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COUNTRY AND INTERCOUNTRY PROGRAMMES AND PROJECTS

FOURTH COUNTRY PROGRAMME FOR BOLIVIA*

<u>Programme period</u>	<u>Actual resources programmed</u>	<u>\$</u>
January 1987-December 1991	IPF carried over from third cycle	(1 101 000)
	IPF for 1987-1991	18 920 000
	Other resources programmed (Government cost-sharing)	<u>27 924 000</u>
	Total	45 743 000

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* Detailed listings of projects and other related data prepared as part of the country programming exercise are available on request. These listings include: (a) ongoing projects; (b) proposed projects; (c) distribution of resources by objective; (d) proposed use of operational funds and programmes under the authority of the Administrator; (e) distribution of new country programme by sector.

I. DEVELOPMENT TRENDS, STRATEGIES AND PRIORITIES

A. Current economic trends

1. In recent years, the development of the Bolivian economy has been characterized by a substantial decline in economic activity, a rapid increase in the rate of inflation and a steady weakening of the balance of payments.
2. Between 1981 and 1983, gross domestic product (GDP) declined by 17 per cent. The deterioration of the economic and financial situation was even more marked in 1983, when GDP fell by almost 8 per cent and, as a consequence of other factors including adverse climatic conditions and monetization of the fiscal deficit, inflation reached 276 per cent. ^{1/}
3. As a result of the financial difficulties of State-owned enterprises, public investment fell from 10.5 per cent of GDP in 1979 to 5.8 per cent in 1983. Total investment fell from 17.6 per cent of GDP to 10.9 per cent in 1983.
4. Between 1980 and 1984, GDP fell by 17.6 per cent. The 22 per cent drop in overall demand between 1980 and 1983 led to a considerable decline in gross capital formation, public and private consumption and exports. In 1983, overall supply and imports reached 78 per cent and 48 per cent respectively of their 1980 levels, while national savings reached barely 1 per cent of GDP.
5. In 1984, per capita GDP reached a level of US \$540, as compared with \$US 570 in 1980. Inflation continued in 1985, reaching a rate of 1,500 per cent in the early months of the year. By the end of 1984, the country's total external debt had risen to \$US 4.6 billion, equivalent to almost five times the value of its total exports.
6. The country's total external debt is \$US 4,655 million; its debt service exceeds the total value of annual exports.
7. The crisis has been aggravated by external factors such as the recession in the industrialized countries and high international interest rates.
8. Faced with this situation, the Government, in August 1985, adopted a New Economic Policy (NEP) set in motion by the promulgation of Supreme Decree 21060, the main purpose of which is to stabilize the economy and reorganize the administrative and productive apparatus of the State.
9. This new economic policy has the following medium-term objectives:

(a) To reactivate the economy by strengthening the domestic market and increasing the volume of exportable items, particularly non-traditional items.

^{1/} World Bank - "Bolivia: An Economy in Crisis, Causes and Prospects". Regional Office for Latin America and the Caribbean, 1984.

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(b) To make permanent adjustments in the public sector budget by reducing current fiscal spending, allocating more resources to investment and rationalizing the production costs of State-owned enterprises.

(c) To control the inflationary process by managing the money supply, reducing the fiscal deficit and increasing the physical output of goods.

(d) To overcome the negative balance of payments by increasing the volume of exports, in order to meet the need for foreign currency to pay off external obligations while simultaneously ensuring an adequate flow of imports.

(e) To refinance the medium- and long-term external public debt on conditions compatible with the country's capacity to pay.

(f) To support the activities of regional or multilateral development agencies at both the regional and interregional levels by participating more effectively in their national projects.

B. National development strategy

10. The rational utilization of non-renewable natural resources as an instrument of change in the productive structure represents one of the most important elements of this strategy. Greater investment will facilitate job creation and the development of new natural resources. With greater domestic savings, the financial resources essential for economic activity will increase, at the same time as reduced inflation will make for continuity and stability of employment and productivity policy will raise its quality. Within this framework, the proposal to make a start on the modernization of international trade would be consistent with the proposed guidelines.

11. Measures which will contribute to the goal of creating new sources of work will include the reactivation of the productive apparatus, the strengthening of the normative and managerial capacity of the State and improved management of State-owned enterprises.

12. In order to achieve the basic objectives indicated above, the following general policies will have to be pursued:

(a) Improve the country's productive structure by stimulating initiative in the public and private sectors, particularly in the agricultural, mining, hydrocarbon and industrial sectors, as a means of improving the living standards of the entire population.

(b) Enact legislation to stimulate the productive apparatus through the rational use of renewable resources, the strengthening of basic agricultural capacity and the husbanding of non-renewable natural resources; such resources must accordingly be used efficiently.

(c) Establish rules and regulations governing the participation of public sector production in strategic activities and in other activities necessary for controlling both the securities and commodity markets. In this context, provision will be made for State-owned enterprises to perform their functions in the same conditions as the private sector so that they will compete with and complement that sector.

(d) Create conditions enabling collective well-being to be enhanced through a better distribution of goods and services, particularly among the most disadvantaged. In order to enhance the social policy of the State, existing private enterprises will be revitalized with a view to generating new sources of work in order to expand employment at adequate rates of remuneration.

(e) Draw up guidelines for human resources training in order to respond adequately to the needs of the Government's development goals and plans.

(f) Establish the following order of priorities for the allocation of financial resources during the 1987-1990 period, bearing in mind the limitations of the country, which has been characterized as insufficiently developed:

- Export sectors (mining and hydrocarbons);
- Agricultural and agro-industrial sectors;
- Manufacturing industry sector;
- Transportation and energy sector.

13. Such policies should lead to and consolidate the structural changes necessary to achieve national goals by encouraging private initiative to assume a real and highly significant role in the economic evolution of the country.

C. Technical co-operation priorities

14. In the economic and social circumstances currently prevailing in the country, technical co-operation needs are many and affect virtually every sphere of economic, social and cultural activity. Those needs were identified in part by a specific study made in the context of preparations for the country's fourth country programme, in which approximately 160 new projects submitted by different sectoral and regional institutions were identified.

15. This exercise coincided in part with the preparation of the basic document for the World Bank Consultative Group for Bolivia scheduled for November 1986. This package of needs has therefore been broadened and developed in greater depth with sectoral and overall policies and an order of priority established for programmes and projects.

16. The magnitude of these requirements exceeds the financial capacity of any single source, requiring that the Government make rational use of the various possibilities available from multilateral, bilateral and non-governmental sources.

17. In addition, the limited internal and external resources available have made it necessary, first, to define priorities strictly and, secondly, to identify projects, activities, tasks or procedures that require co-ordinated action by different national and international institutions, thereby avoiding duplication of effort and a dispersal of scarce resources.

18. In that context, technical co-operation needs and priorities fall within the following areas:

Agricultural development

19. This sector absorbs 45 per cent of manpower and its percentage of GDP rose from 16 per cent in 1980 to more than 20 per cent in 1985, despite the shortage of resources allocated to it and an unfavourable price policy.

20. As part of human settlements and job creation policies, the priorities for co-operation in this sector are centred on: supporting Government efforts to expand the agricultural frontier; increasing the production of basic foodstuffs; rationalizing production systems to achieve full use and conservation of soil and water resources; improving systems and infrastructure for storing and marketing agricultural produce; and diversifying the production and supply of inputs to agro-industry, both for internal consumption and for export.

21. Technical co-operation needs in this area will be largely met by UNDP, and supplemented by other inputs from the United Nations system and bilateral co-operation. Financial requirements will be met by the Inter-American Development Bank (IDB), the Andean Development Corporation (ADC), the World Bank, the International Fund for Agricultural Development (IFAD) and some bilateral agencies.

Industrial development

22. The industrial sector, which now accounts for 14 per cent of GDP after a period of growth (1970-1979), entered a phase of stagnation in 1980 and declining production after 1982. It has been marked by heavy dependence on external supplies of inputs and capital goods and by underutilization of plant capacity. International co-operation will have to focus on:

- (a) Reactivating, rationalizing and diversifying production using existing plant capacity, and emphasizing food, leather and timber agro-industry;
- (b) Increasing the output of small-scale and craft industries, while creating new jobs;
- (c) Improving the management and administration of State-owned and private industrial enterprises;
- (d) Promoting the development of the metal working industry, with emphasis on producing parts and spare parts for industry and mining;

(e) Identifying new opportunities for industrial investment, providing guarantees for foreign investments made either directly or in conjunction with national capital.

The sector will basically receive support from UNDP and the United Nations system, the necessary funding being covered by IDB, ADC and bilateral agencies.

Development of mining and metallurgy

23. Despite the collapse of the traditional mining sector, especially the large State tin mines, Bolivia still has mining potential and offers certain comparative advantages in this area, including the availability of skilled manpower at all levels. The priorities for technical co-operation in this sector are centred on:

(a) Exploring, prospecting, assessing and later exploiting new mineral deposits, especially non-traditional and non-metal deposits; and

(b) Refurbishing metallurgical plant capacity to make its use more cost-effective.

The sector is receiving assistance and co-operation from IDB, the World Bank, ADC and the Government of the Federal Republic of Germany.

Strengthening and development of the energy and hydrocarbons sector

24. There are serious institutional and organizational deficiencies in this sector, as evidenced by the lack of coherence between component subsectors and the absence of overall energy planning. The requirements in this area are the following:

(a) To give greater attention to energy needs, particularly in rural areas, with emphasis on the exploitation of non-conventional resources such as geothermal energies and on the installation of small hydroelectric plants;

(b) To strengthen and consolidate the State's energy planning capability, extending such action to the State-owned enterprises responsible for carrying out energy sector plans and projects (Yacimientos Petrolíferos Fiscales Bolivianos (YPFB) and Empresa Nacional de Electricidad (ENDE)).

UNDP will provide technical co-operation to this sector, while investment needs will be met by the World Bank, IDB, ADC and the Governments of the Federal Republic of Germany and Spain.

Promotion of non-traditional exports

25. Priority is being given to this sector in response to the need to find new sources of foreign currency to partially replace traditional exports of hydrocarbons and ores. In this, the following areas require assistance:

(a) Identification of export opportunities, in terms both of markets and of an increased supply of exports as a result of the reactivation of productive sectors;

(b) Identification of opportunities for economic complementarity in areas bordering on neighbouring countries;

(c) Reorganization and modification of export production and marketing units to adapt them to the conditions of the international market.

Most of these activities will be carried out with co-operation from IDB and the Board of the Cartagena Agreement.

Rationalization of public administration and finance and decentralization for development

26. The consolidated public sector deficit rose from 7.8 per cent to 28.1 per cent of GDP in the period 1981-1984. In that same period, the rapid issue of money was one of the main causes of the inflation that characterized the country's economy, particularly during the period 1983-1985. It was thus that, as part of the NEP, it became necessary to stabilize the economy, restore Government control over the operations of the National Treasury, the Central Bank and State-owned enterprises, and reinforce the country's economic, financial and commercial negotiating capacity. Among overall needs, the following are particularly important:

(a) The introduction of a tax reform to make tax collection more effective;

(b) The control and reduction of public spending;

(c) The rationalization, selection and ordering of priorities for public sector investment;

(d) Improvement of the supervision, management and information systems of both central Government and decentralized Government bodies;

(e) Strengthening of the country's economic, financial and commercial negotiating capacity; and

(f) Strengthening of the project preparation and execution and public management capacities of development corporations.

Technical co-operation needs in this area are being met basically through UNDP, IDB and bilateral agencies such as the United States Agency for International Development (USAID). The World Bank will support technical and financial co-operation activities in this sector.

Social sectors

Job creation

27. The rise in unemployment in Bolivia during the period 1980-1985 was a result of the systematic and steady deterioration of economic activity. In the period 1982-1985, when GDP fell by more than 18 per cent, the rate of documented unemployment rose by 8 per cent. It is estimated that the unemployment rate for 1986 will be in the order of 20 per cent.

28. The essential component of the NEP is the liberation of the labour market, based in turn on two essential requirements: freedom in the hiring of labour and freedom in the relocation of the work force. Priorities in this sector are determined by the Emergency Employment Programme to be carried out by the Government, which is directed at three target groups: the documented unemployed; relocated public sector officials; and State mining workers. These priorities are:

- (a) Preparation of specific projects which can be initiated as soon as possible;
- (b) Generation of employment with a productive counterpart;
- (c) Organization, administration and implementation of the Emergency Employment Programme.

Basic services to the population, especially in rural areas

29. The economic crisis of recent years has led to a decline in the availability and quality of services to meet basic needs, particularly: sanitation, health, formal education and vocational training, housing and related services. In these circumstances, the greatest impact tends to be felt by disadvantaged urban and rural groups. The priorities for activities in the area of sanitation, health, education and housing are:

- (a) Enhancing the efficiency of existing services;
- (b) Broadening coverage in disadvantaged rural and urban areas, within the context of decentralization;
- (c) Introducing new arrangements, including community participation, for providing and financing services;
- (d) Launching pilot housing programmes for low income groups;
- (e) Formulating specific training and/or retraining programmes.

30. In the area of basic sanitation, support will continue to be provided by the United Nations Children's Fund (UNICEF). At the same time, a sanitation plan is being drawn up in conjunction with IDB, for medium-sized cities in rural areas, in order to work out a programme with investment priorities. In the health area,

support will continue to be provided by the United Nations Fund for Population Activities (UNFPA) and the World Health Organization/Pan American Health Organization (WHO/PAHO), and co-operation from bilateral sources (Japan, Federal Republic of Germany) will continue.

31. In order to respond to demands in the area of education, UNDP will support projects aimed at strengthening the links between education and employment, within the framework of the education investment plan being drawn up by the Government with the help of the United Nations Educational, Scientific and Cultural Organization (UNESCO) and the World Bank. Support will also be provided in this area by the Organization of American States (OAS).

Development of tourism and the cultural heritage

32. The international economic crisis, with its very pronounced effects on Bolivian society, together with the absence of active programmes to promote tourism, have led to stagnation in the number of visitors to Bolivia. As a result, Bolivia has ceased to benefit from the economic advantages to be gained from an increase in the number of visitors, although it has attractive and interesting natural resources.

33. A preliminary analysis based on the work done earlier by the Bolivian Tourism Institute (IBT) with the assistance of the World Tourism Organization (WTO) and the OAS shows that the strategic aspects of promotional activities must be based on two elements:

(a) Development of Bolivia's cultural resources which include archaeological and colonial attractions, handicrafts, folklore, popular markets and museums;

(b) Creation of a solid image for adventure tourism through such activities as "trekking", river navigation, mountaineering and jungle exploration.

D. Aid co-ordination arrangements

34. The law governing the National Planning System, which is set forth in the Act setting up the Ministry of Planning and Co-ordination, empowers that Ministry to co-ordinate and prepare national technical co-operation programmes. The Ministry is thus the national technical co-operation liaison body.

35. In order to strengthen the existing system of co-ordination, the Government and UNDP approved the implementation of the project entitled "Support for governmental co-ordination machinery for international co-operation" (BOL/84/008) which was designed essentially to set up governmental co-ordination machinery based on the institutional roles of the Ministries of Foreign Affairs, Planning and Finance, the Secretariat for Integration and the Central Bank. One of the results of the project was the establishment of a Technical Co-ordination Secretariat and a High Level Commission responsible, respectively, for proposing programmes and defining priorities. The Government's new policy, aimed at rationalizing and restructuring central government, will necessarily require adjusting the above

system or formulating a new alternative. This has led to the inclusion in the fourth programme of a new project entitled "Establishment of a system for the co-ordination of international technical and financial co-operation", which will enable the Ministries of Foreign Affairs and Planning and Co-ordination to lay the foundations for a more effective system of co-ordination at the central, sectoral and regional levels.

36. The various efforts undertaken by the Government in the area of the co-ordination of international co-operation include the organization in 1983 of the first phase of a Round-Table under United Nations auspices, and the convening in November 1986, under World Bank auspices, of a Consultative Group for Bolivia.

37. The Government has also already arranged a number of co-ordination meetings with multilateral and bilateral bodies to analyse technical and financial co-operation programmes, taking the UNDP fourth programming cycle as a frame of reference. These meetings will be held periodically. Within each sector of the new programme, links are established between the various sources of available funding and projects financed by UNDP.

38. Mention should be made of the following co-ordination activities between United Nations bodies, financial bodies and other multilateral and bilateral programmes.

(a) United Nations bodies. In response to the emergency in rural areas, a result both of the economic crisis and of heavy floods in early 1986, programmes have been formulated which demonstrate in situ the operation of the policy consultative group made up of UNDP, UNFPA, UNICEF and the World Food Programme (WFP), in particular the Ñecketa - Anzaldo rural development project and the Lake Titicaca housing rehabilitation project in which various United Nations funding sources will participate. Various technical co-operation priorities identified under this programme will continue to be supported by organizations or programmes of the system. In the agricultural sector, the Food and Agriculture Organization of the United Nations (FAO) is carrying out programmes with funding both from other Governments and from its technical co-operation programme (TCP). The United Nations Fund for Drug Abuse Control (UNFDAC), with financial support from the Government of Italy, is supporting a broad programme of agricultural development which is being implemented by the Office for Projects Execution (OPE) of UNDP as a means of replacing coca growing. UNFDAC support will extend to the social sectors, in which UNICEF, UNFPA, PAHO/WHO and WFP are already active. WFP is also supporting agricultural programmes. The United Nations Industrial Development Organization (UNIDO) is helping to fund the centre for meat and milk products, and is providing short-term consultancies.

(b) Financial bodies. Joint activities with the World Bank and IDB are being carried out under programmes to strengthen the public, agricultural and industrial sectors. In such situations, the Government has financed various technical co-operation projects with part of the credits obtained and under the system of cost-sharing.

(c) Bilateral programmes. In the agricultural sector, support will continue to be received from USAID and from the Governments of the Federal Republic of Germany, Italy, Japan, Spain, Switzerland and the United Kingdom, involving generally the promotion of livestock and milk production, seeds, irrigation systems, agricultural credit and inputs, and fisheries and forestry development. The Government of Italy has co-financed UNFDAC programmes and, through cost sharing, projects such as the centre for training in the meat and milk products industry and the geothermal feasibility study.

(d) Horizontal co-operation: technical co-operation among developing countries (TCDC).

39. Some horizontal co-operation activities are planned under the fourth country programme. An exchange of expertise on small-scale irrigation, irrigation, soils and agriculture is being studied with the People's Republic of China; health, wine growing, transport and agriculture activities are being discussed with Argentina; and possible areas of co-operation are being negotiated with Peru.

II. THE COUNTRY PROGRAMME

A. Assessment of current country programme

40. When Bolivia's third country programme for the period 1984-1986 was formulated, there was neither a Development Plan, an Investment Plan for 1984 nor definitions of short-term economic policy. A continuous programming approach was therefore used in order to make the necessary subsequent changes and to incorporate, at the proper time, the results expected from the second Round-Table on International Co-operation for Bolivia, which was to be held in March 1984 but did not take place. Accordingly, it was decided that the programme would consist of global allocations to priority sectors, with indications of the type of activity to be carried out and the method of financing, and that it would be reviewed annually in order to make the necessary adjustments.

41. The indicative planning figure (IPF) available for Bolivia's third programme (1984-1986) was \$US 7,384,000. In addition, when the programme was approved, \$3,129,000 was available from the Government and \$12,250,000 from third parties for cost-sharing, gaining a programme total of \$22,763,000.

42. Within the framework of the Government's priority objectives, UNDP co-operation for the period 1984-1986 focused on the execution of projects in the sectors listed as follows, with the percentage of financial resources allocated to them: agriculture, 12.6 per cent; industry, 18.4 per cent; natural resources, 52.2 per cent; social sectors, 2.4 per cent; town planning, housing and basic sanitation, 2.2 per cent; economic and social planning, 12.2 per cent; cultural heritage, 0.1 per cent.

43. However, in the course of the programme's development, a change was made in the original priorities, at the express request of the Government, so that UNDP support could be channelled towards short-term economic and social planning problems arising as a result of the country's socio-economic crisis.

44. As part of the preparatory activities for the fourth country programme, the third programme was assessed in detail by a consultant acting under the supervision of and in conjunction with the UNDP Resident Representative and the Ministry of Planning and Co-ordination.

45. The level of financial execution of the third programme was low in 1984 but showed signs of an upturn in 1985 and increased in 1986, primarily because funds were mobilized in the natural resources and industry sectors which in some cases received substantial funding from third parties.

46. That the programme's goals and objectives were only partially achieved was a result of numerous factors, primarily factors exogenous to the actual design of the programme and its methodological approach. The success of any technical co-operation programme in fact depends not only on its design but also on the economic, social and political environment, local interest in the programme and the local capacity to carry it out, as well as on a minimum of institutional and financial stability and autonomy.

47. Despite these unfavourable circumstances, important strides were made with regard to projects which (a) had well-defined physical targets as their main objectives; (b) carried out specific activities yielding visible benefits; (c) were executed in relatively well-defined geographical or technological areas; (d) were clearly related to the investment process; (e) were institutionally integrated with decentralized national entities having some degree of financial and administrative independence; and (f) enjoyed the active participation of the responsible counterpart institution.

48. A few examples of projects yielding favourable results are:

(a) The agricultural development projects executed in Santa Cruz and Cochabamba (BOL/80/004 and BOL/83/003), which used a methodology that proved successful for recipients and therefore for the country. It was characterized by: the verification and/or generation of appropriate technology, as well as improvements in the technology existing in the area; the generation of field information for feasibility studies on demonstration farms, with support from the same project's revolving fund; on-the-job training of counterpart technical staff and peasants; peasant participation; basic equipment to ensure the project's continuity during the period of transition to the investment stage; and formulation of the feasibility study. The International Fund for Agricultural Development (IFAD) and IDB have expressed an interest in co-financing subsequent investment in both projects.

(b) The project entitled "Assistance to Bolivia for the Implementation of a Rehabilitation and Reconstruction Programme" (BOL/83/008) which made some improvements in existing small-scale irrigation systems and permitted the building, with peasant participation, of new systems providing irrigation to 1,200 hectares affected by drought;

(c) Agricultural projects which encouraged the participation of rural women. The latter are an important element in the agricultural production and marketing chain;

(d) The main activity in the economic and social planning which was the programme for public sector institution building (BOL/84/003-013-015-016) financed by IDB under a technical co-operation agreement, funds for which are channelled to UNDP in the form of cost-sharing. This programme has provided and continues to provide valuable co-operation in the implementation of tax reform, the streamlining of public finance and the restructuring of State-owned enterprises. The list of projects has been drawn up but the system for updating and selecting them must be streamlined so that it will once again be effective in attracting resources, as, for example, in the case of the Consultative Group. This programme is one of the principal channels of co-ordination between such institutions as IDB, the World Bank and UNDP;

(e) Efforts to mobilize financing from third parties, for instance, project BOL/80/001 under which the Government of Finland is financing consultancy services in the economics and marketing of ores; the study on the geothermal feasibility of the Laguna Colorada area (BOL/84/007), financed by the Government of Italy; and the public sector projects financed through the IDB, which are noteworthy examples because they made it possible to strengthen the programme in the area of activities requiring considerable technical co-operation funding.

49. On the other hand, projects the main thrust of which was to establish committees, centres, units and secretariats, or which required inter-agency co-ordination, found it more difficult to achieve their goals because of the extraordinary effort that they required from the public sector in terms of the allocation of funds and/or technicians.

50. Other factors impeding the achievement of goals were:

(a) Frequent changes at the executive and technical levels in different national bodies;

(b) The political, economic and social instability affecting the progress of projects;

(c) Massive cuts in the budgets of national bodies responsible for projects;

(d) Decline in the real value of UNDP project budgets as a result of runaway inflation and the unrealistic exchange rate in effect until August 1985;

(e) Excessive delays in the negotiation and launching of some projects, especially those with a high component of cost-sharing from both national and external sources;

(f) Emphasis on institution-building as a pre-condition for the implementation of specific activities.

51. Some examples of projects which did not fulfil their goals for the above-mentioned reasons are:

(a) Comprehensive assistance to industry (BOL/82/004). This project did not achieve its primary goal, namely, the establishment of a central unit to provide consultancy services to industry, although it did provide assistance in the form of support to several industries;

(b) Restructuring and reorganization of the Bolivian Mining Corporation (COMIBOL) (BOL/81/002). Because of the latest situation in the mining industry, the advances made were insignificant. After a cost-benefit analysis and on the basis of the latest international prices for tin, the study on tailings and other residues, which was to have been part of the project, was suspended;

(c) Centre for the Future (BOL/83/006). The Centre began its operations solely with UNDP contributions but, since it was unable to get the envisaged national resources and the country's policy changed, the project was cancelled in late 1985;

(d) Mothers' clubs (BOL/83/002). Assistance in the areas of organization, production and extension was provided to 37 clubs, consisting of 2,600 women, in the rural and urban areas of La Paz, Cochabamba and Santa Cruz. Goals were not met in all clubs because of the runaway inflation and instability that characterized the 1984-1985 period.

B. New programme proposal

52. The fourth UNDP country programme is in line with the priorities of the economic recovery programme for the period 1987-1991 already mentioned, and also forms part of a national technical co-operation plan which will co-ordinate the different efforts and resources of all sources of bilateral and multilateral co-operation, including UNDP.

53. Within the context of the technical co-operation needs and priorities outlined earlier, it has been decided to focus the UNDP programme on the following objectives:

(a) To diversify agricultural production, expand the agricultural frontier and supply inputs to the agricultural processing industry, making rational use of water and soil resources and developing human settlements;

(b) To revitalize, rationalize and diversify the manufacturing industry, the agricultural food processing industry and the timber and leather industry, attaching particular importance to participation by the private sector;

(c) To reinforce and consolidate the capacity of companies administering energy resources, develop the use of non-conventional sources of energy and carry out feasibility studies for small hydroelectric plants;

(d) To modernize public sector management, emphasizing the process of decentralization and its institutionalization;

(e) To distribute social services equitably so as to achieve greater collective well-being, especially among less advantaged groups, encouraging the regionalization of such services and organized popular participation; and

(f) To devise and launch a promotional campaign for the short-term and medium-term development of tourism.

Agriculture

54. It should be pointed out that projects under the first objective have an immediate and direct impact on women, since most agricultural activity is conducted by peasant family groups. The following projects will contribute to achieving this objective.

Ongoing projects

Gran Chaco agricultural development (Department of Tarija) (BOL/85/002) (\$2,100,000)

55. Production of foodstuffs, giving priority to increasing the production of oleaginous crops for the Villamontes edible oil factory and to the development of livestock farming in the Chaco Seco and the Chaco plain.

Vallegrande agricultural development (Department of Santa Cruz) (BOL/86/011) (\$1,300,000)

56. Creation of production systems, providing the area with an infrastructure for production under irrigation. Installation of a basic infrastructure of agricultural extension, promotion and marketing services. Preparation of a feasibility study of the project area for presentation to financial institutions.

Integrated development of the San Buenaventura region (BOL/86/020) (\$20,000)

57. Formulation of the bases for an integrated development strategy, with a view to future investment projects.

New Projects

58. In addition to the projects already being implemented, the following ideas for projects are directed towards achieving this objective.

Agricultural development and human settlements at Puerto Heath (Pando Department) (\$650,000)

59. Feasibility study for the settlement of 1,200 families and the utilization of 120,000 hectares through the development of agriculture, forestry and grassland management and agro-industry.

Agricultural development and human settlements at Puerto Villarroel (Cochabamba Department) (\$400,000)

60. Feasibility study for the consolidation of existing settlements and the settlement of new families by means of agricultural development and forestry and grassland management.

Machareti agricultural development (Chuquisaca Department) (\$800,000)

61. Feasibility study for the development of an area of approximately 200,000 hectares for the production of basic crops for regional and national consumption and for restocking with cattle.

Agricultural development under irrigation and in very dry areas (the Altiplano area in the La Paz, Oruro and Potosí Departments) (BOL/86/022-023-024) (formerly \$4,500,000)

62. Construction of small hydraulic works and improvement of existing ones for irrigation in arid and semi-arid areas of the Altiplano. Development of agriculture under irrigation and in very dry areas, using appropriate technology. Preparation of small investment projects.

Copani agricultural development (Department of La Paz) (\$150,000)

63. Consolidation of infrastructure and support for agricultural development through the preparation of investment projects, on the basis of co-operation from the United Nations Capital Development Fund in the construction of local roads.

Ñecketa-Anzaldo, rural development (\$500,000)

64. Integration of the northern region of Arce province, Department of Cochabamba, into the economies of both areas by means of local roads and the construction of a bridge. Installation of a basic services infrastructure for agricultural production.

Agricultural weather forecasting support for food production (\$645,000)

65. Preparation of a national plan for agricultural weather forecasting in priority areas (Chaco Seco, temperate valleys, the Altiplano and the North-east). This project will help directly in the preparation of specific studies of the geographical areas in which the above-mentioned agricultural development projects are to be carried out.

Organizational links

66. Other contributions are being made by the United Nations system to achieving this objective, namely:

(a) Through the UNDP regional programme, support will be provided by the RLA/77/006 PROCADES project which will make it possible to train national personnel

in agricultural development planning. The project entitled "Field tests and technology of hand pumps" (INT/81/026) will continue to give effective support to small-scale irrigation activities;

(b) The United Nations Capital Development Fund (UNCDF) has been supporting an agricultural development project in the Río Copani basin since 1984 (BOL/84/C01), and additional support will now be given by UNDP. Likewise, UNCDF is considering providing funding for the implementation of the following projects: Quinoa processing (BOL/84/C02); potato storage (BOL/84/C03); and Necketa-Anzaldo rural development (northern Potosí) (BOL/86/C01), with support from UNDP and the Emergency Operations Trust Fund;

(c) The United Nations Fund for Drug Abuse Control (UNFDAC), assisted by the Government of Italy, will continue to carry out activities in the Department of La Paz to replace coca growing through the diversification of agricultural production, the establishment of agro-industries and the improvement of the local communications infrastructure;

(d) FAO will continue to provide forestry assistance for the second phase of the project entitled "Reafforestation and land rehabilitation in the upper basin of the Guadalquivir River (Tarija)", with financing from the Government of Norway;

(e) The International Fund for Agricultural Development (IFAD) will continue to support activities in this sector through the agricultural development projects at San Juan del Oro, Cotagaita and Chuquisaca-Norte. IFAD assistance is also planned for the integrated agricultural development project at Chuquisaca-Sur, and the project for the development of irrigated agriculture in the Guadalquivir river basin currently being prepared with the assistance of UNDP and the FAO Investment Centre through the project entitled "Preparation of the agricultural and rural development programme" (BOL/82/001);

(f) The World Food Programme (WFP) is implementing two projects to develop forestry and milk production, which will last until 1988. WFP will also co-operate, by providing food, in the construction of local roads under the project entitled "Necketa-Anzaldo rural development northern Potosí" (BOL/86/C01);

(g) UNICEF will also support the implementation of the Necketa-Anzaldo rural development project (BOL/86/C01);

(h) The following projects related to this sector are being financed by the Inter-American Development Bank (IDB): agricultural development of the Bolivian Chaco (Abapó-Izozog); promotion of pig-breeding, agricultural research and extension activities; emergency feed plan; and a global agricultural loan for small and medium producers. In the operational plan for 1987, IDB will back a second stage of the global agricultural loan and the project to colonize and establish human settlements in the Alto Beni;

(i) The Andean Development Corporation (ADC), with joint financing by IDB, is backing the emergency project entitled "Seed Production". Under the same arrangement, it will also support the global agricultural project and the project to colonize and establish human settlements in the Alto Beni;

(j) The World Bank (IBRD) and the International Development Association (IDA) are carrying out rural development, wool production and agricultural loan projects.

Industry

67. The following projects will be implemented in pursuance of this objective.

Ongoing projects

Comprehensive development of industry (BOL/82/004) (Second phase) (\$US 536,000)

68. This project includes technical assistance at the factory level with production, technical, technological and supply aspects, the selection of raw materials, and marketing, in the metal-working and food industry subsectors. IDB co-financing for industrial policies is included.

Wine-growing centre, Tarija (BOL/83/011) (\$US 36,000)

69. Quality control of wine and wine by-products and improvements in the technology for growing vines for the production of wines and other products.

Training centre for the meat and milk products processing industry (BOL/83/012) (\$US 1,236,000)

70. Training; assisting established industries with food technology and with development and research activities for new products. Co-financed by the Government of Italy.

New projects

Investors' forum (BOL/86/018) (\$US 200,000)

71. To attract foreign investment to Bolivia for projects in the industrial sector by promoting the co-investment of domestic and international private capital.

Assistance to the timber industry (\$US 400,000)

72. Technology for the processing, drying and cutting of timber and the manufacture and design of furniture, parts and pieces for export, and management organization for companies in the industry.

Assistance to the leather industry (\$US 350,000)

73. Working and processing of leather, industrial uses of leather, designing, modelling and finishing, revision of legislation, and management organization for companies in the industry.

Advice to development corporations in the running of company units (\$US 250,000)

74. Establishment of a system for the management and organization of industrial enterprises through the creation of company units in the respective development corporations.

Foundry technology centre in Cochabamba (CENTEF) (\$US 100,000)

75. Quality control and design of cast replacement parts for mining, cement works, sugar mills and agricultural machinery, and technological improvement services for the existing foundry industry.

Organizational links

76. Other contributions are being made by the United Nations system to achieving this objective, namely:

(a) Support will continue to be received under the following UNDP regional projects: non-destructive trials for training staff in specialized quality control techniques in the metal-working industry (RLA/82/T01); status and outlook for the capital goods industry (RLA/77/015), which will identify the region's productive potential with respect to capital goods requirements, particularly in the areas of national electrification, hydrocarbons production and mining; and research, development and implementation of a regional maintenance system for the sugar industry (GEPLACEA) (RLA/83/005), which provides training for national personnel in modern maintenance techniques.

(b) UNIDO will continue its support to this sector under its regular programme, through the following projects: improvement of pottery-making technology - (Huayculi, Cochabamba) (BOL/85/237); meat and milk products centre (US/BOL/84/015); construction of modular wooden bridges (US/BOL/84/205); and reactivation of the production of sulphuric acid (BOL/85/803). New projects in the following areas are also envisaged: construction of modular wooden bridges in the Department of La Paz; production of parts and furniture for export; assistance to the timber industry; and supplementary assistance for the promotion of industrial project investment.

(c) The following IDB-financed projects are tied in with projects under the programme: Design of industrial policies (implemented through UNIDO) and Comprehensive credit programme for the industrial and mining sector. A second phase of the industrial credit project is currently being designed, which will also cover agro-industry. ADC will co-operate with IDB in the industrial recovery programme.

(d) With regard to bilateral technical and financial co-operation, attention should be drawn to the support of the Government of Italy for the development of the project entitled: Training centre for the meat and milk products processing industry (BOL/83/012), as well as a possible contribution to the Tarija wine-growing centre project (BOL/83/011). Italy is also co-operating in some agro-industrial components of the agricultural development projects at Ayopaya and

Villamontes-Sachapera. The Government of the Federal Republic of Germany has approved a second allocation of credit for small-scale and craft industries through the Industrial Bank. In addition, through a programme of assistance in kind, it will facilitate the import of goods for the small-scale industry sector.

Energy

77. The following projects will be implemented in pursuance of this objective.

Ongoing projects

Geothermal feasibility study in the Laguna Colorada area (BOL/84/007) (\$US 958,100)

78. Execution of an exploratory programme of deep drilling to verify the existence of geothermal resources suitable for the commercial generation of electricity in south-west Bolivia. This project is being co-financed by the Government of Italy.

New projects

Energy planning (BOL/86/021) (\$US 160,000)

79. Development of an integrated conceptual framework for the country's entire energy system (liquid and gaseous hydrocarbons, hydroelectric power, biomass, etc.) in order to establish priorities among new and existing projects in the sector, so as to define a financial investment policy.

Development of small hydroelectric plants (\$US 103,000)

80. Preparation of supplementary feasibility studies for the financing and operation of selected small plants.

Organizational links

81. Support is also being provided from the following sources in pursuance of this objective: the World Bank will co-finance with UNDP the project on energy planning. It will also provide inputs for the development of the hydrocarbons subsector, through the Vuelta Grande project. ADC is financing the supplementary works to connect up the central and eastern electricity grids.

Public sector management

82. The following projects will be implemented in pursuance of this objective.

Ongoing projects

Programmes for institution-building in the public sector

83. This project is being carried out with financing from IDB and UNDP and is designed to strengthen Bolivia's economic and financial sector through specific actions in the areas of tax administration, national projects system, management of

State-owned enterprises, short- and medium-term economic policies, and training of human resources in the above-mentioned areas.

Policy planning (BOL/84/003) (\$72,000)

84. Co-ordination of the programme.

Project inventory and management (BOL/84/013) (\$250,000)

85. Establishment and consolidation of the project inventory and management system as an instrument of the national project system so that, by 1987, the country will have sufficient information for an investment programme.

Short- and medium-term policy and programme planning (BOL/84/015) (\$461,719)

86. Short-term macro-economic evaluations and projections and the formulation of alternatives for guiding economic and financial policy decisions.

Support for the programme of institution-building in the public sector (BOL/84/016) (\$466,628)

87. Provision of a financial and administrative framework to ensure proper implementation of the programme for institution-building in the public sector.

Development administration (BOL/80/001) (\$192,396)

88. This project continues the assistance furnished during the period 1980-1986 in order to provide a flexible and expeditious mechanism for rendering assistance on specific problems related to the planning, programming and implementation of specific activities.

New projects

Establishment of a system for the co-ordination of international technical and financial co-operation (\$300,000)

89. Assistance to the Ministries of Foreign Affairs and Planning and Co-ordination in the negotiation and co-ordination of programmes of international technical and financial co-operation.

Organizational links

90. Other contributions are being made by the United Nations system to achieving this objective. Collaboration under the UNDP regional programme will be provided through the following projects: Support for the Latin American economic system (SELA) (RLA/84/002); Assistance to the foreign services of the Latin American countries (RLA/86/002); and Revision and updating of planning in Latin America (RLA/86/013).

91. With regard to the technical and financial co-operation of other multilateral agencies, IDB provides assistance for activities in this sector through the programme on institution-building in the public sector (ATN/SF-BOL-2353).

92. In co-ordination with the activities outlined in the preceding paragraph, an IDA loan will be used to finance efforts to restructure the integrated systems of State financial administration, financial intermediation and governmental control.

93. In the field of bilateral technical and financial co-operation, mention should be made of the co-operation of the Government of Switzerland in strengthening regional planning capacity in corporations in Tarija and Chuquisaca. USAID will continue to support the rural planning system through the Ministry of Planning and Co-ordination and the development corporations and will also provide financial support to the Economic Analysis and Policy Unit (UDAPE).

Social services

94. The following projects will be implemented in pursuance of this objective.

Education

95. The Government has contacted the World Bank and UNESCO in connection with the preparation of the Programme of public investment in education 1987-1991, under which UNDP will provide support for a number of important activities in the following areas: institutional strengthening of the Ministry of Education and Culture (educational planning system, budget programming and evaluation processes, information system); qualitative improvement of formal education (educational reform, teacher training); support for the reactivation of productive sectors (institutional mechanisms to promote the linkage between education and employment).

96. A programmed reserve of \$600,000 is proposed for this subsector.

Health and social security

New projects

Hospital maintenance system (\$80,000)

97. The organization of a centre in each of the country's health units to provide preventive and remedial maintenance programmes, and a general maintenance programme.

98. A programmed reserve of \$395,000 is proposed for this subsector.

Housing

Ongoing projects

Comprehensive assistance to the Ministry of Town Planning and Housing (BOL/84/001) (\$220,028)

99. This project began in 1985 and will continue until 1987. Its purpose is to strengthen the technical and administrative capacities of the Ministry of Town Planning and Housing through the preparation of pre-investment projects to solve the housing and urban infrastructure problem.

New projects

100. The following project will be initiated through UNDP's special resources programme: Housing Rehabilitation in the Lake Titicaca area (BOL/86/019) (\$500,000). The purpose of this project is to rehabilitate the homes of the population affected by the Lake Titicaca floods. WFP will also provide inputs for this project.

Organizational links

101. The following supplementary assistance from the United Nations system will contribute to achieving this objective:

(a) UNFDAC will provide support for the following projects: Educational programmes for the prevention of drug addiction; Institutional support for the national anti-drug trafficking plan; and Training of specialists in the treatment of drug addiction;

(b) UNFPA, UNICEF and WHO/PAHO programmes will develop important activities in connection with child health and the health of the population in general.

Tourism

102. The following projects will be implemented in pursuance of this objective.

New projects

Promotion of tourism (\$395,000)

99. Preparation of a plan for the development of activities to promote tourism from neighbouring countries in the short term and from European countries and the United States in the medium term.

103. The Governments of the Federal Republic of Germany and Spain will continue to provide support for the restoration of specific historic monuments.

C. Unprogrammed reserve

104. The Government has decided to set aside \$1,238,000 as an unprogrammed reserve in order to introduce an element of flexibility into this programme, which covers period of five years (1987-1991).

Annex

FINANCIAL SUMMARY

I. ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING

<u>A. UNDP-administered sources</u>	<u>\$</u>	<u>\$</u>
Third cycle IPF balance	(1 101 000)	
Fourth cycle IPF	18 920 000	
Subtotal IPF		17 819 000
Special Measures Fund for the Least Developed Countries	-	
Special programme resources	500 000	
Government cost-sharing	387 000	
Third party cost-sharing	2 125 000	
Operational funds under the authority of the Administrator (UNCDF)	3 200 000	
UNDP special trust funds (Emergency Operations Trust Fund)	195 000	
Subtotal, UNDP non-IPF funds		6 407 000
<u>B. Other sources</u>		
Funds from other United Nations agencies or organizations firmly committed as a result of the country programme exercise (UNFDAC, UNIDF, World Bank)	21 517 000	
Parallel financing from non-United Nations sources	-	
Subtotal, other sources		<u>21 517 000</u>
TOTAL ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING		<u><u>45 743 000</u></u>

II. USE OF RESOURCES

Ongoing projects	22 935 000	
New project proposals	20 481 000	
Programmed reserve	995 000	
Subtotal, programmed resources		44 348 000
Unprogrammed reserve		<u>1 395 000</u>
TOTAL USE OF RESOURCES		<u><u>45 743 000</u></u>
