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## COUNTRY AND INTERCOUNTRY PROGRAMMES AND PROJECTS

Consideration and approval of country programmes

## EXTENSION OF THE SECOND COUNTRY PROGRAMME FOR BOLIVIA

UNDP assistance requested by the Government of Bolivia for  
the period of extension from January to December 1983Illustrative IPF for 1982-1986: \$19.5 millionI. Background

1. Events of recent years have brought to light the country's serious economic, social and political problems. Evidence of this situation is provided by the repeated changes of government, which began in 1979, and became increasingly critical in 1980 and 1981. In 1982 a patriotic/popular movement for a return to constitutional government forced a shift from a long succession of military régimes (approximately 18 years) to a democratic government made up of a coalition of political parties, which took power in late October of that year.

2. In addition, the economic and financial crisis facing the country, considered to be the most serious since it was founded, deepened during the first six months of 1982, and, while measures such as the three-year plan, currency devaluation, floating of the dollar and the withdrawal of subsidies, etc. were taken to restructure the national economy, there was no medium-term development strategy per se.

\* The second country programme for Bolivia covers the period from January 1977 to December 1983 and was approved by the Governing Council during its twenty-fourth session. See document DP/GC/BOL/R.2.

3. In the circumstances, the political and institutional conditions for the development of a third UNDP technical assistance programme did not exist. Moreover, since development lines and objectives remained the same throughout 1981, despite the changes in government, there was no significant alteration of the development objectives established in the second country programme (1977-1981).

4. When the new democratic government took office (October 1982) a new economic policy emerged. It was regarded as a "national emergency" for the first 100 days of administration (6 November 1982 - 16 February 1983), and was presumably aimed at mobilizing all efforts in a "great national recovery campaign". And so the economic situation deteriorated, with the gross domestic product (GDP) dropping to critical levels, a steadily increasing fiscal deficit, high inflation, deficits and mismanagement of public enterprises, a massive external debt and high debt-servicing costs.

5. It was against this background that the Bolivian Government's National Development Plan was still pending during the first half of 1983, a factor which led to the formulation of a UNDP technical assistance programme and which justified an initial extension of the country programme (1977-1981) until December 1982. This extension was approved in May 1982, during the Special Session of the Governing Council, and justifies the second extension until December 1983 in keeping with national priorities, i.e., a reactivation of the productive sector, job creation (energy, mining, agriculture, agro-industry) and renegotiation of the external debt.

6. Available programming resources in 1983 amount to \$US 3,424,000, including \$1,124,000 in cost-sharing by the Government.

## II. Objectives

7. The economic situation calls for a reaffirmation of the development objectives set forth in the second country programme (1977-1981).

8. UNDP assistance must continue to be targeted to those technical co-operation activities that have multiplier effects and call for inter-sectoral activities, enabling UNDP to act as catalyst for other multi-bilateral and bilateral sources of assistance in the following strategic areas: (a) development planning and administration; (b) productive sectors; (c) agricultural and agro-industrial development; and (d) infrastructures.

9. In this context, efforts have been made to develop sufficiently flexible mechanisms for assisting the Government quickly, as required, and in whatever fields may be necessary, particularly within the framework of the Development administration project (BOL/80/001). That is how the concept of the "umbrella" project as a flexible support instrument for short-term plans is to be enlarged.

10. The specific targets of the second country programme (1977-1981) could not be met for domestic political reasons which made it difficult to establish a coherent economic policy and because of the world economic recession.

11. Development of the economy has been affected by the structural and circumstantial imbalances which have eroded Bolivian society and the quality of life.

12. The Government's economic policy is guided by the overall objective of achieving economic stability at the smallest social cost so as to lay the foundation for sustained development at the earliest, with guarantees that democracy will be preserved and strengthened.

13. It is also endeavouring to eliminate the serious existing imbalances by: (a) reducing, and, if possible, controlling inflation and stimulating production; and (b) arresting the deterioration in income distribution, the serious and growing imbalances in the foreign sector, the acute shortage of basic foodstuffs for domestic consumption, the deterioration in the terms of trade and the stagnation in certain key production sectors, which has a direct effect on productivity.

14. The Bolivian Government is also working for the renegotiation of its external debt to obtain new resources for promoting development and balancing its finances.

15. As things now stand, Bolivia can only achieve accelerated economic growth by straightening out its financial market, increasing domestic savings and investing those savings more judiciously. To that end, the Government plans to carry out a restructuring of its financial system. Finally, regional development corporations are preparing to submit plans and programmes to the Ministry of Planning to be co-ordinated and brought into line with the national development strategy as a basis for a future national development plan.

### III. Description of the programme and its relationship to national development objectives

16. In the present extension of the country programme (1977-1981), particularly for 1983, each project has been designed so that its activities include one or more of the following components as appropriate: (a) direct job and income generation; (b) specific programmes aimed at creating productive activities; and (c) concrete results to be applied to solving real problems.

17. Following are descriptions of projects to be executed in 1983 which are the same as those in the 1982 programme, with the following exceptions:

(a) Preparation of agricultural investment projects in traditional areas (BOL/82/001); (b) Comprehensive assistance to industry (BOL/82/004); (c) Mothers' clubs (BOL/83/004); (d) Programme for the development of cultural tourism (BOL/83/001).

A. Development planning and policies

Ongoing projects

Development administration (BOL/80/001)

18. The project is aimed at strengthening the national planning system and endeavours to meet technical co-operation needs quickly, flexibly and promptly by means of consultations to be held as specific development plans and programmes of national interest are carried out. It likewise endeavours to assist the Government in the formulation of a national policy of integration in the region and subregion and to lay the foundation for technical co-operation among developing countries (TCDC).

Economic analysis, evaluation of investments and economic training (BOL/81/001)

19. The project objective is to increase the economic management capacity of the Government in general and the planning system in particular. It involves primarily the development of a system for macro-economic forecasting, programming and monitoring of public investment, information, and administration of a data base to provide support for economic management as part of an integrated programme involving the Ministries of Planning and Finance, the Central Bank and the National Statistical Institute.

20. Special emphasis has been placed on: (a) the establishment of a system of projects to be linked with the investment planning and budget systems (still being developed) as a complement to the economic stabilization project (BOL/80/005); (b) the establishment, as a joint activity with the United Nations Conference on Trade and Development (UNCTAD), of a new system for keeping an account of the external debt and establishing a support group to help manage the external debt and advise with regard to its renegotiation; (c) the design and implementation of an economic recovery programme.

B. Natural resources

Ongoing projects

Preparatory assistance to the Planning and Projects Division of the Bolivian Mining Corporation (COMIBOL) (BOL/80/002)

21. The project is aimed at increasing the Corporation's capacity for planning and preparing investment projects by (a) the preparation and analysis of an inventory of pre-investment and investment projects; (b) the formulation of a prospective investment programme; (c) the identification of technical assistance and training needs.

Plan for the reorganization and rehabilitation of COMIBOL (BOL/81/002)

22. The Bolivian Government is to receive administrative and technical assistance in the design and preparation of the above-mentioned plan, which will enable COMIBOL to improve its economic and financial situation and increase its production and productivity levels by means of a short-term action programme and a priority investment programme, including feasibility studies for new projects and replacement of essential equipment.

Hydrocarbons policy (Phase I) (BOL/82/002) and (Phase II) (BOL/82/003) (Energy Account)

23. The projects are aimed at achieving two immediate objectives: (a) development of a national export policy for natural gas; (b) development of a rational policy for the negotiation of international hydrocarbons exploration contracts.

C. Agriculture, forestry and fisheries

Ongoing projects

Soil management and conservation (BOL/78/013)

24. The project's aims are: (a) to implement for small, medium and large farmers a pilot departmental programme of soil management and conservation based on 20 pilot experimentation and demonstration units covering a total area of 900 hectares; (b) to develop a model of departmental institutional organization responsible for supervising and co-ordinating soil management and conservation programmes, integrating such model into a national system; (c) to prepare pre-feasibility studies for investment projects based on appropriate soil management and conservation techniques; (d) to establish and test the most appropriate agricultural extension methods, so as to ensure that at least 83 small farmers apply the new, improved soil management and conservation techniques using supervised loans granted under the project and payable from the Revolving Fund; (e) to train national personnel.

Consolidation of irrigated agricultural systems (BOL/80/004)

25. As part of its agricultural policy, the Government is trying to rapidly expand irrigation agriculture in the Cochabamba valley, based on the development and utilization of groundwater resources under project BOL/73/008 and the follow-up to that project, Irrigated Agricultural Development (BOL/78/005), and using the 24 pumping units.

26. The purpose of introducing irrigation agriculture is to convert predominantly small farms into labour-intensive, market-oriented production units based on year-round intensive land use and the application of improved production practices. In order to create optimum employment opportunities for farm families and a uniform demand for irrigation water, a pattern of mixed cultivation will have to be introduced which will result in intensive land use: i.e., as much as 300 per cent.

27. Although the project began only recently, its immediate objective is to develop a model irrigated farming system in the Cochabamba valley which could then be applied in other valleys with a potential for irrigation.

Forestry development (BOL/80/009)

28. Preparatory assistance under the project envisages: (a) enhancing the sectoral planning capacities of the competent forestry authorities and (b) technical and institutional strengthening of the Forestry Development Centre.

New projects

Preparation of projects of agricultural investment in traditional areas (BOL/82/001)

29. The project's development objectives are: (a) to prepare appropriate feasibility studies for consideration by an international financing agency (International Fund for Agricultural Development, IFAD) of two projects for which pre-feasibility studies were made at the selection stage: (1) Cotagaita and San Juan de Oro (Potosí) agricultural development project; (2) Chuquisaca-Sur (Valle de Culpina en Incahua) agricultural development project; (b) to demonstrate the economic and financial viability of the proposed projects; (c) to show that these projects are technically viable and sound, according to the best options available based on current technology levels and their limitations; (d) to show that they are administratively and institutionally manageable.

D. Industry

New projects

Integrated assistance to industry (BOL/82/004)

30. The immediate objectives of this project are: (a) to strengthen the technical, administrative and operational structure of Bolivia's Ministry of Industry; (b) to reformulate industrial legislation in accordance with the new policies to be developed; (c) to set in motion integrated action to provide a group of selected companies with technical assistance geared to their individual characteristics and problems; (d) to introduce and improve, within the companies selected, administrative, production, training and product-design techniques, (e) to introduce and encourage the establishment of companies assisted by more appropriate technologies and by the identification of new products and markets; (f) to introduce into companies regular procedures for quality control at the various stages of production and for the final product; and (g) to advise and train company owners in the area of channels of financing.

## E. Transporting communications

### Ongoing projects

#### Strengthening of the civil aviation administration and of Lloyd Aéreo Boliviano (LAB) (BOL/74/009)

31. The purpose of the project is to enhance the technical and administrative capacities of the departments of civil aviation, air transport and aeronautics infrastructure and the Airports and Auxiliary Air Navigation Services Administration, as well as to improve the services of Lloyd Aéreo Boliviano (LAB).

#### Integrated transport study (BOL/77/006)

32. This project was described in the second country programme (1977-1981) document and in the data sheet attached to document DP/PROJECTS/2866.

## H. Social conditions

### New projects

#### Mothers' Clubs (BOL/83/002)

33. The purpose of this project is the institutional reinforcement of the Confederation of Mothers' Clubs as a vehicle for implementing the country's social programmes in the areas of maternal and child health care, nutrition, increasing families' resources, environmental improvements and hygiene.

## I. Culture

### Ongoing projects

#### Restoration and development of historical monuments (BOL/78/004)

34. The objectives of the project are: (a) organization of the Cultural Heritage Department of the Planning Office of the City of Potosí; (b) a pilot urban study of the Calle Quijarro for the implementation of the Potosí Plan; (c) the execution of studies and projects for the restoration and/or adaptation to a new use of each of the monuments chosen in the first phase, together with budgets and technical specifications for such projects; (d) the implementation of two pilot restoration projects in the churches of San Benito and Jerusalem (Potosí) to demonstrate the feasibility of those studies; (e) collaboration with the National Art Museum (La Paz); (f) execution of the structural survey of the Iglesia de Carabuco (La Paz) and restoration work on the wall paintings in that church, in conjunction with architectural restoration work financed by the Government.

New projects

Programme for the development of cultural tourism (BOL/83/001)

35. The objectives of this project could be as follows: (a) to raise the standard of living of the population and promote the integrated development of locations identified as potential visitors' centres or stops on the tourist circuit; (b) to preserve and restore the country's cultural heritage of: town planning, architecture, art, folklore, handicrafts, science and any other manifestations of social behaviour; (c) to develop and improve tourist facilities and the tourism infrastructure in order to ensure that the national and international demand for tourism increases and is sustained in the future.



Annex  
FINANCIAL SUMMARY

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A. <u>Resources</u>	
<u>IPF and other resources</u>	
(i) Illustrative IPF for 1982-1986	19,500,000
(ii) Less unprogrammed balance <u>a/</u>	(3,900,000)
(iii) Less authorized budget level for 1982, 1984-1986	(14,120,000)
(iv) Other resources: cost sharing	820,000
(v) Other resources: cost sharing	<u>1,124,000</u>
Total resources available for programming	3,424,000
B. <u>Use of resources</u>	
<u>Programmed</u>	
(i) Ongoing projects	3,049,000
(ii) New projects and new phases of ongoing projects included in the country programme	<u>375,000</u>
Subtotal	<u>3,424,000</u>
Total	<u><u>3,424,000</u></u>

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a/ Representing 20 per cent of the illustrative IPF which has not been taken into account for programming.

C. Financial distribution of programme, by sector

<u>Sector b/</u>	<u>Ongoing projects</u> \$	<u>New projects</u> \$	<u>Total</u> \$
02 General development	1,342,000		1,342,000
03 Natural resources	664,000		664,000
04 Agriculture, forestry and fisheries	620,000	267,000	887,000
06 Transport and communications	385,000		385,000
14 Social conditions and equity		100,000	100,000
15 Culture	<u>38,000</u>	<u>8,000</u>	<u>46,000</u>
TOTAL	3,049,000	375,000	3,424,000

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b/ According to ACC classification.