



**The North-South Institute • L'Institut Nord-Sud**

**Canada's contribution to the Millennium Development Goals  
in Bolivia**

**Bill Morton and Gover Barja**

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## Abbreviations

ADN	Acción Democrática Nacionalista
AFP	Administradora de Fondo de Pensiones
Bs	Bolivianos (currency)
CCO	Canadian Cooperation Office
CDI	Canadian Debt Initiative
CDPF	Country Development Programming Framework
CECI	Centro Canadiense de Estudios y Cooperación Internacional
CGR	Contraloría General de la República
CIDA	Canadian International Development Agency
CNE	Corte Nacional Electoral
Condepa	Consciencia de Patria
CPB	Canadian Partnership Branch
DAC	Development Assistance Committee
DANIDA	Danish International Development Agency
DdP	Defensor del Pueblo
DFID	Department for International Development
DND	Department of National Defence
EDC	Export Development Canada
EU	European Union
FLARSP	Fondo Local de Apoyo al Sector Público
FTA	Free Trade Agreement
FTAA	Free Trade Area of the Americas
FUNDASAB	Foundation for the Support of Sustainable Basic Sanitation
GDP	gross domestic product
GTL	gas to liquid
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (German international cooperation)
HIPC	Highly Indebted Poor Countries Initiative
IDB	Inter-American Development Bank
IDRC	International Development Research Centre
IFIs	International Financial Institutions
IMF	International Monetary Fund
INE	Instituto Nacional de Estadística
IPF	indicative planning figure
IPS	International Policy Statement
LDCs	Least Developed Countries
MAS	Movimiento al Socialismo
MDGIC	MDG Inter-institutional Committee
MDGs	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
MERCOSUR	Mercado Común del Sur
MIR	Movimiento de Izquierda Revolucionaria

MNR	Movimiento Nacionalista Revolucionario
NFR	Nueva Fuerza Republicana
NGOs	Non-Government Organisations
Nuevo Marco	Nuevo Marco de Relacionamiento Gobierno-Cooperación
OAS	Organization of American States
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PACSAS	Programa de Apoyo Canadiense al Sector Agua y Saneamiento
PAHO	Pan American Health Organization
PASS	Programa de Apoyo al Sector Salud
PBA	program-based approach
PCO	Privy Council Office
PGDES	Plan General de Desarrollo Economico y Social
PODEMOS	Poder Democrático y Social
PRGF	Poverty Reduction and Growth Facility
PROSIAS	Water and Sanitation Information Project
PRSP	Poverty Reduction Strategy Paper
SDS	Sustainable Development Strategy
SEMAPA	Servicio Municipal de Agua Potable y Alcantarillado
SGM	Strategic Governance Mechanism
SWAP	sector wide approach
UCS	Unión Cívica Solidaridad
UDAPE	Unidad de Análisis de Políticas Económicas
UDP	Unidad Democrática y Popular
UN	United Nations
UNDP	United Nations Development Programme
UNFPA	United Nations Fund for Population Activities
UNICEF	United Nations Children's Fund
VIPFE	Viceministerio de Inversión Pública y Financiamiento Externo
WFP	World Food Programme
YPFB	Yacimientos Petrolíferos Fiscales Bolivianos

## EXECUTIVE SUMMARY

This study aims to provide a critical analysis of Canada's contribution to the MDGs in Bolivia, and to recommend how Canada can improve on these efforts. The overall objective of the study is to advance donor efforts to support achievement of the MDGs at the developing country level.

The study undertook a range of consultations and placed an emphasis on reflecting the views of key development stakeholders in Canada and Bolivia. Findings from this research were further informed by policy documents and relevant literature.

**Part 1** of the report considers the development context in Bolivia. Bolivia entered a new political era when Evo Morales and the MAS were elected in December 2005 with an overall majority. Their new political model includes an unequivocal rejection of neo-liberalism and state capitalism, the recovery and nationalization of natural resources, and the redistribution of benefits to the poor. The model does not reject private ownership or foreign involvement in the economy, but will not allow for the transfer of development responsibilities to private sector leadership and the market. Underlying the model is the unifying vision of a Bolivian state that is productive but fundamentally sovereign.

Initially at least the Morales government will govern in favourable conditions, the result of strong social support and its electoral majority, as well as the creation of a Legislative Power that has large official representation. These combined with relatively favourable economic conditions suggest a strong scenario for potential success in governance, and in tackling the country's longstanding problems of poverty, inequality and exclusion.

In the remainder of 2006 the government will undertake a number of important processes, which will further redefine the political landscape. Most notable are implementation of the Constituent Assembly and the Referendum on Autonomies. The government faces a difficult challenge in navigating the different interests associated with these processes and in negotiating outcomes that do not threaten stability. There are a number of additional challenges. These include ensuring effective economic management while also pursuing an extensive social policy agenda; advancing ongoing regional issues and the decentralization process; implementing decrees on nationalization of the hydrocarbons sector and land reform; dealing with limited public sector institutions and capacities, and balancing the different demands of powerful social movements.

**Part 2** of the report describes the Government of Bolivia's efforts on the MDGs. Prior to the MDGs, the PRSP process represented the government's key poverty reduction framework. The MDGs added to this commitment, reinforcing them conceptually by providing a framework of goals without explicit conditioning.

However, the MDGs have not been incorporated into the government budgetary process and only partially incorporated into government and social thinking. The budgetary process typically responds to social pressure from sectors and from regions, and to pressure for spending on education, health, social security, infrastructure and

emergencies. Although these may not be contrary to the MDGs framework, they determine government expenditure priorities, rather than specific annual achievement of an MDG goal.

The MDG Inter-institutional Committee (MDGIC) produced Bolivia's third report on the MDGs. The report's main conclusion is that the majority of the MDGs in Bolivia will not be reached by 2015 unless there is a process of prioritization to accomplish the most cost effective interventions. The conclusion also suggests that the MDGs should be an explicit part of the planning and execution process of government expenditure, not just an ex post-evaluation framework of whatever the government decides to do.

**Part 3** of the report gives details of Canada's efforts in Bolivia, and discusses how these contribute to development and the MDGs.

Canada's international policy sets the broad framework for its development efforts in Bolivia. The MDGs constitute a central component of the Development section of the 2005 *International Policy Statement* (IPS), Canada's most recent international development policy. The MDGs are linked to most of the key policy announcements in this section of the IPS, and to its discussion of aid effectiveness. In contrast, the MDGs are almost completely absent from the three other sections of the IPS (Diplomacy, Defence and Commerce).

The MDGs also feature in CIDA policy and strategy, but less explicitly than in the Development section of the IPS. This may be linked to CIDA's limited policy development in recent years. Political events in Canada since 2000 have not been as dramatic as those in Bolivia but have included three governments and four different Ministers of International Cooperation. This has provided an unfavourable environment for consistent and coherent policy development, and raises questions regarding the overall relevance and currency of CIDA policy.

*Canada Making a Difference in the World* is the policy most relevant for a consideration of CIDA's efforts in Bolivia. It identifies the MDGs as part of the "backdrop" for CIDA's strategy to strengthen aid effectiveness. It also sets out new directions for Canadian aid that help explain changes to the Bolivia program over the last five years. In particular, it emphasizes the need for a shift from "traditional" project-based approaches toward programmatic approaches.

### **CIDA's efforts in Bolivia**

The origins of CIDA's current Bolivia **bilateral** program are clearly evident in the *Bolivia Country Development Programming Framework 2003-2007* (CDPF). This describes the program's decision to shift to programmatic forms of delivery, and to reduce its involvement from eight sectors to three, with a focus on health, water and sanitation, and "modernization of the state" (later renamed governance). The CDPF also highlights the importance of complementarity and coordination between the bilateral program and the Canadian Partnership Branch and Multilateral Branch.

The bilateral program went on to adopt many of the new directions set out in the 2002 CDPF, and these continue to be largely present in the current program. The MDGs were not however a motivating factor for CDPF plans. This is not surprising since it was written in the early days of international and Canadian preoccupation with the MDGs. However, Canada's subsequent explicit focus on the MDGs in its international development policy, and in some parts of CIDA policy and strategy, does not appear to have translated to any discernible reassessment of the Bolivia country program's overall direction.

CIDA is among the smallest donors in Bolivia in terms of expenditure and by VIPFE data it ranked 15th out of 18 donors in 2004. Total CIDA disbursements to Bolivia over the last five years have averaged C\$17.9 million per annum.

Consistent with the plan set out in the CDPF, the current CIDA bilateral program focuses on three sectors. In the health sector, its efforts consist of the PASS, a five-year \$18.4 million program for the period 2005-2009. In the water and sanitation sector, CIDA started plans in 2004 for the PACSAS, which had an indicative budget of \$24m for the period to 2009. However, CIDA has not yet implemented this program, and its future is currently uncertain. In the governance sector CIDA efforts include the "Bolivia Hydrocarbon Regulatory Assistance Project" (an \$8.25 million, five-year project implemented by a Canadian executing agency); support for the "Defensor del Pueblo" (DdP, the human rights "ombudsman") and for the "Corte Nacional Electoral" (CNE, Bolivia's electoral commission); and the "Local Fund for Public Sector Reform" (FLARSP). From 2006, CIDA will implement the "Strategic Governance Mechanism" (SGM). This will provide \$15 million over five years to support the strategic plans of the DdP and CNE, as well as two other national institutions.

In the five fiscal years to 2004, the **Canadian Partnership Branch** funded activities in Bolivia for approximately \$4.2 million annually. This is delivered by Canadian NGOs, institutions and private sector organizations, through a range of different funding channels. A recent list indicated 43 such organizations active in Bolivia. These are diverse in nature, undertake a wide range of activities, and are generally working with small funding amounts.

**The Multilateral Branch** provides institutional support to a range of multilateral institutions active in Bolivia. This includes the World Bank, IMF and Inter-American Development Bank, and a number of other multilateral organizations such as PAHO, UNICEF, UNDP and WFP. In 2003/4 multilateral agencies in Bolivia disbursed approximately \$6.32 million of Canadian funds (imputed figures).

### **Canada's other interests in Bolivia**

**Foreign Affairs Canada** is responsible for Canada's foreign policy and political relationship with Bolivia. Canada does not maintain an Embassy in Bolivia. Country-level matters are dealt with primarily by Canada's Ambassador to Peru and by a political officer at the Canadian Embassy in Lima. While the current Canadian Consul in La Paz

also addresses political issues, he is a CIDA employee and his major responsibilities are therefore to the CIDA program.

Canada has a very small trading relationship with Bolivia. In 2005, Canadian exports to Bolivia were \$16.00 million, and imports were \$24.82, giving a bilateral trading relationship of \$40.82 million. Of all Latin American countries, only Paraguay (\$25.35 million) had a smaller trading relationship with Canada. There is no **International Trade Canada** official based in Bolivia; Canada-Bolivia trade matters are covered by the Canadian Consul in La Paz and by the Canadian Trade Program Manager at the Canadian Embassy in Lima.

**Finance Canada** is responsible for Canada's debt relief activities. Canada has contributed to HIPC debt relief for Bolivia through contributions to the HIPC Trust Fund (World Bank) and the Poverty Reduction and Growth Facility (IMF). Canada has also supported bilateral debt relief for Bolivia through the Canadian Debt Initiative, and through its participation in, and funding for the Paris Club. Bolivia will also benefit from debt cancellation provided through the Multilateral Debt Relief Initiative (MDRI). Canada will help finance the IMF and World Bank to allow them to cover debt cancellation under the MDRI.

**IDRC** provides funding for a broad range of development research activities in Bolivia that are undertaken by Canadian and local institutions. Since the 2000/1 fiscal year, IDRC has approved projects in Bolivia for an approximate total amount of \$5.17 million. A recent project listing indicates 30 projects in Bolivia funded by IDRC with time periods from six months to three years, and funding amounts from \$23,500 to \$1.4 million.

**Part 4** provides commentary and analysis on Canada's contribution to the MDGs.

Results from interviews for this study indicate that the MDGs have been strongly integrated into the thinking and operations of CIDA staff. In contrast, the MDGs did not constitute a major consideration for any of the officials interviewed from other Government of Canada departments or public corporations and, in the majority of cases, there was only a sketchy understanding of the MDGs and what they stand for. Some interview respondents also suggested that Canada's policy emphasis on the MDGs has not changed the nature of its international work, and that there is a process of "reframing" existing work to make it "fit" with the MDGs.

**The CIDA Bilateral Program.** Until recently the PRSP represented the national development plan of successive governments of Bolivia, and therefore also represented the key mechanism for donors to support government-led development efforts, including those that may support the MDGs. The CDPF endorsed the PRSP (although with several reservations), and the bilateral program attempted to align programming with it.

A key consideration for this study was the bilateral program's orientation to the MDGs. In the health sector, the PASS objectives directly address the targets and indicators of

MDG 4 “Reduce child mortality” and MDG 5 “Improve maternal health”. Support (through UNICEF) for the government’s immunization efforts also addresses child mortality under Goal 4, and Goal 6, “Combat HIV/AIDS, malaria and other diseases”.

The actual contribution of CIDA’s efforts in the water and sanitation sector to the MDGs will only be known if and when the program progresses. However, the PACSAS’s planned support for development of small-scale water and sanitation systems and for capacity building in the sector are consistent with Target 10 of MDG 7.

Unlike its efforts in the health and water and sanitation sectors, CIDA’s governance programming does not directly address individual MDGs or their targets, as there is no specific governance MDG. Similarly, CIDA’s governance work only indirectly addresses poverty eradication and hence MDG 1. This raises the question of whether CIDA should accept this indirect linkage to the MDGs, or whether the program should be “rebalanced”, so that fewer resources are devoted to governance and more to activities that have the potential for a more direct impact on the MDGs and poverty eradication.

Interviews revealed strong concern regarding CIDA’s slow implementation in the water and sanitation and health sectors. This has undoubtedly affected CIDA’s efforts to contribute to the MDGs. Some interview respondents suggested that delays in health resulted from political change and uncertainty within the Government of Bolivia and relevant ministries. Others suggested that internal CIDA issues were the cause, and that in particular the transition to programmatic approaches had constituted a major “learning curve” for CIDA staff. In water and sanitation, the highly politicized nature of the sector appears to have had a major impact on implementation. As a result, there is very little to show for CIDA efforts in the sector over the last two years.

In comparison, CIDA achieved a higher level of activity in the governance sector. CIDA’s governance efforts consisted of support for a number of different activities and institutions. Development and implementation of these separate initiatives may have been more straightforward than the processes required for more complex programmatic approaches in health and water. In addition, both the DdP and CNE are institutions that have a level of independence from government, which may afford them some separation from political instability and uncertainty.

The current bilateral program’s efforts appear to be seriously hampered by head office and field office arrangements. In Bolivia, CIDA and CCO staff frequently stated that their lack of decision-making authority had significantly delayed program development and implementation. At headquarters level, officials also expressed frustration at CIDA’s cumbersome internal processes and suggested these had hindered timely program implementation. A related issue at headquarters is the high turnover of staff over at least the last year.

**Canadian Partnership Branch and Multilateral Branch.** Through its support for Canadian and local partners in Bolivia, the Canadian Partnership Branch is supporting a range of activities that potentially contribute to the MDGs. It is also ensuring that at the

country level, civil society, as well as government, plays a role in addressing the MDGs. The Multilateral Branch funds a range of multilateral organizations that are active in Bolivia, many of which operate within a policy framework strongly linked to the MDGs.

However, the nature of CPB and Multilateral Branch programming affects the overall contribution CIDA can make to the MDGs at the country level. CPB is a “responsive” program and does not operate on a geographic basis. The Multilateral Branch also does not operate on a geographic basis, and there is no direct linkage between Canadian funding support for multilateral institutions and their specific country operations. These factors mean that it is difficult for CIDA — as whole and through its different branches — to undertake integrated, coordinated programming that aims to address policy objectives at the country level, such as contributing to the MDGs.

### **Canada’s other efforts in Bolivia**

**Foreign Affairs Canada.** Bolivia does not constitute a major political priority for Canada. This is reflected in Foreign Affairs’ decision to deal with foreign policy and political issues through its Embassy in Peru rather than through representation in La Paz. Foreign Affairs states it has a role in helping the Government of Bolivia “move toward” the MDGs.

Foreign Affairs is also involved in the Ottawa-based Interdepartmental Working Group. Foreign Affairs states the group’s existence is linked to the “whole-of-government approach” described in the IPS. At this stage however its primary activity consists mainly of information exchange, and it thus appears some way from developing a genuine whole of government approach. In addition, the group lacks membership from key Canadian agencies involved in Bolivia.

**Canada’s trade efforts.** Trade is clearly not a strong part of Canada’s bilateral relationship with Bolivia. This is the result of the very small scale of Canada-Bolivia trade, and is underlined by the absence of a designated International Trade Canada official in the Canadian Consulate in La Paz.

Consideration of Canada’s trade efforts in Bolivia is nevertheless important. Overall Canada has performed quite well against MDG 8’s trade-related targets and indicators. At the same time however Canada could give more consideration to how its trade efforts “fit” with development efforts at the country level. Canada’s trade activities in Bolivia do not appear to have a strong development focus (and certainly not a focus on the MDGs); and its development efforts currently do not take into account the area of trade. In addition, Canada has an important role in ensuring global, regional and bilateral trade systems adopt a stronger development focus, and that they make special provision for developing countries. For Bolivia, Canada’s efforts in this area may be as important as direct country-level efforts.

**Finance Canada.** Debt is one of the key areas covered by MDG 8, which includes two debt-related targets. Canada’s performance on debt issues generally, and on the debt

related aspects of MDG 8, has been quite good, and these efforts have had important benefits for Bolivia. At the same time, Bolivia continues to face serious debt problems. For instance, the MDRI does not currently cover the Inter-American Development Bank, to which Bolivia owes US\$1.6 billion, and must pay more than US\$100 million a year in principal and interest. There is currently strong momentum for ensuring the IDB joins debt cancellation efforts, and Canada can play an important role in supporting this, including through the IDB's Executive Board.

**IDRC.** IDRC involvement represents an important aspect of Canada's overall efforts and contribution to the MDGs in Bolivia. Unlike CIDA, IDRC's principles and strategy do not have an explicit focus on the MDGs. Despite this, IDRC is nevertheless potentially contributing to the MDGs, both at the corporate level, and to some extent in Bolivia. In Bolivia some of the activities that IDRC supports are in areas that are clearly relevant to the MDGs.

**Part 5** draws conclusions. These include the following:

Canada needs to pay extremely close attention to how the new political and economic context unfolds in Bolivia. The government faces very substantial challenges, and there remains a high level of uncertainty and unpredictability regarding the country's future. Canada needs to ensure that its development efforts are closely "tailored" to this reality.

Until the election of the new government, Bolivia was not of major political importance to Canada. This may change, in particular because of increased international attention to the political model that is developing within the country. This may mean that Foreign Affairs may take a greater interest in Bolivia. However, International Trade Canada's limited focus is unlikely to change to any great extent.

Bolivia has been a development priority for Canada for some time and is likely to remain so. However, while Bolivia is currently one of Canada's priority "development partners", CIDA is likely to remain among the smaller bilateral donors in Bolivia in terms of program size.

The MDGs are a priority for Canada's development efforts but not for its broader international efforts. This has clear implications for policy coherence, and suggests the government sees the MDGs primarily as a CIDA responsibility. This contradicts the central policy platform laid out in the IPS that states that Canada will undertake "a whole of government approach to development". It also limits the overall effectiveness and impact of Canadian efforts in contributing to the MDGs.

Canada's efforts on the MDGs in Bolivia reflect the above findings. The lack of a whole-of-government approach to development limits the possibility for a strong, coherent Canadian contribution to the MDGs in Bolivia. CIDA's focus on the MDGs is relatively strong, but this is not shared by other government agencies.

The intense political upheaval in Bolivia over the last five years has provided a very demanding context for international cooperation efforts. CIDA efforts to support the government, and to support the MDGs, have had to operate within this context. This has proven difficult, in particular for the bilateral program in the health and water and sanitation sectors.

Canadian and CIDA policy frameworks provide a strong imperative that CIDA's country-level efforts should be planned and implemented within the context of the MDGs. The CIDA bilateral program achieves this to some extent. Two out of three of its priority sectors are directly related to specific MDGs. Its work in governance indirectly supports the MDGs.

Significantly however the bilateral program's orientation to the MDGs is more by accident than by design. The program's current emphasis is the result of program history, and in particular program direction that was set out in the CDPF. There has been no subsequent attempt to develop a strategy or plan for how the program will address the MDGs. Instead, the program has been justified *ex-poste* against the intent of the MDGs.

This suggests that CIDA needs to adopt a more deliberate focus on the MDGs in its country program development and planning. This is consistent with observations regarding the Bolivian government's own efforts on the MDGs, which suggest that the MDGs should be an explicit part of the planning and execution process of government expenditure, rather than just an *ex-poste* evaluation of whatever the government chooses to do.

**Part 6** makes recommendations. These include:

*Adopt a whole-of-government approach to development in Bolivia.* The Government of Canada should adopt a whole-of-government approach in Bolivia. This would provide a development focus for Canada's efforts, and would bring greater coherence to its aid and non-aid policies.

*Establish clear objectives.* Canada's whole-of-government approach for Bolivia should be organized around two related objectives: to reduce poverty and promote sustainable development, and to contribute to achievement of the MDGs. In Bolivia these objectives should be consistent with supporting Government of Bolivia efforts, and with promoting country ownership.

*Assign CIDA to lead the whole-of-government approach.* In Canada CIDA should lead the whole-of-government approach and provide a clear vision for how government efforts can support development and contribute to the MDGs. The Interdepartmental Working Committee should be the main forum for coordinating efforts, but its role should extend well beyond the current emphasis on information exchange.

*Extend the whole-of-government approach to the country level.* For the whole-of-government approach to be effective, it must be integrated at the country level. In Bolivia

CIDA should be responsible for developing and coordinating the whole-of-government strategy.

*Adopt a stronger focus on the MDGs across Canada's international work.* To make a real contribution to the MDGs, Canada needs to address them across the whole scope of its international involvements. Government of Canada agencies should give more attention to how the MDGs can be better integrated into policy, programs and operations.

### **Recommendations for CIDA**

*Develop a "Country Program MDG Plan"* The CIDA bilateral program should develop a Country Program MDG Plan. This should explicitly demonstrate how the program has been designed, in conjunction with the Government of Bolivia, to contribute to the MDGs. Depending on timing, this could be incorporated with the process for the next Country Development Programming Framework. The plan should carefully consider how CIDA will support and reflect relevant Government of Bolivia initiatives, such as the MDGIC and the National Development Plan.

*Review work on governance.* The bilateral program should establish a clear rationale and justification for how its work in governance relates to and contributes to the MDGs. In particular it should consider how directly its work in the sector should contribute to the MDGs, and this should guide the types of activities it supports.

*Assess the program's focus on poverty eradication.* In keeping with the above, and with the importance of directly supporting MDG 1, CIDA should assess the program's current focus on poverty eradication. This should include consideration of whether the current indirect focus facilitated through the governance program is acceptable, and whether a more direct linkage to poverty reduction may be justified.

*Increase support to NGOs and civil society organizations.* The bilateral program should consider increased support for the non-government sector in order to increase its direct impact on poverty reduction and its contribution to MDG 1. This would draw on NGO and civil society competence in basic needs and community-based work. This approach need not contradict maintaining program-based approaches in the Bolivia program.

*Continue support for government-led development efforts.* CIDA should build on current goodwill between the government and donors to continue supporting government-led development efforts in Bolivia. CIDA should commit to supporting the government's National Development Plan when it is released, and be prepared to align its programming accordingly.

*Continue to pursue aid effectiveness approaches.* CIDA should continue to pursue its strategy of adopting aid effectiveness principles in its program approach and delivery mechanisms. In particular, this means aligning the program with Government of Bolivia plans and priorities, promoting local ownership, and harmonizing and coordinating

approaches with those of other donors. It also means continuing to pursue programmatic approaches.

*Build program flexibility.* At the same time, CIDA should guard against trying to pursue programmatic approaches at all costs. It should maintain the flexibility to respond appropriately to the particular development context in Bolivia, in particular when this may be subject to change and uncertainty. This means retaining the option of pursuing smaller short-term activities, both with Government of Bolivia institutions and with other partners.

*Ensure strong, field-based analysis.* CIDA programming and decision-making must be informed by quality analysis of the emerging political and development context in Bolivia. Analysis capacity should be based in Bolivia.

*Build a decentralized program.* Enhanced analysis should be part of an overall program that is decentralized with more authority and decision-making in the field.

## Introduction

In September 2000, at the UN Millennium Summit, 147 heads of state and government agreed on the Millennium Declaration. Since signed onto by 191 nations, the Declaration set out a vision for the 21st century that would be shared by the developed and developing nations of the world. It established a set of “fundamental values” essential to international relations, and identified seven objectives for translating the values into action. These included peace, security and disarmament, development and poverty eradication, protecting the environment, human rights, democracy and good governance, protecting the vulnerable, meeting the special needs of Africa, and strengthening the United Nations.

The Millennium Development Goals (MDGs) grew out of the part of the Millennium Declaration that addresses development and poverty eradication.<sup>1</sup> The MDGs consist of eight goals, with accompanying targets and indicators, and represent a “partnership” between developed and developing countries. Primary responsibility for the first seven goals — which cover poverty reduction, education, gender equality, child and maternal health, HIV/AIDS and disease reduction, and environmental sustainability — is seen to lie with developing nations. Developed nations are expected to take the main responsibility for Goal 8, including the areas of trade and finance, debt relief, and official development assistance.

In the years immediately following the Millennium Summit, the Millennium Declaration and MDGs went on to provide an important framework for international forums such as the 2002 World Summit on Sustainable Development in Johannesburg and the 2002 Financing for Development Conference in Monterrey. The Declaration and the MDGs gained strong endorsement from governments of developed and developing countries, and their widespread acceptance were linked to the clear and easily understood nature of the MDG goals, and their time-bound and quantifiable targets and indicators. By the mid 2000s the Millennium Declaration and the MDGs had achieved a major impact in shaping international development policy and had come to represent a key overarching policy framework for development cooperation efforts.

In September 2005 nations once again convened at the UN, this time for the Millennium Review Summit. Through the Summit “outcome” document, 191 nations recommitted to achieving the MDGs, although they expressed concern at the “slow and uneven implementation” of the goals so far. They recognized that a substantial increase in official development assistance is required to achieve the MDGs by 2015, and underlined the need for “urgent investment”, including innovative financing mechanisms. They also resolved to adopt and implement comprehensive national development strategies to achieve the MDGs.

Most developed countries have now released at least one MDG report that documents their progress in contributing to the goals. MDG reports typically outline, in broad terms,

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<sup>1</sup> The MDGs were first officially announced in the UN document “Road map towards the implementation of the Millennium Declaration” (<http://www.un.org/millenniumgoals/sgreport2001.pdf>).

each country's efforts at the international level, but give little attention to specific country-level efforts. This study examines Canada's<sup>2</sup> contributions to the MDGs at the country level, using Bolivia as a case study. It builds on an initial case study of Canada's contribution to the MDGs in Bolivia that was undertaken for The North-South Institute's *Canadian Development Report 2005*.<sup>3</sup> It aims to provide a critical analysis of Canada's contribution to the MDGs in Bolivia; recommend how Canada can improve on these efforts, and examine whether experience in Bolivia can inform donors' work on the MDGs in other countries. The objective of this study is to advance knowledge on donor efforts to support achievement of the MDGs at the developing country level.

The study's methodology placed a strong emphasis on reflecting the views of key development stakeholders in Canada and Bolivia. To this end it undertook consultations between December 2005 and May 2006 with Government of Canada officials in Canada and Bolivia, Government of Bolivia officials, and a range of other stakeholders, including representatives from other international cooperation agencies and civil society organizations.<sup>4</sup> Findings from this research were further informed by policy documents and other relevant other literature.

This report is made up of the following sections. Part 1 considers the development context in Bolivia. Part 2 describes the Government of Bolivia's efforts on the MDGs. Part 3 gives details of Canada's development efforts in Bolivia. Part 4 provides commentary and analysis on Canada's contribution to the MDGs. Part 5 draws conclusions, and Part 6 makes recommendations.

## **PART 1 THE DEVELOPMENT CONTEXT IN BOLIVIA**

### **Political background**

In 1982 Bolivia recovered a democratic system of governance, following several military governments that since 1971 had taken power by force. However, it was only with the government of President Paz Estenssoro (1985-1989) that the political system reached effective governance. Prior to this, under the administration of the political party Unidad Democrática y Popular (UDP) with Siles Suazo (1982-1985) as president, Bolivia had been submerged in political uncertainty and economic chaos due to the government's inability to control minimum support in Congress. There was a serious rupture between executive and legislative power, and this was marked by stark differences between the two powers. Executive power, controlled by the Siles Suazo government, was leftist, while legislative power, controlled by the political parties Movimiento Nacionalista Revolucionario (MNR) and Acción Democrática Nacionalista (AND), was more conservative. This difference prevented the government from making decisions, and the

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<sup>2</sup> The term "Canada" is used in this report to refer to the Government of Canada. This report acknowledges that Canada's overall efforts include the very substantial contributions that Canadian civil society organizations make to development, but these are not addressed in this study.

<sup>3</sup> Chavez, G., and Muriel, B., Canadian Aid to Bolivia and the MDGs, in The North-South Institute, *Canadian Development Report 2005, Towards 2015: Meeting our Millennium Commitments*, Ottawa: The North-South Institute, 2005.

<sup>4</sup> A list of organizations and institutions included in interviews is included at Annex 1.

Siles Suazo administration did not have political support in Congress to approve public policy changes, which required two-thirds of the votes. These issues contributed to a new general election in 1985. This date also marks the end of more than three decades of government-led development.

The new form of governance in Bolivia that began in 1985 and that, designed and later consolidated by Victor Paz Estensoro, was based on agreements among parties in Congress. This later became known as the *democracia pactada*<sup>5</sup> (a negotiated democracy among the parties of the elite). An alliance between ADN and MNR initiated a political and institutional establishment that lasted for almost 20 years. Estensoro's government was followed by a succession of other governments that were also formed on pacts and coalitions in Congress. In 1989 Jaime Paz Zamora assumed the presidency, followed by Gonzalo Sánchez de Lozada in 1993. In 1997 Hugo Banzer took power, and in 2002 Sánchez de Lozada returned. Five constitutional governments had alternated in power between 1985 and 2002, each of them based on political agreements in Congress. The years 1985 to 2000 were also the period of market-led development.<sup>6</sup>

During this time however, governance in Bolivia was also characterized by corruption in both the executive and legislative branches, by lack of transparency in public administration, and by lack of participation of civil society in public administration. This period also involved distribution of government posts (and political power) among political groups, without any clear economic or social agenda other than to benefit the followers of those in power. This led to the breakdown of public service programs within the Bolivian state.<sup>7</sup> This process resulted in the creation of an enormous distance between traditional political parties<sup>8</sup> and civil society.

The subsequent empowerment of civil society that grew from the resurgence of strong social movements helps to explain the weakening of governance that was based on negotiated democracy. Over time the democratic system that was re-established in 1982 created new institutions that led to political inclusion and a broadening of civil rights. For example, the electoral system deepened at the municipal level, which had a significant impact in rural areas. The Popular Participation Law (1994) also had an important effect on the empowerment of civil society and on local political administration, particularly in rural areas. This law transferred larger responsibilities to the municipal level, backed up by financing from 20 per cent of the national tax collection, and distributed on a per-capita basis. Most importantly, the law promoted local participation in public decision-making as well as in management and control of public spending.

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<sup>5</sup> A system that allowed all governments in the period 1985-2002 to have Congress support in order to have governance.

<sup>6</sup> This development model had three stages: introduction of the market economy (1985-1993), its expansionary years (1994-1999), and the questioning of the model (2000-2005).

<sup>7</sup> This is related to the private sector's inability to create jobs, so when any traditional political party came into government, they would use public organizations to create jobs for their followers.

<sup>8</sup> Political parties considered traditional are the Revolutionary Nationalist Movement (MNR), Movement of Revolutionary Left (MIR), Nationalist Democratic Action (ADN) and later even the New Republican Force (NFR), among the most important.

Drawing on advice from the World Bank and IMF, in 1985 the government introduced a program of structural reform. The first cycle (1985-1999) introduced resource allocation based on a market mechanism, and the second cycle (1994-1997) introduced privatization of state owned assets, the hydrocarbons and mining sectors, and basic services. It also introduced structural reforms in health and education. By 1997 the Bolivian government had privatized the most important public utilities.<sup>9</sup> The main idea of this reform was that by changing property rights of assets and introducing market competition where it was possible and regulation where it was not, the effect would be to improve access to basic services. A new development model was thus introduced, which was designed to stimulate economic growth under private sector leadership in an environment of market competition, with the government providing macroeconomic stability, regulating services and redirecting its resources to poverty reduction efforts. Evaluations<sup>10</sup> of this structural reform program show that the new development model worked for the population that was able to participate in the market economy, particularly in the largest cities. However, the model excluded the large poor Bolivian population living in urban and especially in rural areas (most of who were Indigenous).

The year 2000 marks a breaking point in Bolivian politics. In April of that year the Water War (Guerra del Agua) in Cochabamba showed the power of social movements. The people of Cochabamba, one of the three most important departments in Bolivia, were opposed to a massive price rise for the water service that was managed by the foreign company Aguas del Tunari. This opposition grew into social mobilizations and then open confrontation, which later became known as the Water War. This ended with the expulsion of Aguas del Tunari, and administration of the public utility by the previous local municipal water provider (SEMAPA).

In September of the same year, Indigenous groups started to mobilize and to reveal the magnitude of problems in rural areas. At the beginning of their protests, these groups were asking for better social conditions, more political inclusion, and working tools like tractors. It is well known that poverty in Bolivian rural areas is extremely high. Some of the relevant social indicators are shown in the following table.

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<sup>9</sup> Some of these services are ENTEL (Empresa Nacional de Telecomunicaciones), ENDE (Empresa Nacional de Electricidad), YPFB (Yacimientos Petroliferos Fiscales Bolivianos), ENFE (Empresa Nacional de Ferrocarriles), LAB (Lloyd Aereo Boliviano) and two municipal water providers in La Paz and Cochabamba.

<sup>10</sup> Barja, G., and Urquiola, M., Capitalization and privatization in Bolivia: An approximation to an evaluation, in *Project on The Distributional Impact of Privatization in Developing and Transition Countries* [Washington DC] The Center for Global Development/ Inter-American Development Bank, 2003, [http://www.cgdev.org/doc/event%20docs/2.24.03-Privatization/BarjaUrquiola\\_Bolivia\\_paper.pdf](http://www.cgdev.org/doc/event%20docs/2.24.03-Privatization/BarjaUrquiola_Bolivia_paper.pdf).

*Social indicators in urban and rural areas (2005)*

	Urban area (%)	Rural area (%)
<b>Education</b>		
Illiteracy rate for the population over 15 years of age	6.44	25.77
<b>Domestic basic services</b>		
Households with electricity service	88.56	23.87
Households with network water services	86.49	27.97
Households with network sanitation services	48.36	2.05
<b>Poverty</b>		
Poverty incidence	60.51	79.51

Source: INE and UDAPE

As conflict developed, the strength of the social movements began to determine a new agenda for Bolivian public policies. This agenda consisted of expansion of natural gas fiscal revenues and its distribution, nationalization of hydrocarbons, changes in land ownership, access to basic services, and a Constituent Assembly.

The social movements challenged the Hydrocarbons Law that had been approved in 1997 and that had provided a framework for privatization of the hydrocarbons sector. From the social movements' point of view, the law did not defend the national interest. They campaigned on the basis that current levels of revenues from natural gas production were only benefiting foreign companies, and that fiscal revenues (taxes and royalties) from the sector should be increased, so that benefits would also reach the Bolivian poor. This sense of unfairness also fed a sentiment for nationalization, expressed in the requirement for the return of ownership of the natural gas resources to the Bolivian state as sole and sovereign owner as established in the national constitution.

At the same time, social movements called for land redistribution, on the basis of the large concentration of land ownership in the lowlands, and greater subdivision of land in the highlands. These demands also grew from peoples' increasing feeling of injustice, including the exclusion of low land transfers to highland migrants. The urban and rural lack of access to basic services such as water and sanitation networks, natural gas networks, electricity, telecommunications, road infrastructure, and better health and education services, increasingly became an issue of injustice and exclusion, and this was often linked to privatization and the market system.

It was in this context of increasingly empowered social movements and weakening traditional political parties that the 2002 elections were carried out. These elections saw the almost complete disappearance of ADN, Unión Cívica Solidaridad (UCS) and Consciencia de Patria (Condepa), as well as a precarious survival of the MNR, the MIR and the NFR. It was also in this electoral process that a new political force, MAS (Movimiento al Socialismo), began to establish itself. It took second place in the election with 20.94 per cent of the votes, only a few points behind the winner, MNR, which

obtained 22.46 per cent and that again installed Sanchez de Lozada as president. The subsequent victory of MAS in 2005 can thus be clearly traced back to the 2002 election, and to the issues described above that constituted the new agenda for public policy in Bolivia.

After the 2002 election President Sanchez de Lozada and the traditional political parties attempted to continue to govern through a model that was outdated and clearly worn out. In 2003 the social movements started to rebel against the political system. Their demands for change increased, and the majority of the population felt the new government did not represent their interests at all, especially as it had won only 22 per cent of votes in the election. The rebellion was expressed in constant street protests and blockades, particularly in the Andean region. In October of 2003 in the city of El Alto the government decided to confront one of these events with military force, resulting in the death of more than 60 persons. This generated a national reaction of outrage and disapproval, the call for the president to resign, and the initiation of an indefinite national road blockade and halt of all activities until this happened. In this situation and with no choice but to meet the demands of the social movements, Sanchez de Lozada resigned. This signalled the end of two decades of “negotiated democracy”, and the beginning of a new era of politics in Bolivia.

### **The new period of politics**

After Sanchez De Lozada’s resignation, Vice President Carlos D. Mesa succeeded to the presidency. Carlos D. Mesa continued to face strong pressure from social movements to introduce a Constituent Assembly and nationalize hydrocarbons. The call for a Constituent Assembly is a key demand of all Bolivian Indigenous people, and amounts to the introduction of a new national constitution. This is an extremely important issue for Bolivia, as it points to the refounding of the Bolivian state beyond simple recognition of its multicultural and multi-ethnic nature, to the actual inclusion of Indigenous people and their culture in the design and administration of that state. The Constituent Assembly is also seen as a mechanism to create a new “agreement” that would set the basis for the solution of current social, political and economic problems in Bolivia.

At the same time as dealing with calls for a Constituent Assembly, President Mesa also faced pressure from a different source for regional autonomies. This was the main objective of some regional civic committees, which wanted full decentralization of the state, so that each region would decide its own administration and destiny. These civic committees felt that the social movements did not represent their interests, and they also wanted the continuation, rather than the end, of the previous market-based model.

With little backing from Congress, Mesa tried to satisfy the demands of the social movements (mainly in the West) and the civic committees (mainly in the East). These were in open political confrontation and had reached a stalemate. Although Congress eventually approved a new Hydrocarbons Law, Mesa’s presidency remained in great conflict, and pressure escalated to a point where civil war became the next possible scenario. At this point Mesa was forced to resign as part of an agreement on new national

elections, and on a Constituent Assembly and Referendum for Autonomies by July of 2006.

The president of the Supreme Court of Justice, Eduardo Rodriguez Veltzé was the last constitutional successor and became president with a specific task, that of calling for new general elections. In December of 2005, under the leadership of Evo Morales and representing the social movements, MAS won the elections with an overall majority, at 54 per cent of votes. The new composition of Congress is the following:

*Number of deputies and senators by political party  
(General Elections 2005)*

<b>Party</b>	<b>MAS</b>	<b>MNR</b>	<b>PODEMOS</b>	<b>UN</b>	<b>Total</b>
<b>Deputy Chamber</b>	72	7	43	8	130
<b>Senate</b>	12	1	13	1	27

What makes MAS a different political party? First, Evo Morales is Bolivia’s first indigenous (Aymara) president. Second, there is a very clear difference between what MAS stands for and what previous governments stood for. Civil society groups and social movements that support MAS are strongly opposed to the sorts of structural reform policies that successive previous governments supported and implemented. These are identified as “neo-liberal” policies, and going into the election, Evo Morales and MAS made very clear their opposition to these policies and the ideology that they represented.

There is considerable expectation that the results of the 2005 elections — and the planned Constituent Assembly and referendum on regional autonomies — may be the beginning of a resolution of the serious governance crisis Bolivia has experienced in recent years. The current political environment has established a new governance cycle and the appearance of new political actors in Bolivia. In this new context Bolivia faces a set of new public policy challenges that include the reduction of poverty and inequality, and greater social inclusion. The actors that are composed of the Aymara, Quechua, Guarani and many other Indigenous People, and who form the majority of the Bolivian population, not only want to vote but also wish to be part of the state, including its design and its administration. This is in stark contrast to the previous political context in which the leadership of traditional political parties, and therefore of the government, was made up of only political and economic elites. While previously very few indigenous people were members of Congress, now there will be greater visibility and transparency of the country’s ethnic reality, with greater direct participation by social movements in government. The new political context in Bolivia also implies the end of a *modus vivendi* in the relationship of the state with civil society that was previously strongly determined by exclusion and negotiation within groups of power. However, there is also a risk that, rather than political parties, there might be an excessive presence of unions and social movements in the affairs of state.

## Governance challenges

Sustainable governance in Bolivia faces new challenges, which are expressed in the form of a new institutional and governance structure made out of three political spheres. The first is the Congress, composed of the Senate and the Chamber of Deputies. The MAS does not have majority in the Senate but it does have simple majority in the Chamber of Deputies. So at the congressional level, alliances are still needed in order to have the two-thirds required for the approval of important laws. In the Senate, agreements could be difficult. The opposition party (PODEMOS) has 13 senators, although the political loyalties of party members still need to be proven. The MNR has one senator, Unidad Nacional (UN) also one, and MAS has 12, which makes a total of 27 senators. Two-thirds of votes are required for the approval of any law in the Senate. This first governance sphere has worked very well in the past in providing political support, but now that is not enough. Because of the political changes in Bolivia, political support is also needed from regional governments and social movements.

In the last elections Bolivians also elected *Prefectos* (regional governors) for the first time. This reflects an important new political reality and is a direct result of pressure from the civic committees for regional autonomy. While before decisions were made at the central government level, they are now supposed to be decentralized. Each department, through its regional administration, must make its own decisions within a general national program, although a legal framework for this function does not yet exist.

This constitutes the second sphere of governance in Bolivia. The relationship between the central government and departmental governments will give rise to another dimension in politics, more so in a situation where prefectural offices do not have the normative and institutional frameworks to make public policy. The assignment of tasks and resources for the prefectural offices will be among the first challenges for the second governance sphere. The extent of regional autonomy and the dynamics of this process will depend on decisions of the Constituent Assembly. Regions like Santa Cruz and Tarija are asking for more autonomy to make public policy decisions, but the content and reach of this autonomy is a highly complicated political negotiation among regional elites and the central government.

The third sphere is related to the strength that social movements have acquired in recent years. These social movements include urban unions and committees, labour unions, rural unions, Indigenous organizations, sector organizations, etc. Civil society has become highly empowered, to the point where some rural unions and some civic committees are strong enough to have veto powers over public policy. For policies to be sustainable, they must therefore also be negotiated with these groups. The national government will require the ability to build alliances and to deal with very diverse social movements which themselves have different interests. The MAS government can keep control of certain social movements, but others after a period will certainly be very aggressive in their demands, which could be based on salaries, incomes, or political power. To guarantee a certain level of governance, the government may need to form a pact with social movements.

## **A new political platform**

The election of Evo Morales also suggests a clear change in the pattern of development in Bolivia. The economic platform of his party does not follow previous governments' prescriptions of neo-liberalism or state capitalism. MAS seeks to create a new era for the state by recovering and industrializing natural resources, particularly natural gas, and by redistributing the benefits to help the needy through government programs (education, health, basic services, infrastructure, empowerment). MAS also seeks to build a new state that is productive but fundamentally sovereign.<sup>11</sup> It proposed an economic model based on solidarity and that, in contrast to previous governments, must also solve the problems of poverty and inequality. The model is designed to coexist with private ownership and private initiative, but it will not transfer development responsibilities to private sector leadership and the market. In short, the economy has returned to government-led development.

These changes in the public policy agenda imply enormous challenges for proposals to become operational and concrete. The full extent of changes that will take place in the new development model are not yet clear. It can reasonably be expected that the new government will go through a learning process, and that this will include both the design of a new direction for development<sup>12</sup>, as well as the creation of processes to allow a new social pact to be built. The Constituent Assembly represents an indispensable element of this process that has a long-term vision. It represents a "political space" where Bolivians can make a new social and political agreement that will change the institutional, economical, and political "rules of the game".

## **The very early days of the Evo Morales government**

President Morales took office in January 22, 2006. At the time of writing this report, only four and a half months have elapsed of a five-year presidential period. This is clearly too little time to attempt even an initial evaluation of his government. The following describes some of the key issues and events in the very early days of the new government.

- Among the president's first decisions was that of decreasing his own salary to 15,000 bolivianos (Bs) or about US\$1,870, followed by the later decision that no one in the public sector (including the other political powers of the state) could earn more than the president. This led to salary decreases for managerial-level government employees. The reason given was to improve education, through the generation of a fund to finance employment of more and much needed teachers (particularly for rural areas). Initially an objective of 6,000 new teachers was set. This was later revised when the government announced that savings from salaries would only allow for employment of about half that number.

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<sup>11</sup> The government's expression of "decolonization of the state" represents its commitment to, and emphasis on, the issue of sovereignty.

<sup>12</sup> The government was writing its National Development Plan during this research.

- After long debate and negotiations, by March 2006 the Senate had sanctioned (and the president promulgated) the law that calls for a Constituent Assembly and a Referendum on Autonomies. In July the Bolivian population voted in a referendum to give a Constituent Assembly the mandate to establish a regime of departmental autonomy. The Constituent Assembly itself is programmed to begin functioning by early August 2006.
- In March 2006 the government launched its National Literacy Program, with the objective to eradicate illiteracy in Bolivia in the next 30 months. The program is already being implemented by hundreds of Cuban teachers, with the financial backing of Venezuela. By early June the first thousand Indigenous students from different ethnic groups had already received their diplomas from the president. The program is accompanied by a free health service program in remote rural areas, undertaken by hundreds of Cuban medical doctors. In addition, 20 rural hospitals are planned for construction, one of which was inaugurated in late May 2006. Bolivian teachers and doctors have expressed some opposition to the Cubans, but this has been countered by beneficiaries of the services, as well as by the president, who expressed strong backing for the Cubans.
- Also in March 2006, the government approved its “Dignity Tariff Decree”, consisting of a 25 per cent decrease in electricity charges for urban households that consume less than 70 kwh per month, and rural households that consume less than 30 kwh per month over the next four years. The program is expected to benefit 480,000 households (about 2.4 million persons, 78 per cent urban and 22 per cent rural), representing 37 per cent of total electricity users. The cost of the program will be fully absorbed by electricity firms.
- During its first months in office the government was involved in a “standoff” with the large transportation sector, in particular with long-distance bus companies. The government decided that intercity and international motor transportation companies (for cargo and passengers) should pay taxes, given their capital and business wealth. This generated a strong reaction from the transportation sector, which reacted against the taxation proposal first with road blockades, and later with a halt in services that lasted several weeks. However, the sector then realized that, perhaps for the first time, it was confronting a government that was politically stronger than it was and as a result agreed to register at the tax office and begin paying taxes.
- On May 1<sup>st</sup> 2006 (Labour Day), the government followed through on a major campaign promise and launched its hydrocarbons nationalization decree. This was an announcement of the government’s intentions and objectives for the sector, and set a period of 180 days for itself and all private petroleum companies to reach all the necessary agreements. The decree’s intentions and objectives are the same as those expressed in the 2004 referendum and in the 2005 Hydrocarbons Law, namely for a vertically integrated petroleum company (YPFB) to recover Bolivian

ownership of hydrocarbons above ground and all decisions related to its commercialization; to control the oil refining stage; and to promote the industrialization of natural gas. Innovations include the definition of nationalization, obtaining of 51 per cent of shares, and increases in royalties up to 82 per cent of revenues for the two most productive wells. After an initial negative reaction from foreign companies, there was later general acceptance of Bolivia's right to nationalize its natural resources, although negotiations are not expected to be easy. In parallel, at least two foreign companies are already negotiating agreements for the introduction of gas-to-liquid (GTL) projects. There are also at least two foreign companies seeking agreements for oil and natural gas exploration in new areas. Neighbouring countries, including Brazil, Argentina, Uruguay and Paraguay, have also expressed interest in buying larger amounts of Bolivian natural gas, although this is subject to new price agreements (required by Bolivia), and will also depend on how successfully these countries (in particular Brazil) can increase their energy independence by developing their own energy sources.

- By early June the government announced the Indian company Jindall Steel & Power as the winning bidder for the development of the large Bolivian steel reserves at the Mutun (east of Santa Cruz). Total investment is supposed to reach up to \$2.3 billion over a four-to-five year period, to generate 10,000 direct jobs, and to use natural gas as a power source, with the government participating with 50 per cent of the shares.
- By early June 2006 the government had also issued several decrees relating to land policy. These include the distribution of land to Indigenous People, peasants and landless; elimination of discrimination in land access in the eastern part of Bolivia; the improvement of land legalization procedures with large social participation; promotion of land ownership for women; the recentralization of the national institute of agrarian reform; and other issues related to native languages, land prices and forestry property. As expected, land reform constitutes an extremely sensitive issue, and there have been strong negative reactions from current landowners who question the criteria and processes for land distribution.
- The government created an employment emergency fund and access to credit for small producers.

### **The recent Bolivian economic context**

The Bolivian economy experienced deep recession between 1999 and 2003. This began with several economic shocks and occurred when structural reforms implemented during the 1990s were only starting to take hold. The Asian economic crisis in that period reduced exports and generated capital outflow from Latin American countries, including from Bolivia. As a consequence Bolivia also experienced shocks resulting from devaluations in Brazil and Argentina, the dramatic currency crisis of Argentina, the end of natural gas exports to Argentina in 1999, and in addition the even further deteriorating

terms of trade, particularly in minerals. Other shocks resulted from domestic policy decisions, such as the coca eradication program and the customs reform program (which involved contraband control), and the cost of pension reform measures. The immediate result was unemployment, a deterioration of per capita income, and an increase of the deficit to nine per cent of GDP by 2002. Economic shocks, plus the social costs they generated, fed social unrest and political instability, and the questioning of market-led development and property rights. This in turn generated an economic environment of “hyper risk” and uncertainty that halted private investment and deepened unemployment.<sup>13</sup>

By 2004 this situation began to reverse. Particularly by 2005, positive external shocks not only stopped further deterioration of the economy but also helped in its recovery. These positive shocks included high oil prices and increasing natural gas demand from Brazil and Argentina, reversal of the terms of trade in minerals, and further debt relief through the HIPC<sup>14</sup> scheme. An important positive shock also resulted from domestic policy decisions, mainly the new Hydrocarbons Law that increased royalty payments from 18 per cent to 50 per cent of revenues from new wells, generating immediate revenues that added to improved tax collection.

Thus, the new MAS came into office in a period of very encouraging short-term economic indicators. In 2005 the gross domestic product increased by four per cent, the highest growth since 1999, indicating the end of the recession. The balance of payments is in a surplus, generated by surpluses in the current account and capital account. Exports have been above \$2.6 billion dollars (very high by Bolivian standards although largely determined by natural gas exports). Because of this, the nominal exchange rate has remained stable and the real exchange rate has improved. Inflation is under control (in 12 months it rose by 4.91 per cent) and net international reserves are approximately \$1.7 billion (again very high by Bolivian standards). The domestic financial system is on a clear path to post-recession recovery. The forecast for the 2005 fiscal deficit was set at 5.5 per cent of GDP,<sup>15</sup> but by the end of the year it reached only two per cent of the GDP, due mainly to the approval of the new Hydrocarbons Law. However, the government also inherited an economy with some less encouraging short-term indicators, such as continued unemployment and lack of private sector investment, which have contributed to high levels of poverty and inequality.

The somewhat improved overall situation of the Bolivian economy, seen solely through some short-term macroeconomic indicators, provides a number of opportunities. These include promoting higher growth through increased investments (higher government investment and higher social and pro-poor expenditures), and setting in place gradual solutions for social problems. This includes employment, a variable that is still lagging and that remains disconnected from the improved macroeconomic environment. It is also

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<sup>13</sup> Unemployment has been largely determined by the type of foreign investment Bolivia attracted during the period prior to recession. This was strongly concentrated in the energy sector, which is capital intensive.

<sup>14</sup> Highly Indebted Poor Countries Initiative.

<sup>15</sup> The cost of pension reform weighs heavily on the deficit (above four per cent of GDP) and is expected to continue for many years.

hoped that the more stable macroeconomic and social environment may provide incentives for a return of private domestic and foreign investment, although the stability of property rights may still be a central issue in this area.

It is important to note however that improvement of Bolivia's macroeconomic indicators has resulted largely from improved international conditions and higher natural gas royalty revenue, and not from an improvement of domestic productivity and domestic investment. In this context a key issue in the future will be whether the government is tempted to or forced to adopt "populist" measures that emphasize government spending for income redistribution only, while neglecting other aspects of development and management of the economy. It is also possible there will be another recession in the near future once favourable international conditions change, or when neighbouring countries find other ways and sources to meet their energy needs.

### **Challenges and risks**

Initially at least the Morales government will govern in favourable conditions, the result of strong social support and an overall majority obtained in the election, as well as the creation of legislative power that has large official representation. These, together with relatively favourable economic conditions, suggest a bright scenario for potential success in governance and in tackling the country's longstanding problems of poverty, inequality and exclusion. However, there are a number of potential threats and elements of conflict for the new government. Most notable are the Constituent Assembly and the Referendum on Autonomies, both of which will be participated in, and contested by a number of different and powerful political and economic interest groups. The government must also successfully manage the implementation of its hydrocarbons nationalization decree, as well as land reform initiatives. In addition, it must also deal with:

- Prior to the results of the Constituent Assembly vote, deepening of previous decentralization processes in response to the election of new *Prefectos* and to regional demands
- Ongoing governance issues as a result of regional demands, which in many cases are not in tune with the central government's objectives. (Opposition to the MAS government may be primarily in the departments, six out of nine of which are controlled by the opposition and are the most important in terms of their economic development — La Paz, Santa Cruz, Cochabamba, Tarija, Beni and Pando.)
- Lack of institutions to deliver public policy at the local level, and the corresponding need to develop capacities and suitable institutions at the department and municipal level, which need to be formally expressed in a legal framework that currently does not exist

- Problems associated with lack of experience in handling of the public sector, and in introducing public sector reforms
- Potential pressures and conflicts with power groups, the most important of which are some regional economic elites like landlords, associated with the exploitation of natural resources and the distribution of assets such as land, capital and rents associated to them
- Development of working relationship with international cooperation agencies, preparation of Consultative Groups, alignment of government/donor processes, and coordination of interventions.

### **Bolivia's Poverty Reduction Strategy (PRSP)**

Since 2001 and until recently, the Bolivian PRSP<sup>16</sup> (*Estrategia Boliviana de Reduccion de la Pobreza*) had represented Bolivia's national development plan. Bolivia was one of the first countries to prepare a PRSP, beginning the process in 2000. This followed its comparatively rapid progress through the HIPC I debt relief process, having reached "completion point" in 1998.

The Bolivian PRSP built on the previous *Plan General de Desarrollo Economico y Social* (PGDES) which identified four "pillars" for the government's development program (equity, opportunity, institutionality, and dignity), organized around a central poverty reduction objective. The PRSP's objective is to "reduce poverty and promote human development". It identifies four "interrelated strategic components": expanding employment and income opportunities, developing people's capabilities, increasing safety and protection for the poor, and promoting social integration and participation. It also identifies cross-cutting issues directed at promoting equity, including the areas of ethnic and Indigenous groups, women's rights, and environmental management.<sup>17</sup> The PRSP also presents a resource allocation and financing model based on an increased percentage of public investment to be allocated at the local levels, including a progressive allocation of HIPC II resources to the poorest municipalities.<sup>18</sup>

Consistent with World Bank requirements, the Government of Bolivia's preparation of the PRSP included a process of public consultation. In 2000 it undertook the "National Dialogue II" (*Dialogo Nacional II*) which built on the previous national dialogue undertaken in 1997. The dialogue was a relatively substantial process, involving approximately 2,400 persons.<sup>19</sup> It was undertaken primarily at the municipal level, but also involved participation from a range of NGOs, religious and labour organizations at the regional and national levels. It sought opinion on social, economic and political

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<sup>16</sup> Republic of Bolivia, *Poverty Reduction Strategy Paper – PRSP* (Estrategia Boliviana De Reduccion De La Pobreza – EBRP, La Paz: Government of Bolivia, 2001, <http://www.imf.org/external/np/prsp/2001/bol/01/033101.pdf>, accessed October 2005

<sup>17</sup> Ibid, p. 58

<sup>18</sup> Ibid, p. 160.

<sup>19</sup> Tembo, F., *Poverty Reduction: are the strategies working?* Milton Keynes: World Vision, 2005

policy, and involved debate on issues such as the causes of poverty, the use of HIPC II funds, and citizen participation in monitoring the results of the PRSP.<sup>20</sup> International donors played a strong role in the PRSP. This included provision of funding for aspects of its preparation, assessments of drafts and the final version, and feedback and “advice” to the government. After the National Dialogue, a further round of consultations, called “The Government Listens”, was conducted to consider a draft version of the PRSP. The PRSP was subsequently endorsed by Joint Boards of the IMF and World Bank in June 2001, paving the way for Bolivia’s HIPC II completion point and eligibility for further debt relief.

The PRSP process as a whole has been the subject of substantial criticism. In particular PRSPs are seen by many as donor-driven; allowing developing countries inadequate scope to set their own priorities and development agendas; failing to address key areas of national development; and lacking inclusiveness and genuine civil society participation. The Bolivian PRSP is no exception to these and other criticisms. Booth and Piron state that while the Bolivian PRSP process produced a document that was “elegant and consensual”, it was not well prioritized. Other than for municipal spending of HIPC and other funds, the PRSP did not identify mechanisms for translating identified priorities into spending plans, and it did not adequately establish a framework for policy action and for an improved aid relationship.<sup>21</sup>

Much of the criticism of the Bolivian PRSP has been in relation to the public consultation processes: Tembo suggests there were problems both of exclusion of key groups, and of legitimacy of those groups that were included in consultations. The consultation process did not allow sufficient scope for special interest groups, did not properly acknowledge the substantial differentiation within civil society, and included an insignificant level of women’s involvement.<sup>22</sup>

Following its completion in 2001, and despite criticism from local and foreign sources, the PRSP became the government’s primary development policy framework and, as a result, the key reference for donor efforts to support the Bolivian government. It remained in this role throughout the periods of political turmoil and changes of government that occurred in the years following 2001. In fact legislation introduced in 2000 required a further national dialogue process and revision of the PRSP in 2003 and every three years after. Following protests, political unrest and the resignation of Sanchez de Lozada in 2003, these processes were delayed to 2004, but were not subsequently completed. As a result, the 2001 PRSP remained the government-of-the-day’s national development plan until 2006.

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<sup>20</sup> Booth, D., with Piron, L.-H., *Politics and the PRSP Approach: Bolivia case study*, London: Overseas Development Institute, 2004

<sup>21</sup> *Ibid.*, vii

<sup>22</sup> Tembo, 2005, p. 29.

## PART 2 THE GOVERNMENT OF BOLIVIA'S EFFORTS ON THE MDGS

### The data

The Bolivian government's efforts in poverty and inequality reduction in general can best be viewed by the characteristics of government expenditure over time. Table 1 shows that government social expenditure has consistently increased every year from 1995 to 2002. This slowed somewhat in 2003 and 2004 but remained relatively high. Overall social expenditure grew from 12.4 per cent of GDP in 1995 to 18.9 per cent of GDP in 2004.<sup>23</sup> The emphasis on social spending has been the same throughout the period: first education, second pensions and third health. The data show there has been an overall trend in policy in favour of social spending regardless of who has been in government (five presidents during the period) and it has remained consistent even during the period of recession.

**Table 1**  
**Social expenditure: 1995 – 2004 (\*)**  
**(Percent of GDP)**

Sector/Concept	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004 (p)
<b>TOTAL SOCIAL EXPENDITURE (Current and capital)</b>	<b>12.41</b>	<b>13.89</b>	<b>15.26</b>	<b>15.69</b>	<b>16.67</b>	<b>17.18</b>	<b>18.83</b>	<b>19.93</b>	<b>18.78</b>	<b>18.92</b>
Health	3.14	3.31	3.36	3.28	3.35	3.56	3.66	3.71	3.60	3.77
Education	5.29	5.70	6.02	5.73	6.27	6.19	7.13	7.86	7.39	7.00
Sanitation	0.69	1.15	1.02	0.97	1.20	1.09	0.92	0.62	0.49	1.11
Urbanism	1.14	0.83	0.74	0.75	0.59	0.60	0.80	0.81	0.75	0.71
Rural development	0.70	0.66	0.77	1.16	1.20	1.34	1.66	2.08	1.84	1.67
Social spending (Prefecturas)	0.00	0.00	0.00	0.02	0.02	0.02	0.02	0.04	0.06	0.12
Pensions	1.32	2.11	3.23	3.60	3.74	4.12	4.36	4.52	4.37	4.28
Contributions (AFP's)	0.13	0.13	0.13	0.18	0.31	0.27	0.28	0.28	0.28	0.26

Source: UDAPE. (\*) Data subject to revisions and adjustments. (p) Preliminary data.

Table 2 shows that government pro-poor expenditure has consistently increased every year for the period 1995-2004, from 9.1 per cent of GDP in 1995 to 12.2 per cent of GDP in 2004, regardless of government change and of recession. Pro-poor expenditure has been concentrated first in education and second in health.

<sup>23</sup> Detailed information of the funding sources for the government's social expenditure is not available. However it is expected that funding from foreign donors, HIPC and new foreign debt may have been substantially more important during the recession years of 1999-2003, compared to funding from the government's treasury.

*Table 2*  
*Pro-poor social expenditure (\*)*  
*(Percent of GDP)*

Sector/Concept	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<b>Current Expenditure</b>	<b>5.6</b>	<b>5.9</b>	<b>6.1</b>	<b>6.2</b>	<b>6.2</b>	<b>6.0</b>	<b>6.7</b>	<b>7.2</b>	<b>7.1</b>	<b>6.8</b>
Health	2.1	2.3	2.4	2.4	2.4	2.4	2.6	2.6	2.7	2.8
Health wages	1.1	1.1	1.1	1.1	1.1	1.1	1.2	1.4	1.4	1.4
Beneméritos	0.6	0.6	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.3
Education (1)	3.5	3.6	3.7	3.8	3.8	3.6	4.1	4.6	4.4	3.9
Education wages	2.8	2.8	3.0	3.0	3.1	3.0	3.2	3.6	3.9	3.8
Other Social Expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
<b>Capital Expenditure</b>	<b>3.5</b>	<b>3.9</b>	<b>3.9</b>	<b>4.0</b>	<b>4.4</b>	<b>4.8</b>	<b>5.3</b>	<b>5.7</b>	<b>4.7</b>	<b>5.4</b>
Health	0.4	0.4	0.4	0.4	0.5	0.7	0.6	0.7	0.5	0.7
Education	0.6	0.9	1.0	0.8	0.9	1.0	1.4	1.5	1.1	1.2
Basic Sanitation	0.7	1.1	1.0	1.0	1.2	1.1	0.9	0.6	0.5	1.1
Urbanism	1.1	0.8	0.7	0.7	0.6	0.6	0.8	0.8	0.7	0.7
Rural Development	0.7	0.7	0.8	1.2	1.2	1.3	1.7	2.1	1.8	1.7
Town roads	0.2	0.3	0.3	0.4	0.6	0.5	0.7	0.8	0.8	0.7
<b>Total Pro-Poor Expenditure</b>	<b>9.1</b>	<b>9.8</b>	<b>10.0</b>	<b>10.2</b>	<b>10.6</b>	<b>10.8</b>	<b>12.1</b>	<b>12.9</b>	<b>11.9</b>	<b>12.2</b>

Source: UDAPE. (\*) Data subject to revision and adjustment. (1) University level not included.

Tables 1 and 2 show the practical results of a general policy of the Bolivian government that was consistent over time. The general policy corresponds to the view that government should concentrate its efforts and spending in social areas and not in the area of production, the latter being left to the private sector.

Is government social expenditure and pro-poor expenditure of a magnitude that is having impact on poverty reduction? Barja, Monterrey and Villarroel<sup>24</sup> show that current levels of social and pro-poor spending are not enough to have a significant impact in poverty reduction, based on short-term income and expenditure levels. Moreover, they show the impact of current levels of social and pro-poor expenditures could have had a much greater impact in poverty reduction if the economy had not experienced the negative shocks that outweighed them.

Besides the issue of quality, efficiency and effectiveness of government, social and pro-poor spending, which requires detailed evaluation, can the government substantially increase its current levels of social and pro-poor expenditure? In an environment of favourable external conditions, domestic stability and increased international cooperation, it is possible to increase those levels but not to a degree that will substantially make a difference, in particular in the short term. The immediate constraint in this case would be

<sup>24</sup> Barja, G., Monterrey, J., and Villarroel, S., Bolivia: Impact of shocks and poverty policy on household welfare, in *International Research Project on Macroeconomic Policy Challenges in Low Income Countries*, 2005. [www.imf.org/external/np/res/seminars/2005/macro/pdf/barja.pdf](http://www.imf.org/external/np/res/seminars/2005/macro/pdf/barja.pdf)

the government, which may not have the institutional, organizational and human capacity necessary to administrate the double or tripling of financial resources that would be required and that would take several years to develop.

Is government social and pro-poor expenditure connected to the MDGs in its planning and execution? The MDGs represent a relatively recent poverty reduction framework to guide international cooperation. Prior to the MDGs the PRSP process represented the key poverty reduction framework. In Bolivia the PRSP process, social participation through the National Dialogue process and the government's own discourse, all set a bias toward government spending for poverty reduction. The MDGs add to this commitment, reinforcing them conceptually by providing a framework of goals without explicit conditions.

However, there is a disconnect between the MDGs and the actual government budgetary process and its execution. The budgetary process usually responds to social pressure from sectors and regions. Both pressures tend to come from education, health, social security, infrastructure and emergency spending. Although this may not be contrary to the MDGs framework, it demonstrates that these pressures determine government expenditure priorities rather than specific annual achievement of an MDG. In other words, the MDGs are not incorporated into government budgeting and only partially incorporated into government and social thinking. This contrasts with the PRSP process. The Bolivian PRSP was elaborated as a requirement from the World Bank to access the HIPC debt relief program. The World Bank also required the PRSP to be developed with participation of society. The second National Dialogue approved the PRSP, the mechanism for distribution of financial resources released from debt relief and the participation of central and municipal governments in its administration and use.

### **Creation of the MDGIC**

In May 2004 the Bolivian government created the MDG Inter-institutional Committee (MDGIC) with the purpose of strengthening technical government offices in the design of policies for the accomplishment of the MDGs. The MDGIC consists of representatives of the Ministry of Health, Ministry of Education, Vice-Ministry of Sanitation, Vice-Ministry of Budgeting, Vice-Ministry of Public Investment and Foreign Financing (VIPFE) and the National Institute of Statistics (INE), all under the leadership of the governments Economic Policy Analysis Office (UDAPE).

The MDGIC produced the third report on Bolivia's MDGs which contains specific indicators for monitoring progress toward achieving the MDGs. This report is important specifically because it was prepared by the MDGIC, compared to the first two that were prepared with UNDP as the "lead", with UDAPE and INE participation. That is, preparation of the third report has been "led" by the government rather than by external agencies, which indicates some level of "country ownership" of the MDG process. The indicators have been selected to quantify advances in each goal based on information that is available and reproducible. Table 3 presents those selected indicators.

**Table 3**  
**Follow up indicators in the Third Report 2003-2004**

<b>Objectives</b>	<b>Goals</b>	<b>Selected Indicator</b>
Eradicate extreme poverty and hunger	Reduce by half the proportion of persons living on less than a dollar a day	Extreme poverty incidence
	Reduce by half the proportion of people who suffer from hunger	Prevalence of underweight children under three years of age
Achieve universal primary education	Ensure that all boys and girls complete a full course of primary schooling	Net enrolment ratio to eighth grade primary education
		Rate of gross achievement of eighth grade primary education
Promote gender equality and empower women	Eliminate gender disparity in primary and secondary education preferably by 2005, and at all levels by 2015	Gender gap in the rate of gross achievement of eighth grade primary education
		Gender gap in the rate of gross achievement of fourth grade primary education
Reduce child mortality	Reduce by two-thirds the mortality rate among children under five	Infant mortality rate for every 1000 born
		Coverage of the pentavente vaccine in children under one year of age
Improve maternal health	Reduce by three-quarters the maternal mortality ratio	Maternal mortality for every 100,000 born
		Coverage of institutional births
Combat HIV/AIDS, malaria and other diseases	Halt and begin to reverse the spread of HIV/AIDS	Prevalence of AIDS cases per million inhabitants
	Halt and begin to reverse the incidence of malaria and other major diseases	Percent of municipalities with a rate of chagas infestation greater than 3%
		Index of annual malaria parasitosis per 1000 inhabitants
Ensure environmental Sustainability	Reduce by half the proportion of people without sustainable access to safe drinking water	National coverage of potable water in % of population
	Achieve significant improvement in the lives of at least 100 million slum dwellers, by 2020	National coverage of sanitation in % of population
Develop a global partnership for development	In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries	Proportion of household spending on drugs in respect to the total spending in health by the nation

The Third Report was published in 2005 and presented the actual numbers for each indicator and a short evaluation for each goal. According to the report, the Millennium Development Goals that will not be reached in Bolivia by 2015 include those dealing with extreme poverty and hunger (targets 1 and 2), universal primary education (target 3, reached by net enrolment but not by proportion who finish the eighth grade), child mortality rate (target 5), maternal mortality rate (target 6), environmental sustainability related to sanitation (target 10), and access to affordable essential drugs (target 17, part of the eight goal). Goals that are expected to be reached are those of gender equality, combating HIV/AIDS, malaria and other diseases, and environmental sustainability related to water.

Methodologically the evaluation developed by the MDGIC was based on several assumptions regarding the macroeconomy, the actual rate of improvement, and quality of the selected indicators. If those assumptions change, results may be different. With regard to the quality of the selected indicators, it is important to note that these were selected by the MDGIC based on data availability. This means that they may not necessarily be the most appropriate for measuring progress against a specific goal. This could be the case for the gender equality goal which is measured only by the gender gap in achieving some education levels.

Selected indicators were further developed by UDAPE by computing them not only nationally but also for each of the country's nine departments, and by all subdivisions within departments, thereby presenting the full range of variability given Bolivia's territory. These indicators and their quantification are however an *ex-post* evaluation of the MDGs in Bolivia. This relates to the point made above regarding the MDGs and the government's budgetary process. The MDG indicators and their quantification as set out in the third MDG report are not featured at any government level in terms of setting annual goals by expenditure items. Rather, budgeting is the result of sectoral and regional social pressures, and is constrained by the availability of financial resources, as well as by government institutional and organizational constraints.

This observation is also consistent with the main conclusion of the third report: that the majority of the MDGs in Bolivia will not be reached by 2015 unless there is a process of prioritization to accomplish the most cost effective interventions. The conclusions suggest that the MDGs should be an explicit part of the planning and execution process of government expenditure, not just an *ex post* evaluation framework of whatever the government decides to do.

For this to occur however the government would have to commit itself to the MDGs, and this would in turn require full appropriation of the MDGs by the government and society. This has not happened. Appropriation has occurred only in the general discourse of some government officials and offices. Examples of full appropriation are the MDGIC and the former Vice Ministry of Water and Sanitation, which has implemented a highly participatory process to develop a strategy and detailed action plan to reach the MDGs in the water and sanitation sector.

Regardless of whether all relevant government offices fully appropriate the MDGs or not, government expenditure will still face a second level of issues, those generally related to public administration. Typical problems associated with Bolivian public administration have been the following:

- High rotation among government officials in the short term. This is an expression of frequent social and political instability, which undermines the continuity of the planning process and the execution of specific programs and projects.
- Important and permanent government resource constraints, including lack of strong leadership, lack of staff with strong management skills, lack of staff with strong technical skills, budget constraints for managerial and administrative support, counterpart budget constraints to match international cooperation requirements, excessive decision-making at the central government level.

Even if government does have access to greater social expenditure, there is the risk that these problems would undermine the planning and execution process of government spending with little practical results in poverty reduction over time.

### **The current government, international cooperation and the MDGs**

Interviews for this report with government officials in Bolivia were held in February 2006. This was too soon after the government's election in December 2005 to formulate an accurate picture of its policy and approach regarding the MDGs. Nevertheless, from initial conversations, government speeches and newspaper publications the perception is that for the current government key issues include sovereignty in policy direction and development strategy, and alignment of international cooperation with government policy and priorities. This is expressed not only by government but also by the public, constantly and consistently as a fundamental principle. In fact, broad ownership of ideas related to alignment and harmonization go beyond the last few governments and is deeply embedded in society, whether or not the public recognizes them specifically in terms of "harmonization" or "alignment".

International cooperation is currently supportive of the new government. It expects the government will bring an element of stability to Bolivia, and it is generally eager to move financial resources quickly, especially as this was problematic in the previous environment of social and political instability. At the same time, there is also evidence of a positive attitude from the new government toward international cooperation. The government appears to perceive the importance and value of international support, particularly from bilateral agencies.

More difficult may be relations and agreements on policy and approach with international financial institutions, particularly the IMF and the World Bank. Both these institutions are strongly associated with the structural reform policies that drove the Bolivian economic model in the late 1980s and 1990s, and that were strongly opposed by social movements during the 2000s. These policies, as we have seen above, are quite different

to the MAS political platform. As a result, considerable work will be required for the government and the IFIs to find workable positions. Recent evidence suggests encouraging progress in this area. Exchanges between the government and the World Bank may indicate a new phase of cooperation with multilateral financing institutions. This would occur independently of previous IMF agreement requirements<sup>25</sup> and of debt-cancellation arrangements with the World Bank, and would include the characteristics of full alignment with the government's development strategy and priorities.

Will the new government's development strategy differ from the MDGs? Some government officials think that in broad terms the new government seeks the same goals included in the MDGs, and that there are no basic contradictions or inconsistencies that could give rise to conflict. Differences may appear in emphasis or approach, but probably not in content, except perhaps on the issue of employment which does not appear as an MDG. Other officials think that a general alignment of the government's development strategy to the MDGs would be positive in order to facilitate its relationship with international cooperation agencies. In any case, it may be that the real issues in promoting development will not be about the MDGs or alignment, but rather those related to the practical implementation of programs and projects, given the traditional constraints on government actions as mentioned before, most of which are related to limitations in government capacity.

### **PART 3 CANADA'S DEVELOPMENT EFFORTS IN BOLIVIA**

The following section explores how Canadian government departments and other institutions are involved in Bolivia, and how they contribute to development and the MDGs. It focuses on the Canadian International Development Agency (CIDA), but also considers Foreign Affairs Canada, International Trade Canada, Finance Canada, the Department of National Defence, and the International Development Research Centre, a Canadian public corporation.

#### **3.1 Canada's international policy and the MDGs**

Canada, with over 150 other nations, was a signatory in 2000 to the Millennium Declaration that formed the basis for the MDGs. The MDGs constitute a central component of current Canadian international development policy. They are clearly evident in Canada's *International Policy Statement (IPS)*,<sup>26</sup> released in 2005, under the Martin Liberal government.<sup>27</sup>

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<sup>25</sup> Having an agreement with the IMF related to macroeconomic management was traditionally a requirement to have access to World Bank Resources and of other multilateral organizations.

<sup>26</sup> Government of Canada, *International Policy Statement*, 2005. <http://www.dfait-maeci.gc.ca/cip-pic/ips/ips-home-en.asp>

<sup>27</sup> The Harper minority Conservative government was elected in January 2006. With this change of government, at the time of the writing of this report, the ongoing currency of the International Policy Statement is unclear.

The Development section<sup>28</sup> of the IPS locates Canada's development efforts squarely within the context of the MDGs. Indeed, in her opening statement, the then Minister of International Cooperation said progress toward Canada's "vision" of development will be "clearly measured against the Millennium Development Goals..." The MDGs continue to feature prominently throughout the Development section of the IPS and are linked to most of its key policy announcements.

The Development section of the IPS sets out a broad policy framework for Canada's development efforts, including at the country level. There is a strong emphasis on the need to increase the "strategic focus" of these efforts, and this is discussed in relation to country concentration, priority sectors, work with multilateral institutions, and work in development partnerships. In each case, rationale and criteria are provided for why and how Canada should focus its efforts, and these are frequently explained with reference to the MDGs.

For example, the IPS explains that "greater sectoral focus" will involve concentrating efforts in sectors that are "directly related to achieving the MDGs". Five sectors are identified: good governance, health, basic education, private sector development, and environmental sustainability (with gender equality as a cross-cutting theme). These sectors were chosen on the basis of their "potential for advancing the achievement of the Millennium Development Goals". Further discussion of each priority sector also includes an emphasis on the MDGs. For instance, Canada's efforts in the governance sector are important because "sound governance is a fundamental prerequisite for any of the MDGs to be achieved in a sustained manner." A focus on health is justified because it is recognized that "progress in health outcomes has important multiplier effects for other MDGs."<sup>29</sup>

On Canada's attempt to achieve "greater country concentration" in its aid programming, the IPS states the bilateral program will focus on a "core group of Development Partners", with increased resources allocated to selected poor countries "where effective programming to address the MDGs is possible and where Canada can add real value".<sup>30</sup> Additionally, programs involving Canadian partners "will be increasingly concerned overall with addressing the MDGs in the poorest countries".<sup>31</sup>

The IPS also draws a clear link between the MDGs and aid effectiveness: "equally important to achieving the MDGs are policy changes designed to strengthen the effectiveness of Canada's development assistance...."<sup>32</sup> This is relevant because it suggests that Canada's development efforts, and by extension its contribution to the MDGs, will be determined by *how* it delivers its aid program, as well as by *what* it

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<sup>28</sup> *International Policy Statement*, Development Section: [http://www.acdi-cida.gc.ca/INET/IMAGES.NSF/vLUIImages/IPS\\_PDF\\_EN/\\$file/IPS-EN.pdf](http://www.acdi-cida.gc.ca/INET/IMAGES.NSF/vLUIImages/IPS_PDF_EN/$file/IPS-EN.pdf)

<sup>29</sup> *Ibid*, 2005, p. 11-14.

<sup>30</sup> Bolivia was subsequently named as one of 25 Development Partners.

<sup>31</sup> *Ibid*, p. 25.

<sup>32</sup> *Ibid*, p. 6.

delivers. As we will see later, CIDA's adoption of aid effectiveness approaches has played a major role in shaping the current CIDA program in Bolivia.

A key part of the development section of the IPS describes Canada's intention to undertake what it terms "a whole of government approach to development".<sup>33</sup> This will involve stronger coherence between the government's aid and non-aid policies and actions. The government will strive for stronger interaction between its development goals and its international agendas in a number of areas, with special attention to efforts on debt relief, trade, fragile and failed states, and the environment. This will occur within the overall objective of reducing global poverty.

#### *Other sections of the IPS*

While the MDGs are strongly present throughout the IPS development section, they are almost completely absent from the three other sections (Diplomacy, Defence and Commerce). The commerce section, for example, which relates to International Trade Canada, gives very little attention to the MDGs. It is strongly focused on the government's role in identifying new markets and opportunities for Canadian trade, and on commerce as a means of advancing Canadian interests. According to the opening ministerial statement, the policy is "above all" about "ensuring our future prosperity as Canadians in a globalized economy". There is only a brief section, tucked at the very end of the policy, which recognizes the "many" connections between Canada's commercial strategy and international development.<sup>34</sup> Here there is reference to Canada's market access program for exports from least developed countries,<sup>35</sup> its efforts at the WTO to promote new rules oriented to the interests of developing countries, and its provision of trade-related technical assistance. Although these trade initiatives are, as the document suggests, clearly linked to development issues, they are discussed without reference to the "whole of government" approach identified in the development section of the IPS.

This contrasts with the Defence section of the IPS.<sup>36</sup> It identifies a number of priority areas for Canadian defence in which other government departments will play important roles. This applies to Canada's role in "failed and failing states", and to its efforts in rebuilding countries affected by war and civil strife. For the latter, "close collaboration" will be required between National Defence, Foreign Affairs and CIDA.<sup>37</sup> The Defence statement later says that "more than ever, a whole of government approach" will be required for the government to contribute to international peace and security, and in particular for it to help restore stability in failed and failing states.<sup>38</sup>

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<sup>33</sup> Ibid, p. 8.

<sup>34</sup> International Policy Statement, Commerce section: <http://itcan-cican.gc.ca/ips/pdf/IPS-commerce-en.pdf>

<sup>35</sup> The LDC Market Access Initiative, discussed later in this report.

<sup>36</sup> International Policy Statement, Defence section: [http://www.forces.gc.ca/site/reports/dps/pdf/dps\\_e.pdf](http://www.forces.gc.ca/site/reports/dps/pdf/dps_e.pdf)

<sup>37</sup> Ibid, p. 9.

<sup>38</sup> Ibid, p. 26.

The defence section of the IPS does not refer to the MDGs. Diplomacy, the Foreign Affairs<sup>39</sup> section, mentions the MDGs but only on a very small number of occasions. In fact Foreign Affairs appears to hand over the primary responsibility for the MDGs to CIDA, stating that CIDA will “play a leading role” in meeting the challenge of the MDGs, but that Foreign Affairs will promote a “broader development agenda” such as through its membership of the G8.<sup>40</sup> It goes on to make an important and seemingly ambitious statement regarding the in-country role that Foreign Affairs will play. Foreign Affairs will lead in the interdepartmental development of “whole of government strategies”. Thus it will bring together “Government-wide resources”, doing so “in conjunction with arm’s-length organizations active in-country, with provinces and cities, and with Canadian NGOs, business and civil society”. At the country level, ambassadors and other heads of mission will be responsible for implementation of whole-of-government country and regional strategies.<sup>41</sup>

### 3.2 Canadian ODA to Bolivia

The following table shows Canadian official development assistance (ODA) to Bolivia in the last few years (in C\$ million):

	2000/01	2001/02	2002/03	2003/04	2004/05
Total ODA to Bolivia (C\$m)	23.30	32.96	18.58	25.68	21.88

Source: CIDA Statistical Reports on ODA, 2000/1-2004/5

Canada provides ODA to Bolivia through a number of channels and via different government departments and institutions. Figures in the table above include ODA provided by CIDA through its bilateral, multilateral, and partnership programs; by Finance Canada for international financial institutions and debt relief; and by IDRC.

### 3.3 CIDA

#### CIDA policy on the MDGs

As discussed the development section of the IPS explicitly locates Canada’s development efforts within the overall framework of the MDGs. CIDA’s own policy and strategy also draws this link but not as directly as in the IPS.

One reason for this is that there has been relatively limited high-level policy development in CIDA in recent years. This is probably linked to change and uncertainty in the Canadian political landscape. Since 2000 there have been three governments (the

<sup>39</sup> International Policy Statement, Diplomacy section, <http://www.dfait-maeci.gc.ca/cip-pic/IPS/IPS-Diplomacy.pdf>

<sup>40</sup> Ibid, p. 19

<sup>41</sup> Ibid, p. 30-31

majority Chrétien government, the minority Martin government, and the current minority Harper government), and four different Ministers of International Cooperation,<sup>42</sup> each of whom naturally has attempted to place her own “stamp” on CIDA policies and priorities. While political events in Canada have not been as dramatic and far-reaching as those in Bolivia during the same period, changes of government, combined with turnover of ministers, have provided an unfavourable environment for consistent and coherent policy development.

The most significant recent CIDA policy statement is the 2002 *Canada Making a Difference in the World: A Policy Statement on Strengthening Aid Effectiveness*.<sup>43</sup> Since 2000 CIDA has released only two major policies in addition to this, both in 2003: *Expanding Opportunities Through Private Sector Development*,<sup>44</sup> and *Promoting Sustainable Rural Development Through Agriculture*.<sup>45</sup> The latter was a natural follow-on to *Strengthening Aid Effectiveness* which stated that CIDA would strengthen its investments in agriculture and rural development. Canada’s focus on this sector appears to have been short-lived however; as it is excluded from the IPS’ five priority sectors. Private sector development is retained in the IPS but there is no reference to the 2003 *Expanding Opportunities Through Private Sector Development*.

This raises questions regarding the overall relevance and currency of CIDA policy. *Canada Making a Difference in the World* appears to be the most durable and is certainly the most relevant for our consideration of CIDA’s efforts in Bolivia. Among other things, it sets out a number of important directions for Canadian aid. It outlines international principles that will guide CIDA’s work, places special emphasis on specific approaches and delivery mechanisms for Canadian assistance, and discusses field presence and decentralization. Each of these issues helps to explain why important changes were made in the Bolivia program over the last few years.

The document’s discussion of programming approaches and delivery mechanisms is particularly relevant. It states CIDA “will orient its programming in poorest countries towards new approaches that are based on principles of effective development”.<sup>46</sup> The focus here is clearly on a shift away from “traditional” project-based approaches toward programmatic approaches that emphasize “comprehensive and coordinated planning in a given sector or non-sectoral area of intervention, or under a broad national plan for poverty reduction”<sup>47</sup> and that include key aid effectiveness elements such as local ownership, improved donor coordination and harmonization, and stronger partnerships. Programming instruments nominated to support these approaches include sector wide approaches (SWAPs), thematic programs or programs of specific organizations such as

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<sup>42</sup> The Ministers were Maria Minna, Susan Whelan and Aileen Carrol. The current Minister is Josée Verner.

<sup>43</sup> CIDA, *Canada Making a Difference in the World: A Policy Statement on Strengthening Aid Effectiveness*, Hull: CIDA, 2002 (b)

<sup>44</sup> CIDA, *Expanding Opportunities Through Private Sector Development: Canada Making a Difference in the World*, Hull: CIDA, 2003 (a)

<sup>45</sup> CIDA, *Promoting Sustainable Rural Development Through Agriculture: Canada Making a Difference in the World*, Hull: CIDA, 2003 (b)

<sup>46</sup> CIDA 2002b, p 7

<sup>47</sup> Ibid, p. 6.

NGOs. As we will see later, a key element of the Bolivia program over the last year is a deliberate move toward such programmatic approaches.

Field presence and decentralization are also addressed in *Canada Making a Difference in the World*. The statement admits that “Canada, compared to other donors, tends to be centralized with a relatively small field presence”. It draws a clear connection between strong field presence and effective programmatic approaches, which “place a premium on country knowledge, being around the table as sectoral strategies are developed, and having access to in-country networks...”<sup>48</sup> In addition, strong field presence can help donors better understand the real meaning of local ownership at the country level and can also assist better coordination of both the developing country and donors. The result of this is an unequivocal statement: “CIDA will enhance its field presence in countries selected for enhanced partnerships so that it can effectively deliver new program approaches.”<sup>49</sup> As we will see, field presence and decentralization are also key challenges facing the Bolivia program.

Like in the IPS, *Canada Making a Difference in the World* discusses aid effectiveness issues in the context of the MDGs. They are identified as part of the “backdrop” to the steps CIDA will take to strengthen its aid effectiveness and to the “international momentum” in support of a more comprehensive approach to development.<sup>50</sup>

### **CIDA strategy and the MDGs**

CIDA’s key strategy paper, the *Sustainable Development Strategy 2004-2006*,<sup>51</sup> also places a strong emphasis on the MDGs. It states, for instance, that CIDA’s “long term vision of sustainable development” is “embodied in the Millennium Development Goals”.<sup>52</sup> The *Sustainable Development Strategy* (SDS) outlines “key agency results” which are linked to the MDGs as well as to CIDA’s mandate. MDG targets are used extensively as indicators throughout the Strategy’s “Action Plan”.

Apart from the 2001-2003 and 2004-2006 SDS papers, CIDA’s most recent major strategy paper is the 2000 *Social Development Priorities Framework*,<sup>53</sup> which includes action plans in health and nutrition, basic education, HIV/AIDS, and child protection. However, it is unclear how relevant these are, given that the IPS outlines a different sectoral focus and does not refer to the 2000 Framework or to the four social development priorities. CIDA’s limited work in strategy development, and possible redundancy of some of the existing work, appear to reflect the similarly limited policy development that is described above.

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<sup>48</sup> Ibid, p. 29.

<sup>49</sup> Ibid, p. 30.

<sup>50</sup> Ibid, p. 1.

<sup>51</sup> CIDA, *Sustainable Development Strategy 2004-2006: Enabling Change*, [www.acdi-cida.gc.ca/sds](http://www.acdi-cida.gc.ca/sds).

<sup>52</sup> Ibid, p. 7.

<sup>53</sup> CIDA, *CIDA’s Social Development Priorities: A Framework for Action*, Hull: CIDA 2000.

## The Paris Declaration on Aid Effectiveness

The *Paris Declaration on Aid Effectiveness*<sup>54</sup> is a key document for development cooperation and, as well as the MDGs, constitutes an important framework for CIDA's efforts in Bolivia. It was formulated in the lead up to the 2005 Millennium Review Summit and it recognizes that, while significant increases in the volume of aid and other resources are required to achieve the MDGs, these by themselves will not be enough; major improvements in aid effectiveness will also be required.

Like the MDGs, the Paris Declaration was signed on to by developing as well as developed nations, and is seen to represent a statement of joint commitments. It sets these out in the form of "partnership commitments" to improve aid effectiveness, including in the areas of ownership, alignment, harmonization, managing for results, and mutual accountability. Also like the MDGs, the Paris Declaration includes targets and indicators that allow measurement of some of these joint commitments. The declaration is increasingly entering the discourse of development cooperation, particularly for bilateral donors.

The Paris Declaration built on two other key agreements on development cooperation: the 2003 *Rome Agreement on Harmonisation*,<sup>55</sup> and the 2004 *Joint Marrakech Memorandum*.<sup>56</sup> Its origins however date back much further than these and are reflected in important development cooperation and aid effectiveness themes that have been debated for many years and that were addressed in statements such as the 1996 OECD/DAC's *Shaping the 21<sup>st</sup> Century*.<sup>57</sup>

Aid effectiveness issues cited in the Paris Declaration have also been the subject of government-donor dialogue at the country level for many years, including in Bolivia. For instance, the Government of Bolivia addressed ownership and alignment in its 1999 document *Bolivia hacia el Siglo XXI: Nuevo Marco de Relacionamento Gobierno-Cooperación Internacional* (Nuevo Marco).<sup>58</sup> In February of 2005 the government, with the participation and support of many national and international organizations, released a series of documents related to harmonization and alignment of international cooperation. These included:

- National Plan for Harmonization and Alignment
- Implementation Plan for Harmonization and Alignment
- The Matrix of Actions, Implementation Dates and Budget

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<sup>54</sup> OECD, *Paris Declaration on Aid Effectiveness*, <http://www.oecd.org/dataoecd/11/41/34428351.pdf>,

<sup>55</sup> OECD, *Rome Declaration on Harmonisation*, <http://www.oecd.org/dataoecd/54/50/31451637.pdf>, accessed March 2006

<sup>56</sup> Second Roundtable on Development Results, *Joint Marrakech Memorandum*, <http://www.mfdr.org/documents/1JointMemorandum05feb04.pdf>,

<sup>57</sup> OECD, *Shaping the 21<sup>st</sup> Century: The Contribution of Development Cooperation*, <http://www.mfdr.org/documents/1JointMemorandum05feb04.pdf>,

<sup>58</sup> <http://www.vipfe.gov.bo/dgfe/nuevomarco/index.html> ("The New Relationship Framework between Government and the International Cooperation").

- Identification of Factors that Contribute to the Sustainability and Ownership of Development Interventions
- Experiences in Coordination, Alignment and Harmonization in Bolivia.<sup>59</sup>

VIPFE has taken a leading role on these issues, and the documents suggest a further deepening of the degree of the Bolivian government’s ownership of the concepts and ideas related to alignment and harmonization. Interviews conducted for this study with key government officials, particularly those from VIPFE, indicated that issues of alignment and harmonization are clearly part of the “everyday language” government uses in its dialogue with international cooperation agencies, and that it is strongly committed to making them a reality. In summary, Bolivian officials take alignment and harmonization seriously, suggesting that CIDA’s efforts to support the government must also do so.

### **The CIDA program in Bolivia**

The following section describes CIDA’s development efforts in Bolivia. The first and largest section presents details on the bilateral program. Following sections look at Canadian Partnership Branch and Multilateral Branch efforts.

#### **a) CIDA expenditure in Bolivia**

The following table compares CIDA disbursements to Bolivia with total Canadian ODA to Bolivia (in C\$million).

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
Canadian ODA to Bolivia	23.30	32.96	18.58	25.68	21.88	
CIDA disbursements		18.23	14.08	19.83	14.78	22.74

Source: CIDA

#### **b) The CIDA bilateral program in Bolivia**

### **The Country Development Programming Framework**

The origins of the current Bolivia country program are clearly evident in the *Bolivia Country Development Programming Framework 2003-2007* (CDPF).<sup>60</sup> Written in 2002, the CDPF set out important new directions for the bilateral program. In particular it described a new sectoral focus and a shift to more programmatic forms of delivery, both of which went on to represent key features of the program during following years. The CDPF also addressed linkages and coordination between the bilateral program and multilateral and partnership branches. The following section examines the CDPF’s

<sup>59</sup> These and other related documents can be found at [www.vipfe.gov.bo](http://www.vipfe.gov.bo).

<sup>60</sup> CIDA, *Bolivia Country Development Programming Framework 2003-2007* (draft), Gatineau: CIDA, 2002a, www. <http://www.acdi-cida.gc.ca>.

discussion of each of these issues, as they are central to our consideration of how CIDA's efforts have contributed to the MDGs in Bolivia.

### *Programmatic approaches and sectoral focus*

The bilateral program's shift to more programmatic forms of aid delivery is a key theme that runs throughout the CDPF. The background to this shift dates to the late 1990s when the program started a deliberate effort to move away from "small isolated projects and closer towards better rationalized and coordinated aid", a move that was also consistent with the Government of Bolivia's *Nuevo Marco*. The decision to adopt this shift is "rooted in lessons learned from the previous experience of CIDA-Bolivia Country program", as well as a major program review that highlighted the dangers of CIDA "spreading itself out too thinly or supporting too many isolated supply-driven projects that risk duplicating or undermining Bolivian development efforts".<sup>61</sup>

In terms of sectoral focus, the CDPF states that CIDA will reduce the number of sectors it is involved in from eight to three, and that the three sectors will consist of health, water and sanitation, and "modernization of the state".<sup>62</sup> The factors influencing this decision are similar to those driving the shift to programmatic approaches: previous program experience, the program review, and consistency with the *Nuevo Marco* which argues that international cooperation should focus on a limited number of priorities. According to the CDPF, the move to a reduced number of sectors "marks the beginning of a much more focused and strategic approach to development".<sup>63</sup>

The CDPF sets out proposed "investment and approaches" for each of the three chosen sectors, and this provides further insight into the origins and formulation of the current program. In the health sector there is a strong emphasis on programmatic approaches. CIDA involvement in the 1990s included financing a range of international organizations such as UNICEF, PAHO, or CARE Canada. The CDPF states that while this "undeniably...produced considerable benefits for...Bolivian communities", it was difficult for CIDA to "draw connections" between different program aspects due to their different objectives and dispersed nature of activities. Additionally implementation was labour intensive, and monitoring and coordination were difficult for both CIDA and the Government of Bolivia. These factors apparently contributed to a decision that health programming should be "linked to government reform processes, be programmatic in nature, and work in partnership with other donors." In water and sanitation, the emphasis is also on programmatic approaches and on support for government institutions: the CDPF states that CIDA will pursue activities that are "interconnected, more programmatic in nature, and better linked to national initiatives to strengthen the capacity of the Bolivian government institutions..."<sup>64 65</sup>

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<sup>61</sup> CIDA 2002a, p. 20-27.

<sup>62</sup> The CDPF consistently uses the terminology "modernization of the state". This terminology has subsequently been changed, and CIDA now uses the term "governance" to refer to its work in this sector.

<sup>63</sup> Ibid, Executive Summary

<sup>64</sup> Ibid, p. 27-30.

In comparison, CIDA's proposed involvement in the "modernization of the state" sector places less emphasis on programmatic approaches. Instead, a range of involvements is planned, even though past efforts, like those in other sectors, were either "overly dispersed and fragmented" or tended to be lost within very large public reform initiatives. CIDA's approach in the sector will include smaller and shorter-term public reform initiatives, while at the same time continuing longer-term and larger scale efforts, as well as entering the "more value-laden area of governance such as that of human rights"<sup>66</sup>.

The CDPF states that the "main advantage" of this approach is that, as well as combining shorter and long-term governance efforts, and smaller and large scale initiatives, it also allows CIDA to respond "rapidly and flexibly to newly emerging Bolivian needs in a broader range of institutions"<sup>67</sup>. This is different to the approach outlined for health and water and sanitation, where the emphasis is more directly on programmatic approaches that are closely linked to government reform processes, and that by nature are large-scale and long-term, require long planning and approval processes, and that have less scope for rapid and flexible responses.<sup>68</sup> As we will see later, this difference in approach may help explain why implementation in the governance sector appears to have been more successful than in health and water and sanitation.

The CDPF also identifies gender equality and environmental sustainability as cross-cutting themes for the program. Gender equality will be taken into account "in all bilateral programs and projects". The CDPF identifies a number of initiatives through which the bilateral program has addressed gender issues in the past, including a specially designed Gender Equality Fund, and specific components of projects in the oil and gas, mining and health sectors. On environmental sustainability, the bilateral program will ensure that as much as possible its programs and projects "will directly promote increased awareness and enforcement of environmental standards"<sup>69</sup>.

#### *Linkages with Canadian Partnership and Multilateral programs*

While the CDPF focuses on CIDA's bilateral programming, it also addresses the role of CIDA's partnership and multilateral programming. This is important because it relates to the question of consistency and coherency between CIDA's efforts in Bolivia as a whole.

There are several pertinent details regarding how Canadian Partnership Branch (CPB) operates. While the CIDA bilateral program is organized and managed primarily

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<sup>65</sup> While CIDA's choice of health as a priority built on a long history of involvement in the sector; there was no such historical precedent for the choice of water and sanitation. The CDPF states it is a "relatively new area for CIDA in Bolivia" (p 30). Nevertheless, the rationale for choosing water and sanitation appears to be sound, on the basis of strong needs, and because it is a "major priority for the GoB".

<sup>66</sup> Ibid, p. 33.

<sup>67</sup> Ibid, p. 34.

<sup>68</sup> The CIDA program was not without some flexible programming in the health sector. In 2003/4 it joined other donors in providing rapid funding to the government to address a shortfall in funds for vaccine purchase.

<sup>69</sup> Ibid, pp. 35-37.

according to country-level programs, CPB does not operate on a geographic basis, and there are no “country programs”. Instead, it operates at a global level and is mainly a “responsive” program. This means that it responds to requests from Canadian civil society and private sector partners, and it supports activities that they have designed. Funding to partners to undertake country-level activities is provided through several different channels.<sup>70</sup>

Perhaps in response to the clear difference between the nature of bilateral and CPB programming, one section of the CDPF addresses inter-branch collaboration and “complementarity”. It suggests that there is “considerable complementarity” between the two programs, and suggests four ways that they are consistent,<sup>71</sup> It notes however that, if real complementarity between the two branches is to be achieved, ongoing mechanisms will need to be established to ensure that both “are moving towards the same overall development objectives...”; and it also acknowledges that “this, however, will not be easy...”<sup>72</sup>

There are similar considerations regarding CIDA’s Multilateral Branch involvement in Bolivia. The CDPF outlines a number of multilateral institutions active in Bolivia that receive Canadian funding, including the World Bank, the IMF, the Inter-American Development Bank (IDB), as well as UN agencies such as UNICEF, UNDP, UNFPA, and the WFP. However, Multilateral Branch operates at a global level, and CIDA funding for these institutions is through core financial support, and it is not linked to country-based programming. Despite these factors, and similar to the above assertion for CPB, the CDPF nevertheless argues that “Multilateral Branch programming in Bolivia will be complementary with bilateral programming”, and also outlines “at least four major ways” that this is the case.<sup>73</sup> It also claims that there is very strong “convergence” between CIDA’s bilateral program and the work of multilateral institutions in Bolivia supported by Multilateral Branch.

Despite these claims, the actual level of “convergence” or complementarity, between the bilateral, partnership and multilateral programs in Bolivia must remain highly questionable. The CDPF almost admits as much, stating that “there is no denying that some of the complementarity *has been accidental* and that much more remains to be done.”<sup>74</sup> The CDPF also outlines a number of measures designed to improve complementarity, including that non-bilateral branches should establish a stronger field presence, or should take on staff who have geographic experience.

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<sup>70</sup> The CDPF states that in 2000-1, 90 per cent of CBP funding for partner programs in Bolivia was disbursed by the NGO Division, but overall, “every mechanism of CPB programming” provided funding in some way. This included CPB’s Institutional Cooperation Division, its Youth Action Program, and the Industrial Cooperation Division.

<sup>71</sup> These four ways include that both promote the core aims of Canadian ODA; that they have a shared emphasis on working with local partners and strengthening southern institutions, that they support the PRSP and are aligned with it, and that they have a strong focus on basic human needs.

<sup>72</sup> Ibid, p. 58.

<sup>73</sup> Ibid, p. 54.

<sup>74</sup> Ibid, p. 59 (our italics).

### *The PRSP*

The CDPF devotes an important section to the Bolivian PRSP and undertakes quite detailed analysis of it. It describes the PRSP as an “impressive and, in some places, a remarkably candid document”, and as an example of the government’s ability to articulate a comprehensive development strategy. It also identifies “innovative” aspects of the PRSP, such as its plan to involve civil society in a monitoring role and to involve Indigenous groups in the management of natural resources.

However, the CDPF also identifies a number of “fundamental weaknesses” of the PRSP. A “chief limitation” is its failure to go far enough in examining root causes of exclusion of key groups such as Indigenous peasants and women, and its continued assumption that neo-liberal policies and reforms will provide the means to poverty reduction. The financing strategy is also a “key area of weakness”, as are the budgetary projections which are based on an overly optimistic macroeconomic projection. A further problem is the “serious reservations” expressed by Bolivian civil society, in particular regarding the PRSP’s failure to properly reflect messages that came out of the National Dialogue. “Overshadowing” these and other problems however is the matter of implementation. Here the CDPF refers to the scale of effort required to implement the PRSP’s 150-plus elements, and donor concerns regarding the government’s limited capacity (especially at the municipal level), and regarding its transparency and accountability for use of public funds.<sup>75</sup>

Despite the CDPF’s identification of these concerns, it goes on to state that the PRSP constitutes “a comprehensive medium-term development strategy which involved broad public consultation and contains some promising proposals worthy of international support.” It also states that CIDA programming has been “influenced” by the Bolivian PRSP.<sup>76</sup> This appears to be borne out in the detail of the CDPF, and especially in the current bilateral program, which as discussed later is quite strongly aligned with the PRSP.

### *Program funding*

The CDPF specifies an “indicative planning figure” (IPF) for funding for the bilateral program, and for how this should be allocated to the three priority sectors. An IPF of \$50 million for the period 2003-2007 is nominated for the overall program, with an annual ceiling of \$10 million. Within this, 50 per cent is to be absorbed by modernization of the state, 25 per cent by health, 15 per cent by water and sanitation, and the remaining 10 per cent by the cross-cutting themes of gender and environmental sustainability.<sup>77</sup>

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<sup>75</sup> Ibid, p. 13-15.

<sup>76</sup> Ibid, p. 15.

<sup>77</sup> Ibid, p. 21.

Having identified indicative program funding, the CDPF then goes on to say that because Bolivia was selected in 2002 as a “country of focus”,<sup>78</sup> the “IPF will be increased during the same planning period”.<sup>79</sup> When the CDPF was written there was clearly no indication of how much this increase might involve, which would have made actual program planning very difficult. In practise actual annual program budgets and disbursements have changed frequently since 2002.

*The CDPF, the current CIDA program, and the MDGs*

The above section has focused on the CDPF because the bilateral program went on to adopt many of its aspects, and because these continue to be present in the current program. True to the CDPF, the bilateral program reduced its sectoral involvement and adopted health, water and sanitation and “modernization of the state” as its three priority sectors. It maintained the “in principal” formula for allocation of resources to each of these sectors,<sup>80</sup> and it went on to place a strong emphasis on programmatic approaches, in particular as part of its efforts to establish programs in health and water and sanitation.

It is important to note however that the MDGs do not feature prominently in the CDPF. They are mentioned in the section on “global policy commitments”, which states that CIDA’s own policy environment is similar to that articulated in the MDGs and other international commitments. The CDPF’s “Performance Measurement Framework” includes a number of MDGs among its indicators of program impacts. Overall however the MDGs are not strongly evident and do not appear to be a strong motivating factor for the program directions it sets out.

This is not surprising given that the CDPF was written in the early days of international and Canadian preoccupation with the MDGs. As we have seen above, Canada has gone onto adopt a very explicit focus on the MDGs in its international development policy and in some parts of CIDA policy and strategy. Significantly this does not seem to have had a major impact on the overall rationale, details and approach of the Bolivia program that were set out in 2002 in the CDPF. These have remained largely the same. In other words, Canada’s strong focus on the MDGs in the years following release of the CDPF does not appear to have translated to any discernible change in overall program direction and approach in Bolivia.<sup>81</sup>

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<sup>78</sup> *Canada Making a Difference in the World* identified nine “focus countries” that would be allocated increased resources. This policy decision was superseded by the IPS, which identified 25 “development partners” that would receive a greater share of bilateral resources.

<sup>79</sup> *Ibid*, p. 21

<sup>80</sup> Actual allocations have varied from this formula

<sup>81</sup> A CIDA official suggested this is not surprising given the CDPF process. This involves agreement between CIDA and the government of Bolivia on a five year plan with an agreed program focus. It would be unlikely that this focus would be renegotiated during the CDPF period.

## **Details of the CIDA bilateral program in Bolivia**

CIDA is one of a large group of bilateral donors active in Bolivia. According to VIPFE data that shows actual disbursements,<sup>82</sup> CIDA ranks among the smallest donors in terms of expenditure. In 2002 it was 12th of 17 bilateral donors in terms of total disbursements; in 2003 it was 12th out of 18 donors, and in 2004 it was 15th out of 18. However, there are several other donors that annually disburse amounts only slightly larger than CIDA's. Only a few donors — such as Sweden, Germany, the Netherlands, Japan and the US — disbursed significantly larger amounts.<sup>83</sup>

CIDA's bilateral program in Bolivia is managed and implemented by staff in head office and in Bolivia. Head-office staff consist of a Country Program Manager, several "sector-specific development officers" who have responsibilities in the programs' three priority sectors, a Bolivia program analyst, and an Andes corporate analyst who devotes part of his/her time to Bolivia. CIDA's efforts in Bolivia are divided between the Canadian Consulate, (currently comprising two CIDA staff, with a third to be added soon), and the Canadian Cooperation Office (CCO), also known as the Program Support Unit. The CCO consists of local Bolivian staff who are contracted by CIDA to advise on program development and administer certain local funds.

For the last few years the CIDA bilateral program has followed the strategy set out in the CDPF and has focused on supporting activities in health, water and sanitation, and governance. The following section describes recent and current activities in these sectors.<sup>84</sup>

### **Health**

CIDA's efforts in the health sector consist of one nominated program, the Programa de Apoyo al Sector Salud (PASS). Its initial idea dating back to 2002, the PASS now consists of a five-year \$18.4 million program between 2005-2009.

CIDA documentation from 2005 describes the PASS as a "comprehensive health program" that was originally based on two key Government of Bolivia planning documents: the 2004 National Health Plan, and the proposed "Bolivian Development Strategy", designed as a follow-up to the PRSP.<sup>85</sup>

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<sup>82</sup> Data provided by VIPFE for this study.

<sup>83</sup> On review, some donors have suggested that the figures provided by VIPFE do not represent the full range of donor disbursements for Bolivia.

<sup>84</sup> The following section draws on internal documentation provided by CIDA in November 2005.

<sup>85</sup> This information was provided for this report prior to the 2005 election. The current government is now preparing a new "Strategic Health Plan 2006-2010", as well as a National Development Plan that will replace the PRSP.

The PASS consists of two main components including:

1. Facilitating access to and improving the quality of primary health care services, particularly mother and child health care services, in three selected departments (Beni, Pando, Oruro). This will include:

- a total of \$10.4 million funding to UNICEF Bolivia, including i) \$7.3 million over five years to support UNICEF's Country Program Plan to provide technical assistance for strengthening local health networks, including in planning and participatory management, and ii), \$3.1 million to support implementation of national programs for control of communicable diseases and for the government's expanded program of immunization (EPI)
- \$4.5 million funding to the Government of Bolivia for its Social and Productive Investment Fund, an institution mandated to manage local health infrastructure improvement and medical equipment procurement.

2. Strengthening the leadership and regulatory role of the ministry, at the national level (in policy, long term planning and international cooperation coordination), and at the departmental level in the three selected Departmental Health Services. This will occur through:

- \$1.7 million "conditional budgetary support" to the Ministry of Health for preparation of costed strategic plans in the three departments
- \$680,000 for a responsive local health fund
- \$120,000 to support "policy dialogue" around development of a SWAP or PBA in the health sector.

## **Water and sanitation**

In October 2004 CIDA started a new planning process for a program in the water and sanitation sector. This program had an initial budget of \$24 million for the period to 2009 and, like elements of CIDA's health programming, was intended to focus on the three departments of Beni, Pando and Oruro. The program was given the name Programa de Apoyo Canadiense al Sector Agua y Saneamiento (PACSAS).

Planning for CIDA's programming in the water and sanitation sector included possible support for two programs, FUNDASAB and PROAGUAS. FUNDASAB is an autonomous institution that Canada helped to establish with the EU and GTZ, to centralize and coordinate all capacity building for water and sanitation, focusing on municipal level water utilities. CIDA planned to provide FUNDASAB with \$4 million over five years through a cofinancing arrangement with GTZ. The PROAGUAS program was established in 2000 to provide a funding mechanism for water and sanitation systems in small communities of less than 10,000 inhabitants. CIDA planned to meet a shortfall in Government of Bolivia counterpart funds for the IDB loan for the program, through provision of \$3.5 million over 12-18 months.

In addition to these aspects of programming in water and sanitation, in 2005 CIDA started approval processes to provide \$3.4 million funding to UNICEF Bolivia over the period 2006-2008, to support its water and sanitation work in the three departments. This funding was intended to complement similar funding amounts from the governments of the Netherlands and Sweden. The work is focused on development of small-scale water and sanitation systems using appropriate technology.

CIDA has not yet implemented these aspects of water and sanitation programming, and the actual nature of its programming in the sector is currently uncertain. For instance, the new government has stated that rather than funding PROAGUAS, it would prefer Canada to support other priorities to be determined, to which CIDA has agreed. In addition, CIDA is still awaiting final internal decision-making regarding funding to UNICEF Bolivia.

## **Governance**

As mentioned in the section on the CDPF, CIDA's programming approach in the governance sector is slightly different to its approach in health and water and sanitation. Over the last few years CIDA's efforts have taken the form of a number of different funding activities. The current governance program consists of the following components:

### *Bolivia Hydrocarbon Regulatory Assistance Project*

This is an \$8.25 million five-year project that is expected to continue to 2010. CIDA's involvement in the project builds on its considerable history in the sector that dates back to the early 1990s and includes support for development of regulatory frameworks. This project is currently implemented by IBM, a Canadian executing agency. It provides institutional strengthening in the oil and gas sector, supports regulatory and administrative units, ensures adherence to operational guidelines and environmental standards, and promotes use of natural gas in domestic and export markets. In addition, it provides important support to the Government of Bolivia tax office (Servicio Nacional Impuesto) for the development of processes for revenue management and collection. This has resulted in substantial increases in the government's revenue from the sector, and is therefore seen as a key element of Canada's support for governance in Bolivia.

### *Defensor del Pueblo*

This is a \$5 million project funded from 2001-2006. The Defensor del Pueblo (DdP) is the office of the human rights ombudsman in Bolivia. CIDA support commenced in 1998, initially through a local fund. Current funding, which extends to October 2006, supports the DdP's five-year strategic plan and is part of a "basket funding" arrangement participated in by 10 other donors. It also provides technical assistance for the DdP's strategic planning process. CIDA support will continue after 2006 through the Strategic Governance Mechanism (see below).

### *Corte Nacional Electoral*

The Corte Nacional Electoral (CNE) is Bolivia's electoral commission. CIDA has provided funding for two CNE activities. Starting in 2004 it has supported a CNE program that aims to increase the number of adults who register for and obtain a birth certificate. This allows them to then obtain an identity card, which entitles them to receive social welfare benefits, and in particular to vote. CIDA was the first agency to support this program, and was joined by DFID and DANIDA, in a basket fund administered by UNDP. Funding for this activity will probably finish in October 2006, but as with the DdP, CIDA is likely to continue funding for the CNE as part of Strategic Governance Mechanism (SGM).

In 2005, CIDA responded to a specific one-off request from the CNE for funds to help hold the December 2005 elections. CIDA provided \$3 million in conjunction with a similar amount provided by the Netherlands. These funds are also administered by UNDP.

### *Local Fund for Public Sector Reform (FLARSP)*

This is a local fund for smaller public sector reform projects designed around a quick and flexible mechanism to provide funding amounts up to \$100,000. It has been used for start-up funds for institutions such as the CNE which have subsequently gone on to undertake larger projects, as well as for a variety of other small activities, such as studies, electoral observation missions and informatics systems. This fund finishes in September 2006 but is likely to be renewed through the SGM.

### *Strategic Governance Mechanism*

From 2006 the Strategic Governance Mechanism will become the main plank of CIDA's governance program in Bolivia. CIDA will participate with other donors in basket funding arrangements for four key national institutions: the DdP, the CNE, the National Institution of Statistics (Instituto Nacional de Estadística-INE) and the Auditor General's Office (Contraloría General de la República-CGR). CIDA will invest approximately \$15 million over a five-year period to support these institutions' strategic plans, and to upgrade their systems, policies and procedures. The SGM will also integrate a locally managed governance responsive fund of approximately \$3 million, which will fulfil a function similar to FLARSP.

### **c) Canadian Partnership Branch**

As stated in the section on the CDPF, CIDA's Canadian Partnership Branch (CPB) does not operate on a geographic basis in the way that the bilateral branch does. There is therefore no CPB "Bolivia country program". Instead CPB provides responsive funding on the basis of requests from specific organizations. Many of these organizations receive "program" funding from CPB, which means they are supported to undertake global programs that address cross-cutting themes in a range of countries.

CPB funding for activities undertaken by Canadian partners in Bolivia makes up a relatively significant proportion of overall CIDA programming in Bolivia. For instance, in the five fiscal years to 2004 CPB-funded activities to the tune of approximately \$4.2 million annually.<sup>86</sup> This is delivered by Canadian NGOs, institutions and private sector organizations, through a range of different funding channels.

A large number of Canadian organizations are working in Bolivia with funding provided by CPB, a recent list indicating there were 43.<sup>87</sup> These organizations are diverse in nature, and undertake a wide range of activities. Several are volunteer-sending agencies, while others are working in the areas of economic development, health, institutional strengthening, rural development, and Indigenous issues. Organizations are generally working with fairly small funding: of the 10 organizations that disbursed the largest amounts over the period 1999-2003, Oxfam Quebec disbursed the largest amount (\$2.22 million). The tenth largest amount disbursed was \$770,000.<sup>88</sup>

#### **d) Multilateral Branch**

Like CPB, CIDA's Multilateral Branch does not operate on a geographic basis and does not organize itself around "country programs". It provides institutional core support to selected multilateral institutions for their global programs and activities. There is no direct linkage between Canadian funding support for multilateral institutions and these institutions' specific programs at the country level.

Nevertheless, consideration of the Multilateral Branch is relevant to our study of Canada's role in Bolivia because it provides core funding to a range of multilateral institutions that are active there. This includes the World Bank, IMF and Inter-American Development Bank, and a number of other multilateral organizations such as PAHO, UNICEF, UNDP and WFP. CIDA's Statistical Report on ODA provides an imputed amount for Canadian funds disbursed by multilateral agencies in Bolivia; in 2003-2004 this amounted to \$6.32 million out of total ODA disbursements of \$25.68 million.

### **3.4 Canada's other interests in Bolivia**

#### **Foreign Affairs Canada**

Foreign Affairs Canada is responsible Canada's foreign policy and political relationship with Bolivia. Country-level matters are dealt with primarily by Canada's Ambassador to Peru (who is accredited to Bolivia), and by a political officer at the Canadian Embassy in Lima; Canada does not maintain an Embassy in Bolivia. While the current Canadian Consul in La Paz also addresses political issues, he is a CIDA employee and his major responsibilities are to the CIDA program.

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<sup>86</sup> From CIDA, 2004, *Canadian Partnership Country Footprint: Bolivia*, (Preliminary Draft), November 2004 [internal document provided by CIDA 2005]

<sup>87</sup> Provided by CIDA, February 2006.

<sup>88</sup> Country Footprint, p 20.

## **International Trade Canada**

Canada has a very small trading relationship with Bolivia. There is no International Trade Canada official based in Bolivia, Canada-Bolivia trade matters being covered by the Canadian Consul in La Paz and by the Canadian Trade Program Manager at the Canadian Embassy in Lima.

In 2005 Canadian exports to Bolivia were \$16 million, and imports from Bolivia were \$24.82 million, giving a bilateral trading relationship of \$40.82 million. Of all Latin American countries, only Paraguay (\$25.35 million) had a smaller trading relationship with Canada. Canada's next largest trading partner in Latin America after Bolivia, Nicaragua had a trade relationship with Canada almost twice that of Bolivia's (\$76.87 million).<sup>89</sup>

Mining products make up the vast majority of Bolivian exports to Canada. Wood and edible fruits and nuts are exported in comparatively much smaller amounts, and other products are exported in almost negligible amounts. Of Canadian exports to Bolivia in 2005, the top five were machinery, optical and medical instruments, vehicles, and electrical machinery.<sup>90</sup>

There is some Canadian private sector involvement in the mining sector in Bolivia: two companies are undertaking silver and gold mining activities.

## **Finance Canada**

Finance Canada is the government department responsible for Canada's debt relief activities. Until 2005 Finance Canada financed debt forgiveness through three mechanisms: the Highly Indebted Poor Countries (HIPC) Initiative,<sup>91</sup> the Paris Club, and the Canadian Debt Initiative.<sup>92</sup> Each of these is relevant to Bolivia, which over the years has sustained very significant level of debts to bilateral donors and to multilateral and regional financial institutions.

After completing its PRSP, Bolivia was the second country after Uganda to reach the "completion point" under the enhanced HIPC Initiative.<sup>93</sup> As a result, in 2001 it was granted debt-service relief of US\$1.2 billion. Including assistance also provided under the original HIPC Initiative, this brought total HIPC debt-service relief for Bolivia to

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<sup>89</sup> This data is from Statistics Canada, provided for this study by International Trade Canada.

<sup>90</sup> This information is from the World Trade Atlas, provided for this study by International Trade Canada.

<sup>91</sup> The HIPC scheme, launched in 1996 and enhanced in 1999, aims to reduce external debt that the world's poorest countries owe to the IFIs, foreign governments and commercial lenders. It does so by providing relief for countries to a level at which their debt is deemed sustainable.

<sup>92</sup> Following data on Canada's contributions to debt relief and debt cancellation were sourced from [http://www.fin.gc.ca/toce/2005/cdre0105\\_e.html](http://www.fin.gc.ca/toce/2005/cdre0105_e.html) and from additional figures provided by Finance Canada. Finance Canada also advised on figures for the MDRI.

<sup>93</sup> Andersen and Nina examine the Bolivian experience with debt relief and the HIPC Initiative in Andersen, L. and Nina, O., "The HIPC Initiative in Bolivia", 2001: see Andersen., [http://www.nsi-ins.ca/english/pdf/cjds/3\\_bolivia.pdf](http://www.nsi-ins.ca/english/pdf/cjds/3_bolivia.pdf).

approximately \$2 billion.<sup>94</sup> Canada contributed to this through its overall participation in the HIPC Initiative. To 2005 its total contribution to trust funds that support multilateral creditors' participation in the HIPC Initiative was \$346 million. This included \$281 million for the HIPC Trust Fund administered by the World Bank and \$65 million to the Poverty Reduction and Growth Facility (PRGF), administered by the IMF. These amounts are consistent with Canada's debt-relief financing commitments to the World Bank and IMF, calculated as a proportion of total commitments by contributing nations.

The Paris Club is an informal grouping of 19 official bilateral creditors. It provides debt relief to HIPC-eligible and other countries through debt rescheduling (postponement of debt payments) and by reducing debt payments. Since its establishment in 1956, it has formed more than 380 debt agreements with nearly 80 debtor nations. Of these, Canada has provided debt relief, in many cases on multiple occasions, to 48 such countries, including Bolivia.<sup>95</sup>

In 1999 Canada established the Canadian Debt Initiative (CDI), the first scheme to provide bilateral debt relief beyond the 90 per cent reduction required under the HIPC initiative. The CDI provides 100 per cent bilateral debt cancellation for countries that complete the HIPC process. In 2002 Canada cancelled Bolivia's remaining bilateral debt. Through the CDI and the Paris Club, Canada has cancelled a total of \$11.1 million bilateral debt owed by Bolivia.

International debt relief efforts changed dramatically in 2005 following the Gleneagles G8 conference. G8 countries agreed on a plan, now known as the Multilateral Debt Relief Initiative (MDRI),<sup>96</sup> for 100 per cent cancellation of debts owed by countries that complete the HIPC Initiative (including Bolivia), to the IMF, the International Development Association of the World Bank and the African Development Fund. In January 2006 the IMF cancelled approximately US\$233 million of debts owed by Bolivia. Figures show that over the period 2006-2044 Bolivia will save approximately \$1.5 billion in debt stock and debt repayments it would otherwise have owed to the World Bank.

Like other contributing countries, Canada will help finance the IMF and World Bank to allow them to cover cancelled debt repayments under the MDRI, and to ensure they maintain sufficient resources to continue to provide finance for developing countries. Canada's payments to the World Bank will involve an ongoing annual cost, proportionate to existing contributors' payments. The financial implications for Canada of IMF debt cancellation are less demanding, as the IMF will cover costs of debt cancellation mainly through existing internal resources. However, in 2005/6 contributors made a payment, of which Canada's share was \$16.5 million.

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<sup>94</sup> See <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS>, Press Release No:2001/369/S.

<sup>95</sup> See <http://www.clubdeparis.org/en/presentation/presentation.php?BATCH=B01WP01>.

<sup>96</sup> See <http://www.imf.org/external/np/exr/facts/mdri.htm> and <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTDEBTDEPT>.

## Department of National Defence

The Department of National Defence (DND), through the Royal Military College of Canada (RMC) and with funding from Foreign Affairs, has provided academic support and advice to the Bolivian government and military since 2003. One aspect of the program, “The Equality of Opportunities” project, includes provision of a year of preparatory instruction for Indigenous Bolivian cadets, followed by full scholarships upon entry to the regular college curriculum. The project has included the inputs of various Bolivian and Canadian government departments, universities and civil society organisations, including Foreign Affairs and CIDA. According to DND, this project has led to greater openness and acceptance in Bolivia of policies and programs informed by the values of human security and multiculturalism.

## IDRC

The International Development Research Centre (IDRC) is also involved in funding activities in Bolivia. IDRC is a Canadian public corporation that was created to assist developing countries to use science and technology to find “practical, long-term solutions to the social, economic, and environmental problems they face”.<sup>97</sup> Its mission is “empowerment through knowledge”, and its programming is based on the principles of “sustainable and equitable development” and “poverty reduction”.<sup>98</sup>

Since the 2000/1 fiscal year IDRC has approved projects in Bolivia for an approximate total amount of \$5.17 million.<sup>99</sup> It is important to note however that IDRC work is not organized on a geographic basis. This means that, similar to CIDA’s Partnership and Multilateral Branches, IDRC does not undertake “country programs”, in Bolivia or elsewhere. Instead it supports research projects designed and carried out by developing country research institutions, through one of four broad program areas. Each program area includes a number of program initiatives that take a multidisciplinary approach to addressing development issues.

Through this approach IDRC provides funding for a broad range of activities in Bolivia that are undertaken by local institutions, with or without a Canadian partner institution. Information from IDRC’s “most recent projects” listing indicates 30 projects with time periods from six months to three years, and funding amounts from \$23,500 to \$1.4 million.<sup>100</sup> Many of these programs occur through the Rural Poverty and Environment Program Initiative of the Natural Resource Management Program Area.

Examples of recent projects supported by IDRC and undertaken by Bolivian organizations (some with Canadian partners) include the following:<sup>101</sup>

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<sup>97</sup> IDRC, [http://www.idrc.ca/en/ev-8513-201-1-DO\\_TOPIC.html](http://www.idrc.ca/en/ev-8513-201-1-DO_TOPIC.html)

<sup>98</sup> IDRC Corporate Strategy 2005-2010, 3-1

<sup>99</sup> Figures provided in personal interview with IDRC, April 19 2006.

<sup>100</sup> [http://www.idrc.ca/en/ev-67585-201-1-DO\\_TOPIC.html](http://www.idrc.ca/en/ev-67585-201-1-DO_TOPIC.html)

<sup>101</sup> The following information is taken from [http://www.idrc.ca/en/ev-67585-201-1-DO\\_TOPIC.html](http://www.idrc.ca/en/ev-67585-201-1-DO_TOPIC.html) and from information provided by IDRC.

*Social Analysis Systems Phase II.* This multi-country project (\$1.4 million) builds on a previous project (Phase I), which developed a specialized form of participatory social research and action (Social Analysis Systems-SAS). The Bolivian component of the project (\$247,000) is coordinated by a local organisation, Centro Boliviano de Estudios Multidisciplinarios (CEBEM). It will develop curricula and software to support Internet-based and other training in SAS methods for a broad range of researchers; provide Internet-based support for networking among the group of institutions participating in the entire project; and apply the methodology to at least one case study of a natural resource management problem in Bolivia.

*Negotiation and Decision-making for Mining Communities in Potosi, Bolivia* (\$117,000). This project was undertaken by the Bolivian organisation Centro de Promoción Minera (CEPROMIN). It was designed to assist mining communities to better understand their rights and the economic and political forces involved in mining activities, and to develop strategies for interacting positively with mining companies and different levels of government.

*Towards a Strategy of Productive Municipalities* (\$616,356). This project was undertaken by the Canadian organisation Atlantic Community Economic Development Institute (ACEDI), in collaboration with the Centro de Servicios Agropecuarios Técnicos de Chuquisaca (CESATCH) and the Federación de Asociaciones Municipales (FAM). It follows a pilot project that produced a model for developing local economic development plans, which was piloted in 14 municipalities. Building on the success of this model, which was well received by municipal governments, it tested and refined a set of tools in an additional 30 municipalities, assisting them in the process to design and implement local economic development plans. A national follow-up conference with municipal and governmental authorities and representatives of the donor community was held in June 2006.

*Regulation of Rights in the Water Law II* (\$446,130). This project is undertaken by the Bolivian NGO Agua Sustentable.<sup>102</sup> It is designed to strengthen the capacity of government agencies to implement water policy. It builds on a previous project that provided technical support for the drafting and adoption of Law 2878, the Ley de Riego (Irrigation Law). This project developed a methodology and tools for assigning water rights under the irrigation law, and built the capacity of water user organizations and state institutions to apply these in order to achieve more efficient and equitable water use.

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<sup>102</sup> <http://www.aguabolivia.org/Asustentable/index.htm>

## **PART 4 CANADA'S CONTRIBUTION TO THE MDGS IN BOLIVIA: COMMENTARY AND ANALYSIS**

In light of the above information, the following section considers Canada's efforts in Bolivia, and their contribution to the MDGs.

### **4.1 The MDGs: knowledge and opinion**

This study included interviews with Government of Canada officials in Canada and Bolivia, the Canadian Cooperation Office, Government of Bolivia officials, representatives of international cooperation agencies, and civil society representatives. Among other matters, the interviews explored respondents' knowledge of the MDGs, as well as opinion regarding their relevance and usefulness. While results from the interviews are not representative, they provide some insight into how the MDGs are understood and viewed by key stakeholders involved with Canada's efforts in Bolivia.

Results from the interviews indicate varying levels of knowledge of the MDGs. The MDGs appear to have been strongly integrated into the thinking and operations of CIDA staff. Both at headquarters level and in Bolivia, CIDA officials generally have good knowledge and understanding of the MDGs. These interview respondents are aware that the MDGs are now a central part of Canadian policy, and that they need to keep this in mind in their work. Within the Canadian Cooperation Office (CCO) in Bolivia, understanding of the MDGs and of the issues surrounding them is not as strong. This is probably not surprising, given the CCO's strong focus on day-to-day program implementation and administration.

Interviews with officials from other Canadian government departments or public corporations revealed quite different results. Here there is much less awareness of the MDGs. They do not constitute a major consideration for any of the officials interviewed and, in the majority of cases, there is only a sketchy understanding of the MDGs and what they stand for. Contrasting this picture again are results from a small number of interviews with Canadian NGOs active in Bolivia where awareness is stronger. In several cases the MDGs constitute a key reference point for NGO's work, both generally and in Bolivia.

Interviews with CIDA personnel reveal interesting views on the MDGs. Overall, the results reinforce the above finding, namely that the MDGs are now an established part of CIDA's work, and are well integrated into CIDA officials' thinking and actions. Most CIDA respondents speak positively about the MDGs. Overall the MDGs are seen as useful for development efforts on the basis that they provide a clearly defined framework for development programming, including measurable, deliverable goals, and specific targets. Several participants stated that the MDGs provide a useful "focus" for donor efforts.

The MDGs are also seen as an established part of the "discourse" between donors and governments. For some respondents they are also viewed as one aspect of general "top-

down” policy requirements that are “pushed” by upper management. While this has obvious negative connotations, some program-level staff report that the MDGs can act as a useful tool in their interactions with senior staff. These respondents describe how the MDGs can provide a means to “keep management honest” and to hold them accountable, while at the same time serving to justify country-program level efforts.

Several interview respondents indicated that despite Canada’s strong policy emphasis on the MDGs, they have not really changed the international work Canada is doing. One respondent suggested that his department was already undertaking work consistent with the MDGs before they gained widespread attention and were adopted as a major policy focus. Another stated that the advent of the MDGs simply required “new vocabulary” to show that what his department had always done in the past, and was continuing to do, was now consistent with the MDGs. Several other respondents referred to a process of “reframing” their existing work to make it “fit” with the MDGs, and that having done so they had not changed the actual nature of their work in any way. These views suggest a certain level of skepticism regarding the MDGs, as well as the possibility that strong international policy commitments to the MDGs do not necessarily translate to new approaches to implement these commitments.

## **4.2 CIDA’s efforts in Bolivia**

### **4.2.1 The Bilateral Program**

#### **Orientation to the MDGs**

A key question in assessing CIDA’s bilateral program in Bolivia is the extent to which its priority sectors and activities are oriented to the MDGs’ purpose and targets. Close orientation would suggest the program has a deliberate focus on the MDGs, and that it will have a greater likelihood of directly contributing to their purpose and targets.

The clear observation here is that CIDA’s work in the health, water and sanitation, and gender sectors is directly linked to specific MDGs purpose and targets. On the other hand, CIDA’s substantial work in governance is only indirectly linked, as there is no MDG that directly addresses governance.

For instance, CIDA’s efforts in the health sector are consistent with and directly relevant to MDG 4 and 5. These are:

#### **Goal 4. Reduce child mortality**

Target 5: Reduce by two thirds, between 1990 and 2015, the under-five mortality rate

#### **Goal 5. Improve maternal health**

Target 6: Reduce by three quarters, between 1990 and 2015, the maternal mortality rate

The PASS's objective, "to facilitate access to and improve the quality of primary health care services, particularly mother and child health care services",<sup>103</sup> is clearly consistent with these goals and targets. The program's focus on primary health care is particularly encouraging, as this suggests support for health care services that are especially appropriate for, and accessible to the poor. CIDA's support through UNICEF of the government's expanded program of immunization, should also address child mortality under Goal 4. In addition it should also address Goal 6, "Combat HIV/AIDS, malaria and other diseases".

Of course the real impact of PASS in contributing to the MDGs is yet to be determined, as the program is still in its early stages. However, as well as its substantial support for UNICEF Bolivia, the PASS also includes a strong element of support for the Government of Bolivia's own activities in health, including strengthening its leadership and planning role nationally and at the departmental level, as well as support for health infrastructure. This provides the potential for CIDA to support the government's own efforts on the MDGs, which is consistent with the role of donor countries in relation to the MDGs. If CIDA proceeds to appropriately fund and implement its activities over the next few years, this will constitute important support for the Bolivian government's efforts on the MDGs, in particular Goals 4 and 5.<sup>104</sup>

CIDA planning in the water and sanitation sector, which commenced in 2004, included possible support for UNICEF work that focuses on development of small-scale water and sanitation systems, and for FUNDASAB that coordinates capacity building for water and sanitation. These activities are consistent with the MDGs, specifically with target 10 of MDG 7:

**Goal 7: Ensure environmental sustainability**

Target 10: Halve by 2015, the proportion of people without sustainable access to safe drinking water and sanitation.

As mentioned above however the status of CIDA's efforts in water and sanitation is currently unclear. The actual contribution of CIDA's efforts in this sector to the MDGs will therefore only be known when the program has further progressed.

Work in the governance sector comprises the major part of CIDA's bilateral efforts in Bolivia. As we saw above, the CDPF set out an "indicative" allocation of 50 per cent of resources to the sector. Unlike efforts in the health and water and sanitation sectors however, work in governance does not directly address individual MDGs or their targets. There is no single MDG based on governance. Instead governance is addressed, somewhat indirectly, through MDG 8, and then only as an add-on to Target 12:

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<sup>103</sup> From program documentation provided by CIDA, November 2005.

<sup>104</sup> This is also dependant on whether the new government adopts an explicit focus on the goals.

## **Goal 8: Develop a global partnership for development**

Target 12: “Develop further an open, rule-based, predictable, non-discriminatory trading and financial system. Includes a commitment to good governance, development and poverty reduction, nationally and internationally”.

MDG 8’s limited reference to governance is surprising, as the Millennium Declaration places a strong emphasis on good governance, stating that success in meeting the objectives of development and poverty eradication depends on “good governance within each country”.<sup>105</sup>

Because there is no goal that directly addresses governance in developing countries, CIDA’s strong emphasis on governance in Bolivia raises the question of what this means for the program’s overall contribution to the MDGs. If the program genuinely sets out to directly contribute to the MDGs, should it not focus its efforts on addressing specific MDGs? Or is CIDA content that its governance efforts are *indirectly* supporting the MDGs? Currently CIDA officials do not appear to have resolved these questions in their own minds. Officials interviewed for this study were strongly supportive of the program’s emphasis on governance and were positive about funding relationships with institutions such as the Defensor del Pueblo and Corte Nacional Electoral. However, they had difficulty articulating a clear explanation for how this emphasis fits with the notion that the overall program should include a strong focus on supporting the MDGs.

This also applies to the question of the program’s focus on poverty eradication, which relates to the first and perhaps most important MDG 1, as well as Target 1:

### **MDG 1: Eradicate extreme poverty and hunger**

Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than \$1 per day

Of course, CIDA is doing nothing out of the ordinary in supporting governance in Bolivia. Donors have a key role to play in strengthening governance in poor countries, and the link between strong governance and development is well known. In focusing the largest share of bilateral resources on governance however the CIDA program is only indirectly supporting the MDGs, and only indirectly addressing poverty eradication. This compares to its efforts in the health and water and sanitation sectors, which have the potential for much more direct impacts in these areas. The issue at stake therefore is whether the current program’s emphasis on governance is justified, or whether it should be “rebalanced”, so that fewer resources are devoted to governance and more to activities that have the potential for a more direct impact on poverty eradication and the MDGs.

## **The bilateral program and the PRSP**

From its release in 2001 until recently the PRSP has represented the national development plan of successive governments of Bolivia. It therefore also represented a key mechanism for donors to support government development efforts, including those

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<sup>105</sup> <http://www.un.org/millennium/declaration/ares552e.pdf>, p 4.

that may have supported the MDGs. The CDPF appeared to endorse the PRSP, albeit with a number of reservations; and the CIDA bilateral program attempted to align programming with the PRSP. Two of its three priority sectors (health and water and sanitation) are consistent with PRSP policy priorities outlined in its section on “developing the productive capabilities of the poor”. The CDPF’s approach in “modernization of the state” also appears to be consistent with the PRSP’s section on institutional development, which emphasizes the important role of public institutions in promoting the effective exercise of political, economic and social rights of individuals, and the need for reform in the areas of regulatory, judicial, and public management systems.<sup>106</sup> A number of other aspects of the CDPF also indicate a deliberate attempt to align the bilateral program with the PRSP. This includes a “checklist” to align CIDA programming with the PRSP, a table of program impact indicators that includes key aspects of the PRSP, and an additional table that sets out how the program is aligned with the MDGs.<sup>107</sup>

### **Efforts in the health sector**

Interviews conducted for this study revealed several important issues regarding CIDA’s efforts in health over the last few years. These efforts culminated in the current PASS.

First, interview respondents expressed strong concern regarding the amount of time taken to plan and implement the program. According to one respondent, about four years elapsed from the first idea for the PASS to when the first disbursement occurred. Some respondents suggested that delays in program development and implementation were largely the result of change and uncertainty within the Bolivian government and the relevant ministries, which made it difficult for donors to reach agreement with the government on program plans. One government official suggested that, over a period of about 10 years, the Ministry of Health had “lost its capacity to lead” and to clearly state its priorities and strategies. Several respondents referred to changes of government and relevant ministers during planning and implementation of the PASS, resulting in a severe lack of program continuity.

Other interview respondents presented a different perspective, suggesting that issues internal to CIDA, rather than uncertainty in the Government of Bolivia, accounted for delays in the PASS getting off the ground. In particular the transition from previous to new approaches had constituted a major “learning curve” for CIDA staff, and this had occurred exactly at the time of development of the PASS. When the PASS was first conceptualized, the idea of pursuing programmatic approaches in the Americas Branch constituted “breaking new ground”. As a result, substantial time was required for staff to make the shift to new thinking and approaches. One CIDA official suggested that these factors outweighed obstacles on the Bolivian government’s side, and that although there had been change and uncertainty at the ministerial level, key ministry staff well grounded in the National Health Plan had stayed in place.

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<sup>106</sup> Republic of Bolivia, 2001, p. 136.

<sup>107</sup> See CIDA, 2002a, Annexes

It appears that the time taken for staff to adopt new approaches certainly delayed CIDA's efforts in the health sector. Despite this, some respondents suggested CIDA should go further and faster in adopting new approaches. This was expressed both in relation to the PASS and to the country program in general. For instance, one interviewee remarked that CIDA should direct more funds through the government, use more program based approaches, experiment with being a "silent partner" in funding arrangements or in directing funds through other donors, and use less contractual arrangements. In the health program CIDA should use a "mix" of approaches that may include direct budgetary support, as well as working through multilateral institutions and NGOs.

Several respondents referred to the fact that there had been no success in developing a sector-wide approach in health over the last few years. Both the Government of Bolivia and donors, including Canada, appear to have supported the idea of a SWAP, but there was insufficient momentum for this to occur. One ministry official suggested that, although the Ministry wanted one "financial basket" and donors agreed with this, the idea did not eventuate, partly because the government was not able to advance far enough in its own planning and could not produce the necessary national and regional strategic plans. At the same time a Canadian cooperation official suggested that Canada had not pursued the option of a SWAP vigorously enough. In any case, the possibility for a SWAP appears to remain on the table and is identified by CIDA as a clear option for the future.

An important issue regarding CIDA's work in the health sector is its very strong emphasis on channelling funds through UNICEF. This is currently planned at \$10.4 million, or 57 per cent of the total program over the five-year period.<sup>108</sup> The key consideration here is how this relates to CIDA policy, expressed both at the corporate level and within program strategy such as the CDPF, of strengthening country ownership and leadership by directly supporting government priorities and programs. UNICEF Bolivia programming, may of course be closely aligned to Government of Bolivia priorities. There remains the question however of why CIDA should choose to channel such a large proportion of its funds to the country program of a multilateral agency, in particular given that CIDA Multilateral Branch already provides core funding to multilateral organizations such as UNICEF.

Interviews produced a number of explanations for this. Each explanation seems to support the conclusion that funds were channelled through UNICEF because of concerns about change and uncertainty within the Government of Bolivia and the Ministry of Health. A Government of Bolivia official stated he "understood" that Canada had tried to negotiate a program with the ministry, but that it had subsequently decided to work through UNICEF because of changes of government and associated difficulties. Canadian officials suggested CIDA supported UNICEF because of lack of continuity in the government and that at one stage during development of the PASS CIDA considered that the government was too unstable to act as an implementing agency. Directing funds through UNICEF was seen as a means of "diversifying risk", on the basis that

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<sup>108</sup> From program documentation provided by CIDA, November 2005.

multilateral agencies are usually able to operate during periods of instability, and supporting them therefore constitutes a type of assurance that “things will get done”.

### **Water and sanitation**

The 2003-2007 CDPF announced CIDA’s intention to establish a program in the water and sanitation sector in Bolivia. In the following years CIDA’s efforts in the sector consisted of two main activities: the \$3.48 million Water and Sanitation Information Project (PROSIAS), and the Bolivia Counterpart Fund for Health and Water, which supported water and sanitation infrastructure projects, mainly in the rural areas of Beni and Pando. According to CIDA, these two involvements allowed CIDA to establish a strong presence in the sector and solid partnerships with the then Vice-Ministry of Basic Services, as well as with other key donors such as GTZ and the European Commission.<sup>109</sup>

On the other hand, CIDA’s efforts to establish a program approach in the sector proved extremely difficult. CIDA went to great lengths over a considerable period of time to work with other donors to establish a sector wide approach, but this was not successful. It subsequently went on to plan the PACSAS. Overall however there is very little to show for CIDA efforts in the sector over the last two years.

A number of interview respondents referred to CIDA’s efforts in water and sanitation over the last five years in terms of the highly politicized nature of the sector during that period. This politicization resulted from strong opposition to the structural reform policies of previous governments that emphasized privatization of water services and “user pay” approaches. Much of this opposition came from civil society organizations and social movements that, at the beginning of CIDA’s involvement in the sector, were gaining an increasingly powerful position in the Bolivian political arena and that were subsequently able to mobilize strong popular support and protest. In 2003 El Alto became the focus of popular dissent when poor citizens refused to accept expensive fees for water usage and for connection to the water supply. Controversy surrounding these issues led to the resignation of the relevant minister and the subsequent resignation of the vice-minister. Following the resignation of President Sanchez de Lozada, water protests in El Alto intensified, leading the Mesa government to initiate proceedings to expel the water company Aguas del Illimani, partly owned by the French company Suez Lyonnaise des Eaux.

The impact of these events on Canada’s program was particularly strong, including on its attempts to establish a sector-wide approach. This process was derailed by the events in El Alto, and momentum for the SWAP effectively ended with the resignation of the vice-minister. This was also the end point for a substantial investment of time and human resources by Canada and other donors. Overall these events severely disrupted donor efforts and appear to provide the main explanation for CIDA’s limited activity in the water and sanitation sector since it was identified as a priority in the CDPF. Although CIDA went on to plan the activities outlined above under the PACSAS, these have not yet been implemented, and their future remains uncertain.

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<sup>109</sup> From information provided by CIDA, May 2006.

Similar to the health program, the PACSAS also includes funding for UNICEF. One CIDA officer justified this aspect of the program, explaining that UNICEF has “the best approach to rural and local water provision” in Bolivia. Other interview respondents however questioned whether the CIDA bilateral program should pass funds at the country level through a multilateral agency. One respondent closely involved in the sector noted that UNICEF is certainly competent and that it represents a valid funding option during “difficult times”. He stated however that channelling funds through UNICEF reduces Bolivia’s capacity to take its own decisions. In addition, an external agency such as UNICEF should bring its own money and should not “compete” with government for funding from other donors. This respondent also suggested that donors should build and strengthen government institutions, even if they are weak and represent unattractive funding options.

## **Governance**

CIDA has achieved a higher level of activity in the governance sector than in health and water and sanitation. Over the last few years, its efforts in governance have included continued implementation of the Bolivia Hydrocarbon Regulatory Assistance Project, consolidation of support to the Defensor del Pueblo, and establishment of a funding relationship with the Corte Nacional Electoral. On the whole, these efforts do not appear to have been affected by the types of factors that delayed implementation in other sectors, such as the intense political environment surrounding the water sector.

There are a number of reasons that may explain why CIDA was able to successfully initiate governance activities, but was not able to take forward implementation in other sectors. In health and water and sanitation, CIDA’s efforts revolved around attempts to establish programmatic approaches which eventually led to development of a single program in each sector. This was clearly not attempted in the governance sector. While based on overall principles such as the promotion of human rights, CIDA’s efforts consisted in practise of support for a number of different activities and institutions.<sup>110</sup>

Development and implementation of separate initiatives in the governance sector, including negotiation of partnership arrangements with relevant institutions such as the DdP and CNE, may have been more straightforward than the processes required in health and water, where negotiation and program development were associated with more complex initiatives. In addition, both the DdP and CNE are institutions that have a level of independence from government. This may afford them advantages not available to the ministries involved in CIDA’s health and water programs, including a degree of separation from broad political instability and uncertainty.

CIDA’s involvement in the governance sector included some aspects of the programmatic approaches embraced with such certainty in the CDPF. With both DdP and

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<sup>110</sup> This approach is likely to change in the near future, as CIDA is in the final design stages of the \$18 million Strategic Governance Mechanism which will involve a programmatic approach to organizational strengthening for four institutions (including the DdP and CNE).

CNE, CIDA was able to help develop and support joint-donor “basket funds”.<sup>111</sup> Because its overall approach included support for different initiatives rather than the “single program” approach pursued for health and water, it was less constrained by the demands of preparing complex, long-term, large-budget, single programs. In addition CIDA maintained a degree of flexibility in its programming, so that it was able to quickly provide \$3 million to support the CNE for the unexpected December 2005 election.

### Sector disbursements

The following shows bilateral program disbursements (in \$000s) for governance, health and water and supply and sanitation.

	2001/2	2002/3	2003/4	2004/5	2005/6
Governance <sup>112</sup>	2,902	2,733	2,585	2,902	4,268
Health	542	560	6,452	98	7,156
Water supply and sanitation	576	910	994	809	293
<b>Total (\$000)</b>	<b>\$4,020</b>	<b>\$4,203</b>	<b>\$10,031</b>	<b>\$3,809</b>	<b>\$11,717</b>

Source: CIDA

As the table shows, total annual disbursements have varied widely, and in the years 2001/2, 2002/3 and 2004/5 were quite low. Even taking into account some activities that are not represented in the figures, disbursements in these years were well below the CDPF’s indicative funding amount of \$10 million per year; and were roughly equivalent to Canadian Partnership Branch funding for activities in Bolivia. Annual disbursements in the governance sector were quite consistent, reflecting CIDA’s ongoing support for the DdP and CNE, total amounts in this sector peaking in 2005/6 when an extra \$3 million were provided to CNE for the elections. In comparison, disbursements in both the health and the water and sanitation sectors varied widely. Disbursements in the health sector were only significant in 2003/4 when CIDA provided conditional budgetary support to the government, and in 2005/6 when it funded the PAHO for \$3 million for a revolving fund for purchase of vaccines. Disbursements in the water and sanitation sector were primarily for the PROSIAS project and the Counterpart Fund, and in each year were

<sup>111</sup> Donor support for basket funding for the DdP is identified as a case study of “good practise by donors” in Bolivia, in Nickson, A., *Bolivia: A Country Case Study*, International Development Department, University of Birmingham, 2002.

<sup>112</sup> Disbursement figures for the governance sector do not include the *Bolivia Hydrocarbon Regulatory Assistance Project*.

below \$1 million. For instance, CIDA did not succeed in funding any other aspects of its planned PACSAS.

### **Head office-field office arrangements**

The current country program's efforts appear to be seriously hampered by head office and field office arrangements. In Bolivia CIDA and CCO staff frequently stated that their lack of decision-making authority had significantly delayed program development and implementation, and had limited the scope of discussions with Bolivian government counterparts. They also stated these problems were exacerbated by reliance on slow and complicated processes at headquarters level. Officials reinforced the need for greater decentralization of the country program and for staff to be based in Bolivia rather than at head office. At headquarters level, officials also expressed frustration at CIDA's cumbersome internal processes and suggested these had hindered timely program implementation. A related issue at headquarters is the high turnover of staff over at least the last year. This has an important impact on program continuity and consistency, and on CIDA and CCO staff in Bolivia who under current arrangements work directly with their head office counterparts on program development and management.

### **4.2.2 Canadian Partnership Branch**

Through its support for Canadian and local partners in Bolivia, the Canadian Partnership Branch is supporting a range of activities that potentially contribute to the MDGs. For instance, Oxfam Quebec is undertaking work on HIV/AIDS, CECI on food security and malnutrition, and Canadian Lutheran World Relief on gender and education. In supporting Canadian and local civil society initiatives, CPB is addressing an important dimension of international cooperation, that of ensuring that at the country level civil society, as well as government, plays a role in addressing the MDGs. Support for civil society efforts toward the MDGs is particularly important in situations where government efforts may be limited by political uncertainty and instability. In this respect, CPB funding for civil society activities in Bolivia over the past few years has been particularly relevant.

However, a number of issues regarding the nature of CPB programming affect the overall contribution CIDA can make to the MDGs. CPB is a "responsive" program and does not operate on a geographic basis. As one CIDA official stated, "it is virtually impossible to talk about geographic country level partnership programming." In many cases CPB provides "program" funding for institutions to undertake global programs that address thematic development issues and that are implemented across a range of countries.

These factors mean it is extremely difficult for CIDA — as whole and through its different branches — to undertake integrated, coordinated programming that aims to address policy objectives such as contributing to the MDGs at the country level. While bilateral program activities are clearly implemented within the context of country strategy and policy, there is no such organizing mechanism for CPB's activities at the country level. Overall this can only have the effect of "watering down" CIDA's policy objectives

at the country level. These issues relate to the CDPF's discussion of the challenges of inter-branch complementarity and collaboration in Bolivia, and the acknowledgement that "much more remains to be done" in order to strengthen complementarity.

A simple indication of the lack of coordination, and indeed communication, between bilateral and partnership programs is the limited awareness that bilateral program staff have of CPB-supported activities in Bolivia. At the same time, CIDA staff are clearly frustrated by the separation of the two programs, and they appear at a loss regarding how to overcome the problem. One officer remarked that currently any coordination of country-level issues occurs by "chance or happenstance". Another said that "ideally" the partnership branch would work with the bilateral program to provide complementary and aligned programs; but that this appears a long way off.

CIDA does in fact attempt to address these issues of complementarity and coordination. CPB includes staff whose role is to act as an intermediary between the partnership and bilateral branches, and to inform each branch of key information regarding respective programming. However, attempts by staff to facilitate greater consistency and complementarity will always be limited by the current institutional constraints of CPB's responsive, non-geographic programming.

In 2004 CIDA produced the *Canadian Partnership Country Footprint*<sup>113</sup> for Bolivia. The intent of the document was to present information about CPB's activities in Bolivia, in order to identify "areas of complementarities with bilateral and multilateral branch development frameworks"<sup>114</sup>; and to stimulate further thinking on particular aspects of CPB programming, including sectoral focus, geographic focus and programming orientation. The Country Footprint found that CPB programming was not explicitly linked to bilateral program priorities, but that there was "some degree of correlation".<sup>115</sup> It also reiterated a constructive suggestion made in the CDPF: that CPB has the potential to "complement" the work of the bilateral program in Bolivia in two ways. These are (a) working in sectors from which the bilateral program had withdrawn in order to focus its program; or (b) working in the same sectors as the bilateral program, but concentrating on activities in which NGOs have a "comparative advantage".<sup>116</sup> The Country Footprint concept appears to have been a potentially useful tool for considering complementarities between CPB and bilateral programming in Bolivia. However, it does not appear to have led to concrete actions, and the concept is currently under review.

### **4.2.3 Multilateral Branch**

CIDA's Multilateral Branch, like other donors, provides core support to selected multilateral institutions for their global programs and activities. In this way, the Multilateral Branch funds a range of multilateral organizations that are active in Bolivia. Many of these operate within a policy framework that refers to the MDGs. For instance,

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<sup>113</sup> CIDA, *Canadian Partnership Country Footprint: Bolivia*, (Preliminary Draft), November 2004.

<sup>114</sup> Ibid, p. 1

<sup>115</sup> Ibid, p. 20

<sup>116</sup> Ibid, p. 4

according to the *2002-2003 Report to Parliament* on Canada's participation in the Regional Development Banks, the Inter-American Development Bank is "consistently taking the MDGs into account in its policy dialogue with borrowing countries".<sup>117</sup> The World Bank's *Country Assistance Strategy*<sup>118</sup> emphasizes accelerating Bolivia's progress on the MDGs; and UN agencies operating at the country level, such as UNDP and UNICEF, have a particularly strong focus on the MDGs. In this way it is possible to say that CIDA's core support for multilateral institutions such as these contributes to the MDGs at the country level in Bolivia.

However, similar to CPB, the operational nature of Multilateral Branch programming limits the overall contribution CIDA can make at the country level in Bolivia. Because the Multilateral Branch does not operate on a geographic basis, there is no direct linkage between Canadian funding support for multilateral institutions and their country operations. This adds another layer of complexity to the problem of complementarity and coordination between CIDA's different program areas. There is currently no mechanism for coordination between the multilateral and other branches on the matter of country programming.

The Multilateral Branch generally interacts at "headquarters" level with the multilateral institutions it funds. CIDA staff accept that work at this level means they are unable to have a direct influence on the country-level efforts of multilateral institutions, so that headquarters-level dialogue therefore involves "enabling" development results rather than directly influencing them. This may include trying to ensure improvements in the internal effectiveness and accountability of selected institutions, as a means of leading to improved development effectiveness.

CIDA staff also suggest that this type of work can in fact influence country-level results. Canada's position as an Executive Director of the IDB relates primarily to overall IDB policy and direction, but it can also extend to specific country-level operations. In late 2004 Canada led an Executive Directors' delegation to examine and report on the banks program in Bolivia. This resulted in a report on a number of issues, including coordination and harmonization, urban versus rural programming, linkage to the MDGs, and disbursements. One CIDA official suggested that through the delegation and resulting report, "Canada made a difference to the way the IDB works in Bolivia".

### **4.3 Canada's other efforts in Bolivia**

#### **Foreign Affairs Canada**

Bolivia does not constitute a major political priority for Canada. This is reflected in Foreign Affairs' decision to deal with foreign policy and political issues through its Embassy in Peru rather than through representation in La Paz. Nevertheless, there are

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<sup>117</sup> CIDA, *Report to Parliament: Canada's Participation in the Regional Development Banks 2002 and 2003*, Hull: CIDA, 2005, p. 25.

<sup>118</sup> World Bank, *Republic of Bolivia Country Assistance Strategy*, 2004, <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/LACEXT/BOLIVIAEXTN>.

some political issues in Bolivia that are of interest to Canada. One Canadian government official stated that Foreign Affairs hopes to establish dialogue directly with the new Morales government on a number of matters, including foreign policy, democratic governance, and the coca industry. This person stated the best way to do this might be through the aid program which “provides a good entrée to government”. Other possibilities for dialogue include the UN, or through the multilateral agenda of the OAS. Much of Foreign Affairs’ previous engagement with the Government of Bolivia has occurred through the latter.

Foreign Affairs states it “keeps the MDGs in mind” when undertaking foreign policy, and that it has a role in helping the Government of Bolivia “move toward” the MDGs. In particular, this involves establishing a dialogue on economic issues, including those in areas such as balanced budgets, inflationary control, and also the need to address economic inequality.

Foreign Affairs is also involved in the Ottawa-based Interdepartmental Working Group for Bolivia that includes representatives from CIDA, PCO, DND, EDC, with participation from the Canadian Consulate in La Paz and the Embassy in Lima. This group operates on an informal basis and convenes primarily for information exchange and analysis on issues ranging from the latest political and economic developments in Bolivia to staff movements. The group has some role in coordinating different government efforts, but this appears to be limited and occurs mainly through information exchange on each department’s priorities and activities.

Foreign Affairs states the group’s existence is linked to the “whole-of-government approach” described in the IPS. As we saw earlier in this report, this states that Canada’s efforts will involve greater coherence between aid and non-aid policies and actions, and that Foreign Affairs will lead in the interdepartmental development of whole-of-government strategies. At this stage however, with its primary activity consisting of information exchange, the Interdepartmental Working Group for Bolivia appears to be a long way from developing a genuine whole-of-government approach. In addition, the group lacks membership from key Canadian agencies involved in Bolivia, such as International Trade Canada and IDRC.

### **Canada’s trade efforts**

Trade is clearly not a strong part of Canada’s bilateral relationship with Bolivia. This is the result of the very small scale of Canada-Bolivia trade, and is underlined by the absence of a designated International Trade Canada official in the Canadian Consulate in La Paz. Nevertheless, trade is an important element of our consideration of Canada’s development efforts in Bolivia, because it can potentially have both positive and negative impacts on development.

Consideration of Canada’s trade efforts is also relevant because trade is specifically addressed through MDG 8, “Develop a global partnership for development”. This includes the following targets and indicators:

**Target 12:** Develop further an open, rule-based, predictable, non-discriminatory trading system.

**Target 13:** Address the special needs of Least Developed Countries (LDCs). Includes: tariff and quota free access for LDC exports,

MDG 8 also includes important “market access” indicators related to developed country import duties, tariff levels, agricultural subsidies, and support for trade related technical assistance.

Canada’s overall performance measured against these targets and indicators is relatively good. In 2003, for instance, it introduced the “LDC Market Access Initiative”, which provides 49 LDCs with duty and quota-free access to Canadian markets (except for dairy products, poultry and eggs). Canada’s tariffs are generally low and are negligible for Bolivia’s main exports to Canada (mining products, wood and edible fruits and nuts). In 2005 Canada removed quotas on imports of textiles and clothing from developing countries, consistent with its commitment to end the Multi-Fibre Arrangement of the Uruguay round of the WTO. On agricultural subsidies, Canada supports the call by many developing countries to end trade-distorting measures. On trade-related technical assistance and capacity building, Canada contributed some \$280 million between 2001-2005, making it the sixth-ranked bilateral donor.<sup>119</sup>

Despite this relatively good overall performance in relation to the MDGs, Canada could give more consideration to how its trade efforts “fit” with development efforts at the country level, including countries such as Bolivia where the trading relationship is small. Canada’s trade activities in Bolivia do not appear to have a strong development focus (and certainly not a focus on the MDGs); and at the same time its development efforts currently do not take into account the area of trade.<sup>120</sup>

Of course, Government of Canada agencies must prioritize their efforts; CIDA’s bilateral program in Bolivia might argue that it would like to address trade issues, but that it must concentrate on other priorities, particularly in light of its clear strategy for a tightly “focused”, three-sector program. Nevertheless, some consideration of how Canada’s aid and trade efforts in Bolivia could complement and support each other is warranted. This would be consistent with the emphasis in the IPS on whole-of-government approaches to development. It would also be consistent with addressing the MDGs. MDG 8’s fourth market access indicator deals with the use of ODA for trade-related capacity building,

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<sup>119</sup> See The North-South Institute, 2005, p. 63.

<sup>120</sup> International Trade Canada has questioned this interpretation on two counts. First, it suggests that CIDA has supported trade and investment in Bolivia through the Hydrocarbons Regulatory Assistance Project, by building government capacity (in particular in the area of revenue collection) in the context of private sector and foreign investment in Bolivia. (The nature of this involvement and support may, of course, now change following the nationalization of the hydrocarbons sector.) Secondly, ITC suggests that the increasing emphasis in Canada on corporate social responsibility will mean that support for trade and investment may have positive development spin-offs. Canadian companies investing in Bolivia (for instance, in the mining sector) may have designated budgets to support community-based development projects as part of their adherence to corporate social responsibility obligations.

and this may be relevant in the case of Bolivia. Canada's low tariffs mean that Bolivia's very low level of exports is most probably not the result of market access difficulties. It is more likely explained either by limited demand in Canada for Bolivian products, or by limited supply capacity in Bolivia. More study is warranted in this area, including consideration of whether support for trade-related capacity building could assist Bolivia to develop and improve its supply-side trading capacity, and thus increase its exports to Canada and generally.<sup>121</sup>

For developing countries such as Bolivia however Canada's efforts at the international level may be equally important as direct country-level efforts. Canada has an important role in ensuring that global, regional and bilateral trade systems adopt a stronger development focus, that they support the MDGs, and that where necessary they make special provision for developing countries.

Bolivia is a member of a number of global and regional trade agreements and structures, including the WTO, the Free Trade Area of the Americas (FTAA), the Andean Community,<sup>122</sup> and the Latin American Integration Association, and it is also an associate member of MERCOSUR. Within this context, Bolivia's trade with neighbouring countries is growing. Previous Bolivian governments have also expressed interest in a FTA with the US, and Bolivia has been an observer in ongoing US-Andean FTA negotiations with Peru, Colombia and Ecuador.<sup>123</sup> Like many other developing countries however, Bolivia faces a difficult conundrum. To benefit from participation in regional and bilateral trade agreements, and in particular from membership of the WTO, it may be required to liberalize key aspects of its trade sector. This process however risks the possibility of significant negative impacts on the poor, whose livelihoods may depend on trade protection measures. For Bolivia, and for many other developing countries, a key consideration in engaging with the global trading system is whether it will be allowed to retain the flexibility to liberalize within the context of its own development and poverty reduction needs. This in essence means the ability to liberalize in some sectors, while protecting others. This is the guiding principle behind "special and differential treatment". In the agriculture sector at the international level Canada has supported the concept of "special products", under which low-income countries would be exempted from the same level of agricultural liberalization as other countries. This is a positive approach, and continued efforts in this area will benefit a range of developing countries, Bolivia included. However, at the same time Canada has been insistent that less developed countries must follow rich countries in opening up their markets. Canada holds this position primarily in relation to countries such as India, Brazil and China that constitute attractive emerging markets, but it is nevertheless of concern that Canada's approach with these countries may result in pressure on other poor countries to open their markets too quickly or too deeply.

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<sup>121</sup> Consideration of this issue would also be consistent with "aid for trade" debates currently under discussion at the WTO.

<sup>122</sup> The Andean Community includes a free trade area consisting of Bolivia, Columbia, Ecuador and Venezuela, and covers the whole tariff universe. An Andean customs union however has yet to be finalized.

<sup>123</sup> US Dept of State, <http://www.state.gov/r/pa/ei/bgn/35751.htm>.

In 2002 Canada also began exploratory discussions with Andean countries regarding a possible FTA. This approach was consistent with Canada's interest in pursuing trade and economic opportunities in addition to those represented by the US and the WTO. It also reflected recommendations made in *Strengthening Canada's Economic Links with the Americas*,<sup>124</sup> a report of the Parliamentary Sub-Committee on International Trade, Trade Disputes and Investment. The report recommended, among other things, that Canada should aggressively pursue bilateral trade and investment agreements with Latin American and Caribbean countries, and that for the Andean countries, the call for preferential market access should be agreed in return for these countries agreeing to Foreign Investment Protection Agreements.<sup>125</sup>

The most recent round of exploratory talks for an Andean FTA were held in Ottawa in 2003. According to the International Trade Canada website, "a free trade agreement with the Andean countries would improve our trade and political ties with these economies, and further advance Canada's foreign policy objectives in the region." It also cites a number of developmental benefits, including that a FTA would "strengthen peace and democracy, promote macro-economic stability and growth, as well as poverty alleviation, and contribute to the shared goal of deepening development through economic integration with the Western Hemisphere".<sup>126</sup>

While Bolivia's membership of a regional free trade agreement with Canada may bring some of these benefits, there are also a number of risks for Bolivia, and these should be clearly acknowledged and addressed in any further discussions on an FTA. The Government of Canada may believe that an FTA will strengthen poverty alleviation, but as discussed above, there is equally the possibility it may lead to greater poverty in some areas. This will depend in particular if a Canadian-Andean FTA follows the trend for other bilateral and regional free trade agreements, and includes "WTO-plus" aspects, requiring Bolivia and other countries to liberalize more deeply than is required under the WTO.

The likelihood of Bolivia's continued consideration of a Canada-Andean FTA, in particular one that might involve WTO-plus requirements, is in any case extremely unlikely under the current Bolivian government. Its position on trade issues is illustrated by the ALBA trade agreement it signed in April 2006 with Venezuela and Cuba, which has also been dubbed a "people's trade agreement", and is based on the guiding concept of complementarity between each country's interests.

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<sup>124</sup> <http://www.parl.gc.ca/infocomdoc/37/1/fait/studies/reports/03-cov2/03-cov2-e.pdf>

<sup>125</sup> See Weston, A., *Analysis of CARICOM-Canada Trade: Proposal for an Enhanced Trade Agreement*, The North-South Institute, 2003 (unpublished).

<sup>126</sup> <http://www.dfait-maeci.gc.ca/tna-nac/and-en.asp>

## Finance Canada

As the agency responsible for Canada's debt relief efforts, Finance Canada is also responsible for Canada's efforts on the debt-related aspects of the MDGs. Debt is one of the key areas covered by MDG 8, which includes two debt-related targets:<sup>127</sup>

**Target 13:** Address the special needs of the least developed countries. Includes: enhanced program of debt relief for highly indebted poor countries (HIPC) and cancellation of official bilateral debt.

**Target 15:** Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term.

Canada's performance on debt issues, and the debt related aspects of MDG 8, has been quite good. As we saw in an earlier section, Canada fulfills its contribution obligations to the World Bank and IMF for the HIPC Initiative; participates in bilateral debt relief through the Paris Club; has provided further bilateral debt cancellation, including for Bolivia, through the Canadian Debt Initiative, and is now a contributor to debt cancellation through the Multilateral Debt Relief Initiative. These efforts have had important benefits for Bolivia; either as part of wider multilateral initiatives such as the MDRI, or through specific bilateral measures such as cancellation of Bolivia's bilateral debt with Canada through the CDI and the Paris Club.

At the same time, Bolivia continues to face serious debt problems. For instance, the MDRI does not currently cover the Inter-American Development Bank, to which Bolivia owes US\$1.6 billion, and must pay more than US\$100 million a year in principal and interest.<sup>128</sup> There is currently strong momentum for ensuring the IDB joins debt cancellation efforts, and Canada can play an important role in supporting this, including through the IDB's Executive Board.

Debt relief and debt cancellation of old loans do not mean the end of debt problems for countries such as Bolivia, which continue to rely on international and regional financial institutions to finance their development. A key issue here is ongoing debt sustainability and re-accumulation of an unsustainable debt burden, which relates to Target 15 of MDG 8. With measures in place to address the existing debt burdens of countries such as Bolivia, Canada and other countries can now turn their attention to addressing long-term, systemic issues. This includes consideration of the role Canada should play in assisting developing countries to avoid the accumulation of unproductive debt, whether it is obtained through concessional or non-concessional financing mechanisms.

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<sup>127</sup> These were devised before the introduction of full debt cancellation through the Multilateral Debt Relief Initiative.

<sup>128</sup> See <http://americas.irc-online.org/am/3184>.

## IDRC

With approximately \$5 million expended for Bolivia over the last five years, and support for at least 30 partners, IDRC involvement represents an important aspect of Canada's overall efforts and contribution to the MDGs in Bolivia.

IDRC is a Canadian public corporation that supports research for international development. This support is directed toward developing an Indigenous research capacity to sustain policies and technologies that developing countries need to build healthier, more equitable, and more prosperous societies.<sup>129</sup> The IDRC *Corporate Strategy and Program Framework 2050-2010* states that it will “retain the principles of sustainable and equitable development and poverty reduction”, which have guided the Centre's work for over two decades as the foundations for its programming.<sup>130</sup>

These guiding principles are strikingly similar to CIDA's mandate, which is to “support sustainable development in developing countries in order to reduce poverty”.<sup>131</sup> Unlike CIDA however, IDRC's principles and strategy do not have an explicit focus on the MDGs. This represents an important difference. It raises the question of the extent to which different Canadian institutions that support international development should operate within international policy frameworks, or within similar over-arching objectives. This question applies equally at the country level. In discussions undertaken for this study, IDRC has argued strongly that, as a public corporation, it operates at “arm's-length” from government, and that this brings a number of advantages, including the ability to provide diversity and innovation in Canada's development efforts. It has also argued that its status as a public corporation, rather than as a government department, affords it a measure of distance from concepts such as “whole-of-government” approaches to development.

Despite IDRC's limited explicit policy focus on the MDGs, it is nevertheless potentially contributing to them, both at the corporate level and to some extent in Bolivia. Aspects of IDRC's framework are consistent with the intent and spirit of the MDGs, and several of the MDG's specific goals are reflected in program initiatives such as governance, equity and health; and rural poverty and environment. In Bolivia some of the activities that IDRC supports are in areas that are clearly relevant to the MDGs. Projects such as *Towards a Strategy of Productive Municipalities*, which assists municipal governments to develop local economic development plans, and the *Regulation of Rights in the Water Law*, potentially contribute to specific MDGs.

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<sup>129</sup> ([http://www.idrc.ca/en/ev-8513-201-1-DO\\_TOPIC.html](http://www.idrc.ca/en/ev-8513-201-1-DO_TOPIC.html)).

<sup>130</sup> IDRC, *Corporate Strategy and Program Framework 2005-2010*, Ottawa: International Development Research Centre, 2005: p. 3-1.

<sup>131</sup> CIDA, 2004, p. 6.

## **PART 5      CONCLUSIONS**

This section draws conclusions regarding Canada's overall contribution to the MDGs in Bolivia.

### **The current context in Bolivia**

When the MAS and Evo Morales were elected in 2005 with an overall majority, Bolivia entered a new political era. The new political landscape involves a clear departure from previous models of governance and economic prescriptions pursued by successive governments over the past 20 years. It includes, among other things, an unequivocal rejection of neo-liberalism and state capitalism. Evo Morales and the MAS seek to create a new economic and political model, based on solidarity and on addressing the problems of poverty and inequality. The model includes recovering and nationalizing natural resources, and redistributing the benefits to the poor through government programs. It does not reject private ownership or foreign involvement in the economy, but it will not allow for the transfer of development responsibilities to private sector leadership and the market. Underlying the model is the unifying vision of a Bolivian state that is productive but fundamentally sovereign.

The government's new approach, and in particular its nationalization decree, has gained international attention that has ranged from strident criticism to enthusiastic endorsement. Such reactions only underline the fact that it is far too early to tell how Bolivia's political future will develop. In the remainder of 2006 the government will undertake a number of important processes which will further redefine the political landscape. Most notable are the Constituent Assembly, and the Referendum on Autonomies. Both of these were key MAS election promises; but both are also highly contested by different political and economic interest groups. The government faces a difficult challenge in navigating these different interests and in negotiating outcomes that do not threaten stability.

In addition, the government faces a number of other challenges. These include

- ensuring effective economic management while also pursuing an extensive social policy agenda
- addressing and advancing regional issues and the decentralization process, while also maintaining national stability (These matters will continue to be high on the political agenda during the ongoing process of the Constituent Assembly and will persist after the Referendum on Autonomies.)
- implementing the decree on nationalization of the hydrocarbons sector (This will include dealing with foreign companies regarding profit shares, and with neighbouring countries on pricing, at the same time as ensuring continued investment in the sector.)
- implementing decrees related to land policy, and dealing with those groups that have high expectations regarding future land ownership, but also with current landowners

- implementing public policy in the context of limited capacities and suitable institutions, in particular at the departmental and municipal level
- balancing the demands of powerful social movements that have strong popular support and, when their demands are not met, are able to mobilize widespread political protest.

### *Implications for Canada*

There is currently considerable optimism in Bolivia that the Morales government will build on its strong popular support to deliver a more stable political future for the country. However, optimism regarding Bolivia's political future should be tempered by other factors. The government is still extremely young, and the model it wishes to introduce is untested. Canada will need to pay extremely close attention to how the new political and economic context unfolds. It must accept that the government faces very substantial challenges, and that this means there remains a high level of uncertainty and unpredictability regarding the country's future. Canada needs to ensure that its development efforts are closely "tailored" to this reality, and that they retain the flexibility to regularly reassess the political context, as well as the ability to change course at short notice should this be required.

### **Bolivia's relevance for Canada**

Until the election of the new government, Bolivia was not of major political importance to Canada. This may change, in particular because of increased international attention to changes occurring in Latin America. Bolivia is currently seen as part of a regional trend toward social democratic or left-leaning politics. There will be continued close scrutiny of Bolivia in a number of areas, including its economic and investment policies; and its relations with other like-minded countries such as Venezuela (including the extent to which anti-American statements remain populist rhetoric, or are translated into policy). Also under scrutiny will be how Bolivia, as a poor country dependant on external assistance, sets its own course while also needing to strengthen regional alliances.

There is also increasing international interest in the political model that is developing within Bolivia where the government and its first Indigenous president will balance the interests and wishes of those groups that constitute their support base — the poor, rural communities, Indigenous groups, social movements and civil society groups — with the need to develop a modern state and economy that delivers growth and improved economic conditions.

These issues mean Foreign Affairs Canada may take a greater interest in Bolivia. On the other hand, Bolivia has been of marginal commercial importance to Canada in the past, due to the very small volume of trade between the two countries. This and International Trade Canada's limited focus on Bolivia are unlikely to change to any great extent.

On the other hand, Bolivia has been a development priority for Canada for some time, and is likely to remain so. Most recently, it was one of the 25 CIDA "development

partners” identified through the IPS that will receive increased aid. Despite this increase, and the “on paper” importance of Bolivia for CIDA, the size of Canada’s development program in Bolivia is relatively small. Although official figures have not been confirmed, current indications suggest that bilateral program funding will gradually increase from a base of \$12.3 million in 2005/6 to approximately \$15 million in 2010/11. CIDA will therefore remain among the smaller bilateral donors in Bolivia in terms of program size.

### **Canada’s policy focus on the MDGs**

There is a strong focus on the MDGs in Canada’s current international policy. This only applies however to one aspect of the policy. While the Development section of the 2005 International Policy Statement locates Canada’s development efforts squarely within the overall framework of the MDGs, this emphasis is not evident in other aspects of the IPS. The diplomacy, commerce, and defence sections of the IPS give much less attention to the MDGs than the development section, and in some cases they hardly refer to them at all. IDRC’s Corporate Strategy, although based on sustainable development and poverty reduction, also places little emphasis on the MDGs.

This indicates that the MDGs are a priority for Canada’s development efforts, but not for its broader international efforts. This has clear implications for policy coherence, and it suggests the government sees the MDGs primarily as a CIDA responsibility rather than the shared responsibility of all government agencies involved in international work. This clearly contradicts the central policy platform laid out in the IPS. This states that Canada will undertake “a whole of government approach to development” which will involve stronger coherence between the government’s aid and non-aid policies and actions, and stronger development-related efforts in key areas such as trade, debt relief, and the environment.

The Government of Canada’s lack of focus on the MDGs in its broad international policy limits the overall effectiveness and impact of Canadian efforts in contributing to the MDGs. At the country-level the lack of overall focus suggests that even if CIDA programming were deliberately oriented to supporting the MDGs, this would probably not be the case for other government efforts. In worst-case scenarios, the absence of whole-of-government approaches at the country level risks uncoordinated and possibly contradictory involvements.

Findings from interviews conducted for this study reinforce the conclusion that the MDGs have not been strongly integrated across Canada’s overall international work and development efforts. There was a clear imbalance in knowledge and understanding of the MDGs across the government departments and public corporations that undertake international work. CIDA and CCO officials at headquarters level and in Bolivia generally have a strong understanding of the MDGs, and take them into account in their ongoing work. Officials working for other government departments or public corporations had much less awareness of the MDGs.

## **Canada's overall focus on the MDGs in Bolivia**

Canada's focus on the MDGs in Bolivia reflects the above findings. The lack of a whole-of-government approach to development limits the possibility for a strong coherent Canadian contribution to the MDGs in Bolivia. CIDA's focus on the MDGs is relatively strong, but this is not shared by other government agencies. Canada's Foreign Affairs and diplomacy efforts have been limited by the fact that Bolivia has not been a foreign policy or political priority for Canada; and the MDGs do not appear to have featured strongly in Foreign Affairs thinking on Bolivia. Canada's limited trade involvement with Bolivia does not refer in any substantive way to the MDGs, and Canada is not undertaking any specific development-related trade activities in the country. IDRC, as a public corporation, supports research activities and partners in Bolivia that have a clear development focus. Although some of these activities contribute to the MDGs, IDRC programming does not include deliberate focus on supporting the MDGs in the country.

## **CIDA efforts in Bolivia**

The intense political upheaval and change in Bolivia over the last five years has provided a very demanding context for international cooperation efforts. CIDA efforts to support the government, and to support the MDGs, have had to operate within this context. This has proven difficult, in particular for the bilateral program. In response to the CDPF, the bilateral program attempted to adopt a new approach. This included strengthening country ownership through a deliberate focus on supporting Bolivian government priorities, and through alignment with the Bolivian PRSP. This approach, while laudable in principle, occurred exactly at the time that government was unstable. The bilateral program experienced difficulties in establishing a coherent program, in particular in the health and water and sanitation sectors.

## **CIDA's contribution to the MDGs**

Commitment by international governments to the MDGs, and Canadian and CIDA policy, all provide a strong imperative that CIDA's country-level efforts should be planned and implemented within the overall objective of contributing to the MDGs. As we have seen, the CIDA bilateral program in Bolivia is to some extent oriented toward supporting the MDGs. Two out of three of its priority sectors (health, and water and sanitation) are directly related to specific MDGs (MDGs 4, 5, 6 and 7). Efforts in these sectors should also directly contribute to poverty reduction, and hence to MDG 1.

CIDA currently focuses the largest share of bilateral resources on the governance sector. Governance efforts do not *directly* address specific MDGs in the way that CIDA's work in the health and the water and sanitation sectors does. This could be interpreted as a weakness in the CIDA program, or simply as a reflection of the fact that there is no specific MDG that addresses governance in developing countries. CIDA's efforts in governance also indirectly support poverty eradication (and MDG 1).

Significantly the bilateral program's direct orientation to the MDGs, through its support for water and sanitation and health, appears to be more by accident than by design. The program's current emphasis does not derive from CIDA's policy emphasis on the MDGs. Rather it is the result of program history, and in particular program direction that was set out in the CDPF. Although the MDGs featured in some of the CIDA policy documentation referred to in the CDPF, they do not appear to have been a strong factor in the decision-making that identified water and sanitation and health as priority sectors.

CIDA has maintained the program direction that was set out in the CDPF. During the CDPF period (2002-2007), CIDA adopted the MDGs as a key corporate policy framework, but this does not appear to have had any discernible influence on the emphasis of the Bolivia program. There was no attempt to develop a strategy or plan for how it should address the MDGs. According to CIDA, this simply reflects normal practice, namely that once program direction is identified in a CDPF and agreed on with a partner government, it is then maintained throughout the CDPF period. While this suggests a willingness to undertake long-term development planning and implementation, it also means that during the Bolivia CDPF period there has been no attempt to adopt a deliberate focus on the MDGs. Instead, the program has been justified *ex-poste* against the intent of the MDGs.

This is consistent with this report's observations regarding the Government of Bolivia's own efforts on the MDGs. The MDGIC's third report found that the majority of the MDGs will not be achieved by 2015 unless there is a deliberate process of prioritization to accomplish the most cost effective interventions. This suggested that the MDGs should be an explicit part of the planning and execution process of government expenditure, rather than just an *ex-poste* evaluation of whatever the government chooses to do.

This in turn reflects on the question of what actually determines the nature of Canada's contribution to the MDGs at the country level. In Bolivia Canadian efforts are clearly guided by international and Canadian policy; but they are equally guided, at least in principle, by the Government of Bolivia's own priorities. This is consistent with international agreement (for instance through the Paris Declaration) that development cooperation efforts should be aligned with national development strategies and priorities, and that donors should follow the lead of their developing country partners. If CIDA follows this approach, its contribution to the MDGs in Bolivia will depend as much on whether the Bolivian government actually wishes the MDGs to be a focus for Canadian cooperation, as on CIDA's and Canada's own emphasis on the MDGs.

The Canadian Partnership Branch is a significant part of Canada's overall involvement in Bolivia and it is supporting a substantial number of organizations active in Bolivia. Its responsive, non-geographic programming model may be appropriate for undertaking partnership approaches, but it militates against any possibility of integrated, coordinated country-level programming designed around specific policy objectives, such as contributing to the MDGs. This is certainly the case in Bolivia. CPB support for partners is not part of an overall programming approach in which CIDA sets out to maximize impact and outcomes, and to achieve specific policy objectives. Indeed CIDA bilateral

program staff in Bolivia are unaware of many of the activities supported through CPB. There remains no clear organizing mechanism for CPB activities that take place in Bolivia, and no mechanism to address coordination and complementarity between CPB and bilateral programming. This means that, even if the CIDA bilateral program chose to adopt a more deliberate focus on supporting the MDGs, this would not necessarily be reflected in the relatively quite substantial way that CPB is involved in Bolivia.

Through the Multilateral Branch, CIDA provides institutional core support to selected multilateral institutions for their global programs and activities. CIDA is supporting a number of multilateral institutions that are active in Bolivia. Some of these, such as the World Bank, UNDP and UNICEF, have a strong focus on the MDGs. However, the non-geographic global nature of Multilateral Branch programming means that by definition this occurs largely independently of bilateral programming. This adds another layer of complexity to the question of coordination and complementarity of CIDA's country-level efforts. Similar to the situation for CPB, there is no established mechanism within CIDA that allows coordination and communication between the Multilateral Branch and other branches on country-level issues.

This makes it even more difficult for CIDA to contemplate integrated country-level programming. It also supports CIDA's own observations in the CDPF, which stated that some of the existing complementarity between the bilateral, CPB and Multilateral Branch programs had been "accidental", and that, if real complementarity between the branches is to be achieved, ongoing mechanisms will need to be established to ensure that they are "moving towards the same overall development objective".

### **Canada's trade efforts**

Canada's overall performance with respect to the MDGs in trade is relatively good. Its generally low tariffs, as well as its removal of quotas on imports of textiles and clothing, support for removal of trade-distorting agricultural subsidies, introduction of the LDC Market Access Initiative, and provision of trade-related capacity building all mean that it rates relatively well against MDG 8's trade targets and market access indicators.

At present Canada's very limited trade involvement with Bolivia does not involve consideration of development issues. At the same time CIDA's three-sector, "focussed" bilateral program does not address trade and investment, other than indirectly through the Hydrocarbons Regulatory Assistance Project. Some consideration is warranted of how Canada's aid and trade efforts in Bolivia could complement and support each other.

In the long term however Canada's trade efforts at the international level may be just as important for Bolivia as its country-level efforts. Canada has an important role in ensuring that global and regional trade agreements take into account the particular needs of low-income countries such as Bolivia. This means Canada's negotiating position at forums such as the WTO must not only reflect its own economic interests, but must also take into account and balance the interests of low-income countries. This includes ensuring that these countries have the flexibility to liberalize their trade sectors in a

manner consistent with their own development needs, and that if necessary they be allowed to maintain tariff protection in some areas. In this respect it will be important for Canada to continue its support for the concept of special and differential treatment. This also means that Canada must maintain a development focus in specific trade agreements it enters into that may affect Bolivia.

### **Canada's efforts on debt**

Canada's efforts on debt, including in relation to the MDGs and to Bolivia, are quite good. While maintaining involvement in the HIPC Initiative, the Paris Club and the Multilateral Debt Relief Initiative, as well as the Canadian Debt Initiative, Canada can now also consider other debt relief challenges. These include further debt cancellation measures, such as for countries like Bolivia that are indebted to the IDB. Consistent with Target 15 of the MDGs, Canada can now also address longer-term debt sustainability, such as how it can support countries to avoid accumulation of unproductive debt. This work would be best undertaken in conjunction with other government agencies active in Bolivia, such as CIDA.

### **Further conclusions on the CIDA bilateral program**

#### *Program model and approach*

CIDA's program model and approach in Bolivia are important because these provide the means for it to potentially contribute to the MDGs. Over the last four to five years there have been important changes in this area. In particular these changes have involved a shift away from "traditional" stand-alone projects implemented by Canadian executing agencies toward more "programmatic" forms of delivery that include working in partnership with government, aligning with government plans and priorities, and coordinating with other donors.

There was a strong basis for these changes. The program's move toward programmatic approaches was clearly established in the CDPF and is consistent with thinking and policy in CIDA's *2002 Canada Making a Difference in the World*. It reflects changes that are being widely adopted by other donors, that are included in international agreements such as the *Paris Declaration on Aid Effectiveness*; and that have now been widely adopted across other CIDA country programs.

CIDA was particularly deliberate in its efforts to establish programmatic approaches in the health and the water and sanitation sectors. Here, the emphasis was on developing single programs in each sector that consisted of several components and that were long term and relatively large budget. Efforts in the governance sector had strong elements of programmatic approaches (such as coordination with other donors through "basket funds") but, until current plans for the Strategic Governance Mechanism, there was no apparent attempt to integrate individual initiatives within a single program.

CIDA attempted to establish the health and water and sanitation programs during a period of intense political upheaval and change in Bolivia. This provided an unfavourable environment for the development of long-term, large-budget, relatively complicated programs that require detailed, sensitive and complex dialogue with government counterparts over a period of time, not to mention similar negotiations with other donors. Under these circumstances, it is not surprising that development of a health program proved problematic, and even less surprising that efforts in the highly politicized sector of water were also problematic. In addition, it appears that roadblocks within CIDA also delayed program implementation. The transition to programmatic approaches in the Bolivia program constituted breaking new ground for CIDA Americas staff, and also constituted a major “learning curve”, meaning the program development process was time-consuming and slow.

In comparison, results in CIDA’s governance programming were quite different. Although efforts in the sector included elements of programmatic approaches, there was no attempt to incorporate different initiatives under the rubric of a single overall “program”. Governance initiatives do not appear to have suffered from the political uncertainty and instability in Bolivia, or from the internal roadblocks in CIDA that affected the other two sectors.

#### *Field office issues*

CIDA’s bilateral program is currently hampered in its overall efforts, including those to meet the MDGs, by head office-field office arrangements. In Bolivia, CIDA and CCO officials are frustrated by a lack of authority and decision making ability and by reliance on slow and cumbersome processes at headquarters level. Relations between staff in Bolivia and head office are further strained by high turnover of staff at headquarters level. The program’s overall effectiveness will be improved through a more decentralized program that includes greater field presence, and greater decision-making and authority for field-based staff.

#### *Funding for UNICEF*

Both the health and the water and sanitation aspects of CIDA’s bilateral program channel relatively substantial funds through UNICEF. This raises the question of whether it is justifiable for CIDA to “bypass” government, and to instead channel funds to a multilateral institution that already receives core institutional funding from the Multilateral Branch. This is contentious because it is at odds with the principle of supporting government ownership and leadership.

In some respects however CIDA’s decision to channel funds through UNICEF is an appropriate response to the development context in Bolivia. This study has discussed how political instability resulted in slow implementation of programs. In funding UNICEF, CIDA’s chose to direct part of its program through a reputable multilateral institution, as an alternative to working more directly with government during times of political uncertainty.

The issue here is one of degree, To what extent should donors “diversify risk” by working through multilaterals, and when should they accept risk in order to support the principle of promoting country ownership? In this case, the proportion of funds in the health sector channelled through UNICEF (57 per cent) appears disproportionately high. While this may have been easier to justify over the last few years, it may be difficult for CIDA to maintain this approach with a new government in place that will be looking for strong donor support for its development priorities and programs, and that may be conscious of donors that choose to bypass it.

## **PART 6                      RECOMMENDATIONS**

In light of the above conclusions, the following recommendations are made:

### **Overall recommendations**

#### *Adopt a whole-of-government approach to development in Bolivia*

The Government of Canada should adopt a whole-of-government approach in Bolivia. This would be consistent with the clear statement made in the development section of the IPS. This would provide a development focus for Canada’s efforts in Bolivia, and would bring greater coherence to its aid and non-aid policies. This will require other government departments to come on board with this thinking and approach (see below).

#### *CIDA to lead the whole of government approach*

In Canada CIDA should lead the whole-of-government approach and provide a clear vision for how government efforts can support development and contribute to the MDGs. The Interdepartmental Working Committee should be the main forum for coordinating efforts, but its role should extend well beyond its current emphasis on information exchange. An initial step would be to ensure participation of Canadian government departments and public corporations not currently involved in the Working Committee, such as Finance Canada, International Trade Canada and IDRC.

#### *Extend the whole-of-government approach to the country level*

For the whole-of-government approach to be effective, it must be integrated at the country level. This would be consistent with the IPS, which states, “at the country level, ambassadors and other heads of mission will be responsible for implementation of whole-of-government country and regional strategies”. In the case of Bolivia, CIDA should be responsible for developing and coordinating the whole-of-government strategy, given its major role in the country, and that Foreign Affairs is not represented.

#### *Adopt a stronger focus on the MDGs across Canada’s international work*

For Canada to make a real contribution to the MDGs, it needs to address them across the whole scope of its international involvements. Government of Canada agencies, such as Foreign Affairs, International Trade Canada, Finance Canada, as well as IDRC, should

give more attention to the MDGs, including how they can be better integrated into policy, programs and operations.

Canada's whole-of-government approach for Bolivia should be organized around two related objectives: to reduce poverty and promote sustainable development, and to contribute to achievement of the MDGs. In Bolivia, these objectives should be consistent with supporting Government of Bolivia efforts and with promoting country ownership.

## **Recommendations for CIDA**

### **a) Focus on the MDGs**

#### *Develop a "Country Program MDG Plan"*

The CIDA bilateral program needs to accept that it has been largely shaped by history, the CDPF and other imperatives, rather than by a deliberate strategy to contribute to the MDGs. As a first step to address this, it should develop a Country Program MDG Plan. Depending on timing, this could be incorporated with the next Country Development Programming Framework. The plan should carefully consider how CIDA will support and reflect relevant Government of Bolivia initiatives, such as the MDGIC, and the National Development Plan.

The plan should do more than simply demonstrate how aspects of the current program already support the MDGs. It should consider possible changes that will give the program a clearer, stronger focus on contributing to the MDGs. It should also outline how CIDA as a whole will contribute to the MDGs in Bolivia. It should therefore consider the role of the Multilateral Branch and Canadian Partnership Branch. Once again, this should go further than stating how CPB and the Multilateral Branch already contribute to the MDGs in Bolivia. It should propose a mechanism for how CIDA can deliver genuine inter-branch coordination and complementarity. This will require high-level management commitment that is focused on finding real solutions.

As part of this process, the country program should also consider the following options:

#### *Review work on governance*

This study does not recommend that CIDA should withdraw from supporting governance. However, the bilateral program should establish a clear rationale and justification for how its work in the sector relates to and contributes to the MDGs. In particular, it should consider how directly its work in the sector should contribute to the MDGs, and this should guide the types of activities it supports. This process should include consideration of whether the bilateral program should maintain its current indicative allocation of 50 per cent of bilateral resources to the governance sector.

#### *Assess the program's focus on poverty eradication*

In keeping with the above and with the importance of directly supporting MDG 1, CIDA should consider the program's current focus on poverty eradication. This should include consideration of whether the focus should be direct or indirect, whether the current indirect focus facilitated through the governance program is acceptable, and whether a more direct linkage to poverty reduction may be justified. This could be achieved through greater efforts in the health and water sectors, or through other efforts, such as increased partnership work, in particular through supporting NGOs and civil society organizations.

*Increase support to NGOs and civil society organizations*

The bilateral program should consider increased support for the non-government sector in order to increase its direct impact on poverty reduction and its contribution to MDG 1. NGOs traditionally have an emphasis on community-based work and on work in areas of basic needs such as food security, health, water and sanitation, and income generation. There is currently good opportunity for Canada to pursue this approach, and to build dialogue with the Bolivian government, which itself has strong roots in civil society and social movements, and which should in principle be open to donor support for the NGO sector.

This approach need not contradict maintaining program-based approaches in the Bolivia program. Canadian NGOs have strong experience in such approaches and in working with local partners to implement them. In increasing support for NGO work in Bolivia, Canada should draw on its strong history of diversity and civil society participation in democratic processes, its own large and active NGO sector that has extensive international experience, and CIDA's strong experience in partnership approaches.

**b) Program approach**

*Continue support for government-led development efforts*

The election of the Morales government has dramatically changed the political landscape in Bolivia. His government has already started to introduce policies that are substantially different from those that were pursued by a succession of previous governments, and that were supported over many years by international cooperation agencies. While this may lead to some tensions, CIDA, like other donors, is planning to maintain its policy of supporting government-led development efforts in Bolivia.

This is essential, given the importance of country-led efforts for achieving the MDGs. CIDA should build on current goodwill between the government and donors to continue this approach. This will mean maintaining open lines of communication, and working at a central level and through relevant line ministries to pursue programs in its chosen sectors. CIDA should commit to supporting the government's National Development Plan when it is released and be prepared to align its programming accordingly.

*Continue to pursue aid effectiveness approaches*

CIDA should continue to pursue its strategy, established in the early 2000s and confirmed by the CDPF, of adopting aid effectiveness principles in its program approach and delivery mechanisms. In particular this means aligning the program with Bolivian government plans and priorities, promoting local ownership, and harmonizing and coordinating approaches with those of other donors. This is particularly important given the large number of bilateral and multilateral donors involved in the country. It also means continuing to pursue programmatic approaches, including participation in basket funds, development of sector-wide approaches, joint approaches with other donors, and possible budgetary support.

#### *Build program flexibility*

At the same time, CIDA should play close attention to lessons learned over the last four years. The key lesson is that its program approach must include the flexibility to respond appropriately to the development context in Bolivia, in particular when this may be subject to change and uncertainty. As a result, the CIDA program should guard against trying to pursue programmatic approaches at all costs. It should avoid getting locked into single, complex, large scale programs, in particular if political uncertainty re-emerges. Above all it should ensure the program has the flexibility to use other approaches when conditions suggest this is appropriate. This means retaining the option of pursuing smaller, short-term activities, both with Government of Bolivia institutions, but also with other partners.

#### *Ensure strong, field-based analysis*

The importance to the Bolivia program of strong analysis cannot be overstated. Now, perhaps more than ever, programming and decision-making should be informed by quality analysis of the emerging political and development context in Bolivia. This is essential because of the critical nature of politics in Bolivia at present, including the many challenges the government will face over at least the medium term, and because the future of development cooperation in Bolivia, while encouraging, remains largely unknown. While current headquarters-based analysis is relatively strong, it must be based in Bolivia if it is to be properly informed by events in the country.

#### *Build a decentralized program*

Enhanced analysis should be part of an overall program that is decentralized with more authority and decision-making in the field. This will improve the likelihood that program development and implementation are properly based on and directly connected to what is happening “on the ground” in Bolivia. This will also bring CIDA in line with other donors that have decentralized their programs, as well as with international thinking on aid effectiveness. Most importantly it will allow the program to implement CIDA’s own policy, as outlined in *Canada Making a Difference in the World*, which unequivocally states “CIDA will enhance its field presence in countries selected for enhanced partnerships so that it can effectively deliver new program approaches.”

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## **Annex 1**

### **List of organizations included in interviews for this study**

#### **1 Interviews in Canada**

CIDA:

- Bolivia Country Program
- Canadian Partnership Branch
- Multilateral Branch

Foreign Affairs Canada  
International Trade Canada  
Finance Canada

IDRC

#### **2 Interviews in La Paz**

Office of the Canadian Embassy (CIDA)  
Canadian Cooperation Office

VIPFE

Ministerio de Salud  
Viceministerio de Servicios Básicos/Ministerio del Agua  
Defensor del Pueblo  
Corte Nacional Electoral  
Independent Consultant (water and sanitation)

Embassy of the Netherlands

UNDP

World Bank

Asamblea Permanente de Derechos Humanos de Bolivia  
CEDLA (Centro de Estudios para el Desarrollo Laboral y Agrario)  
CECI (Centro Canadiense de Estudios y Cooperación Internacional)  
ACEDI (Atlantic Community Economic Development Institute)

\*Note: In some cases, more than one interview occurred with individuals from particular organizations.

## Annex 2

### MDG Targets and Indicators

#### Goal 1. Eradicate extreme poverty and hunger

**Target 1: Reduce by half the proportion of people living on less than a dollar a day**

1. Proportion of Population Below \$1 (PPP) per Day (World Bank)
2. Poverty Gap Ratio, \$1 per day (World Bank)
3. Share of Poorest Quintile in National Income or Consumption (World Bank)

**Target 2: Reduce by half the proportion of people who suffer from hunger**

4. Prevalence of Underweight Children Under Five Years of Age (UNICEF)
5. Proportion of the Population below Minimum Level of Dietary Energy Consumption (FAO)

#### Goal 2. Achieve universal primary education

**Target 3: Ensure that all boys and girls complete a full course of primary schooling**

6. Net Enrolment Ratio in Primary Education (UNESCO)
7. Proportion of Pupils Starting Grade 1 who Reach Grade 5 (UNESCO)
8. Literacy Rate of 15-24 year-olds (UNESCO)

#### Goal 3. Promote gender equality and empower women

**Target 4: Eliminate gender disparity in primary and secondary education preferably by 2005, and at all levels by 2015**

9. Ratio of Girls to Boys in Primary, Secondary, and Tertiary Education (UNESCO)
10. Ratio of Literate Women to Men 15-24 years old (UNESCO)
11. Share of Women in Wage Employment in the Non-Agricultural Sector (ILO)
12. Proportion of Seats Held by Women in National Parliaments (IPU)

## **Goal 4. Reduce child mortality**

### **Target 5: Reduce by two thirds the mortality rate among children under five**

- 13. Under-Five Mortality Rate (UNICEF)
- 14. Infant Mortality Rate (UNICEF)
- 15. Proportion of 1 year-old Children Immunised Against Measles (UNICEF)

## **5. Improve maternal health**

### **Target 6: Reduce by three quarters the maternal mortality ratio**

- 16. Maternal Mortality Ratio (WHO)
- 17. Proportion of Births Attended by Skilled Health Personnel (UNICEF)

## **Goal 6. Combat HIV/AIDS, malaria and other diseases**

### **Target 7: Halt and begin to reverse the spread of HIV/AIDS**

- 18. HIV Prevalence Among 15-24 year-old Pregnant Women (UNAIDS)
- 19. Condom use rate of the contraceptive prevalence rate and Population aged 15-24 years with comprehensive correct knowledge of HIV/AIDS (UNAIDS, UNICEF, UN Population Division, WHO)
- 20. Ratio of school attendance of orphans to school attendance of non-orphans aged 10-14 years

### **Target 8: Halt and begin to reverse the incidence of malaria and other major diseases**

- 21. Prevalence and Death Rates Associated with Malaria (WHO):
- 22. Proportion of Population in Malaria Risk Areas Using Effective Malaria Prevention and Treatment Measures (UNICEF):
- 23. Prevalence and Death Rates Associated with Tuberculosis (WHO):
- 24. Proportion of Tuberculosis Cases Detected and Cured Under Directly-Observed Treatment Short Courses (WHO)

## **Goal 7. Ensure environmental sustainability**

### **Target 9: Integrate the principles of sustainable development into country policies and programmes; reverse loss of environmental resources**

- 25. Forested land as percentage of land area (FAO)
- 26. Ratio of Area Protected to Maintain Biological Diversity to

Surface Area (UNEP)

27. Energy supply (apparent consumption; Kg oil equivalent) per \$1,000 (PPP) GDP (World Bank)

28. Carbon Dioxide Emissions (per capita) and Consumption of Ozone-Depleting CFCs (ODP tons):

**Target 10: Reduce by half the proportion of people without sustainable access to safe drinking water**

30. Proportion of the Population with Sustainable Access to and Improved Water Source (WHO/UNICEF)

31. Proportion of the Population with Access to Improved Sanitation (WHO/UNICEF)

**Target 11: Achieve significant improvement in lives of at least 100 million slum dwellers, by 2020**

32. Slum population as percentage of urban population (secure tenure index) (UN-Habitat)

## **Goal 8. Develop a global partnership for development**

**Target 12. Develop further an open, rule-based, predictable, non-discriminatory trading and financial system Includes a commitment to good governance, development, and poverty reduction — both nationally and internationally**

**Target 13. Address the special needs of the least developed countries Includes: tariff and quota free access for least developed countries' exports; enhanced programme of debt relief for HIPC and cancellation of official bilateral debt; and more generous ODA for countries committed to poverty reduction**

**Target 14. Address the special needs of landlocked countries and small island developing States**

**Target 15. Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term.**

**Target 16: In cooperation with developing countries, develop and implement strategies for decent and productive work for youth.**

**Target 17: In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries**

**Target 18: In cooperation with the private sector, make available the benefits of new technologies, especially information and communications**

*Official development assistance*

32. Net ODA as percentage of OECD/DAC donors' gross

national product (targets of 0.7% in total and 0.15% for LDCs)

33. Proportion of ODA to basic social services (basic education, primary health care, nutrition, safe water and sanitation)

34. Proportion of ODA that is untied

35. Proportion of ODA for environment in small

island developing States 36. Proportion of ODA for transport sector in landlocked countries

*Market access*

37. Proportion of exports (by value and excluding arms) admitted free of duties and quotas

38. Average tariffs and quotas on agricultural products and textiles and clothing

39. Domestic and export agricultural subsidies in OECD countries

40. Proportion of ODA provided to help build tradecapacity

*Debt sustainability*

41. Proportion of official bilateral HIPC debt cancelled

42. Total Number of Countries that Have Reached their HIPC Decision Points and Number that Have Reached their Completion Points (Cumulative) (HIPC) (World Bank-IMF)

43. Debt Service as a Percentage of Exports of Goods and Services (World Bank)

44. Debt Relief Committed Under HIPC Initiative (HIPC) (World Bank-IMF)

45. Unemployment of 15-24 year-olds, Each Sex and Total (ILO)

46. Proportion of Population with Access to Affordable, Essential Drugs on a Sustainable Basis (WHO)

47. Telephone Lines and Cellular Subscribers per 100 Population (ITU)

48. Personal Computers in Use and Internet Users per 100 Population (ITU)

Source: UNDP, <http://www.undp.org/mdg/>

