

Working Paper 156

**Social Protection Policy and Practice in Bolivia:
Its Implications for Bolivia's
Poverty Reduction Strategy Paper (PRSP)**

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Executive summary

Paper objectives

Recent recognition both by governments and by development agencies that security is key to poverty reduction has resulted in an expanded and redefined conception of social protection, as acknowledged in the recent World Development Report (World Bank 2001a). This reformulation of social protection is new not only for the World Bank but also for institutions in Bolivia such as the government, civil society and the donor community.

Within this context, the objective of this paper is to document the nature and scope of social protection policy and practice in Bolivia, utilising the World Bank's social protection framework. In addition it assesses the inclusion of social protection in the government's recently completed Poverty Reduction Strategy Paper (PRSP). This highlights limitations in the existing framework and provides the opportunity for recommendations relevant to its further elaboration in Bolivia. At the outset it is important to emphasise that this is a preliminary review of a very complex subject, which merits considerable further attention.

Structure of the paper

The paper is divided into five sections:

- **Part One**, by way of background, briefly outlines the World Bank's conceptual framework for social protection as a poverty reduction strategy, noting a number of limitations.
- **Part Two** highlights how risk analysis provides a useful instrument for identifying important sources of idiosyncratic and covariant risks among the poor in rural and urban areas in Bolivia.
- **Part Three**, in turn, illustrates how the social risk management framework assists in distinguishing the three types of social risk management strategies in Bolivia; risk reduction, mitigation and coping. Currently these are implemented by the public sector, market-based and non-governmental institutions. This section also includes a brief account of informal strategies – largely ignored by policy makers. Drawing on secondary sources it describes some of the complex ways in which poor households and communities in both rural and urban areas manage risks. In so doing it identifies important gaps for further research.
- **Part Four** provides a critique of the relative importance of the issue of security and social protection in the Bolivian government's recently completed Poverty Reduction Strategy Paper (PRSP), with recommendations to assist in strengthening this component of the PRSP. It highlights the importance of a largely 'invisible' donor sector that supports government, NGOs and local community initiatives.
- **Part Five** concludes by identifying three examples of win-win strategies, all of which may point the way towards more sustainable, local-level, risk reduction strategies.

For ease of readership recommendations relating to future initiatives, although a sequential outcome of these five sections, are presented at the beginning of the document. This includes recommendations for a number of initiatives that DFID could support to strengthen security and social protection in Bolivia.

The paper's framework

The paper uses the World Bank's Social Protection framework. This comprises the following:

Framework for analysis of risk: Risks are classified in terms of the level at which they occur (micro, meso and macro-level). In addition, types of risk are categorised along a continuum, from idiosyncratic risks that occur at the intra-family, family and community level, to covariant risks that occur at both community and national (and international) level.

Framework for risk management: This identifies three types of social risk management arrangements, namely public, market-based and informal, and defines three types of risk management strategies as risk reduction, risk mitigation and risk coping.

Social risk management matrix: This provides a useful diagnostic and analytical instrument to identify alternative types of strategies and arrangements for dealing with risks that is useful to identify the current status of social risk management in Bolivia.

Main findings

Risk analysis: Using the risk analysis framework the paper describes micro-level idiosyncratic risks relating to illness and injury, old age, and domestic violence, and meso-level covariant risks relating to harvest failure, unemployment and land property and micro credit risks. These focus entirely at the micro and meso level, and are by no means inclusive. Additional risks that require further documentation are identified as including idiosyncratic risks, such as child and older people's abuse; theft, robbery and accidents (road and work related); and covariant risks (particularly those at the macro level) including social unrest and social movements, low-level conflict, erosion and natural disasters.

It is not only necessary to develop a more Bolivia-specific analysis of risks than is currently the case. In addition, it is important to identify the extent to which macro level risks, currently largely excluded from the analysis, - impact on, or determine, meso and micro-level risks. Although in both the WDR 2000/1 and this analysis, there is a tendency to treat these three different levels of risk separately, ultimately they need to be seen as a continuum of risks.

Risk management: The paper then uses the risk management framework as an analytical instrument to identify alternative types of strategies and arrangements for dealing with risks. The differentiation between risk reduction, mitigation and coping, assists in the diagnosis of the current status of social risk management in Bolivia. Given the widespread documentation of formal systems, the paper briefly describes such state provided systems as health care, pensions and social funds. The paper notes the small coverage of formal social protection, in most cases probably reaching only in the region of 20 per cent of the population. It also comments that the perimeters of formal social protection are those defined in the World Bank's strategy and not the Bolivians'. For instance while health is included, education is not. Yet it could be argued that education is critical for risk reduction since it provides important opportunities for livelihood security. This calls for a Bolivia-specific framework.

Informal risk management strategies: Following this, the paper provides a more detailed examination of informal mechanisms highlighting the critical role they play in poor people's well being. It shows that the social protection framework is useful in alerting policy makers to the importance of an entire sector that generally is largely invisible, and consequently fails to receive sufficient recognition. In synthesising some of the extensive, rich research on informal social

protection undertaken by anthropologists and sociologists, it highlights differences between rural and urban areas, and within households, with life cycle factors playing a critical role in informal risk management strategies.

Extensive documentation of rural livelihood strategies in the Andes, for instance, has demonstrated the importance of understanding the relationship between land, labour and capital, as well as the distinction between livelihoods as against agricultural/farming strategies. In describing informal social protection it is also important to recognise the blurred boundaries between where livelihood strategies end, and social protection begins. In addition risk reduction and risk mitigation strategies more often than not form a continuum rather than two clearly distinguishable categories. This is complicated by the fact that the same strategy can be adopted for different objectives, depending on circumstances. Therefore in the paper informal risk reduction and risk mitigation are described simultaneously. It shows that in many respects the most important differences are those between rural production and urban informal sector strategies.

Again the information provided, while drawn from a diversity of sources, is by no means complete or comprehensive. It identifies that strategies documented in sociological and anthropological studies generally do not include an evaluation of their scale or coverage. Therefore it will be important to evaluate the relative importance and effectiveness of different informal strategies before realistic assessments concerning intervention to strengthen it can be made.

The Bolivian PRSP and social protection: The paper describes the social protection component of the Bolivian PRSP. It notes that the introduction of social protection as one of four objectives in the PRSP, rather than a residual add-on, is an important achievement, with the associated components identified relevant to vulnerable populations.

However the PRSP lacks any rigorous assessment of the causes of risk and vulnerability, including one based on gender, ethnicity and generation; with no analysis of individuals, important gender considerations in household units, the community, or the type of poor, all of which are key considerations for designing interventions. Nor is there an exact weighting of the relative importance of different risks. Consequently the choice of risks addressed appears somewhat arbitrary.

In addition the social risk management strategy in the Bolivian PRSP is highly conservative, prioritising coping strategies over risk reduction and risk mitigation. As such it is more focused on safety nets for poverty mitigation, rather than utilising social protection as a springboard for poverty reduction. While generally pro-poor in terms of population coverage, the breadth of coverage in a resource constraint context inevitably limits that range of programs, with most measures designed to assist quite broad population groups rather than being specifically targeted at the extreme poor. Furthermore most of the interventions identified are already in existence, with no new initiatives proposed. Finally, exclusion of the extensive informal risk management strategies means that interventions to strengthen or support these are not included. This is particularly problematic in a context where between only 10–20 percent of the population is covered by formal social protection, and the range and sophistication of informal risk management strategies is extensive.

The paper concludes that the identification of the importance of social protection in the PRSP is a first necessary step. However, the next stage requires a radical redesign of the framework for implementation that includes the development of new, more targeted, instruments and those that strengthen informal risk management strategies. Institutional arrangements for social protection require further clarification, including the donor community, international and national NGOs and the Church—each of which plays a crucial role in social protection in Bolivia. To assist the process important win-win strategies require documentation. These include instruments to strengthen

existing informal systems; crowding in rather than crowding out measures that are working; and developing strategies that use coping strategies as a mechanism to move to risk mitigation and or risk reduction.

Recommendations

It is important to emphasise that the results of the paper are preliminary both in scope and coverage. Nevertheless it confirms an important vacuum in terms of the following issues:

- Knowledge of the substance of social protection in general, and the specifics of risk assessments and social risk management strategies in particular
- Capacity for operational follow-through of the recommendations in the PRSP
- Sufficient donor community focus on the issue

DFID's commitment to security and social protection, both in its recent publications in London and in the decision to undertake this paper, is indicative of the leadership it has taken in this area. This comparative advantage suggests that DFID has an important role to play in ensuring that social protection is more comprehensively integrated into development debates and practice in Bolivia. The strategy and interventions described below are intended to achieve this goal.

Goal and outcome: The goal is that five years from now, by 2006, poor people in Bolivia better manage the risks that affect them than is currently the case. This includes both idiosyncratic risks such as ill health, unemployment, domestic violence and old age, as well as covariant risks, of which floods and landslides and their associated harvest failure are of importance in rural areas, along with high levels of underemployment in urban contexts. The outcome, by which success will be ensured, will be the widespread recognition of social protection as a critical sector for poverty reduction with an extensive and balanced portfolio of appropriate risk management strategies that include risk prevention, mitigation and coping mechanisms.

Strategy and associated interventions: The PRSP provides an important entry point for the achievement of such a goal. However to ensure prioritisation and implementation of this new poverty reduction approach to social protection requires a comprehensive strategy with a number of associated interventions. These relate to the development of a more robust social risk management framework. This needs to better identify both the causes of risk and vulnerability in Bolivia, as well as a more appropriate set of interventions that adequately balance risk reduction, prevention and coping. It also requires more appropriate, realistically targeted provision from government and the private sector, and increased recognition and support for informal social risk management strategies.

Introduction

The objective of this paper is to document the nature and scope of social protection policy and practice in Bolivia, utilising the World Bank's social protection framework, in terms of its implications for the government's recently completed Poverty Reduction Strategy Paper (PRSP). Examination of social protection within the specific reality of Bolivia also highlights limitations in the existing framework and provides the opportunity for recommendations relevant to its further elaboration in Bolivia. At the outset it is important to emphasise that this is a preliminary review of a very complex subject, which merits considerable further attention. The importance of this issue relates to a number of issues of importance in the current Bolivian context.

First is the increasing recognition that a robust system of social protection is a central element in government policy to help provide safeguards against shocks, especially for those at risk of irreversible declines in their human, social or physical assets, and an essential measure for ensuring sustainability of economic growth and its related poverty reduction. However, in a country like Bolivia the challenge for implementation is that the bulk of the population falls outside formal systems of social protection –relying on family or community based mechanisms. Consequently policy mechanisms need to strengthen interventions for the vulnerable in ways that are consistent with the country's level of development and that are sustainable and supportive of informal mechanisms and local livelihood systems.

Second is the fact that such a government social protection policy that does exist in Bolivia is still largely perceived in terms of an incremental, 'universal' welfare, state social policy model, despite the fact that such a formal system have never reached the majority of the population. Today, for example, only 20% of old people have access to state pension.

Third is the lack of knowledge and consideration as to how poor households and communities manage risks, or the ways in which the state could support such informal coping mechanisms. On the basis of the experience with the original Emergency Social Fund, the Bolivian government has a tendency to consider social protection as a short-term response to shocks through the establishment of short-term employment schemes and mechanisms to provide access to micro-finance. At the same time there appears to be general lack of interest in social protection within the international development and policy research communities in Bolivia, as demonstrated by the paucity of published material on this theme.

Fourth is the fact that despite constraints such as these, the recently completed PRSP identifies insecurity and the reduction of vulnerability of the poor to shocks as one of its four main strategic components. All four issues make this paper timely, not only to address the current vacuum relating to this critical poverty related issue, but also to contribute to the implementation of policy related to this objective in the PRSP.

1. Conceptual framework: Social Protection as a Poverty Reduction Strategy

Social protection as a mitigation measure targeted at the poorest in society has long been a concern of both government and many welfare-oriented NGOs. However, recognition of its key role in sustainable poverty reduction is closely associated with the World Bank's introduction of the theme of *security* into its 2000/1 World Development Report (WDR) (World Bank 2001a). Since 1990 the World Bank has shifted in its approach to poverty reduction from the so-called 'two and a half legs' of labour intensive growth and human capital, with safety nets as the poor relation; to the three legs of opportunity, empowerment and security, all of which are deemed equally important. This new focus on security provides a useful framework for the analysis of social protection. It is important, therefore to start with a brief discussion of definitions, as well as the main components of the framework.

1.1 Definitions: risk and vulnerability; livelihoods and capital assets

The WDR 2000/1 focuses on security by adopting the concepts of **risk** and **vulnerability**. Drawing on the extensive poverty debates of the past decade, it acknowledges the widely known distinction between poverty as a static concept, and vulnerability as a dynamic one that responds to changes over time. The event triggering increased vulnerability is often referred to as a shock. The issue of risk is at the core of this approach, with the following distinctions of critical importance (see Chambers 1992; Davies 1993; Moser 1998; Holzmann and Jorgensen 2000; World Bank 2001a: 139):¹

- Insecurity is defined as exposure to risk
- Risk exposure measures the possibility that a certain risk will occur
- Vulnerability is seen as the resulting possibility, or outcome, and measures the resilience against a shock – the likelihood that a shock will result in a decline in well-being
- Vulnerability is primarily a function of individual, household and community asset endowment and insurance mechanisms, and of the characteristics (severity and frequency) of shocks

Closely linked to the concept of vulnerability is the issue of people's livelihoods – defined as 'the capabilities, assets, and activities required for a means of living' (Carney 1998). A livelihood is sustainable when it can cope with and recover from stresses and shocks and maintain or enhance its capabilities both now and in the future while not undermining the natural resource base. This can usefully be considered in terms of access to five different types of 'capital' assets – variously defined as physical, financial, social, human, and natural capital.²

Assets are not simply the resources through which people make a living, they give the capability to be and to act, to engage more meaningfully with the world and to change it (Sen 1997).³ This shift in focus from poverty and its associated consumption/income poverty-line measurements to risks, vulnerability and capital assets has important implications for policymakers in terms of:

¹ It is important to acknowledge that the issue of risk has long been studied by anthropologists, including the seminal work of Mary Douglas.

² See Steer and Serageldin 1994; Moser 1998; Carney 1998.

³ As such assets are the basis of agents's power to act to reproduce, challenge or change the rules that govern the control, use and transformation of resources (Bebbington 1999; Giddens 1979).

- The analytical framework for defining and understanding insecurity and risk as a critical characteristic of the poor and vulnerable
- The critical importance of social protection not simply to alleviate poverty through safety nets but as a mechanism of poverty reduction

In this background section, therefore, it is important to provide a brief description of both of these components of social risk management.

1.2 Framework for the analysis of sources of risk and causes of vulnerability

The World Bank social protection typology of risk classifies the main sources of risk at the level at which they occur (micro, meso and macro-level). In addition the types of risks are categorised along a continuum, from idiosyncratic risks that occur at the intra-family, family and community level, to covariant risks that occur at both community and national (and international) level (Sinha and Lipton 1999; World Bank 2001a).⁴

As illustrated in Table 1, idiosyncratic risks affecting individuals or households at the micro level include illness and injury, old age, violence, harvest failure, unemployment and food-price risks. In contrast covariant risks affect households and communities at the meso-level, as well as risks affecting regions or nations at the macro-level result from economic crises or natural disasters, include earthquakes, costs of economic reforms and civil strife.

1.3 Theoretical framework for risk management and social protection

The second related framework concerns risk management and social protection. While the term social protection has changed over time, historically the International Labour Organisation (ILO) played a critical role in defining the components of a generic social security system as incorporating both social insurance (where workers themselves make contributions) and social assistance (non-contributory).⁵ In contrast, a social safety net is a more recent term often associated with developing countries, as well as transitional economies. These are closely linked in the 1980s and 1990s to compensatory measures such as social funds, intended to mitigate the negative effects of macroeconomic reform. Given the complexity of the term, at the outset it is useful to compare two recent definitions, those of the World Bank and DFID.

- The World Bank defines social protection as a collection of measures to *improve* or *protect* human capital, ranging from labour market interventions, publicly mandated unemployment or old age insurance to targeted income support. Social protection interventions assist individuals, households and communities to better manage the income risks that leave people vulnerable (World Bank web site).
- DFID, in contrast, states that social protection refers to the public actions taken in response to levels of vulnerability, risk and deprivation *which are deemed socially unacceptable within a given polity or society*. This means the protection of those who fall temporarily, or persistently, under a level of livelihood deemed acceptable, and not the promotion of a general standard of opportunity and livelihood for all citizens (Norton et al. 2000).

⁴ Although the World Bank's Social Protection Sector Strategy Paper (World Bank 2001b) subsequently produced a more elaborated version of main sources of risk, this paper uses the WDR version since its global dissemination makes it more widely used.

⁵ A landmark in the consolidation of social security was the ILO's 1952 International Labour Conference at which the Social Security (Minimum Standards) Convention (No 102) was accepted. It listed nine items which have come to be accepted as the core of advanced social security systems; health, incapacity for work due to illness, disability through work, unemployment, maternity, child maintenance, invalidity, old age, death of the breadwinner. (see Otting 1992; Lund and Srinivas 2000).

Table 1 Main Sources of Risk as defined in the World Development Report

<i>Type of Risk</i>	<i>Idiosyncratic</i>	<i>Covariant</i>	
	Risks affecting an individual or household (Micro)	Risks affecting groups of households or communities (Meso)	Risks affecting regions or nations (Macro)
<i>Natural</i>		Rainfall, landslides, volcanic eruption	Earthquakes, floods, drought, high winds
<i>Health</i>	Illness, injury, disability, old age, death	Epidemic	
<i>Social</i>	Crime, domestic violence	Terrorism, gang activity	Civil strife, war, social upheaval
<i>Economic</i>		Unemployment Resettlement Harvest failure	Changes in food prices Growth collapse Balance of payments, Financial or currency crisis Technology shock Terms of trade shock Transition costs of economic reforms
<i>Political</i>		Riots	Political default on social programs Coup d'état
<i>Environmental</i>		Pollution Deforestation Nuclear disaster	

Source: World Bank 2001a

Under-pinning these two definitions are three questions of particular importance for this paper. Firstly, to what extent can social protection not only be a mitigating safety net for those in a crisis itself, but can also act as a 'springboard', providing opportunities for people to move out of a situation of high vulnerability? In this definition social protection is conceived as a means to enable people to take sensible, potentially rewarding, economic risks, and to address the problems of unprotected populations, who are economically active but unable to escape from low-productivity activities for the fear of consequences of failure.

Secondly, is social protection a self-standing sector with clearly designated institutional responsibilities and associated budgets to target the poorest, or is it a cross-sector co-ordination mechanism, or 'umbrella', that coordinates a diversity of existing social and economic sector interventions to ensure that they prioritise facilitating the poor to better manage their risk? This approach argues that the concept of social protection provides the framework for economic and social ministries to explore common themes relating to poverty reduction.

Thirdly, should resources for social protection interventions prioritise 'top down' public action, or should they strengthen 'bottom-up', informal social protection, i.e. the strategies of poor people themselves not only to reduce risk but also to cope with shocks and crises once they have occurred? Given the limited coverage of state or market social protection provision in contexts such as Bolivia informal strategies may be of greater significance than formal systems.

Types of risk management arrangements

The paper adopts a broad definition of social protection, linking it not only to safety nets but also springboards. It draws on the World Bank's social protection sector strategy (Holzmann and Jorgensen 2000; World Bank 2001b) in identifying the following three different types of social risk management arrangements (see Table 2):⁶

- **Public arrangements:** These are relatively scarce and have very limited coverage in developing countries such as Bolivia, for fiscal and other reasons. While comprehensive universal welfare systems have traditionally argued for extensive public provision, more recent neo-liberal thinking argues that state provision should provide or mandate forms of social protection only when informal or market-based arrangements do not exist, break down or are dysfunctional. Mandatory participation in an insurance risk pool typically only applies to those in formal employment. Consequently governments have developed instruments to help households cope after shocks.
- **Market-based arrangements:** Individual households also take advantage of market-based institutions such as money, banks and insurance companies wherever available. Because formal market institutions are reluctant to lend to households without secure earnings, microfinance is now also recognised as an important instrument of social risk management.
- **Informal arrangements:** These have existed for a long time and still constitute the main source of risk management for the majority of the world's population. In the absence of market institutions and public provision of support, individual households and local groups and communities respond to risks by protecting themselves through informal or personal arrangements.

While informal strategies include arrangement that involve individuals or households or such groups as communities or villages, in contrast, formal strategies include market-based activities and publicly provided mechanisms. Informal and formal strategies are not independent; public policies and the availability of formal mechanisms heavily influence how extensively informal arrangements are used and which kinds are used.

Types of risk management strategies

The World Bank Social Protection Strategy (World Bank 2001b) also defines three different types of risk management strategies. It is important to highlight differences amongst them in some detail, since they provide a useful basis for a more rigorous disaggregation of risk reduction measures (see Table 2):

- **Risk reduction strategies:** These are strategies implemented before a risk event occurs. Reducing the probability of a risk occurring increases people's expected income and reduces income variance, and both of these effects improve welfare. Preventative social protection interventions typically form part of measures designed to reduce risks in the labour market, notably risks of unemployment, underemployment or low wages, resulting from inappropriate skills or malfunctioning labour markets.
- **Risk mitigation strategies:** These also aim to address a risk before it occurs. Whereas prevention strategies reduce the probability of a risk occurring, mitigation strategies help reduce the impact of a future risk event through pooling over assets, individuals and time. They comprise diversification and insurance strategies.

⁶ Although the World Bank's Social Protection Sector Strategy Paper (World Bank 2001b) subsequently produced a more elaborated version of mechanisms for managing risk, this paper uses the table in the WDR version since its global dissemination makes it more widely used.

Table 2 Mechanisms for managing risk as defined in the World Development Report

<i>Objective</i>	<i>Informal mechanisms</i>		<i>Formal mechanisms</i>	
	<i>Individual and household</i>	<i>Group based</i>	<i>Market Based</i>	<i>Publicly provided</i>
Reducing risk	Preventive health practices Migration More secure income sources	Collective action for infrastructure, dikes, terraces Common property resource management		Sound macroeconomic policy Environmental policy Education and training policy Public health policy Infrastructure (dams, roads) Active labour market policy
Mitigating risk: Diversification	Crop and plot diversification Income source diversification Investment in physical and human capital	Occupational associations Rotating saving and credit associations	Saving accounts in financial institutions Microfinance	Agricultural extension Liberalised trade Protection of property rights
Mitigating risk: Insurance	Marriage and extended family Sharecropper tenancy Buffer crops	Investment in social capital (ritual, reciprocal gift giving)	Old age annuities Accident, disability and other insurance	Pension systems Mandate Insurance for unemployment, illness, disability and other risks
Coping with shocks	Sale of assets Loans from money-lenders Child labour Reduced food consumption Seasonal or temporary migration	Transfers from networks of mutual support	Sales of financial assets Loans from financial institutions	Social assistance Workfare Subsidies Social funds Cash transfers

Source: *World Bank 2001a*

- **Risk coping strategies:** These are designed to relieve the impact of the risk once it has occurred. These include drawing down savings, increasing child labour, and reducing food consumption, among others.

Balancing risk management strategies

A social risk management matrix (see Table 2) provides a useful analytical instrument to identify alternative types of strategies and arrangements for dealing with risks. This can assist with a diagnosis of the current status of social risk management in Bolivia, described in Part Three below. Categorisation in terms of different capital assets can assist in the identification of a future, more balanced ‘portfolio’ of risk reduction strategies not only in terms of formal interventions but also in terms of the different capital assets that require strengthening.

1.4 Additional components to the World Bank’s Social Protection Framework

While the World Bank’s framework provides an important basis for the analysis of social protection, the following components add to the breadth of the analysis:

Risk analysis

Two elements contribute to the utility of the framework; first is a life cycle analysis, which recognises how age affects risk and vulnerability (see Lund and Srinivas, 2000, 37). Second is an analysis of risks in terms of their implications for the erosion of different types of capital assets. This shows that idiosyncratic risks relate overwhelmingly to human capital, while risks relating to physical capital are also associated with covariant risks. It also highlights the extensive range of risks associated with trust and cohesion in poor communities, their social capital, that often fails to receive sufficient attention by those concerned with poverty reduction (Bebbington 1999; Moser 1998; 2001).

Categorisation of risk management arrangements

An additional element that further contributes to the utility of the risk management framework is the distinction between institutions that finance social protection, and those that implement their programmes. These may be one and the same institution. However in poor countries such as Bolivia, where a strong donor presence provides critical resources for poverty reduction, such institutions need to be included in the analysis. So too do non-governmental organisations, many of which rely on donor funding.

An institutional analysis that includes both financing and implementing institutions can be represented as a continuum that includes the following:

- State / government institutions
- Market-based institutions
- International donor agencies
- Non-Governmental organisations (NGOs)
- Community-based organisations (CBOs)
- Territorially based organisations (OTBs)
- Households
- Individuals

2. Sources of Risk and Vulnerability among the poor in Bolivia

This section provides a description of sources of risk and vulnerability among the poor in rural and urban areas in Bolivia and shows how the World Bank's risk analysis framework provides a useful instrument for distinguishing between idiosyncratic and covariant risks.

2.1 Levels of poverty in Bolivia

As contextual background it is important to acknowledge that Bolivia is one of the poorest countries in Latin America. In 1999 it had an estimated population of 8.3 million, of whom two-thirds, or about 5.2 million people, lived in poverty, with slightly more than one-third, about 3.1 million, living in extreme poverty. Poverty occurs in both rural and urban areas. It affects half the population in large cities, two-thirds in other urban areas, and 80% in rural areas. However, the incidence of poverty is more acute in rural areas, almost 82% as compared to 52% in urban areas (47% in the main cities). Extreme poverty is above all a rural phenomenon, affecting close to 59% of the population as opposed to over 24% in urban areas (22% in the main cities) (World Bank 2000). At the same time approximately half of urban households and over 90% of rural ones have unsatisfied basic needs such as access to drinking water, sewage, and basic education and health services.

While rural poverty is mainly associated with low productivity and weak, marginal linkage to the market, urban poverty is linked to the narrow labour and segmented market, deficient skills and low educational levels. Close to one third of the population is functionally illiterate, this being mainly concentrated in rural areas and among women. Between 80–90% of the extremely poor have not had education, with few attending primary school (World Bank 2000). With over 1.5 million of the population under 10 years old and another 1.2 million below 20 years of age, the majority of the poor are children and adolescents. In contrast there are about 180,000 poor people over 65 years old. In both rural and urban areas, the highest poverty incidence (between 78–84 per cent) is among people with Aymara, Quechua and Guaraní as their mother tongue (National Institute of Statistics 2000).

2.2 Risks and associated causes of vulnerability

In coming to grips with the extensive insecurity and vulnerability experienced by the majority of the Bolivian population, risk analysis provides a useful distinction between micro-level idiosyncratic risks, relating to illness and injury, old age, and domestic violence, and meso-level covariant risks, relating to harvest failure, unemployment, land property and micro credit risks. Table 3 summarises the main sources of risk mentioned in this paper. As in the WDR, these focus entirely at the micro and meso level. At the same time it is important to emphasise that these are by no means inclusive; the intention here is more to show the range of information required for the development of a robust social protection policy.

In addition it highlights the perimeters set by the World Bank's social protection strategies and in so doing provides the opportunity to identify other critical risks which need to be included, and about which more information is required.

Table 3 Main sources of risk in Bolivia described in this paper

<i>Type of Risk</i>	<i>Idiosyncratic Micro</i>	<i>Covariant Meso</i>
<i>Natural</i>		Harvest failure and food price fluctuations
<i>Health</i>	Illness and injury Old age and disability	
<i>Social</i>	Domestic violence	
<i>Economic</i>		Unemployment Precarious informal sector enterprises The eradication of coca

Illness and injury

The country's health status suggests that illness and injury are probably the most serious idiosyncratic risk affecting the daily lives of the poor. This is closely linked to endemic vector-transmitted diseases, present in over half the country, particularly malaria (3.1 million at risk) and Chagas disease vectors (3.7 million at risk) and tuberculosis (135 reported cases for every 100,000 inhabitants). Health risks are exacerbated by the fact that the majority of the Bolivian population either lack access to health care, or fail to access it (Cárdenas 2000).

Children and women are particularly at risk; in the case of children, diarrhoea and acute respiratory diseases continue to be the main sources of infant mortality – which at 67/1000 live births is very high by Latin American standards (National Institute of Statistics (INE) 2000). One of the most serious risks facing women is the lack of medical assistance in birth delivering with maternal mortality rates the highest in the region at about 390 per 100,000 live births. Sexually transmitted diseases such as gonorrhoea, syphilis, and hepatitis B also pose a health risk to both men and women, exacerbated by extensive migration patterns. As of May 1999, it is estimated that 2,600 persons were infected with HIV of which 940 had AIDS (Ministry of Sustainable Development, Population Policies, 2000, 96). Illness and injury have direct costs for households in terms of medical expenses, as well as opportunity costs in terms of lost income or schooling while ill (see Annex 1 for summary of Bolivia's health status).

Life cycle risks: Old age and disability

Risks associated with ageing are significant even though this is a small population. In Bolivia this comprised 6 per cent of the population in 1999, of which 55 per cent are female (UN 1999). Life expectancy is lower in rural than urban areas with a specific vulnerability relating to ethnic diversity. Hence the fact that older people are not only less likely to be literate but also more likely to only speak Aymara and Quechua (National Institute of Statistics (INE) 1998). The majority of older people live with family members where they assist in livelihoods strategies, in the case of women this includes domestic tasks and childcare.

Risks associated with ageing include illness, social isolation, the ability to continue working, and uncertainty about whether state transfers will provide an adequate living, which has been identified as 'state economic abuse' (Zerda 2000). Only 40% are affiliated to *Seguro Medico*, and this is practically non-existent in the rural areas. In both rural and urban areas therefore when older people are ill they are more likely to consult a traditional healer, a *yatiri*, or a curer to alleviate their medical

problems the most common of which were identified as malnutrition, rheumatism and arthritis and high blood pressure (Fernandez Juarez 1999).

Domestic violence

Domestic, or gender-based violence is a complex issue not only because it relates to changing levels of tolerance around gender based violence, but also because of the limited and often inaccurate reporting of such abuse. Ethnographic accounts of culturally accepted practices of violence in rural Bolivia are important to recognise (see Box 1). So too, however, are the critical influences of the women's movements in Bolivia, and the United Nations Conventions such as the Beijing Platform for Action and the Vienna Human Rights Convention which have resulted in a slowly changing attitude towards gender violence, endorsed through the legal system (Jimenez et al. 1999).

Box 1 Violence among the ayllus of North Potosi in the 1970s

Among the *ayllus* of Northern Potosi violence is institutionalised in the form of ritual fighting such as territorial feuds between *ayllus*, *tinku* battles (ritual), and fights during community feasts. During the latter, individual quarrels between co-villagers and kin are fought out in community space, and it is an occasion for a man to avenge the violence inflicted on his sister by her husband. A lot of men beat their wives after drinking during a fiesta, hence the need to avenge their sisters.

Some women might defend themselves against the violence with a stick, some escape to kin while others take their revenge by refusing to cook. Women complain about domestic violence; they do not see it as an expression of love but just one of those things husbands expose their wives to. All married men are thought of as wife beaters, although some men are known to be a lot more violent than others.

Men beat their wives in a context in which their fighting qualities are important for the defense of communal land and the future of the *ayllus*. Since all women suffer violence it does not have the psychological consequences where women feel humiliated and isolated, unable to tell others what is happening. In Northern Potosi women talk about it openly and indignantly and do not see it as their fault. The fact that their brothers take revenge on their husbands is a public vindication of their sense of hurt.

Source: Harris 2000: 141–163

Despite this, high levels of 'domestic' violence still exist in Bolivia in which women are predominantly the victim (98.4%) and the perpetrator typically male and generally the husband or partner. Reported cases in recent studies illustrate this (Ministry of Sustainable Development and Planning 2000). Risks associated with domestic violence include physical and psychological ill-health problems, reduction in childrearing and childcare capacity as well as income earning capacity – all of which have significant cost implications for the well being of households and families.

2.3 Covariant risks (Meso-level)

The risk analysis framework highlights that these are primarily economic in nature with differences between urban and rural areas.

Urban underemployment and the predominance of the informal sector

In urban areas economic labour market risks relate not only to unemployment, but also to declining formal sector wages, and increased participation in precarious, low-quality informal sector jobs. Although the 1999 official report estimated unemployment rate was only 4.7%, this figure obscures Bolivia's main problem of underemployment, both visible and invisible. Taking this into account, INE estimates an equivalent 'real' unemployment rate of between 20–24%. A second cause of vulnerability relates to micro-enterprises. This relates to the fact that two thirds of the total labour

force works in micro-enterprises – with three quarters of urban women working in this sector⁷ (see Annex 2).

Harvest failure and food price fluctuations

Although the INE assumes that all rural population is fully employed, the fact that 32% of rural men and 12% of rural women migrated in 1999 looking for work is evidence of the precarious livelihood situation in rural areas. Risks are linked to weather-related uncertainties such as drought, freeze, erosion, and flood, as well as plant disease and pests. These create harvest risks for farmers, despite the development and introduction of risk mitigation technologies such as irrigation and disease-resistant crop varieties. The severity of harvest failure in Bolivia is such that it affects seven out of the country's nine departments. Associated with harvest failure are fluctuations in food prices that in turn produce their own related risk. Since poor households spend a large part of their income on food, even small price increases can severely affect food intake.

The eradication of coca

A recent risk for a small part of the rural population relates to the eradication of more than 90% of the hectares cultivated with coca in Chapare, a tropical agricultural area almost exclusively dedicated to its production. Little is known about the economic impact nationwide of the foregone earnings of coca leaf and drug derivatives on the range of informal sector activities that benefited from additional local resources, such as construction work, bars and the transport sector. Although the government of Bolivia's Alternative Development program is promoting cash crops such as pineapple, palm hearts and pepper, these do not provide the liquidity of coca leaf production, nor do they have the extensive and effective market demand.

2.4 Risks in Bolivia requiring further documentation

As mentioned above this brief summary is far from inclusive. Additional risks that require further documentation include, for instance, the following:

Idiosyncratic risks:

- Abuse of children and older people
- Theft and robbery
- Accidents (road and work related)

Covariant risks (particularly those at the macro level):

- Social unrest and social movements
- Low-level conflict
- Macro-economic risks associated with trade and globalisation
- Erosion
- Natural disasters

⁷ Micro-Enterprises are loosely defined as very small and small-scale enterprises (Lund and Srinivas, 2000). The ILO defines them as 'small-scale units engaged in the production and distribution of goods and services with the primary objective of generating employment and incomes (Sethuraman, 1981,17).

Links between different level risks

It is not only necessary to develop a more Bolivia-specific analysis of risks than is currently the case. In addition it is important to identify the extent to which macro level risks – currently largely excluded from the analysis, impact on, or determine meso and micro-level risks. Although in both the WDR 2000/1 and this analysis, there is a tendency to treat these three different levels of risk separately, ultimately they need to be seen as a continuum of risks.

3. Social Protection and Risk Management Strategies in Bolivia

The social risk management matrix in turn provides a useful diagnostic and analytical instrument to identify alternative types of strategies and arrangements for dealing with risks. The differentiation between risk reduction, mitigation and coping not only assists in the diagnosis of the current status of social risk management in Bolivia but also provides an important tool to prioritise the types, as well as comparative importance, of interventions implemented in the upcoming PRSP.

In reviewing risk management strategies the following issues are of significance:

- Firstly, along with most Latin American countries Bolivia is in a transitional situation as it moves from the goal of an incremental universal welfare model of state social protection to the privatisation of many sectors of social policy.
- Secondly, the majority of the Bolivian population have never had access to formal social protection systems, among them the entire rural sector and the rapidly growing informal sector. Consequently sophisticated self-help systems are widespread, and are both traditional and contemporary in nature.

As identified in the risk management framework it is important to identify not only the formal systems of social protection, but also those that are informal. Given the widespread documentation of the formal systems, these are briefly described before a more detailed examination of informal mechanisms. Table 4 illustrates the extensive diversity of informal arrangements present in the daily lives of the Bolivian poor in both rural and urban areas.

3.1 Public risk management strategies

While Bolivia has a number of social sector programs, to date it lacks an integrated or comprehensive social protection system to facilitate the poor to manage their risks. A number of different sector level interventions, in sum, form the basis of the existing system of formal social protection in Bolivia. These include health insurance, pensions, insurance against traffic accidents, and social funds. The coverage of the different interventions varies, with comprehensive data difficult to obtain. Generally speaking urban areas are better covered than rural areas, and formal sector workers more likely to access benefits such as health insurance and pensions than those in the informal economy, thus over 60% of Bolivian adults are largely excluded from such benefits. A brief review from a risk perspective assists in identifying the most important gaps in the system and provides background information to inform the development of a more comprehensive system – with the recently completed PRSP providing such an opportunity (see below).

Risk reduction

The Bolivian health care system

Given the level of health risk in Bolivia, the provision of health care, both in terms of quality and extensive coverage, is probably the most important risk reduction strategy the country can adopt. However, Bolivian government public spending for health lags behind other comparable countries. A recent public expenditure review showed that health expenditures in real terms have been declining, despite already low levels in the early 1990s (World Bank 1999a). Also the government's decentralisation policy means that the share of public health expenditures attributed to the Ministry of Health has been cut in half without corresponding increases at the municipal level.

Table 4 Mechanism for managing risks in Bolivia described in this paper

<i>Arrangements and strategies</i>	<i>Informal</i>		<i>Formal</i>	
	<i>Individual and household</i>	<i>Group based</i>	<i>Market based</i>	<i>Public</i>
<i>Risk Reduction</i>	Migration	Collective work for infrastructure Community service Common property resource management	Private health insurance	<i>Seguro Basico</i> (health care insurance) <i>Cajas de Salud</i> Nutrition programs
<i>Risk Mitigation: Portfolio Diversification</i>	Multi-tasking Crop and plot diversification Migration Building financial, and physical assets	<i>Pasanakus</i> (Rotating credit)	Micro-finance Institutions Micro-saving schemes Micro-insurance schemes	<i>Fondo de Desarrollo</i> <i>Fondo Nacional de Desarrollo Regional</i>
<i>Risk Mitigation: Insurance</i>	Sharecropper Buffer crops Building human assets	Investment in fiestas, reciprocal gift giving		Pensions: <i>Bolivida</i> Mandatory Traffic Accident Insurance
<i>Risk Coping</i>	Consumption modification strategies Selling of assets Mobilizing labour Migration	Borrowing from neighbours Intra-community transfers/charity		<i>Fondo de Inversion Social</i>

One major source of financing for health care services is the system of public health funds (insurance) known as ‘*Cajas de Salud*’. In Bolivia very limited private health insurance exists, with only a handful of companies offering health insurance policies. These require very high annual premiums, and are found almost exclusively in urban areas. Pre-paid medicine programmes are gradually increasing in popularity. These charge an annual entry fee, giving clients the right to a given, limited package of services. International cooperation funds also play an important financing role, about US\$26 million in 1998, or 6.2% of the total (UDAPE 1999, 2000).

The *Seguro Básico* is the government’s main targeting mechanism for health care. Each municipality contributes 6.4% of the co-participation funds received from the central government to finance a basic set of health services. The *Seguro Básico* targets the poor through reimbursements for basic services provided by public, and a limited number of private providers. Low utilisation of health services occurs not only because of lack of sufficient resources and adequate or appropriate services particularly in rural areas, but also because of ignorance of the benefits, or cultural barriers, to the utilisation of health services (particularly preventive care).

Nutrition programmes

Although malnutrition rates among children under five years of age have improved in the 1990s, they remain high among the poor, and in rural areas. Despite significant financial resources devoted to nutrition in Bolivia, nutrition programme performance remains weak. For instance, only 8% of financial resources are devoted to cost-effective interventions targeted to children under two, and pregnant women’s nutritional programmes essentially consist of food handouts, with little attention given to communication programmes focused on behavioural change (World Bank 2000).

The pension system

Another traditional form of risk management is the pension system. The Bolivian government pension system has had a long and complicated history since its establishment in 1959 to provide benefits for retirement, survivorship and disability pensions, and medical insurance. Two landmark decisions have been made in the past decade by the government in an attempt to make this a better-managed and more viable system.

First is the Bonosol, introduced in 1997 targeting all Bolivians over 21 years on December 31, 1995, to be received when they reached 65. It was funded by a *Fondo de Capitalización Colectiva* (FCC), that comprised dividends generated by capitalised enterprises (50% of which is owned by Bolivian citizens) and/or by the sale of the shares owned by the population. The Pension Reform programme, approved in 1997, mandated contributions equivalent to 10% of salary earnings to accounts owned by every person to be used for retirement purposes (Superintendence of Pensions 1997).

Second is the Bolivida, introduced by the new government in 1997, replacing the Bonosol. This is intended as a social protection net for old age regardless of poverty status. In 1999, retirement income equivalent to about US\$208 per person was received by close to 120,000 people, about 35% of the population over 65 years old. Over 24,000 widowed received monthly payments of about US\$15. Public monthly transfers of about US\$160 were distributed to approximately 3,000 orphans. The average monthly payment to 1,800 people with disabilities was US\$127.

Risk mitigation

The Mandatory Insurance against Traffic Accidents (SOAT)

This insurance is just beginning to be implemented nationwide. It is to benefit any third party affected population caused by motor vehicle traffic accidents. The annual premium for motor vehicles varies according to the engine's horsepower capacity. For instance, a four-door sedan car insurance for US\$28–40 per annum covers up to \$3,000 in personal benefits for the affected population (Ministry of Finance 2000). Essentially this is unlikely to be available to the majority of Bolivia's poor.

Risk mitigation and risk coping

Social funds

The Bolivian Social Fund, the best known and much documented risk coping mechanism in Bolivia, has gone through different stages since its original design and in so doing has shifted in its objective from risk coping to risk mitigation. The *Fondo Social de Emergencia* (FSE) created in 1986, the first-ever social fund, was intended as a mechanism to cushion the impact of stabilisation policies on the employment and income of the poor. As a **coping strategy**, the FSE was designed to rapidly generate employment through labour-intensive small-scale projects in productive and social infrastructure and non-investment interventions in education, health, and nutrition. As shown in Annex Three, from 1987–90 the FSE disbursed over US\$187 million, at a rate of close to US\$50 million a year. The poverty alleviation impact of the FSE has been widely debated, given that while it benefited about 18% of the population, only 5% of total expenditures reached the poorest 10%. Nevertheless the FSE contained effective short-term safety net features including incorporating a demand-base approach, attracting and channelling resources, isolating the project selection process from politics, and generating significant employment opportunities (World Bank 1996).

In 1990 the *Fondo de Inversión Social* (FIS) replaced the FSE, as the needs in poor communities shifted from **risk coping** to **risk mitigation**. FIS I (1990–2000) focused extensively on health, water supply, sanitation and education services and was targeted to reach the poorest 50% of the population. FIS financed requests from public and private institutions, including ministries, former development corporations, NGOs, community organisations and other private groups. Demands from implementing municipalities resulted in up to 80% grant funding with balance to be covered by the beneficiaries. In 2000, FIS and the other transfer program the FDC (described below), merged to become the new *Fondo de Desarrollo Social y Productivo* (FDSP). Operationally, they now work as a single structure to assist municipalities in financing poverty reduction strategies.

The *Fondo de Desarrollo Campesino* (FDC) is a second **risk mitigation** fund. This was created in 1989 with the closure of the State-run Agrarian Bank, as a response to farmers' demands for government support (World Bank 1996). It is a non-profit, financing agency that mitigates risk through support to small, non-commercial agricultural and productive rural activities, providing grants and extending credits through NGOs, cooperatives and other local institutions. As a financial intermediary involved in project appraisal, approval, disbursement, and technical follow-up, it channels credit through the *Programa de Inversión de Desarrollo Campesino* (PIDC). The PIDC provides up to US\$250,000 per project on a grant basis in basic infrastructure, agricultural support services, reclamation projects, and institutional strengthening. Beneficiary communities contribute in labour, kind or cash between 10 and 20% of project costs. FDC's funds are derived from national as well as external assistance. At the end of 1999, the FDC had disbursed over US\$58 million in about 1,744 projects (Fondo de Desarrollo Campesino 1999).

The *Fondo Nacional de Desarrollo Regional* (FNDR) is a third social fund, in this case focused primarily on **risk reduction**. It was created in 1987 to promote balanced regional development and provides loans for urban and regional investment projects and technical assistance to Regional Development Corporations, municipalities, public and private local utilities and service enterprises, prefectures, and universities. Urban projects include basic sanitation – portable water, sewerage, solid waste and drainage; transport – urban roads and transportation terminals; urban development – lighting, markets, slaughterhouses, municipal buildings, service buildings, and public recreational areas; and energy – gas distribution and power generation and distribution. As with all *Fondos*, its resources are derived from domestic as well as external sources. It has provided financing for a total of 72 projects accounting for US\$127 million (Navarro 2001).

Gaps in formal social protection

The perimeters of formal social protection as defined in the World Bank's strategy include health but not, for instance, education. Yet it could be argued that education is critical for risk reduction since it provides important opportunities for livelihood security. This raises important questions about the boundaries of social protection as defined in the social protection strategy. Also, as cited in the outset of the study, it makes it important ultimately to define the extent to which social protection is a sector in itself or an umbrella within which to focus a number of different interventions in terms of their capacity to increase security in the face of risk, and thereby reduce poverty.

3.2 Market-based and NGO risk management

The World Bank's Social Protection framework also highlights the importance of market-based interventions and argues for their increasing importance. The incorporation of the private sector within the country's social protection framework is significant both in highlighting its contribution as well as identifying its limitations. This is particularly the case in Bolivia with its extensive informal economy, and where micro-finance is by far the most important market-based strategy. While commercial banks are increasingly involving themselves in micro-finance, to date this sector has been dominated by NGOs.

At a global level the provision of micro-credit through micro-finance institutions (MFIs) has been found to strengthen risk reduction, mitigation and crisis coping mechanisms through diversifying income-earning sources and building assets as well as 'improving the status of women' – in all ways contributing to reduce household vulnerability (World Bank 1999b). In Bolivia, during the past two decades, micro-finance has developed as an extensive new area of **risk reduction** designed to assist individuals (self-employed or casual labourers) as well as enterprises themselves. Risk reduction strategies include access to formal and NGO micro-finance institutions (MFIs), described in this

section, as well as informal support mechanisms such as rotating credit schemes, described in section 3 below.

In June 2000, there were 330 micro-finance institutions in Bolivia under the supervision of the Superintendencia of the Financial System (see Annex 4).⁸ These are spread between urban areas (54%) and rural areas (46%). In terms of scale of operation and institution type these can be categorised along a non-profit to full-profit institutional continuum as follows: 131 are financial NGOs (40%), 57 are Credit Unions (17%), 142 are Private Financial Funds (FFPs) (43%), and one is an actual bank, the widely known and acclaimed BancoSol (FINRURAL et al. 2000). This is also reflected in client poverty levels with informal solidarity groups and NGOs more likely to reach poorer populations than FFPs or Banks. As evidence from a recent study of Bolivian NGO MFIs shows the majority of clients are the vulnerable non-poor and moderate poor rather than the extremely poor or destitute (Sebsted and Cohen 1999).⁹

Among the significant differences between MFIs is the issue of collateral. In NGOs such as Pro-Mujer, based on village banking principles, between five to seven women provide mutual collateral for small amounts through solidarity groups. FFPs provide credit mainly to individual family enterprises with commercially enforced collateral rules. Finally turning to funding sources, NGO MFIs are financially subsidised by donor support such as UNICEF, CARE and GTZ, while FFPs and Bancosol are structured on market based financial systems (Ramirez 2001).

In June 2000, this range of MFIs had a combined outstanding portfolio of US\$376.2 million (see Annex 5) providing loans to over 412,000 recipients, some 56% in the urban areas and the remainder 44% in the rural areas. Nationally, females receive more loans than do males (56% as compared to 44%). The majority of loans are directed to the commerce sector, followed by production (15%), housing and services (11% each), consumption (9%) and lastly the agricultural sector with only 5.6 per cent. Interest rates vary but are generally a flat monthly rate around 3–4.5% (FINRURAL et al. 2000).

Some MFIs link credit facilities to other services. Of particular importance is **saving**, with many NGOs linking the provision of credit to forced or voluntary saving programmes. In the NGO Pro-Mujer, for instance, along with co-operative group loans are insurance in the form of compulsory savings as well as voluntary savings: in 1997 there were some 14,029 savings as against some 20,000 loans. Bancosol with 80,000 outstanding loans in 1998 had 46,802 savings accounts (Sebsted and Cohen 1999).

Another very new area is **micro-insurance**. This has emerged out of the recognition that while micro-credit is primarily intended for productive enterprises, poor households that cannot access formal insurance markets are vulnerable not only to natural and physical assets associated with crop failure, droughts and floods but also to life cycle stresses such as illness, disability and death. While micro-finance has been widely tested, micro-insurance is still in very early stages of development, with its potential coverage according to the ILO including primary health care, life insurance and livestock insurance. In Bolivia a number of new micro-insurance schemes are currently underway amongst them the Community Health Fund of the Municipality of Tupiza and the Seguro Universal de Salud del Instituto Politecnico Tomas Katari (IPTK) in Sucre (see Lund and Srinivas 2001).

⁸ There are also close to 200 very small MFI, particularly credit unions and NGOs that are not supervised.

⁹ Data from this study was derived from fieldwork undertaken with four Bolivian IFIs—Pro Mujer, PRODEM, Fundacion SARTAWI and BancoSol (that split off as the commercial wing of PRODEM in 1992) (Sebsted and Cohen 1999).

3.3 Informal social protection

Given the limited coverage of the formal social protection in Bolivia, informal social protection plays a critical role in poor people's well being. Here the WDR social protection framework is useful in alerting policy makers to the importance of an entire sector that generally is largely invisible, and consequently fails to receive sufficient recognition. Increasing acknowledgement of the importance of strengthening local solutions – which empower communities, households and individuals to better manage their risks – makes it essential to understand this sector. For this reason the following section provides a synthesis of some of the extensive, rich research on informal social protection undertaken by anthropologists and sociologists. Its purpose is to highlight areas for further documentation, synthesis and the development of appropriate interventions.

Within Bolivia, households and individuals instinctively adopted various types of self-insurance by accumulating assets in good times and drawing on them in bad. However this strategy is only effective if sufficient assets are accumulated, are safe and have a positive return. There are high levels of heterogeneity, with differences not only between rural and urban areas, but also between different rural eco-zones based on altitude, climate, soil and seasonal factors. In addition, there are also differences between and within households, with life cycle factors playing a critical role in informal risk management strategies.¹⁰

Extensive documentation of rural livelihood strategies in the Andes has demonstrated the importance of understanding the relationship between land, labour and capital, as well as the distinction between livelihoods as against agricultural/farming strategies (see for instance Bebbington 1993; Figueroa 1981; Gonzales de Olarte 1994; Zoomers 1999). In describing informal social protection it is also important to recognise the blurred boundaries between where livelihood strategies end, and social protection begins. In addition risk reduction and risk mitigation strategies more often than not form a continuum rather than two clearly distinguishable categories. This is complicated by the fact that the same strategy can be adopted for different objectives, depending on circumstances.

Therefore this paper discusses risk reduction and risk mitigation simultaneously, noting differences as appropriate. In many respects the most important differences are those between rural production and urban informal sector strategies. Each is described separately before turning to those that are more universal in nature, as well as those related to risk coping.

Risk reduction and risk mitigation strategies

Rural strategies

In rural areas to ensure less risky production as well as to mitigate against risks and maintain physical capital assets, households adopt interrelated strategies that balance a number of different components. Of these the following are the most widespread:

*Multi-tasking: Combining agricultural production and livestock*¹¹

Multi-tasking involves engaging in various activities, and on various plots, at the same time to derive optimal benefits from the available means of production. Undertaken in combination with migration (see below), this is the key to both risk reduction and risk mitigation in many rural areas of Bolivia. Multi-tasking involves *activities that facilitate other activities* (one is a necessary condition for the other). These include agriculture and animal husbandry, with exchange of feed, manure, and animal traction. There are regional and local variations as to which of the two, either agricultural production

¹⁰ 1992 census data categorizes Bolivian households as follows; single (12%); nuclear (59% of which 56% were urban and 62% rural); extended (19%) and compound (10% of which 4% were urban and 6% rural) (ONAMFA 1993).

¹¹ This section draws heavily on Zoomers's distinction between accumulation, compensatory and risk reducing strategies that loosely translate into risk reduction, mitigation and coping (see Zoomers 1999; Bebbington, 1999).

or livestock, is the principal activity. However, given their interrelationship, in many instances farmers find it difficult to prioritise between them (See Box 2).

Box 2 Multi-tasking and diversification: Voices of Bolivian farmers

‘Vivimos de la agricultura pero los animales da una seguridad. Es muy difícil categorizar’
(‘Agriculture is our livelihood but livestock provides security. It’s very hard to categorise’)

Justino, Hornos

‘No se puede separar las dos cosas. Si falta uno tenemos el otro’
(‘You can’t separate the two. If we don’t have one there’s always the other’)

Martin, Papachacra

‘Son los tres cosas jugando’
(‘We juggle the three’ / ‘The three are interchangeable’)

Pedro, Atacama

Source: Fairbairn 1999: 3

Some analysts argue that multi-tasking is a risk reduction strategy that derives from households needs to serve multiple objectives at the same time. These include food requirements satisfied partly through crops, cash income from non-agricultural activities, and animal husbandry, which provides the opportunity to ‘bank’ their capital. ‘The crops serve to feed the family, while financial income is generated through animal husbandry and labour’ (Brunschwig 1996: 383–397).

This contrasts with the view that multi-tasking is a necessary evil, deriving from the need to compensate for declines in agricultural revenue, caused by land fragmentation and erosion and, as such, is more of a risk mitigation strategy. Here agriculture is viewed as the main activity, while non-agrarian activities and wage labour are depicted as complementary activities and part of a risk mitigation strategy (Gonzales de Olarte 1994).

Diversification

Here activities *complement or replace others*. The intensification of one can compensate for the loss of another, and as such can be identified as a risk mitigation strategy. Diversification is especially common in villages at higher altitudes, where life is less secure than in lower zones. Activities can include, for instance:

- Diversification in crop production, planting two or more varieties simultaneously (such as quinoa, a grain, and maize, potatoes and broad beans, or maize surrounded by tarwi [a crop in the lupine family]). This is intended to diminish the risk of diseases that might strike a particular crop
- Making use of different agro-ecological zones (vertical orientation)
- Distribution of plots such that they are not adjacent means that damage by bad weather is less likely to affect all plots. This strategy is linked to the highly localised nature of hailstorms
- Combining agriculture with non-agrarian activities, including migration
- Other strategies include installing irrigation channels and introducing drought-resistant crop varieties
- Sharecropping and stockpiling also prove an efficient mechanism that allows farmers to operate in incipient markets in risky situations

Whether through multi-tasking or diversification strategies, households diversify their income sources, and have done so for many generations (see Box 3).

Box 3 Historical Analysis of Laymi Aymara Kinship and the Vertical Economy

An anthropological study undertaken in the 1970s showed that the Laymi numbered some 8000 people. Of these about 600 lived in a single settlement highland (Qalaqala), with the rest dispersed in permanent hamlets throughout their territory. This was divided into two blocs: the highland *suní* and the temperate valleys – *likina*. In the *suní*, most sheep and llama were herded, tuber production carried out, and beans, wheat and barley produced. Maize, squashes, wheat, beans and certain varieties of tubers and quinoa were grown in the warmer *likina*, where goats and some sheep were also kept. Landholding operated differently in the two zones but all households had the right to their own parcels in each of the microclimates where different staples were produced. While access to land in one zone was guaranteed, a certain proportion of households cultivated both in the *suní* and *likina* simultaneously in what has been called the ‘vertical economy’.

Households practicing ‘double domicile’ had residence in the *likina* zone and needed a sufficient number of adult labourers plus pack animals. Although this additional labour input led to greater output, double domicile also meant more obligations in terms of maintaining social relationships with people in two zones, with exchange between kin from one zone to the next. At any given moment, some households would be producing more, and others less, than what was socially necessary for their own reproduction. Nonetheless their reproduction was ensured by the general flow of foods within the *ayllu*. *Likina* dwellers claimed the *suní* inhabitants need them more than they need the *suní*. However in the long term, ‘the *likina* needs the *suní*, not only for its products, but also as a means of spreading risks. The communal exploitation of two separate zones was not only good insurance against bad harvests, but also against epidemics’, thus ensuring their self-sufficiency and preventing them from being forced into the labour market.

Source: Harris 2000

Based on available information, it seems that non-poor rural households receive an average of 20% of income from non-farm activities (US\$17), as opposed to 73% of poor rural households (US\$64); in other words non-farm income is more than 3.5 times higher for poor than for non-poor farmers. However, drought reduces non-farm income, as well as harvest income. Crop failure leads to a generalized drop in income that reduces demand for non-farm services. This means that where the possibilities for effective diversification are limited, poor farmers will specialize in low-risk, low return activities, making it hard to escape poverty.

Urban strategies

Urban households similarly adopt interrelated strategies to ensure less risky production, as well as to mitigate against risks and maintain physical capital assets. Within a predominantly informal economy in the towns and cities of Bolivia, the following are a few of the complex *ex ante* strategies that individuals and households adopt to avoid crises:¹²

Diversification of income sources

The objective here is to develop a portfolio of investments and activities with returns that are not perfectly correlated. Thus the household economic portfolio may have overall income variability, even though individual activities may have different levels of variability (Dunn et al. 1996). Ensuring a stable and sufficient flow of income is critical for reducing risk in that it provides future resources to ‘borrow against’ when a chunk of money is needed, as well as the means to build assets.

Building financial, physical and human assets

Financial assets include cash, cash savings, financial instruments, and funds extended on loan. They also include the current enterprise assets such as raw materials and merchandise stocks.

¹² This section draws on the typology developed by Sebsted and Cohen (1999).

- Cash savings provide a crucial buffer. This is achieved by keeping cash aside, in banks, or in rotating savings and credit associations (ROSCAs) (see below)
- Informal loans made to friends, neighbours, and business customers, represent a form of savings and sometimes earn interest
- Good money management includes keeping some money aside when it comes in and keeping written accounts and bulk food purchases
- Maintaining access to multiple sources of credit with MFIs and other informal sources offers people access to discretionary chunks of money for times when they need to deal with emergencies, or take advantage of opportunities. Both MFIs and informal systems are accessed simultaneously, again part of a diversification strategy which is particularly important for poor women

In contrast, physical assets represent a store that can be drawn on in times of need. In urban areas they may include jewellery and consumer durables, but housing is by far the most important physical asset (Moser 1996). Housing improvements are an important precaution for reducing unexpected expenditures on house repairs. In addition it can generate a rental income, serve as a place of business and appreciate over time. Finally, human asset investments including preventative health are important to protect against illness, particularly for micro enterprise workers, as well as investments in education – with households going to great lengths to keep children in school.

Migration strategies and remittances

Migration comprises an increasingly critical component in the risk management strategies of poor Bolivian households, and one that is closely linked to financial remittances. Although this is more dramatically visible among rural households, it is also associated with urban households. Patterns include internal rural-rural migration, internal rural-urban migration and finally international migration, from people living in both rural and urban areas.

While it is estimated that about 1.3 million poor people temporarily migrate from rural to urban areas, close to 300,000 poor people have migrated permanently to the main cities since 1995, about double the rate of migration of non-poor people (National Institute of Statistics 2000). In many contexts ethnicity is a determinant of migrant status. A recent study suggests that about 70% of subsistence-oriented farmers are engaged in either temporary or permanent migration (Jimenez-Zamora 1999). Of those, the majority of indigenous migrants were temporary migrant workers, while the majority of non-indigenous or mestizo migrants had adopted permanent migration. The latter were far more likely to make successful transitions to paid employment than their indigenous counterparts. In terms of international migration, some 73 per cent of Bolivians abroad reside in Argentina, with smaller numbers in a variety of Latin American countries as well as in the USA (UNDP 1998). In Argentina in 1991, for instance, this comprised 143,306 persons, a third of whom were living in Buenos Aires with the majority being male construction workers (Grimson and Soldán 2000).¹³

In many rural areas of Bolivia, seasonal or permanent migration of one or more members of the family is a permanent risk reduction strategy, with remittances a necessary component of household budgets. Ideally, rural-urban migration is common among newlyweds before their first child. At this time they migrate for several months each year, using their earnings to establish their households, preferring to remain in the village once the first child is born (Zoomers 1999). In reality, however, members of all ages migrate with decisions as to whether or not to retain children in school an important factor in household decision-making. In other cases migration can be undertaken to mitigate risk.

¹³ *'Mi casa es Estados Unidos, mi corazón es Bolivia'* ('My home is in the US, but my heart is in Bolivia') is a frequently repeated phrase by Bolivians living in the USA that expresses their complex perception of double identity (Grimson and Soldán 2000: 56).

Ethnicity often determines a migrant's employment options as to whether migration is temporary or permanent. Migrants are one of the most vulnerable sectors of the work force. They come from historically excluded social groups, and enter employment with substantially lower human capital assets, skills, networks and credentials associated with 'good jobs'. Since much of the employment they obtain is outside formal labour market regulations, such workers lack access to formal institutions of social protection and collective representation. They tend to counteract their lack of human capital assets, and formal credentials, by maintaining strong social networks, or cognitive social capital (see below) with the rural communities. They retain complex linkages with such groups relating to land ownership, family and community ties (Sandoval et al. 1987).

Informal social protection, social networks and social capital

When formal social protection systems are inadequate or non-existent, individuals and households rely on reciprocal networks of support and solidarity as mechanisms of informal social insurance and social protection. While many traditional types of reciprocity pre-date formal social protection systems, others have developed as a response to current risks. Recently the concept of social capital has been introduced to highlight the critical contributions trust and cohesion make, both in maintaining social cohesion and as determinants of the productivity and feasibility of economic activity (Putnam 1993).¹⁴ Of critical importance for such cohesion and the associated management of risk is both the informal trust and collaboration embedded in households and between individuals as well as more organised reciprocity between social organisations in communities (Moser 1998). These can be categorised in terms of:

- **Cognitive social capital:** This denotes the invisible, informal elements of trust, altruism, and charity as experienced among individuals in communities
- **Structural social capital:** This refers to social organisations and formal networks of trust and cohesion (Uphoff 1997; Krishna and Uphoff 2000)

Rural social capital: Faenas, aynas and minkas

In Bolivia traditional institutions of mutual aid, reciprocity and collective work are widespread, complex and deeply embedded in the rural Andean cultural world. In this context risk reduction strategies for generations have been based *a priori* as much on a communal organisational base, as on household level activities. Such institutions vary across the country as well as over time. In a detailed typology of Aymara structures of reciprocity and collective labour, Albó (1995) makes a useful distinction between four types of institutions in terms of their different objectives as follows:

- **Collective work:** generally undertaken together by a group of men (such as Faena – a widespread term for collective work undertaken at one time)
- **Common property:** closely linked to traditional communal landholding system (such as the Aynuqa (Manta) communal land cultivated in individual parcels on a collectively agreed rotation system)
- **Community service provision:** services for community needs (such as Mit'a)
- **Reciprocity:** Individual exchanges of goods and labour where exchange is not reciprocated with exact same type (such as Mink'a)

Cognitive social capital, for instance, is strengthened through the institutional reciprocities between individuals and households that operate through transfers, gifts, or loans typically with expectations of reciprocity. Such mutual support network exists with other members of a community or extended household, often within ethnic groups, among members of the same occupation, or between migrants and their household of origin.

¹⁴ The concept of social capital, based the work of Putnam (1993), Coleman (1990) and Bourdieu (1993) varies according to discipline. As one of the most intangible forms of capital (Bebbington 1999; Moser 1998), in this paper it is defined as 'a broad term encompassing the norms and networks facilitating collective action for mutual benefit' (Woolcock 1998, 155).

Forms of exchange comprise food, cash and labour. In rural areas these frequently consist of informal reciprocal labour between households, such that investment in social networks can be seen as a manifestation of labour recruitment strategies. In urban areas exchanges involve not only food and informal credit, but also childcare. This is of particular importance to women who must balance their informal sector income generating activities with childcare. Such a strategy becomes essential where there are no other female family members to assist them.¹⁵

Turning to structural social capital, in rural areas this comprises the extensive number of different types of communal reciprocity organised by the '*asamblea communal*' or '*junta – la maxima instancia de autoridad y el eje de la vida comunitaria...el centro de poder de la comunidad*' ('communal assembly or 'junta' – the ultimate authority and the axis of communal life...the centre of power in the community') (Ticona et al. 1995).

These are intended to manage communal resources and sustain local infrastructure (such as irrigation), as well as devising and supervising rules for common pastures and farmland, contributing to conservation through a rotation system. They have also taken on new roles as revealed in a recent analysis in two regions, Chuquisaca and Potosí. In both regions the junta maintains contact with the outside world, lobbies for projects or recruits government support for improved facilities (such as health and education facilities). Finally they are active in perpetuating redistributive mechanisms through organising festivals and raising funds (de Morrée 1998).

While some analysts identify communal organisations as playing an important influence on livelihood opportunities and associated risk reduction (Bebbington 1993, Gonzales de Olarte 1994), others argue that its benefits should not be exaggerated. They claim that its remaining influence is related to ideological or cultural traditions (such as festivals) and communication, and its traditional tasks have been eroded.

Replacing communal organisations are producer committees, school boards and OTBs. These are modern community level organisations which are prevalent in both urban and rural areas and have developed in a context where people are increasingly valuing individual over community interests (Zoomers 1999: 37–38). Despite this changing climate, a recent survey undertaken by the Secretaria Nacional de Participacion Popular shows that at both urban and provincial level, community organizations are still perceived as the most important social institution (see Rojas and Verdesoto 2000).

Urban social capital: The Pasanakus

In urban areas community organisations are concerned with issues relating to community facilities and services. However, structural social capital relating to economic risk management strategies can also be identified in the different informal insurance mechanisms that exist within the informal economy. Most important of all are the informal rotating savings and credit associations (ROSCAs), know locally in Bolivia as *pasanakus*. Such institutions are concerned with the pooling of money and may well have evolved out of the rural traditional systems of pooling labour such as the *mingas*, *aynes* and *chuk'as* described above.

Pasanakus are very common in urban areas. A study undertaken in the late 1980s in five cities revealed that between 30–40 per cent of individuals were enrolled in *pasanakus*, with an additional 18–25% very familiar with their operations (Adams and Canavesi 1992). The average size of membership was 10, with a range from 5 to 110. 60% of members were women and nearly 90% were friends or fellow workers. Most collected and distributed cash, with the survey identifying that

¹⁵ For a comparable detailed account of reciprocal childcare and space arrangements in an Ecuadorian urban poor community in Guayaquil, see Moser (1997).

people put relatively large sums into them (an average of US\$18 in 1987). This suggests that they are important for non-poor as well as poor populations.

The study identified three types of *pasanakus*; simple office groups, more complex groups often found in central markets that included an organiser who received a commission, and *pasanakus* used by merchants to promote the sales of goods such as clothing. The study argued that the most important type was the commission *pasanakas*, found in central markets, which comprised 15% in the survey. Organisers often managed several such funds at the same time, and received on average 10% commission. Although the level of social cohesion among the group was not very strong there was little default, with only 8% identifying a problem. An important finding was that 91% of the sample (470) reported that their reason for joining was to save. This contrasts with the commonly held view that people primarily get involved in rotating credit schemes in order to borrow (Adams and Canavesi 1992: 320). This then is an example of an informal risk reduction and mitigation technique that allows for risk sharing, while to some extent enhancing social capital (Lund and Srinivas 2000: 54).

3.4 Informal risk coping strategies

Once a shock or stress event hits, individuals and households use a wide range of strategies to cope with the loss. Risk coping strategies depend on the type and cost of the shock and the resources and options available to individuals and households. They also depend on the frequency of the event, whether it is idiosyncratic or covariant, and whether it is temporary or permanent. Often it is not a single event that pushes a household back into poverty, but a mix of serial and simultaneous crises.

In some cases people draw on resources internal to the household (self-insurance), while in other cases they draw on resources from outside the household in informal or formal group-based measures (Morduch 1998). Some strategies are more negative than others and can reduce the household's long-term income prospects. In rural areas an important distinction exists between households that are dealing with a temporary crisis such as an occasional crop failure, loss of labour power and capital, and households that have a structural shortage of land, due to sale, erosion or soil degradation, or labour power. This especially relates to incomplete families including widows and widowers, the elderly or abandoned women. Risk coping strategies can be categorised into the following three basic groups.¹⁶

Consumption modification strategies

This allows households to reallocate existing income flows to manage the shock or economic stress directly. The ability of a household to reduce consumption depends on its initial endowment in terms of income and assets, and whether or not it is already at a bare minimum consumption level. A recent study in Bolivia showed that households cut food, clothing and education in that order (see Box 4).

In rural areas where households often cut their consumption drastically rather than sell assets, in periods of scarcity families eat less-expensive food, skip festivals and remove children from school (to reduce payments on school fees). Households also reduce their consumption-related expenditures by drawing on their social capital in communities.

¹⁶ This categorization is based on Sebsted and Cohen (1999), Moser (1998) and Zoomers (1999). For detailed, comparable empirical evidence from Ecuador see Moser (1997).

Box 4 Bolivian micro-enterprise client strategies for coping with a crisis (ex post)

Strategy	Action
Draw on financial assets	Savings withdrawal
Draw on physical assets	Sell asset (more likely among poor borrowers)
Draw on human assets	Migrate to find new income opportunities
Draw on social assets	Seek support from relatives, ROSCAs and solidarity group members
Cash/resource management	Cut food expenditure Cut clothing Cut education expenditure Poorer borrowers more likely to reduce school

Source: Sebsted and Cohen 1999; Mosley 1999

Women take particular responsibilities for in-kind assistance such as food, childcare, housing or other forms of help. In rural areas this can include working land that belongs to others (*ayni*), exchanging goods (*trueque*), and receiving food in exchange for work during food shortages. For informal economy workers with credit loans, an indirectly related measure is the reduction of indebtedness (i.e. the reduction in the consumption of a loan) by dropping out of a microfinance program or defaulting on a loan. However the long-term negative consequences of leaving a programme make this a last resort (Sebsted and Cohen 1999).

Income raising strategies

Mobilising labour

Since labour is one of the most important assets of the poor, mobilising labour is a common strategy for generating income to cope with shocks or economic stress. This can include working longer hours, increasing the number of women entering the work force and mobilising child labour. While child labour is very common, it yields only small returns in the short run and precludes positive returns to households in the long term. Migration of one or more household members (discussed above) is also an important risk coping strategy in Bolivia, particularly in rural areas. This involves permanent and temporary migration and is often adopted both to reduce consumption, and to earn money to compensate for income losses, for instance due to crop failure or deterioration of natural resources (Zoomers 1999).

Selling physical assets

This is a second important income raising strategy. In response to crises, households in rural areas sell land, livestock or other goods, while in urban areas they pawn durable goods, rent out rooms or houses, and run down stocks of food or small enterprise inventories. The potential of this strategy depends on the level of affluence and value of available buffer. Capital obtained through sales is used to buy food and other essentials. Selling physical assets is a less preferred response to coping with shocks because people then lose the use of the asset. In addition they often do not get a good price for the asset sold, especially if it is in response to a covariant shock and undertaken at a time when others are also trying to sell their assets.

Personal financial intermediation

Draw on savings deposits

Although households are very reluctant to do so, they can be forced in times of crises to cash in their insurance by drawing down savings.

Draw on insurance

Informal gift exchanges among friends and relatives are important forms of informal insurance on which people depend. Collecting life or accident insurance from employers when spouses die or are injured while working on a waged job is another strategy practised.

Borrow

Where possible the preference is too often to borrow rather than to use savings in times of crises, and therefore this is one of the most important responses for poor households. Here households call on their cognitive social capital built over time, using such loans generally for consumption, and not for investment (though some times for school fees). Such loans usually do not have interest but come with the tacit agreement to reciprocate.

Gaps in informal risk management strategies

The information in this section has been drawn from a diversity of sources but is by no means complete or comprehensive. To date, informal risk management strategies have been invisible or unrecognised. It is mainly sociological and anthropological studies that provide detailed descriptions of different strategies. However, generally these do not provide an evaluation of such strategies. Therefore a synthesis of this work is required to provide a better understanding of the scope and scale of informal strategies. Consequently it is important to evaluate the relative importance and effectiveness of informal strategies, before realistic assessments concerning intervention to strengthen them can be made.

4. The Bolivian PRSP and Social Protection

4.1 The relative importance of social protection in the PRSP

To comply with HIPC2 regulations, the Bolivian Government has recently completed its Poverty Reduction Strategy Paper (PRSP), known as the *Estrategia Boliviana de la Reducción de la Pobreza* (EBRP).¹⁷ Between January–March 2001 the document went through four drafts, as it took account of consultations and comments from government departments, the donor community and civil society in Bolivia. The final version was completed in late March 2001 (Government of Bolivia 2001).

Table 5 Bolivian PRSP Objective 3: Increase the security and protection of the poor

Strategic action	Plan of action
Increase the social protection programmes	<ul style="list-style-type: none"> • Protection of the ‘third age’ • Food security in rural communities exposed to risk and water scarcity • Protection of minors and adolescents
Integrated activities for children	<ul style="list-style-type: none"> • Strengthening and consolidation of the Programme of Attention for children of under six years (PAN)
Emergency programme	<ul style="list-style-type: none"> • Implementation of emergency programmes in cases of natural disaster
Property rights	<ul style="list-style-type: none"> • Guarantee land rights in rural areas • Modernisation of urban • Regulation of the management of water resources

The PRSP contains the following four stated strategic objectives, the third of which focuses directly on security and social protection:

- Improve the opportunities for the poor
- Develop the capabilities of the poor
- Increase the security and protection of the poor
- Strengthen integration and social participation

In addition, there are crosscutting issues connected to livelihood related risks.

4.2 Critique of the social protection component of the PRSP

The introduction of social protection as one of four objectives in the PRSP, rather than a residual add-on, is an important achievement. The associated components identified are highly relevant to vulnerable populations. However the innovative nature of the social risk management framework is new to Bolivia. As identified in the World Bank’s social protection strategy, these include its underlining rationale to:

- Regard social protection as a springboard, as well as a safety net for poor people, with the springboard of particular importance for women
- Regard social protection interventions as investments rather than costs
- Seek to make it possible for poor people to engage in activities that have higher risks but also higher returns, and thus to avoid poverty traps

¹⁷ For the sake of simplicity I shall use the generic term PRSP throughout this document, rather than the Bolivian term EBRP.

If the Bolivian PRSP is to adopt this approach, the social protection approach, an associated framework will require a number of significant changes as highlighted by a comparison with the World Bank framework (see Annexes 6 and 7). These include the need to address a number of limitations, such as those detailed below. In each case suggestions for possible interventions are provided.

4.3 The risks identified are arbitrary

The PRSP lacks any rigorous assessment of causes of risk and vulnerability, including one based on gender, ethnicity and generation. Currently it lacks an analysis of individuals, important gender considerations in household units and the community, or the type of poor. All are key considerations for designing interventions. Nor is there an exact weighting of the relative importance of different risks. Consequently the choice of risks addressed appears somewhat arbitrary. Part Two of this paper provides an indication of the extensive range of risks experienced by the poor and vulnerable. This suggests the importance of a far broader assessment of the different sources and characteristics of risks than would appear to have been undertaken. To ensure this challenge is overcome requires the following:

A robust assessment of the different sources and characteristics of risk including those identified as requiring further investigation

4.4 The social risk management strategy is highly conservative

A number of important limitations in the current formulation of social protection require consideration if it is to integrate the suggested new framework's innovative approach. These include the following:

The PRSP prioritises coping strategies over risk reduction and risk mitigation

The PRSP is more focused on coping strategies, and to a lesser extent risk mitigation, rather than utilising social protection as a springboard for poverty reduction. Helping poor people deal with shocks once they have occurred is obviously critical. In the Bolivian context this applies particularly to covariant shocks relating to unavoidable natural disasters such as droughts and floods. However, a strategy that focuses almost entirely on coping strategies runs the risk of endorsing the poor within a poverty trap and perpetuating the vicious circle of low returns and low risk taking.

Most measures are designed to assist quite broad population groups rather than being specifically targeted at the extreme poor

While the social protection measures are generally pro-poor in terms of population coverage, the breadth of this coverage means that the interventions tend not to focus specifically on the extreme poor. In a resource constraint context this has particular consequences. Above all it inevitably limits the range of programs provided.

Most of the interventions identified are already in existence, with no new initiatives proposed

The interventions identified under the social protection component include the *Seguro Básico*, the pension reform, the *Bolivida*, and the different social funds. To date the most innovative intervention is the justice reform programme, which is currently being implemented, but is a long-term initiative with severe constraints identified on the effectiveness of its implementation.

Exclusion of the extensive informal risk management strategies means that interventions to strengthen or support these are not included

In a context where between only 10–20% of the population are covered by formal social protection, the range of informal risk management strategies is extensive and sophisticated. Part Three, above, describes just some of the risk reduction, mitigation and coping strategies that are of fundamental importance in the daily lives of the majority of the Bolivian population in both rural and urban areas. This description is designed not only to highlight the limitations of an analysis that ignores informal social protection strategies, but also to illustrate the way in which interventions to strengthen such initiatives need to be developed. Recognition of informal risk management strategies, however, should in no way reduce or limit the state's fundamental responsibilities to provide comprehensive social protection coverage.

The identification of the importance of social protection in the PRSP is a first necessary step. However, to address the next stages, requires the following:

A radical redesign of the framework for implementation, including the development of new, more targeted instruments, as well as those that strengthen informal risk management strategies

4.5 The institutional arrangements for social protection require further clarification

Since social protection is a relatively new concept in Bolivia the institutional arrangements for their implementation are identified as being located in institutions that currently have designated responsibility. The PRSP does not include an institutional analysis to identify differences in levels of capabilities, the comparative advantages of alternative institutional arrangements, and consequently the optimal institutional solutions.

Annex 8, which provides a provisional institutional analysis of social protection in Bolivia, shows, for instance, that traditionally the Ministry of Health has administered the public health funds and the pension system. Both have consistently represented a heavy financial burden for the National Treasury, under the Ministry of Finance. The Ministry of Defense, through the Civil Defense Office, has been responsible for coordinating and implementing efforts to cope with natural disasters. As a relatively weak, inefficient and non-transparent institution its work has been generally deficient.

Additional institutions focused on social protection have been constituted as a consequence of both political and economic events in Bolivia. The 1985 economic crisis triggered the creation and establishment of safety net programs and resulted in institutional structures associated with the *Fondo Social de Emergencia* (later replaced by the *Fondo de Inversión Social*), the *Fondo Nacional de Desarrollo Regional* and the *Fondo de Desarrollo Campesino*. Recently the first two have been merged and a unique entity, the *Dirección Unica de Fondos*, established to coordinate the funds.

Public works programs, designed to mitigate against risks, or to provide coping strategies once crises have occurred, are implemented by municipal governments in collaboration with civil society organizations, including non-governmental organizations. The structural reforms that began in 1993 also have given birth to institutions associated with the Pension Reform and the *Bonosol* (now modified to the *Bolivida*). This has resulted in independent superintendencies such as the Superintendency of Insurance, Pensions and Securities established to regulate the sector.

An additional complication is the lack of trust in government institutions on the part of the poor. This has been extensively documented in the case of low levels of uptake in public health care, as well as preferences for traditional medical practices and/or home care (Fernandez Juarez 1999). Recent evidence provided by the ‘Voices of the Poor’ study supports this view. Focus groups undertaken in eight locations (five in rural areas and three in urban areas) identified ‘authorities’, government, and municipalities as the least trusted institutions, and in contrast, mutual aid and the church as those most trusted. Interestingly enough, at the local level, while OTBs were trusted in urban areas, in rural areas local committees scored far higher (World Bank, n.d.).

To ensure complementarities, synergies and maximum efficiency of institutional arrangements at national, municipal and local level during the implementation process of an expanded social protection programme as envisaged under the PRSP, requires a greater understanding of the comparative advantages of different institutions. This requires the following:

Institutional analysis of existing arrangements with recommendations for the future

4.6 The social protection role of the donor community, international and national NGOs, and the Church has been ignored

One important limitation of the institutional arrangements in the World Bank’s social risk management framework is its failure to include such institutions as the donor community, NGOs or church organisations, along with the state, markets and informal arrangements. In the case of the PRSP this is particularly incongruous. The PRSP is an instrument specifically targeted at the poorest debt-ridden countries eligible for debt relief. At the same time the same group of countries historically has relied on disproportionately high levels of bilateral donor aid, along with local church and NGO social protection welfare assistance.

This limitation is also present in the Bolivian PRSP which ignores what could be called a ‘Third Sector,’ which includes all the above-mentioned institutions. Here an important distinction must be made between different types of intervention at international, national or local level. While some of the Third Sector institutions only provide financial support and others are simply implementing institutions, a third group combines both functions. An extensive examination of this range of institutions is beyond the scope of this paper. Consequently the following brief comments are intended no more than to highlight one or two salient issues relating to each.

Between 1989–1999 Bolivia received approximately \$6.6 billion from the external **donor community**, with an average disbursement making up 9.8% of GDP. With a primary focus on poverty reduction, such resources are allocated to government and the NGO sector alike. Given the importance of donor assistance, in the past years considerable effort have been made to increase donor cooperation effectiveness, and to strengthen coordination with the government through the creation of annual consultative group meetings. An example of such collaboration is the coordinated consultative role played by the donor community in the recently completed PRSP.

Also of importance are International NGOs, such as OXFAM, Food for the World, Plan International, CARITAS and CARE with an extensive combined budget (see Box 5). While some run their own programmes in Bolivia, others provide support to local municipalities, as well as to national and local level NGOs (see CARE 1995). A major part of this assistance focuses on social protection – even though the concept itself is not widely used. Such organisations work across the prevention-mitigation-coping continuum of risk management, through probably with greatest emphasis on risk coping. Although this may not be their primary objective, the lack of adequate public sector response to frequent, extensive and covariant risks such as natural disaster, as well as idiosyncratic risks, such as infant malnutrition, forces such agencies to fill the gap.

Box 5 Estimated annual budgets of some of the international agencies/NGOs (in million \$)

CARE	9.5
Caritas	8
Plan International	18
Food for the Hungary	5.5
ADRA	5.5
Project Concern Int.	6
European Community	16

Source: Informal information

In identifying welfare-focused institutions with an important role in social protection (as well as in education and the provision of basic services) the **Church** plays a critical role both as a financial and implementing institution. This includes both the important historical role of the Catholic Church, as well as the more recent role played the Protestant Church, particularly the evangelical church. Traditionally the Church has focused on the arena of risk coping strategies. As illustrated by the ‘Voices of the Poor’ focus groups, five out of eight communities viewed the Church positively. When asked which institutions came to their assistance at times of crisis they responded that there was an ‘institutional vacuum’. The most commonly mentioned mechanisms to confront crises were family, friends and neighbours, or the church to which they belonged. At the same time they acknowledged that the church could be divisive and disuniting (World Bank n.d. 27 1999).

In addition, important risk reduction and mitigation strategies are encouraged through the Mothers Clubs that have frequently been instigated by local Catholic parish churches. These have been formed to enhance risk reduction measures by providing young mothers with support and instruction on childcare, health, hygiene and nutrition. In addition they focus on such mitigation measures as cooking breakfast for school children and collecting subscriptions from community families for use in the case of emergency (Benton 1998).

Bolivian NGOs¹⁸ can be divided into private institutions that seek to promote social development (Instituciones Privadas de Desarrollo – IPDCS) and institutions whose mission is to carry out social action programmes within the framework of ‘assistance and charity’ (CAC 1993). The number of NGOs in Bolivia has grown exponentially since the economic crisis of the 1980s. Prior to 1980 about

¹⁸ NGOs in Bolivia are defined as non-profit-making private organizations. They may be national or international, religious or lay. Their activities are directed to development and/or assistance efforts, which may be financed by state funds or international cooperation resources (Sandoval 1992, 11).

100 had been established, and by 1992 there were 350 (Sandoval 1992: 15), ‘with their activities overwhelmingly directed at addressing the social problems which have been abandoned by the state institutions’ (Arellano-Lopez and Petras 1994). The scope of their operation was widened by the *Fondo Social de Emergencia (FIS)* with its approximate budget of US\$239.5m (mostly channelled through the World Bank). The FIS accepted proposals both from local municipalities and NGOs. They then assumed administrative responsibility, with some 32% of the budget channelled through them (Graham 1992: 1234–46). Although their size and significance has declined since the *FIS*, NGOs are still critical institutions for social risk management in Bolivia today. Despite very mixed results in terms of their impact on poverty reduction, they will be an important social actor in the implementation of the PRSP (see Box 6).

Box 6 The growth in rural NGOs in Bolivia

Between 1983–1997 the number of development organizations in the Chuquisaca and Potosi regions grew from 37 to 130 (351 per cent increase), and the number of projects grew from 49 to 285 (580 per cent increase). In some villages more than 46 projects have been carried out since the 1983 drought. Most were aimed at agricultural development. A critical analysis suggests that such projects scarcely influence migration behaviour, nor the market environment, soil degradation, or erosion of natural resources. Despite the extensive number of projects a recent evaluation of the impact of these development projects suggests that benefits have been rather limited.

Source: Zoomers 1999: 64–65

Given the importance of the so-called Third Sector in social protection in Bolivia it is clear that the following initiatives will facilitate greater efficiency as well as a shift in focus from risk coping to risk mitigation and risk reduction

- Comprehensive review of the role of Third Sector in social protection
- Information dissemination of both the social risk management framework and of the contents of this paper

5. Conclusions: identifying win-win strategies

This paper has provided a preliminary review of both formal and informal social protection in Bolivia. In addition it has assessed the inclusion of social protection in the recently completed PRSP. Finally it has made a number of recommendations for the Bolivian government, civil society and the donor community, as they move towards identifying both the institutional structures and the operational procedures to ensure the objective of security is successfully operationalised in the coming months and years. Undoubtedly the window of opportunity exists – as one of the four strategic objectives of Bolivia’s Poverty Reduction Strategy is security and protection. However this will require all three parties to work collaboratively to shift from policies for coping to those for reducing and mitigating risks. At the same time existing programmes that address coping strategies should be strengthened with social safety nets such as workfare programs, emergency employment programs, targeted human development programs, and social funds in place on a permanent basis so that they can be scaled up when a shock occurs.

Finally, since it is clear that neither the government nor market alone can provide all the social protection solutions required, it essential to find additional win-win strategies that create alliances between different partners as well as those that simultaneously incorporate the continuum of social risk management strategies. In addition to these, the following three specific areas require more detailed examination.

5.1 Instruments to strengthen existing informal systems

Informal and formal strategies are not independent, and the functioning of the first will influence the kinds of programmes for the second. It seems that Bolivia needs to capitalise on the various existing efforts with better focus and coordination. For instance one area of extensive debate relates to the issue of migration. Do projects that try and stop migration fail because this is in reality one arm of a complex threefold rural livelihood strategy that also includes multi-cropping and diversification? In urban areas extensive debates exist as to whether micro-finance really reaches the poorest, and consequently whether newer development in micro-savings and micro-insurance provide real answers for the poorest or simply reduce state responsibility for social protection provision. Both issues require further assessment.

5.2 Crowding in rather than crowding out measures that are working

In examining the relationships between market, state and socialised social protection arrangements it is also important to identify far more accurately the dangers of ‘crowding out’ (replacing) efficient kin or community arrangements with high cost-per-benefit state provisions. For instance, where group based informal insurance works well, the State should avoid safety net programs targeted to individuals or households. Here a number of controversial debates exist. For instance:

- Do social funds crowd out group based informal risk mitigation and coping measures, or on the contrary do they ‘crowd in’ by building community relations that strengthen informal reciprocity mechanisms?
- Do payments to parents for kids attending school reduce child labour thus ensuring growth in human capital?
- Does the provision of school food mean parents spend less on consumption at home, or does it act as an incentive for parents to send kids to school?

- Are mechanisms to ‘crowd in’ easier to identify than those to ‘crowd out’?

A critical area for future research relates to the empirical verification of questions such as these in the specific Bolivian context

5.3 Developing strategies that use coping strategies as a mechanism to move to risk mitigation and or risk reduction, or which recognise the continuum by simultaneously addressing different parts of the continuum

If the poor are to take risks and move beyond risk coping to mitigation and protection it is often necessary for agencies to facilitate this process. A diversity of highly innovative programs, many of them implemented by NGOs, provide win-win examples that may have the potential for wider level replication. These include for instance:

- Projects targeted at rural widows that have shifted from welfare food handout to providing support for terracing in order to provides opportunities for the cultivation of land (Bread for the World, Pothole)
- Prioritising risk diversification agricultural strategies: moving from potato production to horticultural products such as lettuce etc.
- Integrating health facilities into group financing micro-credit programmes on the basis that it is ill-health that is the probably the primary cause of financial default (Pro-Mujer)

To better identify both the potential successes and failures of innovative projects such as these require their documentation and analysis within a social risk management framework

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Annex 1 Health poverty indicators: 1994

Status indicators	Lowest	2nd	3rd	4th	Highest	Total	Ratio
Infant mortality rate	111.1	70.6	67.0	66.0	52.4	75.3	2.1
Under 5 mortality	172.0	118.1	107.7	92.7	68.5	115.6	2.5
Total fertility rate	6.8	5.9	5.0	3.9	3.0	4.8	2.3
Percent stunted	41.0	30.8	25.3	18.9	14.0	26.8	2.9
Percent underweight	23.8	14.1	13.3	12.6	9.3	14.9	2.6
Services							
Modern CPR	3.5	8.9	16.9	25.0	32.0	17.8	0.11
Pre-natal visits							
Medically trained	26.2	43.2	55.0	69.3	79.9	52.5	0.33
Doctor	19.5	39.2	52.8	68.7	79.4	49.5	0.25
Nurse	6.7	4.0	2.2	0.6	0.5	3.0	13.4
Delivery attendance							
Medically trained	13.3	34.7	50.4	69.4	81.6	56.4	0.16
Doctor	10.3	29.4	45.3	64.4	77.8	32.2	0.13
Nurse	3.0	5.3	5.1	5.0	3.8	24.2	0.79
Pct. public	8.3	23.0	31.9	43.4	49.7	29.6	0.17
Pct. private	1.3	5.8	13.5	19.5	29.3	12.7	0.04
Pct. at home	89.5	71.1	54.1	37.0	20.2	57.3	4.43
Immunisation							
Measles	44.4	50.4	55.5	63.9	72.0	55.7	0.62
DPT 3	34.9	36.2	36.9	50.6	65.4	42.8	0.53
All vaccinations	29.3	32.2	29.8	42.9	57.7	36.6	0.51
No vaccinations	26.3	21.0	10.7	8.1	2.4	14.9	10.96
Illnesses							
Diarrhoea							
Prevalence	29.6	27.5	34.4	31.5	23.5	29.6	1.26
Oral rehydration	34.5	27.5	43.0	43.1	44.9	38.3	0.77
Medically treated	24.1	25.6	34.5	39.7	41.5	32.4	0.58
Pct. Public	73.0	89.1	69.6	65.5	62.6	71.0	1.17
Acute Respiratory Ill.							
Prevalence	17.8	17.2	18.5	18.8	16.7	17.8	1.07
Medically treated	23.8	29.3	43.0	52.2	55.7	39.7	0.43

Source: World Bank based on the 1994 National Demographic and Health Survey.

Annex 2 Employment characteristics by gender and geographical area in Bolivia

	Men		Women		Men and women	
	<i>Pop. Distribution</i>	<i>Average Monthly Income (\$)</i>	<i>Pop. Distribution</i>	<i>Average Monthly Income (\$)</i>	<i>Pop. Distribution</i>	<i>Average Monthly Income (\$)</i>
Urban						
1-4 persons	56.53	163.44	73.25	100.23	63.88	131.57
5-9 persons	9.95	222.16	6.90	110.59	8.61	182.85
100 or more	11.13	276.37	1.31	433.55	1.63	331.84
Total pop. and averages	1,130,212	278.63	886,832	127.54	2,017,044	178.58
Rural						
1-4 persons	77.01	40.64	79.92	17.45	78.36	29.68
5-9 persons	17.56	43.41	18.00	13.68	17.76	29.46
100 or more	0.09	97.15	0.00	---	0.05	97.15
Total pop. and averages	870,284	47.48	750,565	19.7	1,620,849	34.63
Total						
1-4 persons	65.44	100.57	76.31	60.49	70.33	81.00
5-9 persons	13.26	119.19	11.99	43.89	12.69	87.17
100 or more	1.10	270.22	0.71	433.55	0.93	326.57
Total pop. and averages	2,000,496	144.17	1,637,397	78.12	3,637,893	114.44

Annex 3 Emergency Social Fund (1987–1990): impact and allocation of resources

Department	Implemented Projects (000US\$)	Number of Beneficiaries (persons)	Investment/Beneficiary (US\$)	Number of Poor Households*	Investment/no. poor households (US\$)	Investment / Poverty	Poverty (headcount index)*
La Paz	43615	4875708	8.95	290890	149.94	2.1	70.8
Cochabamba	32074	2169683	14.78	168785	190.03	2.7	71.1
Santa Cruz	26906	2744688	9.80	143715	187.22	3.2	58.6
Potosí	22215	2953077	7.52	118112	188.08	2.3	80.2
Tarija	16711	1843214	9.07	37540	445.15	6.7	66.6
Oruro	16603	1365698	12.16	56783	292.39	4.1	70.6
Chuquisaca	14122	849260	16.63	73128	193.11	2.5	77.0
Beni	10640	867201	12.27	33280	319.71	4.1	77.7
Pando	1591	329569	4.83	5531	287.65	3.6	80.9
Other	3107	1603549	1.94	---	---	---	---
Total	187584	19601647	9.57	927764	202.19	2.9	70.2

* Based on 1992 National Census

Annex 4 National coverage of the micro-financial system in Bolivia 2000

Locations	Credit Unions	BancoSol and FFPs	NGOs	Total
Urban	27	92	59	178
Rural	30	50	72	152
Total	57	142	131	330
Departments				
La Paz				88
Santa Cruz				75
Cochabamba				54
Chuquisaca				32
Potosi				21
Oruro				21
Tarija				23
Beni				14
Pando				2

FFP = Private Financial Fund

Source: Asofin, Cipame, Finrural, Boletin Financiero, Microfinanzas, Junio 2000.

Annex 5 Outstanding portfolio and number of beneficiaries of micro-finance institutions in Bolivia, June 2000

	Outstanding portfolio (\$)	Number of beneficiaries		Total
		Male	Female	
Urban				
Banco Sol	65.9	18717	39473	58190
Credit Unions	79.8	12211	14171	26382
FFPs	89.8	51510	59506	111016
NGOs	16.9	9496	33551	43047
Total	255.7	91934	146701	238635
	(68%)	(38.5%)	(61.5%)	(43.6%)
Rural				
Banco Sol	10.8	4433	5827	10260
Credit Unions	37.7	6185	7809	13994
FFPs	26.6	18286	18099	36385
NGOs	45.4	58822	54110	112932
Total	120.5	87726	85845	173571
	(32%)	(50.5%)	(49.5%)	(56.4%)
Total	376.2	179660	232546	412206

FFP = Private Financial Fund

Source: Asofin, Cipame, Finrural, Bol4477etin Financiero, Microfinanzas, Junio 2000.

Annex 6 Social protection intervention in the PRSP by institutional arrangement and poverty focus

Arrangements and strategies	Informal	Market Based	NGO sector	Interventions
Risk reduction		<p>Export promotion</p> <p>Micro-enterprise promotion</p> <p>Improve road infrastructure</p> <p>Improve regulatory framework</p> <p>Micro-finance promotion</p>		<p>Education infrastructure and teachers' skills</p> <p>Secondary and tertiary educational reforms</p> <p>Municipalization of education</p> <p>Health infrastructure and coverage and quality of health services</p> <p>Increase basic sanitary infrastructure</p> <p>Human resources of basic sanitary and housing sector</p> <p>Institutionalize urban real estate cadastre</p> <p>Seguro Básico</p> <p>Public Health Funds</p> <p>Programa de Atención al Niño</p> <p>Justice reform</p> <p>INRA and water laws, Cadastre</p> <p>Fondo Nacional de Des.Regional</p>
Risk mitigation		<p>Expand rural electricity</p> <p>Expand rural credit</p> <p>Improve agricultural research / extension</p>	<p>ADRA, CARE</p> <p>Food for the Hungry</p> <p>Project Concern</p> <p>Other Internationals</p>	<p>TA in agricultural research and extension</p> <p>Expand micro-irrigation</p> <p>Support in seed supply and product marketing *</p> <p>TA to small rural municipalities on project development</p> <p>Improve housing infrastructure in rural municipalities</p> <p>Fondo de Desarrollo Productivo y Social Improve intercultural education</p> <p>Improve intercultural health service</p> <p>Bolivia</p> <p>Fondo Nacional de Desarrollo Regional</p> <p>Fondo de Desarrollo Productivo y Social</p> <p>Programa Intensivo de Empleo</p>
Risk coping				<p>Insurance against professional risks, Fondo Nacional de Desarrollo Regional</p> <p>Defensa Civil Programs, Fondo de Desarrollo Productivo y Social</p>

Annex 7 Risk management strategies: the World Bank Framework and the PRSP compared

World Bank	PRSP			
Sources of risk	Sources of risk	Geographical area	Poverty profile	Policy instruments
Micro-level				
Illness, injury, disability	-----	-----	-----	-----
Birth, old age, death	Program de ninos (children's programs) pensions	Rural, urban	Extreme poor, poor	PAN, Bolivida
Crime, domestic violence	Child protection, access to justice	Rural, urban	Poor	Ref. Justicia
Control over household resources	Land, water, urban cadaster, territorial order	Rural, urban	Poor	INRA law, Water law, Cadaster strengthening
Business failure	-----	-----	-----	-----
Ethnic discrimination	-----	-----	-----	-----
Meso-level				
Rainfall, landslides, volc.eruption	Natural disasters	Rural	Poor	NGOs, Defensa Civil
Epidemic	-----	-----	-----	-----
Terrorism, gangs	-----	-----	-----	-----
Social acceptance of gender violence	-----	-----	-----	-----
Unemployment	Economic crises	Rural, urban	Poor	DUF
Resettlement	-----	-----	-----	-----
Harvest failure	Food Security	Rural	Poor	NGOs
Riots	-----	-----	-----	-----
Pollution	Pollution	Urban	All	Est.Nac.de Des.Sost. (ENDS)
Deforestation	Deforestation Biodiversity NN.RR. Mgmt.	Rural	All	Est.Nac.de Des.Sost. (ENDS)
Macro-level				
Earthquakes, floods, drought	Natural disasters	Rural	Poor	
Civil strife, war, social upheaval	-----	-----	-----	-----
Legal discrimination against women	-----	-----	-----	-----
Output collapse	Economic crises	Rural, urban	Poor	DUF
Balance of Payments, financial/currency crisis	-----	-----	-----	-----
Technology/trade induced TOT shocks	-----	-----	-----	-----
Political default of social programs	-----	-----	-----	-----
Coup d'etat	-----	-----	-----	-----

Annex 8 Institutional analysis of public social protection in Bolivia

Public Executive branch	Institution	Key role	Status
	Ministry of Finance	Responsible for the financial and national budget. Includes the GOB's Economic Policy Analysis Unit	Head ministry in charge of the country's financial management, involved in providing norms and financial resources for several social protection activities
	Economic Policy Analysis Unit (UDAPE)	Responsible for economic and social policy analysis. Secretariat role for both CONAPE (Consejo Nacional de Políticas Económicas) and CONAPSO (Consejo Nacional de Políticas Sociales).	A relatively strong government 'think-tank' that includes specialists in health, education, employment, pensions and insurance, agriculture, geographic information systems amongst others
	National Institute of Statistics	Responsible for data collection and statistical analysis.	Its MECOVI survey contains indicators on aspects of social protection such as value of assets, employment, etc.
	Ministry of Defense	Responsible for the overall national security of the country. Includes the Civil Defense office	Through its Civil Defense Office, it is responsible for coping with natural disasters nationwide.
	Civil Defense Office	Responsible for coordinating and implementing efforts to cope with natural disasters.	A relatively weak and inefficient institution, many times accused of mishandling national and international assistance.
	Ministry of Health	Normative Health and organization of programs such as <i>Seguro Básico</i> , <i>Escudo Epidemiológico</i> , <i>Reforma de la Salud</i> , etc	Work concentrated on risk mitigation and some on coping with risks. Annual budget of approx. US\$97 million
	Public Health Funds	Under the head ministry of Health, in charge of providing health care services.	At present there are seven. Annual budget of approx. US\$180 million
	Ministry of Justice	Responsible for Constitutional Reforms and Human Rights issues.	A rather weak, politicized institution struggling to push the justice reform.
	Ministry of Labor/Microenterprise	Responsible for labor norms	It is attempting to pass the unemployment insurance law.
	Vice ministry of Micro-enterprise	Responsible for the promotion of micro-enterprise policies and programs	A politicized office, weak and without a clear agenda and funding

Super-intendence	Superintendence of Insurance, Pensions and Securities	An independent institution in charge of regulating the sector	Norms proceeds from the Capitalization program, including the <i>Bolivida</i> and the <i>Acción Popular</i>
Public	Institution	Key Role	Status
Decentralized institutions	<i>Dirección Unica de Fondos</i>	A normative board of directors responsible for obtaining financing and coordination of social funds.	Was recently institutionalized and is supposed to manage the <i>Política de Compensación</i> under the PRSP
	<i>Fondo de Desarrollo Social y Productivo FDSP</i>	Recently formed from merger of the Social Investment Fund (FIS) and the Peasants Development Fund (FDC).	A transfer fund that works through the municipalities on roads and productive infrastructure, rural education, basic sanitation and health infrastructure.
	<i>Fondo Nacional de Desarrollo Regional (FNDR)</i>	Created in 1987 to promote balanced regional development	Provides financing for urban and regional investment projects; technical assistance to local government and NGOs, utility companies etc.
Local governments	All municipal governments	Responsible for implementation Popular Participation resources. Often responsible for implementation Social Funds and NGO investments	At present, the 314 municipal governments account for about 20-25% of total public investment
Non-public			
Civil society	Non-Governmental Organizations (NGOs)	Responsible for execution of diversity of programs /projects, some in close coordination with the Executive Branch and/ or with donor agencies. Most NGOs have external economic support. NGOs work in urban, as well as rural areas	An estimated number of 2000 NGOs NGOs work throughout the risk management continuum, many of them specializing in some areas. NGOs work in diverse areas such as credit and finance, institutional strengthening, research and extension, etc.

Annex 9 List of people interviewed in Bolivia

Arias, Boris, Specialist in ‘Sistemas de Información Georeferenciados’, UDAPE
 Arraya, Juan Carlos, ABRIR/Bolivia, Health Programme, DFID
 Brockmann, Erika, Senator, La Paz
 Barroso Sergio, Systems Manager, Fondo de Inversión Social
 Boeren, Francesco, Sub-director, CARE
 Cadima, Rolando, Head of Operation, Fondo de Inversión Social
 Calderon, Fernando, Human Development Advisor, UNDP
 Carrasco, Jorge, Head of Emergency Operations, Fondo de Inversión Social
 Castillo, Walterm Sub-Director, National Institute of Statistics
 Florez, Hugo, Sector Specialist, Inter-American Development Bank
 Forno, Eduardo, Resident Representative, UNDP
 Gomez, Javier, Executive Director, CEDLA
 Gallo Víctor, Coordinador of Programme PDRC-II, Fondo de Desarrollo Campesino
 Gamboa, Ramiro, Pension specialist, Sector Division, UDAPE
 Hartmann, Luis Felipe, Vice-Minster, Ministry of work and Minco-Enterprises
 Jimenez-Zamora, Elizabeth, Social Division, UDAPE
 Jimenez, Wilson, Social Division , UDAPE
 Laserna, Roberto, CERES, Cochobamba
 Lopez, Cindy, World Bank, La Paz, Bolivia
 Mikkelsen, Vagn, Coordinator, Food Security, European Commission
 Moravek, Jarmila, vice Minister, Gender, Generation and Family,
 Monterrey, Javier, Coordinador MECOVI, Jefe de Encuestas, INE
 Narvaez, Rory, Health Specialist, Social Division, UDAPE
 Navajas, Sergio, Economista, USAID/Bolivia
 Navarro, Juan Carlos, Gerente de Planificación y Estrategias, Fondo Nacional de Desarrollo Regional
 Newman, John, Resident Representative, World Bank
 Ortuño, Armando, Division of Human Development Indicators, UNDP
 Quiroga, Ana, Centre for the Promotion of Women ‘Gregoria Apaza’, El Alto
 Ramirez, Pilar, IFE
 Rance, Susanna, Consultant, La Paz, Bolivia
 Rojas, Gonzalo, Indigenous Expert, Netherlands Embassy
 Rubey, Larry, Director, Food Security Unit, USAID, Bolivia
 Sandoval, Gonzalo, PIEB, La Paz
 Santa Cruz, Gabriela, Head of Microfinance Projects, USAID/Bolivia
 Santa Cruz, José, Team Leader, Decentralization Project, Ministry of Sustainable Development and World Bank
 Silvermann, Andrea, World Bank, La Paz, Bolivia
 Toranzo, Carlos, ILDES
 Urioste, Diana, Exectutive Secretary, Coordinadors de la Mujer
 Velasco, Carmen, Executive Director, Pro-Mujer
 Velasco, Jorge, Head of Projects, Health Division, USAID/Bolivia
 Velasco, Juan Néstor, Head of Operations, Fondo de Desarrollo Campesino