Board Meeting of Tuesday, June 16, 1998
Statement by Godfrey Gaoseb

**Bolivia: Country Assistance Strategy (Joint)**

1. We like the innovative way in which the CAS was prepared. The five-year time frame, which makes the CAS concurrent with the tenure of the elected President, is a welcome departure from the usual three years for most CASs. The participatory approach, based on a “National Dialogue” that involved many segments of civil society, is also noteworthy. More importantly, it is clearly evident that the lessons drawn from the recent CAR have been fed into this CAS. It also suggests an approach for Bolivia’s graduation from IDA lending. We commend both the staff and the Bolivian authorities for their close collaboration in the preparation of this document.

2. The recent years have witnessed some serious efforts by the Bolivian authorities to restore macro-economic stability. The inflation rate, which stood at the extremely high level of 23,500 percent in the mid-80s, was brought down to single digits by 1997, while the reserves cushion was built to a comfortable level. Portfolio performance has also been impressive. However, a lot remains to be done, particularly in the social sectors, mainly in the poverty reduction and equity fronts. The incidence of poverty remains very high at 68 percent overall and 81 percent in rural areas. Social indicators, especially for health and education, are poor and strenuous efforts are needed to integrate the rural poor, particularly the indigenous population, to the rest of the economy.

3. It is comforting to note that poverty reduction is the centerpiece of the government’s “National Action Plan”. Resolving the inequity issue through reprioritizing public expenditure, improving the quality of social services and giving more attention to rural development, particularly to small farmers, are steps in the right direction. Improving the quality of education through, inter alia, better terms of service for teachers, and putting emphasis on primary education as well as improving the dismal health indicators, are crucial for tackling the poverty problem. In this connection, we believe that LILs and APLs are more appropriate vehicles for Bank’s assistance to Bolivia.
4. However, for such efforts to bear fruit, it is imperative that the governance issue is resolved, as no strategy can be implemented in the absence of national consensus and the strong commitment of policy-makers. In the same vein, it is also important to attain an acceptable degree of equity in income distribution and power sharing among the different segments of the Bolivian society. Focussing attention on the economic factor will not be enough to turn around the country’s development process. We, therefore, believe that the strategy should take the form of a package that gives equal attention to the economic, institutional and judicial reforms as well as to the strengthening of the institutions of local governments.

5. Two areas of concern to us are the poor aid coordination mechanism cited in paragraph 49 and government's request to the Bank to limit its involvement in the environment (paragraph 55). As for the first issue, it is extremely important that the government should be in the driver's seat when it comes to the coordination of foreign assistance, since it is in a better position to know the overall picture of resource flows and, therefore, can make better judgements. Taking the leadership role will also enable the government to avoid unnecessary duplication and waste in foreign aid allocation and help in adopting a demand-driven approach with respect to foreign resource flows. As for the other issue, since most, if not all, the projects in which the Bank is involved require environmental assessments at the entry stage, and since the Bank is an active participant in GEF projects, it is not advisable, in our view, that the Bank be distanced in this sector. We, therefore, believe that intensive dialogue is needed to convince the authorities about the importance of the Bank’s involvement in the environment. We would appreciate some up-date from staff on this issue.

6. Another area of concern to us is the extremely poor status of the civil service and the instability surrounding it. No strategy is worth adopting if there is no efficient implementation machinery in place. It is, therefore, our view that civil service reform should be in the forefront of the Bank’s assistance strategy for Bolivia.

7. With respect to the proposed plan for Bolivia’s graduation from IDA lending by FY02, we believe that time is not yet ripe to effect such an action. One wonders whether all the measures cited in the footnote of page 23 can be implemented within a period of three years. For example, can anything significant be done with respect to poverty reduction, the main core of the CAS, within three years? We, therefore, suggest that the issue of graduation should not be revisited before FY02. We would appreciate further staff comments on this issue.

8. This leads me to the role of IFC, which has been impressive. IFC’s ability to help the country attract foreign flows will, to a large extent, be the main key for Bolivia’s access to international financial markets. We would, therefore, encourage IFC to maintain the momentum of its activities.

9. We agree with the three lending scenarios, the triggers associated with them, the instruments the Bank intends to use and the lending/non-lending services mix. We also concur with staff that Bank assistance should focus on the first three of the government development pillars cited in paragraph 21, namely, opportunity, equity, and institutionality.
10. Finally, we wish the Bolivian authorities success in their endeavors to eradicate economic and social imbalances. We would also like to commend staff for the high quality of their work.