will depend on fiscal revenue, macroeconomic targets, and access to external funding. In order to set appropriate priorities, it will also be important that the comprehensive poverty reduction strategy developed in the context of the National Dialogue establish cost estimates of specific program recommendations.

92. In order to ease fiscal limitations, it is necessary to **improve tax administration**, ensure that taxation is progressive, develop effective tax evasion detection systems, and revise special taxation arrangements. The implementation of the Customs Law and the reform of Internal Revenue Service are expected to lead to an increase in revenue collections.

93. Given the restrictions faced by the public sector, mechanisms which **involve the private sector** in the financing and provision of social services are indispensable and will make it possible to exploit its comparative advantages.

94. With regard to **external funding**, the Bolivian proposal entitled “The New Relationship Framework Between the Government and the International Cooperation in the 21st Century” must be implemented. This proposal, endorsed by the 1999 Consultative Group, identifies areas for improvement in the relationship between the government and the international community for the administration of development programs and projects. The document defines the objectives sought by both parties and proposes actions to be followed in the short- and medium-term in order to achieve greater efficiency and coordination among the actors involved in the development process and the reduction of poverty.

95. The **New Relations Framework** proposes the institutionalization of civil society initiatives within the government; the definition of priorities; a shift toward results-oriented project design, supervision, follow-up, and evaluation in conjunction with external financing; the decentralization of international agencies for decisions to be taken in Bolivia; the reprogramming and reallocation of program and sector resources; multiyear budgets; and cofinancing of programs among donors and the establishment of standards for the acquisition of goods and services for all of the international cooperation and the government.

96. Within this framework, **three convergent proposals** have been developed in the past—the “Comprehensive Development Framework” of the World Bank, “Shaping the 21st Century: The Contribution of Development Cooperation” by the OECD countries, and “UNDAF” of the United Nations.

97. In addition, there exists the possibility to gain access to debt relief assistance under the **enhanced HIPC Initiative**, as proposed by international organizations, and to take advantage of the support of the international community for a poverty reduction strategy. All these issues will be discussed during the Consultative Group meeting.

98. In order to improve the **administration of expenditure** on social programs, an effort will be made to strengthen subnational bodies through the implementation of better

mechanisms allowing them to raise their own income, and the efficient assignation and administration of resources. Regarding social projects already under way, a reassignment of resources toward operating outlays will help ensure that infrastructure is properly maintained.

99. Based on the above, a **preliminary assessment** has been made by the government of the financing required to cover the programs and projects included in this strategy. The additional external financing reacquired through the year 2002 is projected at around US\$1,625 million.

IX. DECENTRALIZATION

100. **Decentralization** is an important tool for both reducing poverty and enhancing equality since it makes it possible to focus on local needs, encourages good governance, and generates a desire for communities to start having a say in the development of their region.

101. In this framework, decentralization seeks to **transfer political power to municipal governments**; promote fiscal responsibility through the handling of local public finances; promote social control mechanisms; generate greater competition among production factors; and achieve greater efficiency in the provision of social services.

102. Such considerations have led to the promulgation of the Citizens' Participation Law and the Law on Administrative Decentralization of the Executive Branch, which have special provisions promoting **citizens' participation** as well as improvements in the distribution of income at the local level. The Citizens' Participation Law transfers powers and resources to Municipalities and grants legal status to all the regional organizations. The Administrative Decentralization Law also transfers and delegates technical and administrative powers to Departmental Prefectures.

103. Over the five-year period during which these two laws have been implemented, it has been possible to correct a large part of the distortions which existed in the **allocation of public coparticipation resources**, by allocating it on a per capita basis. Civic participation has also become much more important as approximately 14,000 OTBs and 311 Vigilance Committees have been formed. As for social control mechanisms, several mayors have been removed for discretionary handling of public funds. With respect to resources allocation, municipal investment in basic social services has increased in recent years.

104. Although this system of decentralized public administration has led to improvements in participation, resource allocation, the provision of services, and control of public spending, it is necessary **to deepen this process** by making more advances in terms of equity, municipal administration, and the provision of basic social services.

105. **Improving equity.** The horizontal equity promoted with the coparticipation resources distributed on a per capita basis needs to be complemented with a compensational allocation of resources to regions characterized by high levels of poverty and low population density. In that context, the cofinancing policy becomes an important factor in a decentralized administration through which the national government intends to introduce equitable

distribution (allocation of funds based on regional needs) in health, education, basic sanitation, and roads. To that end, a Unified Fund Directory will establish how the Investment and Development Funds can offer cofinancing facilities in an orderly manner while giving priority to the reduction of poverty in the country.

106. **Efficiency in the provision of social services.** In order to guarantee that supply meets local demand, the processes of participatory planning will be strengthened and implemented through Municipal Development Plans (PDMs) and Annual Operative Plans (POAs) previously mentioned in the Strengthening Areas of Participation section, and Municipal Institutional Development Plans (DIM) under the responsibility of the Viceministry of Strategic Planning and Popular Participation. These plans and their results will be subject to public monitoring and evaluation to increase the efficiency of their administration.

X. FOLLOW-UP AND MONITORING

107. Follow-up and monitoring of the strategy will take the form of **tracking social and poverty indicators**, as well as other indicators measuring the impact of programs and efficiency in the use of resources. This information will be made available in the framework of the National Dialogue and international cooperation, so that the political class, civil society, and foreign donors and creditors are fully informed of progress being made.

108. In order to attain those objectives, the **following actions** are being developed:

- (i) Nationwide, on-going surveys will be conducted on the quality of life, and specific surveys will be performed to monitor poverty and its causes.
- (ii) Regional information systems will be strengthened at the departmental and municipal levels.
- (iii) In the social sector, existing information systems in the Ministries of Education (SIE) and Health (SNIS) will be strengthened, and a new information system will be created in the Ministry of Housing.
- (iv) An attempt will be made to improve the information available in the Departments and Municipalities regarding budgets, social expenditure, and social sector indicators.
- (v) Data on the national budget, social expenditure, and public investment, which are currently kept by the Ministry of Finance, will also form part of the information system.
- (vi) Follow-up will be continued, using indicators agreed upon in the context of the National Dialogue and the Consultative Group.

109. The institution responsible for coordinating, revising, and disseminating the information will be the **National Institute of Statistics (INE)**. Analysis of social data and

evaluation of how well the strategy performs will be coordinated by UDAPE, with the participation of INE and the economic and social sector ministries. The two institutions in charge of following up the implementation of policy actions will be the Economic and Social Councils of Ministers (CONAPE and CONAPSO), respectively. The results of the follow-up analysis will be made widely available to civil society in order to encourage it to continue participating in the operative phase of the poverty reduction strategy.

XI. NATIONAL DIALOGUE

110. In 1997, soon after assuming its new responsibilities, the present government organized a **National Dialogue**, an initiative that has profoundly modified political behavior in Bolivia. Convened by the President of the Republic, this participatory forum has brought together the most representative organizations of the country and established a consensus that the development of the country should be founded on four pillars or axes: equity, opportunity, dignity, and a strong institutional framework.

111. The National Dialogue has permitted to define **medium- to long-term objectives** for Bolivia, generating positive expectations in organizations involved in international cooperation given that these organizations are working under a new scheme of social conditionality for access to resources such as the World Bank's Comprehensive Development Framework (CDF), the Heavily Indebted Poor Countries (HIPC) Initiative, and the Consultative Group. This is expected to create a favorable international context for the relaunching of the National Dialogue.

112. However, the **lack of institutionality of the dialogue process** has led to low participation by representatives of civil society in monitoring execution of public policies, which has created a certain amount of mistrust in the outcome of the first dialogue. Based on this important experience, and with the aim of constructing a final strategy for the reduction of poverty with full participation of the principal social and political actors, including the political opposition, a **second National Dialogue will be convened with the following objectives:**

- (i) To transform initiatives into State policies aimed at promoting growth and reducing poverty, on the basis of agreements reached between the government, the opposition, and civil society.
- (ii) To strengthen civil society trust in this instrument.
- (iii) To prioritize the use of resources for poverty reduction.
- (iv) To institute a participatory body in charge of following up on and monitoring commitments made in the course of the National Dialogue.

113. At the present time, **the participation of NGOs and private entrepreneurs has been assured and discussions are underway to include the church and political parties**

of the opposition. International cooperation in conjunction with the public sector will prepare financial funding for the principal programs of social development.

114. A tentative agenda to achieve these objectives would include the following :

January 2000. National Dialogue announced and convened.

January 2000. Consultations with all political parties, congress representatives, and the church to reach an agreement regarding the most important topics to be discussed in the dialogue.

January 2000. A steering council will be formed, chaired by the President of the Republic and comprising the Vice-President of the Republic; the Ministers of the Presidency, Finance and Economic Development; and representatives of civil society. The council will determine the topics of discussion within the issues agreed upon in the previous consultations and will promote participation. The council will meet every two weeks to monitor the dialogue process and to follow-up on its results.

January 2000. A National Dialogue Secretariat will also be created, chaired by the Vice-President and composed of representatives of the Ministries of Finance and Economic Development and representatives of civil society. The Secretariat will organize meetings to develop and analyze the proposals and will name representatives for the workshops in which participation will be actively promoted.

January 2000. Discussions with the representatives of the civil society to assist in defining the specific issues for the National Dialogue.

February 2000. Working documents will be prepared by the participants in the dialogue, the government, and representatives of the civil society. These documents will comprise the basis for the discussion. The government will provide official information on social statistics, financial data, and other documents required by the representatives of the civil society for the development of their working documents.

March 2000. Three National Workshops will be held to revise the policy proposals obtained from the working documents, and the agreements and disagreements resulting from the workshops will be documented. These results will, in turn, be presented to the Regional Workshops.

April 2000. The results of the National and Regional Workshops will be discussed with the goal of helping to define the national policies at local levels, taking the specific problems and characteristics of each region into account.

May 2000. National dialogue meetings will be held to consider the poverty reduction strategy proposal and its plan of action.

May 2000. The proposals will be brought together and a final poverty reduction strategy document will be prepared.