



DENMARK – BOLIVIA

COUNTRY POLICY PAPER

2013-2018

CONTENTS

INTRODUCTION	3
1 DENMARK'S PARTNERSHIP WITH BOLIVIA: OVERALL VISION AND STRATEGIC DIRECTION	4
2 CHALLENGES, OPPORTUNITIES AND RISKS	5
3 OBJECTIVES AND OVERALL STRATEGY OF THE DANISH-BOLIVIAN COOPERATION	9
4 STRATEGIC FOCUS AREAS	13
5 MONITORING AND EVALUATION FRAMEWORK	20
6 COMMUNICATION	21
ANNEX 1 KEY DATA	22
ANNEX 2 DENMARK'S BILATERAL DEVELOPMENT COOPERATION WITH BOLIVIA	24
ANNEX 3 OVERVIEW OF PROGRESS TOWARDS THE MDGS IN BOLIVIA	26

INTRODUCTION

A continued partnership with Bolivia will focus on poverty reduction, sustainable development, green growth and promotion of human rights. Denmark has an interest in maintaining development cooperation in South America and a dialogue with Bolivia to promote Danish global policy priorities within human rights, sustainable development (green growth), climate change and biodiversity (due to the global importance of the Amazon Basin), as well as to deepen commercial relations.

Bolivia is still in a fragile transition from widespread poverty and huge inequality, especially affecting indigenous peoples, to a consolidated democratic and more equal society based on the rule of law and on sustainable development. Continued development cooperation, which is the main Danish policy instrument, can contribute to a more sustainable and stable development in this phase of transition. The potential for results in terms of reduced inequality regarding income as well as respect for human rights, poverty reduction and the promotion of sustainable development. In Bolivia there is both a commitment to rights-based development and a mutual trust due to longstanding development cooperation between Denmark and Bolivia.

Danish development cooperation with Bolivia dates back to the 1970s. It was stopped in 1980 due to a military coup, but was resumed in 1994 based on a new Bolivian political commitment to poverty reduction and the promotion of respect for the rights of indigenous peoples.

The results have generally been satisfactory:

- Improved recognition of indigenous peoples' rights, e.g. in the new constitution, through the implementation of intercultural and bilingual education and the titling of 12 million hectares of land to indigenous peoples.
- Ten thousands of smallholder families have seen their income and job conditions improve, which has contributed to poverty reduction and a reduced level of conflict. Better infrastructure has improved conditions for small and medium sized enterprises, particularly in agriculture, and improved access to markets.
- Girls, indigenous peoples and other vulnerable groups have been given better access to education.
- Strengthening the capacity to manage biodiversity resources and promoting sustainable development have resulted in better livelihoods for indigenous peoples in protected areas and improved the management of biodiversity and ecosystems in these areas. In the State Mining Company (COMIBOL), Danish support has been instrumental in the creation of a capable environmental management department and lead to a certain reduction in the contamination from heavy metals. Cleaner technologies that have saved water and energy resources, reduced pollution and improved competitiveness have been introduced in hundreds of enterprises.
- Certain public services have become more efficient through Danish support for public sector reforms such as automatized issuing of free certificates for high school graduates, the implementation of a new ID-card system and improved access to justice. All these elements contribute to preventing corruption.

1

DENMARK'S PARTNERSHIP WITH BOLIVIA: OVERALL VISION AND STRATEGIC DIRECTION

The overall vision for Denmark's partnership with Bolivia over the next five years is to contribute to a democratic and inclusive sustainable development that reduces poverty and promotes human rights. Through collaboration with the Bolivian Government, civil society and the private sector this will happen by promoting a broad set of human rights focusing directly on economic rights related to growth and job creation as well as civil and political rights. Core elements will be the promotion of a sustainable management of natural resources, such as forests and agricultural land and the promotion of green technology and energy efficiency. Main target groups will be indigenous peoples and women who are particularly vulnerable.

Lack of capacity in the public sector is a more binding constraint in Bolivia than the lack of financial resources. Therefore the Danish financial support to the various focus areas and partner organisations will be relatively small compared to the general level for most Danish partner countries, and general budget support will not be relevant. Focus will be on capacity building measures and the development of efficient management models promoting equal rights for all.

Dialogue and cooperation between the private sector, civil society and the Government is hampered by a lack of mutual trust. In civil society and the private sector a lot of knowledge and experience exist which could contribute to much more development in Bolivia if only a greater level of trust existed. Therefore, focus will be on promoting and facilitating partnerships between the public and private sectors and civil society.

The main Danish policy instrument will be bilateral development cooperation. Denmark will, however, also actively promote human rights and democratisation in Bolivia through the EU and multilateral forums such as the UN Commission on Human Rights, other UN organisations and development banks.

Development cooperation also provides a good basis for a policy dialogue with Bolivia on issues such as climate change, sustainable development and human rights. The dialogue with Bolivia will to a large extent be carried out in close cooperation with the EU and those Member States present in Bolivia.

Last but not least, trade and investment between Denmark and Bolivia will be promoted, building on the Danida Business Partnership Programme and other business instruments. Lessons already learned through development cooperation within the productive sectors will be taken into account focusing on possible synergies between the efforts in the different sectors. Interested Danish companies will be assisted with trade promotion.

2 CHALLENGES, OPPORTUNITIES AND RISKS

The political situation in Bolivia is expected to remain relatively stable, but certain risks are present. President Morales's election victories in 2005 and 2009 reflected the desire of Bolivians for a change towards more national control over the country's natural resources, more equality and more respect for the rights of people living in poverty, in particular the indigenous peoples. Morales's first election period was marked by conflicts with the old political elite leading up to the approval of the new constitution in early 2009. The constitution explicitly recognises human rights, including the rights of indigenous peoples and the rights of Mother Earth.

After a low level of conflict in 2009–10, the number of conflicts rose again in 2011 and 2012. The conflicts, most of which are peaceful, relate to dissatisfaction among workers and small business owners in the informal sector, indigenous peoples and local communities, most of whom support Morales. They are well organised and use their local power to demand more social and economic benefits such as public investments and access to natural resources.

The strong organisation of civil society is a fundamental democratic strength. Although the number of conflicts is expected to remain at a relatively high level, the Government will most likely be able to manage them as long as the economy remains stable which is expected to be the case in the coming years. However, the Government dedicates much time and significant resources to conflict resolution, which could be spent on more long-term reforms. The opposition is weak and divided, and it is likely that Morales and MAS will win the next elections in 2014, although Morales has not yet announced his candidacy and despite doubts as to whether he will be able to run again without an amendment to the constitution.

The human rights situation in Bolivia has improved in most areas, e.g. in terms of non-discrimination and social and economic rights. The key challenge is a very weak judiciary, which is not independent of political and economic interests. This weakness is recognised by the Government. Access to justice is poor, especially for people living in poverty, women and indigenous peoples. There are deficiencies with regard to the respect of indigenous peoples' right to consultation on projects affecting their livelihoods. Generally, there is a high level of rape and violence against women and very few offenders are prosecuted and sentenced.

Corruption is widespread. Many high profile cases have become public knowledge, a number of which have also led to convictions. This did not occur under former governments. However, corruption is widespread and not increasing at best. In 2012, Bolivia ranked number 105 of 176 countries on the corruption perception index of Transparency International. Combatting corruption is a government priority, but the task is difficult as it is deeply rooted in the Bolivian institutions.

Extreme poverty is decreasing and access to basic social services is improving. Bolivia has an annual income per capita of USD 2,000 (2011). The extreme poverty level decreased by 10 percentage points to approximately 27 per cent from 2006 to 2009. However, half of the population still lives in poverty. Poverty is high particularly in rural areas, and among the indigenous peoples and women. Inequality has decreased, but Bolivia is still one of the most unequal countries in the world.

Bolivia has improved its economic indicators. Annual growth has been 4–6% in 2006–2012, spurred by past investments in gas and mining and high commodity prices. Exports have more than doubled since 2006 resulting in a on the balance of trade surplus. The higher taxes on natural gas have enabled increased spending in the social sectors, on infrastructure and on income transfers to the poor. In addition, other tax revenues have also increased due to improved fiscal management. For the first time in decades, Bolivia has a fiscal surplus.

Several challenges lie ahead for the Government. These include a high dependency on revenues from gas and minerals, representing approximately 80 per cent of the exports, and large subsidies on oil products, amounting to more than 3 per cent of GDP. The growth perspective for the short and medium term is relatively favourable. Bolivia has strong economic buffers (foreign reserves for several years of imports and low debt). The major risks relate to a decrease in commodity prices, social unrest, and the lack of productive investments to help diversify the economy and reduce the dependence on the production of natural resources and exportation.

Productive and private investments are low due to an uncertain business climate, market failures and infrastructure bottlenecks. Insufficient dialogue between the government and the private sector makes prospects for improving the business climate dim. Gas and mineral resources constitute a great economic potential. The Government wishes for the increased exploration, exploitation and industrialisation of these resources, but it is a slow and difficult process. Bolivia needs foreign technology and investments, but creating confidence and models for collaboration is proceeding slowly. There is also a great potential for increased production in agriculture and forestry. The level of investment in agriculture is low and the productivity level is only half the average of the rest of South America.

Bolivia's environmental problems are exacerbated by poverty. Problems include erosion and soil depletion, deforestation, loss of biodiversity, floods, droughts and pollution. Climate change will have negative implications for development, due to changes in the availability of water. For a large part of the population, including the people living in El Alto and La Paz, the available water resources will be reduced due to rapidly melting glaciers.

Logging and the expansion of farmland destroys about 300,000 ha of forest every year, mostly in the Amazon Basin, which is also negatively affected by climate change. This primarily affects the livelihoods of indigenous peoples. It also contributes to global warming. Due to deforestation, the CO₂ emissions per capita are comparable to the emissions in Europe. Continued social conflicts over access to natural resources in forest areas are expected. However, there are good opportunities for cooperation in sustainable forest management and climate change.

The capacity of the public administration has been weakened by frequent staff changes and the recruitment of staff with insufficient qualifications. Political affiliation – which is considered equivalent to being able to trust staff – is still more important for the recruitment of new staff than qualifications and experience. A contributing factor to the weak capacity in the administration is the fact that MAS does not have as many qualified people in their ranks as former governments, who mostly represented the elite. Furthermore, wage levels are low for many public servants, which makes retention more difficult and increases the risk of corruption.

Although the benefits of a more stable and professional civil service are widely recognised in the Government, it is not likely that there will be significant changes in the recruitment policies during the next 5 years. The weak capacity of the public sector is a more critical bottleneck for the development of long-term plans and their efficient execution than the lack of financial resources. Development cooperation plays a crucial role in helping alleviate this bottleneck.

Bolivia's constitution provides a framework for different types of decentralisation and self-government, not only in departments and municipalities but also in regions and territories of indigenous peoples, which can be cross-departmental or cross-municipal. The processes are complicated, with many potential political conflicts and administrative challenges.

Internationally, Bolivia is allied to the ALBA group¹, but is also committed to other forums of regional cooperation (including UNASUR and CELAC). ALBA is highly dependent on Venezuela's involvement and economic strength. Bolivia has recently asked to become a member of the commercial forum for cooperation MERCOSUR.

In general, Bolivia maintains good relations with its neighbours. With Chile, Bolivia has a century-long conflict over a demand for sovereign access to the sea. The Morales Government is giving high priority to this question within its foreign policy. Chances are not great that the conflict can be solved.

Although coca production is falling, due to Bolivia's own efforts and international cooperation, the fact that cocaine production and transit trade is increasing is a major regional and international concern. Most of the cocaine coming from Bolivia goes to Brazil, other South American countries and Europe.

Relations with the USA remain strained and despite the 2011 agreement resuming the exchange of ambassadors, this has not yet become a reality. Relations will most likely continue to be strained as long as the Morales Government is in power. Nevertheless, continued cooperation is expected in specific fields such as the fight against cocaine-related crime.

Bolivia plays a role in international climate negotiations and in the efforts to promote sustainable development internationally. The strong commitment of both Denmark and Bolivia to these matters constitutes a basis for cooperation on mitigation and

adaptation to climate change as well as on the promotion of global sustainable development (green growth). Bolivia is also an ally in the promotion of human rights, including the rights of indigenous peoples, women's reproductive and sexual rights and the rights of sexual minorities.

Commercial and business opportunities are mainly related to the partnerships developed through the Danida Business Partnership Programme. Danish businesses have shown an interest in developing partnerships in Bolivia. A majority of the 23 projects carried out so far has resulted in joint-ventures or other forms of sustainable commercial collaboration.

Through the Danida Business Partnership Programme, Danish enterprises can use Bolivia as an entry into other South American markets. Potential fields include agroindustry, renewable energy, the environment, energy, textiles, organic products and IT-related services. It is expected that there will be more opportunities for Danish exports in the next 5–10 years as the modernisation of the extractive industries and the industrialisation of natural resources are implemented. However, the market remains small.

¹ ALBA (The Bolivarian Alliance for the Peoples of Our America) is an alternative cooperation and trade bloc in eight Latin American countries established by Hugo Chavez and Fidel Castro as a socialist alternative to the U.S.-led Free Trade Area for the Americas (USA + Latin America) FTAA / ALCA.

The national Bolivian development plan is currently under revision. The plan will most likely reflect the goals the Government wants to achieve, rather than concrete guidelines on how to obtain these goals. It will continue to have a very strong focus on sustainable development, the industrialisation of natural resources, the diversification of the economy with more emphasis on small-scale farms and enterprises, the protection of the environment, including sustainable forest management, the promotion of social rights, including the rights to education and healthcare for all, access to water, access to justice and to improved and modernised public services.

The challenge for the Government will be to develop the strategies and operational mechanisms for the plan to be implemented. Improving the relatively weak overall monitoring framework and the deficiencies in the coherence between planning at national and sector levels is now being given higher priority. Bolivia's development partners, such as Danida, can make a positive contribution in this area.

International development cooperation funding is small in relation to the government budget. It was around USD 650 million annually from 2007–2010, constituting around 3 per cent of GDP or 15 per cent of the public investment budget. In comparison, international development assistance financed nearly 65 per cent of the public investments in 2005, accounted for almost 85 per cent in 2012. Bolivia has increasingly gained access to development loans and successfully launched an international bond issue of USD 500 million in 2012. The most important donors are the EU, Spain, the Netherlands, Denmark, Sweden, Germany, Japan and Switzerland. The level of aid will probably continue to gradually fall, one of the reasons being the phasing out of aid by the Netherlands.

There are major risks that may affect poverty reduction, the respect for human rights and inequality, and affect sustainable development negatively. The high economic dependence on commodity exports and the corresponding tax revenues leaves Bolivia exposed to decreasing commodity prices, which will reduce revenues and make conflicts more difficult to manage. This exposure will be higher if there is not an increase in productive investments, in the industrialisation of natural resources, in agriculture and manufacturing.

Failure to improve the judiciary and the police could result in more trafficking of cocaine and human beings, thereby undermining democracy. Finally, there is a risk that civil society could be restricted in its activities and that the relatively strong press could face tougher legislation undermining the freedom of expression.

If not mitigated, the abovementioned risks could negatively affect political stability, human rights, democratic consolidation, poverty reduction, economic activity and the sustainable management of natural resources.

3

OBJECTIVES AND OVERALL STRATEGY OF THE DANISH-BOLIVIAN COOPERATION

The overall aim of the Danish-Bolivian partnership for 2013–2018 is to contribute to reducing poverty and inequality through sustainable development that respects human rights. The strategic objectives are:

- Promotion of inclusive and sustainable, green economic growth
- Promotion of political and civil rights for all
- Promotion of sustainable natural resource management.

These objectives apply specifically to development in Bolivia, but they also express the goals for global development which Denmark wishes to promote in the relations with Bolivia. Development cooperation is crucial but it will be accompanied by other policy instruments.

The development of the new country programme and its activities will emphasise a rights-based approach in line with the Danish development cooperation strategy, the Bolivian Constitution and Bolivian policies.

The three objectives are interlinked and will directly strengthen the economic, civil, political and environmental rights of those people living in poverty, especially indigenous peoples and women.

There are clear links between the three strategic areas. Inclusive and sustainable economic growth will help create more and better jobs and thereby directly contribute to poverty reduction. Furthermore, it will help increase public sector revenues and the Government’s policy of a continued increased level of public investment and services such as education, healthcare, water, infrastructure etc. to the benefit of those people living in poverty or in areas, where such services are not provided now, especially indigenous peoples.

Sustainable growth also implies expanding the use of green technologies in agriculture, forestry, manufacturing etc. Finally, it implies a diversification of the economy with more investments and the creation of more and better jobs in agriculture and manufacturing, including small-scale businesses. It will help provide employment for a growing labour force and for those who leave low productivity jobs in agriculture and small-scale mining. It requires an improved business climate which will be a core element in the dialogue with Bolivia.



Increasing agricultural productivity could help lower the pressure for transforming land into agricultural fields thereby reducing deforestation.

The Danida Business Partnership Programme is expected to contribute to the introduction of green technologies, job creation and improved commercial relations between Bolivia and Denmark. Through the EU negotiations have been initiated on a partnership agreement with Bolivia to promote trade and investments, job creation and sustainable development. Moreover, export promotion support to interested Danish companies is expected to increase in the coming years.

The rule of law is crucial in order to promote respect for political and civil rights, to further consolidate democracy, and to fight the trafficking of drugs and human beings. The rule of law is also important for securing more private sector investments (through securing property rights and contract enforcement) and hence economic development. It is instrumental for ensuring the sustainable use of natural resources and respect for the rights of indigenous peoples.

The dialogue with Bolivia – both bilaterally and together with the EU – on issues related to the promotion of rule of law and human rights will focus on achieving specific improvements in Bolivia, either on its own or through development cooperation. Other important Danish instruments will be contributions to UN efforts for the promotion of human rights in Bolivia – including active participation in the Universal Periodic Reviews by the UN Human Rights Commission and through other UN organisations such as the UN Office of the High Commissioner for Human Rights, which are represented in Bolivia. Dialogue on important international human rights issues such as women’s reproductive and sexual rights, the rights of minorities and the rights of indigenous peoples will also be a focal point.

As Bolivia is one of the world’s most bio diverse countries and at the same time one of the countries most vulnerable to climate change, the promotion of the sustainable management of natural resources will be important not only for the future of the Bolivians, but also for the global future. Introducing better legislation, participatory management and new technologies regarding the extraction of natural resources can help decrease poverty now and at the same time preserve natural resources and ecosystems for future generations.

Development cooperation, including climate financing and Danida Business Instruments will be the key Danish instruments for positive environmental development. An active policy dialogue with Bolivia, especially on sustainable development and climate change nationally and internationally, will also be a focal point.

Support through Danish civil society organisations and research cooperation is still very relevant and will continue to be a part of the Danish policy instruments in the pursuit of sustainable development in Bolivia and globally. The specific implementation will depend on the demand from the civil society organisations and the research.

Denmark will actively contribute to promoting EU objectives on stability, democracy and development, and regional cooperation in South America in order to help prevent a growing gap between the ALBA countries and other countries, reduce the production of and trade with drugs, establish common ground with Bolivia on climate change issues, and promote European trade and investments.

The EU Member States that are active within development cooperation in Bolivia are formulating a European coordinated response to ensure a division of labour in the development cooperation with the Bolivian Government and with a view to establishing joint programming from 2017. The possibility of trilateral cooperation will also be looked into.

It is likely that within 10 years Bolivia may reach the GDP ceiling for Danish bilateral development aid (USD 2690 per person in 2012). Thus, it is expected that traditional development cooperation will be phased out within 10 years and this will be prepared for in close dialogue with the Bolivian partners. Therefore, the cooperation also emphasizes business-related partnerships, technology transfers and expanded commercial relations.

A central challenge is the low capacity in the public sector for medium-term planning and the organisation of services which are able to meet the legitimate demands and needs of the citizens.

As civil society in Bolivia is relatively strong, the support to civil society advocacy through bilateral cooperation will be limited but focused. The rights of civil society to democratic participation, to monitor service delivery and to get access to information will be prioritised in the political dialogue, including with the EU delegation and the EU Member States.

To ensure sufficient critical mass and knowledge in the dialogue with the Government, it is envisaged that annual disbursements will be in the order of DKK 130–140 million, including the Danida Business Partnership Programme and climate financing but excluding possible support for research development, Danida Business Finance, and funding through Danish civil society organisations.

The design of the country programme will apply the principles of human rights-based development and will have particular focus on the four key principles: non-discrimination with a strong focus on the rights of women and indigenous peoples; transparency and accountability in the administration both with strong focus on combatting corruption; public participation with support to civil society and a particularly strong focus in the policy dialogue on maintaining and developing good framework conditions for the participation and inclusion of the citizens and their civil society organisations in policy development and the legislative processes, and regarding supervision of the public institutions and the way they execute their mandate.

Furthermore, the following principles will guide the design of the country programme:

1. The programme will be agreed on in close dialogue with partners based upon their needs with a view to ensuring development effectiveness and a division of labour, including the facilitation of public-private dialogue and partnerships.
2. Priority will be given to institutional and capacity development of the public sector. Moreover, Denmark will finance the delivery of services that partners can fully sustain once Danish support is phased out.
3. Compared to other Danish partner countries, funding per sector and per partner will be less, as the critical bottleneck is not a lack of financial resources but the capacity to plan and execute funding effectively.
4. Flexibility will be sought in order to provide quick support when windows of opportunities open up for implementing difficult policy reforms such as reforms removing unjustified privileges and/or opportunities for corruption.
5. Exit strategies will be developed in cooperation with partners and with an anticipated time frame of 3–5 years in those areas where Danish assistance will be phased out before the end of the 5-year period.

4 STRATEGIC FOCUS AREAS

STRATEGIC OBJECTIVE NO. 1

PROMOTION OF INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH

Justification, challenges and opportunities

The high rate of poverty demonstrates the need to focus on ensuring high economic growth and job creation that benefit the poor. Bolivia has the potential to achieve growth rates above the 4–6 per cent achieved over the past 7 years but it requires improvements in the business climate.

Most of the people living in poverty work in small scale agriculture and/or the informal economy, where services such as commerce are a major provider of jobs. The production of natural gas and the modern mines which in recent years have contributed the most to growth and exports and to the increase in public sector revenues, do not provide many new jobs.

Production and productivity in agriculture are low, mainly because of the low technical capacity within the sector. Traditions and customs especially in the highlands to a large extent prevent the merging of small farms into larger and more profitable farms. Insufficient access to financing and markets are other constraints.

Small innovations could have considerable impact in terms of productivity and at the same time reduce pressure on natural resources. Currently the agricultural frontier is advancing rapidly with approximately 300,000 ha of forest being cut down annually. This occurs as people from the highlands and valleys migrate because of a lack of economic opportunities.

The change from small-scale farming to a more market-oriented form of production is still proceeding very slowly, especially in the highlands and the valleys. The current cooperation between Denmark and Bolivia supports the process of change and it has also developed support mechanisms with promising results. At the same time the demand for agricultural products is increasing, both internally – driven by Bolivia’s economic growth – and externally through the higher demand for special Bolivian products like quinoa, traditionally produced by rural communities living in extreme poverty.

In the tropical lowlands agriculture is often driven by foreign capital investing in high-yield production. These production systems are often not sustainable because there are insufficient incentives to invest in preserving the fertility of agricultural land seeing there is still new forest land available at low cost.

However, increasing agricultural production and productivity will not be enough on its own to create a sufficient number of new jobs. Even if development in agriculture helps increase the income in rural areas, migration to the urban areas will continue, where the migrants primarily find jobs in the informal economy, mainly within commerce and services. Therefore, there is also a need to create more decent new jobs in the urban areas.

Investments in the private sector are low at present – less than 10 per cent of GDP. Even if this figure does not appropriately account for the investments carried out in the huge informal economy, it is still a challenge for Bolivia to increase private, productive investments. At the same time, the home market and a growing tourism sector provide good opportunities (also for Danish enterprises).

The opportunities for increased production are not being fully exploited, as the private sector – including international investors – does not have confidence in the Government’s commitment to creating a good business climate. A number of laws and regulations for the private sector, including for small scale businesses, are still not in force and there is a need – and hence an opportunity – for supporting the development of these, including facilitating a social dialogue between the Government, employers and workers.

Increasing the level of trust between the public and the private sectors and improving the business climate would help attract more formal private investments (domestic as well as foreign), boost the markets for small and medium sized enterprises as well as for farmers and create a basis for introducing better and greener technology.

The willingness on all sides to cooperate on how to improve the business climate to promote good investments and jobs is still lacking, but there are opportunities to facilitate such a dialogue – even despite the tendency for increased state involvement in production.

The following key results are expected:

- Increased income, productivity and food security among small scale farmers, especially amongst the indigenous peoples, both women and men.
- Increased public and private productive investments, e.g. through an improved business climate.
- Increased number of decent and financially sustainable jobs for women and men, especially the indigenous peoples.
- Improved framework conditions for productive sector development.
- Increased Danish investments and strengthened sustainable commercial relations with Bolivia facilitating technology transfer and improved competitiveness, in accordance with the UN Global Compact principles.

Content/areas of intervention

Support for capacity building is expected to continue for the Ministry of Rural Development’s policy development and monitoring of agricultural development. In addition, continued support is expected for the Ministry’s programme to increase agricultural production, productivity, processing and marketing in small and medium sized farms and their organisations in the poorest areas of Bolivia.

This programme works in close cooperation with local municipalities, farmers and their organisations who also provide co-financing. The programme contributes to strengthening the capacity to promote productive development in the municipalities. Several thousand rural families, almost exclusively indigenous peoples, will benefit from this. The aim is to include other donors.

Furthermore, continued support for the national agricultural and forestry research institute is expected, promoting public-private partnerships in the development and application of better seeds and more sustainable production methods. This support will be provided with other partners, including the World Bank and Switzerland.

Support to small and medium sized enterprises is still expected through cooperation with their organisations at the national level, with whom good experiences have already been achieved. Focus will be on assisting the enterprises in improving their access to technology, markets and financing which will contribute to increased productivity, sales and decent, financially sustainable jobs.

Furthermore, support is envisaged for promoting policy making and social dialogue between the private sector, the public sector, trade unions and employers' organisations at the national and local level to help improve the business climate and labour rights.

The expected support for the sustainable use and management of natural resources in forests, especially in the Amazon Basin and national parks, will also contribute to the creation of permanent jobs, including production based on forest products, ecosystem services (such as clean water and the uptake of CO₂) and tourism.

The Danida Business Partnership Programme will facilitate economic development and job creation through cooperation between Bolivian and Danish businesses and other partners, leading to increased Danish investments in Bolivia. Furthermore, Danida Business Finance could possibly provide financing for relevant projects within the environment, renewable energy, water, sanitation etc.

Emphasis will be given to the promotion of human rights, including labour rights, environmental sustainability and anti-corruption, in accordance with the UN Global Compact.

As its point of departure, the promotion of Danish investments and trade will mostly use the Danida business instruments and the opportunities they provide for Danish businesses, as well as gradually strengthening the facilitation of commercial cooperation.

The involvement of Danish research institutions could further promote sustainable development in agriculture and other productive sectors, including in cooperation with the Danida Business Partnership Programme.

The possibilities will be evaluated with a view to undertaking efforts to facilitate cooperation between Danish resources (research institutions, businesses etc.) and Bolivian partners who need access to modern and green technology, where Danish businesses have a comparative advantage.

STRATEGIC OBJECTIVE NO. 2

THE PROMOTION OF POLITICAL AND CIVIL RIGHTS

Justification, challenges and opportunities

Improving the quality and quantity of public services for all citizens in a non-discriminatory way remains a challenge for Bolivia. In many areas of the country the state is not present and basic services are not readily available. Both the quality and the capacity of the public organisations are weak and corruption are widespread. This means that in many areas the rule of law is not applied.

There is a need for more accountable and effective public institutions. Access to justice is poor, e.g. because of the non-presence of the judiciary in many areas of Bolivia and/or because of a lack of knowledge and resources and discriminatory practices. This is particularly the case for indigenous peoples and women. Violence against women and violations of their sexual and reproductive rights is a major problem.

There is a lack of cooperation between public organisations such as those responsible for the registration and identification of people (issuance of id-cards), birth certificates, taxation, property registration, immigration, bank supervision, school enrolment, public health insurance etc.

The Bolivians' confidence in the justice system and the police is very low due to: a) frequent violations of human rights; b) very slow justice procedures; c) a lack of transparency and many cases of corruption; and d) interference by political and economic interests.

Apart from the influence of the economic and political power, the reasons for a poorly functioning justice system are: 1) low budget for infrastructure, equipment and staff; 2) inappropriate management, organisation and staff; 3) inappropriate geographical balance leaving a large part the rural population without access to justice; and 4) cumbersome and bureaucratic legal procedures.

Bolivia is in the middle of a process of profound changes in the way the branches of power are organized, particularly the executive branch and the judiciary as a consequence of the new constitution which came into force in 2010. The aim of the Government, which is shared by Denmark, is to make the state (and its services) more efficient, more accountable and accessible to all Bolivians. This process requires a significant reform of key institutions like the judiciary.

Many of these reforms are meeting and will continue to meet resistance from those groups who benefit from the status quo. The Government is forced to navigate between: 1) many specific interests (which generate conflicts); 2) a huge reform agenda; 3) limited human resources; and 4) very cumbersome procedures.

Many of these reforms do not require large external financial resources but they do require external partners who are flexible, willing to share risks and prepared to provide quick up-front financing, and who can start reforms if opportunities occur. The external partners must therefore be willing to take risks, have the ability to understand the political economy and have sufficient capacity to engage.

The Bolivians are generally well organized in demanding their rights. It is estimated that the most binding constraints for the promotion of political and civil rights and the rule of law are in the public sector, e.g. due to a lack of capacity in the public organisations that are responsible for ensuring these rights.

For years Denmark has (together with Sweden) supported the judiciary and key public sector reforms promoting transparency and reducing opportunities for corruption etc. There is a trusting relationship between Denmark, Sweden and Bolivia when dealing with these crucial and often sensitive challenges.

The following key results are expected:

- Improved access to justice, benefitting the most vulnerable groups, including women and indigenous peoples.
- Improved access to selected public services, benefitting the most vulnerable groups, including women and indigenous peoples.
- Improved citizen confidence in key public services within the judiciary and other public organisations, including combating corruption.
- More efficient, transparent and responsible management of the public organisations, supported by Denmark in all sectors.

A significant part of the support (20–30 per cent) is expected to be structured in such a way that it can be flexibly directed towards areas, where there is a great need and at the same time opportunities to promote change. This implies a gradual approach to reform, not solely based upon large framework plans. However, priority will be given to those areas where the impact on the rights of the poor part of the population, including women and indigenous peoples, is significant.

Content/areas of intervention

Continued support is expected for key organisations within the justice system as well as for the improvement of key public services.

The programming approach will be human rights based. Other key strategic elements in the programme will be: the promotion of results-based management in the partner organisations with a view to transitioning management away from the present focus (which mainly monitors whether regulations and procedures are being followed); the promotion of coordination and collaboration between public organisations which can benefit from each other's work, along with capacity building through the co-financing of infrastructure in remote areas, equipment, software systems, training and technical assistance to start reforms.

Support to the judiciary is expected to take place in cooperation with other donors such as the EU. Key partners of cooperation are expected to include the attorney general, the courts and the public defendant specifically aimed at ensuring access to justice in those areas of Bolivia where there is no access, e.g. in rural areas and urban areas where growth has been explosive and where capacity has not followed suit. In these areas, there is a concentration of poor and indigenous peoples. Special focus will be given to the promotion of women's rights. Support to civil society is also expected to focus on especially women's access to justice.

The specific areas that will receive support through the programme on public sector reforms will be defined in collaboration with the Government and other potential donors. It is expected that support will be given to the modernisation and simplification of administrative processes and procedures by using modern technology that can reduce waiting times, increase transparency and accountability, reduce discrimination, improve collaboration and dialogue between government and non-government actors, improve the inter-institutional coordination etc. Potential areas of intervention continue to be support for the civil registry service, migration, property registration, tax collection and money laundering.

STRATEGIC OBJECTIVE NO. 3

PROMOTE SUSTAINABLE NATURAL RESOURCE MANAGEMENT AND BOLIVIA'S EFFORTS TO MITIGATE AND ADAPT TO CLIMATE CHANGE

Justification, challenges and opportunities

Deforestation and forest degradation are serious environmental problems in Bolivia. They affect the livelihoods of poor people, the unique biodiversity of the country and contribute negatively to Bolivia's ability to mitigate and adapt to climate change. Among the causes of deforestation and forest degradation are legal and political uncertainty, the lack of integrated strategies for territorial management, weak state institutions, low control and monitoring capacity, lack of financial incentives and low opportunity costs and low value added to forest products produced and exported with very little processing.

Some of the opportunities for development relate to the different experiences with forest management and the ongoing process of policy formulation regarding a sustainable and integrated forest management model and other environmental

sector plans. Forest management is highly relevant in terms of climate change mitigation and adaptation and to improve the livelihoods of people living in poverty, almost exclusively indigenous peoples.

Bolivia has a potential for increasing the production of renewable energy (and cleaner technology), including wind, solar, hydro and bio energy. The Government is developing a strategy for renewable energy with Danish support. A major constraint for this is the subsidies to petrol, diesel and liquid gas. It can take years before the government will be able to significantly reduce the level of subsidies. If the framework conditions improve, renewable energy would be a good opportunity for Danish support.

In Bolivia a lot of energy is wasted in the transmission of power, in buildings and in industry. There is a potential to improve energy efficiency significantly. There is also a potential to promote cleaner technology in other areas, such as a more efficient use of water resources in agriculture and industry. Danish development cooperation has good experiences to build on in this regard and there is a potential for the involvement of Danish know-how.

The following key results are expected:

- Strengthened forest and biodiversity conservation in national parks and forestry areas.
- Climate change mitigation and adaptation through integrated forest management.
- Improved energy efficiency and use of renewable energy.
- Increased use of Danish know-how and increased Danish investments in cleaner production and sustainable forest management (such as timber related products).

Content/areas of intervention

Cooperation with the Ministry of Environment and related relevant public organisations at the central level is expected in order to improve environmental norms and regulations, strategic environment assessments, monitoring and the evaluation of the environment, including forest resources, which is a continuation of previous efforts.

Continued cooperation is also expected regarding the sustainable management of the national parks. In addition, support will be provided to bio-diverse areas focusing on the Amazon Basin. This is expected to be carried out through support for the implementation of the new law for Mother Earth which includes the establishment of a mechanism to promote sustainable forest management with the close involvement of indigenous peoples' organisations and territories, central and local authorities, civil society and the private sector.

It is estimated to involve the capacity building of local actors in territorial planning and the sustainable production of forest products to the benefit of the indigenous peoples in the areas, and the preservation of natural resources and ecosystems and the mitigation of climate change, to the benefit of coming generations. These efforts will help strengthen self-government at local level. A key activity will be the development of instruments that can increase productivity in a sustainable way and contribute to reducing the expansion of agricultural lands, which occurs through deforestation.

Support will be provided to promote energy efficiency in cooperation with the relevant ministries and the private sector. It will be assessed on an ongoing basis whether there is the potential for support for the development of renewable energy. If potential is there, efforts will also be undertaken in this field.

Continued support is also expected to help civil society promote environmental rights and the rights of Mother Earth in accordance with Bolivian legislation and the rights of indigenous peoples.

5 MONITORING AND EVALUATION FRAMEWORK

The overall development in Bolivia and the momentum in the cooperation will be continuously monitored by the embassy. At least once a year the embassy's appraisal of the overall development will be documented with specific emphasis on political developments and risks, human rights and economic, environmental and socially sustainable development, including green growth.

Monitoring will be based on the monitoring frameworks of partners. If these have not been developed, support will be provided for their development. It will also be ensured that indicators for key results and other output and activities etc. will be defined and monitored, even when partners do not have a well-functioning framework, e.g. in relation to the promotion of Danish investments and commercial relations.

Close dialogue will be maintained with all partners, with agreements on joint management and organisation of the cooperation, including planning procedures, budget decision making, reviews, reporting, accounting etc.

A high-level consultation is expected to take place midway in the 5 year period, i.e. in 2016 or as the need arises. The consultations will be undertaken based on a mid-term review of the preliminary implementation of the country programme.

6 COMMUNICATION

The embassy will continue to ensure communication of challenges, opportunities and results in Bolivia with a main focus on development cooperation.

The embassy's plan for communication in Denmark and Bolivia will be continuously updated in accordance with the changing needs and opportunities that arise with changing technologies etc.

Key elements in the communication plan are expected to be: regular updates on the embassy's Facebook page; the continued preparation of an annual report on development cooperation for the

Danish public; continuous news feeds in the Danish and Bolivian media, when opportunities arise, including in cooperation with – and the financing of – Danish and Bolivian journalists; talks and interviews in Bolivia and Denmark offered to interested audiences; the adaptation of public diplomacy materials compiled by the Danish Government and others etc.

ANNEX 1

KEY DATA

KEY ECONOMIC DATA	UNIT	SOURCE
Area	1,083,300 km ²	WBI
Population (2011)	10,09 Million	WBI
GDP (2011)	23.9 USD bn	WBI
Annual economic growth (GDP) (2011)	5 %	WBI
GNI per capita (Atlas method) (2011)	2020 USD	WBI
Growth in GNI per capita	3.7 %	WBI
Ease of doing business (2012)	153	(DB)
ECONOMIC SECTORS: VALUE ADDED (% OF GDP)		WBI
Agriculture (2011)	12 %	WBI
Industry (2011)	34 %	WBI
Of which manufacturing	13 %	WBI
Services etc. (2011)	54 %	WBI
Government spending (% of GDP) (2007)	22 %	WBI
Tax revenue (excluding grants, % of GDP) (2007)	17 %	WBI
Development assistance per capita	68 USD	WBI
Net official development assistance (% of GNI) 2012	3.6 %	WBI
Debt service (ratio to exports)	4.9 %	WBI

KEY SOCIAL DATA	UNIT	SOURCE
Population growth (annual average) (2011)	2%	WBI
Life expectancy (2010)	66 years	WBI
Infant mortality (deaths per 1000 births during the first year) (2010)	42	WBI
Access to clean drinking water (percentage without access) (2008)	25.4 %	GoB
People btw. 15–49 years living with HIV (2009)	0.2 %	UNAIDS
Adult literacy rate (2008)	91 %	WBI
Primary education (Net Enrolment Ratio) (2010)	94 %	UIS
Girls in primary education (Net Enrolment Ratio) (2010)	94 %	UIS
Military expenditure (percentage of GDP) (2011)	1.4 %	WBI
DISTRIBUTION OF INCOME (PERCENTAGE OF NATIONAL INCOME)		
Richest 10% of population (2008)	43.3 %	WBI
Poorest 10% of population (2008)	0.45 %	WBI
KEY ENVIRONMENTAL DATA	UNIT	SOURCE
Ratio of area protected to maintain biological diversity to surface area	16 %	CBD
CO ₂ equivalent emissions per capita, including land use (2004)	9.2 ODP tons	UNFCCC
KEY HUMAN RIGHTS DATA	UNIT	SOURCE
Ratification of main international human rights instruments (12 in total)	No. 12	OHCHR
Compliance with main international human rights instruments		OHCHR

WBI World Bank Indicators, World Bank
DB Doing Business, World Bank (<http://www.doingbusiness.org/data/exploreeconomies/bolivia/>)
WDF World Development Federation
UIS UNESCO Institute for Statistics
CBD <http://www.cbd.int/protected/overview/> OHCHR: <http://www.ohchr.org>

ANNEX 2

DENMARK'S BILATERAL DEVELOPMENT COOPERATION WITH BOLIVIA

The present country programme includes support for three sector programmes: (i) agriculture/ productive growth, (ii) the environment, and (iii) education; and two thematic programmes focusing on public sector reforms and improved access to justice. Support for the promotion of the rights of indigenous people as an independent programme was phased out in 2010. There is a focus on gender equality and the rights of indigenous peoples within all programmes.

Sector Programme Support to the Agricultural Sector (2010–2013, DKK 170 million).

The programme focuses on private sector-led economic growth and job creation based mainly on agricultural production. The immediate objectives include support for capacity building in the Ministry of Agriculture in order to improve its ability to implement poverty reduction policies and strategies and to coordinate major national programmes. This includes support for applied agricultural research and consultancy services to seed producers, and a programme for local economic development.

Thus, Danish support is expected to contribute to increasing the incomes and hence living conditions for 15,000 small farmer families in the highland regions by supporting prioritised agricultural value chains (from production to processing and marketing).

Through private sector organisations the programme moreover supports primarily small and medium enterprises to increase their income, employment and value added, with focus on the processing of agricultural products and on the improvement of the business climate through the establishment of strategic alliances between private and public actors.

Finally, the programme supports the access to finance for small and medium scale enterprises in urban areas and small farmers in rural areas through the establishment of a guarantee fund. In all components of the programme there is a focus on promoting gender equality and the rights of indigenous peoples.

Sector Programme Support for Education (2010–2014, DKK 136 million).

The programme primarily supports the Ministry of Education's strategic education plan. Key Danish priorities include the promotion of basic education, bilingual education and technical education relevant to the labour market. In addition, a minor level of support for the indigenous peoples' educational councils is included, focusing on the promotion of indigenous rights in education, including bilingual and intercultural education.

Sector Programme Support for the Environmental Sector (2006–2013, DKK 230 million).

The programme contributes to the Bolivian Government's objective to support pro-poor sustainable development. The programme includes a series of actions carried out in cooperation with the public sector, civil society and the private sector. Public environmental management is strengthened at both the central and decentralized levels, including through the support of the National Programme on Protected Areas (SERNAP) and support for the National Programme for Watershed Management.

Introduction of cleaner technology in the industrial sector and the prevention, control and remediation of pollution in the mining sector all contribute to reducing pollution and increasing the competitiveness of private enterprises.

Finally, support for civil society advocacy is provided through a network of environmental organisations, just as environmental research is supported in strategic areas. In mid-2012 the support for interventions related to the reduction of mining pollution, to the introduction of cleaner technology, and in support of the National Programme for Watershed Management was phased out.

Supporting the judiciary (2009–2013, DKK 80 million).

The programme focuses on improving access to justice in Bolivia through a two pronged strategy: the aim is partly to improve the provision of public services with a specific focus on women's and indigenous peoples' legal problems, and partly to contribute to the strengthening of the judiciary in the longer term through the institutional strengthening of key institutions and better coordination between these institutions, supplemented by support for monitoring mechanisms, information and advocacy.

Improved access to justice is supported through the establishment of centres providing integrated legal services for citizens in poor urban areas in the provinces. The institutional support includes the strengthening of the Ministry of Justice, the judiciary, the public prosecutor and public defender, leading to improvements in the performance of the courts, and generally contributing to the effectiveness of the legal system.

These initiatives are supplemented by support for a network of civil society organisations engaged in advocacy for justice. Support to the ombudsman institution was phased out in 2011 as part of the division of labour between donors.

Support for reform of the public sector (2007–2013, DKK 110 million).

The programme contributes to the modernisation of the public sector at the state and other central levels (regions and municipalities). The programme aims to help the Bolivian Government's efforts to address structural problems in the public administration through institutional reforms and the formulation of policies for the public sector.

This objective is supported through efforts at both the central and decentralised levels of public administration, aimed at creating an inclusive, transparent and efficient public sector. At the central level, this includes strengthening the institutional capacity of the institutions that are mandated to prevent, investigate and punish corruption. At the local level the support includes investments in productive infrastructure and services that meet the needs of the local population and the actors in the productive sector in a number of municipalities, mainly in the countryside.

In addition to the sector programmes, a number of activities are implemented within the "Business to Business" Programme, now Danida Business Partnerships, where 23 on-going partnerships receive support for projects within agribusiness, IT, textiles, coffee and chocolate production etc.

Disbursements for the bilateral development cooperation with Bolivia were DKK 149 million in total in 2012. In addition, approximately DKK 16 million was disbursed through the B2B programme in 2011.

A number of Danish NGOs are active in Bolivia within the areas of education, health and agriculture as well as in support for labour organisations. Finally, a number of research collaborations between Danish and Bolivian research institutions are supported through funds allocated by the Research Council for Development Research.

ANNEX 3 OVERVIEW OF PROGRESS TOWARDS THE MDG'S IN BOLIVIA

MDG INDICATOR	Baseline	Actual level	MDG 2015	Likely, potentially likely or unlikely to meet the MDG goal
GOAL 1 ERADICATE EXTREME POVERTY AND HUNGER				
Proportion of population living in extreme poverty	41.2 % (1996)	26.1 % (2009 p.)	24.1 %	Likely
Proportion of children below 3 years w. chronic malnutrition (low height for age)	37.7 % (1989)	20.3 % (2008)	19.0 %	Likely
GOAL 2 ACHIEVE UNIVERSAL PRIMARY EDUCATION				
Net coverage in primary school	94.3 % (2001)	90.0 % (2008 p.)	100 %	Potentially likely
Primary school completion rate				
Literacy rate of 15–24 year olds, women and men				
GOAL 3 PROMOTE GENDER EQUALITY AND EMPOWERMENT OF WOMEN				
Proportion of boys over girls completing primary school	2.8 % (2001)	-1.8 %	0	Completed
GOAL 4 REDUCE CHILD MORTALITY				
Mortality rate for children under 5 years (of 1000 live births)	129.4 (1989)	63 (2008)	43.1	Unlikely
GOAL 5 IMPROVE MATERNAL HEALTH				
Maternal mortality level (deaths per 100,000 live births)	416 (1989)	229 (2003)	104	Unlikely
Proportion of births attended by skilled health personnel	33 % (1996)	67 % (2009)	70 %	Likely
GOAL 6 COMBAT HIV/AIDS, MALARIA AND OTHER DISEASES				
HIV/AIDS prevalence in population (per 1 million inhabitants)	2.5 (1996)	82.6 (2009)	13.0	Unlikely
GOAL 7 ENSURE ENVIRONMENTAL SUSTAINABILITY				
Proportion of the population with access to clean drinking water.	57.5 % (1992)	74.6 % (2008)	78.5 %	Likely

Source: 6th MDG monitoring report

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