

COVER NOTE - COUNCIL FOR DEVELOPMENT POLICY

AGENDA ITEM 5

1. OVERALL PURPOSE For discussion
2. TITLE: Denmark-Bolivia Partnership Policy, 2014-18
3. PRESENTATION FOR PROGRAMME COMMITTEE October 2012

4. EXECUTIVE SUMMARY

A continued partnership with Bolivia will focus on poverty reduction, sustainable development and green growth and promotion of human rights in line with the Strategy for Denmark's Development Cooperation. Denmark has an interest in maintaining development cooperation in South America, and a dialogue with Bolivia promoting key Danish global policy priorities within human rights, sustainable development (green growth), climate change and biodiversity, due to the global importance of the Amazonia, as well as to deepen commercial relations. Bolivia is still in a fragile transition from widespread poverty and huge inequality, to a consolidated democratic and more equal society based on the rule of law, and on a sustainable development path. Continued development cooperation, which is the main Danish policy instrument, can help this transition and is justified by: 1) the potential for results in terms of reduced inequality of human rights fulfilment and income, reduction of poverty and promotion of sustainable development; 2) Bolivia's commitment to a rights based development; 3) the needs that exists in the mentioned transition; and 4) the mutual trust between the two countries.

5. STRATEGIC QUESTIONS FOR THE COUNCIL FOR DEVELOPMENT POLICY

1. Are the strategic objectives and intervention areas sufficiently justified
2. Is it justified not to provide general budget support?
3. Is there sufficient emphasis on the links between development cooperation and promotion of commercial relations between Bolivia and Denmark?
4. Are the synergies between the different intervention areas well described?

Denmark – Bolivia Partnership Policy 2013-2018

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Table of Content

1. INTRODUCTION	4
2. DENMARK'S PARTNERSHIP WITH BOLIVIA; OVERALL VISION AND STRATEGIC DIRECTION	4
3. CHALLENGES, OPPORTUNITIES AND RISKS	5
4. OBJECTIVES AND OVERALL STRATEGY IN THE DANISH-BOLIVIAN PARTNERSHIP	8
5. STRATEGIC FOCUS AREAS	11
6. MONITORING AND EVALUATIONS FRAMEWORK	17
7. COMMUNICATION	17
ANNEX 1: KEY ECONOMIC AND SOCIAL DATA	18
ANNEX 2. DENMARK'S BILATERAL DEVELOPMENT COOPERATION WITH BOLIVIA	19
ANNEX 3. OVERVIEW OF PROGRESS TOWARDS THE MDGS IN BOLIVIA	21

1. Introduction

A continued partnership with Bolivia will focus on poverty reduction, sustainable development and green growth and promotion of human rights in line with the Strategy for Denmark's Development Cooperation. Denmark has an interest in maintaining development cooperation in South America, and a dialogue with Bolivia promoting key Danish global policy priorities within human rights, sustainable development (green growth), climate change and biodiversity, due to the global importance of the Amazonia, as well as to deepen commercial relations. Bolivia is still in a fragile transition from widespread poverty and huge inequality, to a consolidated democratic and more equal society based on the rule of law, and on a sustainable development path. Continued development cooperation, which is the main Danish policy instrument, can help this transition and is justified by: 1) the potential for results in terms of reduced inequality of human rights fulfilment and income, reduction of poverty and promotion of sustainable development; 2) Bolivia's commitment to a rights based development; 3) the needs that exists in the mentioned transition; and 4) the mutual trust between the two countries.

Danish development cooperation with Bolivia dates back to the 70'ies. It was stopped in 1980 due to a military coup, but resumed in 1994 based on a new Bolivian political commitment to promote development to the benefit of the people in poverty, most of whom were indigenous peoples.

The results have generally been satisfactory:

- Improved recognition of indigenous peoples' rights, e.g. through implementation of intercultural and bilingual education and titling of 12 million hectares of indigenous territories.
- Thousands of smallholders have seen their income and job conditions improve, which has contributed to poverty reduction and reduced conflict level. Better infrastructure in rural areas has improved conditions for small and medium scale enterprises, particularly in agriculture and improved access to markets.
- Girls, indigenous peoples and other vulnerable groups have been given better access to education, promoting the right to education for all.
- Support to strengthen capacity to manage biodiversity resources and promote sustainable development has resulted in better livelihoods for indigenous peoples in protected areas and improved conservation practices. In the State Mining Company, Danish support has been instrumental in the creation of a capable environmental management department and reduction of contamination of heavy metals. Cleaner technologies that have saved water and energy resources, reduced pollution and improved competitiveness have been introduced in hundreds of enterprises, thanks to Danish cooperation.
- Selected public services have become more transparent, effective and better through Danish support to public sector reforms such as in issuing of free certificates for high school graduates, implementation of a new ID-card systems, and improved access to justice, to mention a few, with a reduction of opportunities for corruption.

2. 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. Supporting the Bolivian government in promoting the broad set of human rights, including economic rights related to growth and job creation, civil and political rights, and the need to ensure a sustainable management of natural resources, such as forests and agricultural land and promote introduction of greener technologies together with energy efficiency, necessary for sustainable development. Deficiencies of capacity in planning and planning systems, including absence of a medium-term financial framework, and in implementation of development programmes is a more binding constraint in Bolivia than lack of available financial resources. Therefore the Danish financing to each area and partner organisation will be relatively small compared to e.g. most African countries, and general budget support will not be relevant. More focus will be given to easing the capacity constraints. Dialogue and co-operation between the private sector, civil society and the government is hampered by lack of mutual confidence. Focus will be on promoting partnerships between the public and private sector and civil society to the extent possible.

The main policy instrument will be bilateral development cooperation. Denmark will, however, also actively promote human rights in Bolivia through multilateral forums such as the UN Commission on Human Rights and other UN organisations and development banks. Policy dialogue on issues such as climate change, sustainable development and human rights will also complement the bilateral development co-operation and help develop the framework conditions for consolidation of democracy and human rights, including the role of civil society. Dialogue will to a large extent be carried out in close cooperation with the European Union and its member states present in Bolivia. Finally, but not least business cooperation and commerce will be promoted, building on the Danida Business Partnership Programme and making use of the experience already gained through the support to the productive sectors.

3. Challenges, Opportunities and Risks

The political situation in Bolivia will remain relatively stable. President Morales' victories in 2005 and 2009 reflected the desire of Bolivians for a change towards control over the natural resources, equality and respect for the rights of people living in poverty. Morales' first period was marked by conflicts with the old political elite leading up to the approval of the new constitution in early 2009. The constitution recognises explicitly human rights, including the rights of indigenous peoples and the rights of Mother Earth. After a low level of conflicts in 2009-10, the level rose in 2011 and 2012. The conflicts, most of which are peaceful, relate to dissatisfaction among workers and small business associations, indigenous peoples and communities, most of whom voted for Morales. They are well organised and use their local power to demand more social and economic benefits such as access to natural resources and public investments. This is a strength for Bolivian democracy. Although the number of conflicts is expected to stay at a relatively high level, the government will most likely be able to manage them with a continued strong economy. The government dedicates significant resources to conflict resolution. The opposition is weak, and it is likely that Morales and MAS will win the next elections in 2014, although Morales has not yet proclaimed that he will stand.

The human rights situation in Bolivia is improving in most areas, with progress in the respect of human rights in many areas, including e.g. in non-discrimination and in social and economic rights. The key challenge is a very weak judiciary, which is not independent of political and economic

interests. This weakness is also recognised by the government. Access to justice is low, especially for people in poverty, women and indigenous peoples. There are deficiencies in respect of indigenous peoples' right to consultation, and a high level of violence against women.

Corruption is widespread. Many high profile cases have come out in the open, a number of which have also led to convictions. This did not occur with former governments. In 2011, Bolivia ranked as number 105 of 176 countries on the corruption perception index of Transparency International. The combat against corruption is a Government priority, but the task is difficult as it is a deeply rooted in Bolivian institutions.

Extreme poverty is decreasing and access to basic social services is improving. Bolivia has an annual income per capita of 2,000 USD (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 higher in rural areas, and among the indigenous peoples and women. Inequality has fallen, but Bolivia is still one of the most unequal countries, globally.

Bolivia has improved its economic indicators. Annual growth has been 4-6% in 2006-2012, helped by past investments in gas and mining, and high commodity prices. Exports more than doubled since 2006 resulting in a surplus on the current account. The higher gas taxes have enabled increased spending in social sectors, infrastructure and income transfers to the poor. For the first time Bolivia has a fiscal surplus. Several challenges lie ahead, including the high dependency on revenues from gas and the 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 buffers (foreign reserves and low debt). Major risks relate to a fall in commodity prices, social unrest, and lack of productive investments to help diversify the economy, which is very dependent on natural resources.

Productive and private investments are low due to an uncertain business climate, market failures and infrastructure bottlenecks. Deficient dialogue between the government and the private sector makes prospects for improving the business climate dim. Gas and mineral resources constitute economic opportunities. The government plans increases in exploration, exploitation and industrialisation of these resources, but it will most likely be a slow and bumpy process. There are also opportunities in agriculture and forestry to increase production and value addition. Investment in agriculture is low and productivity only half the average of South America.

Environmental problems are exacerbated by poverty and include erosion and soil depletion, deforestation, loss of biodiversity, floods and droughts, and pollution. Climate change will have negative implications on development, through changes in the availability of water. Water resource available to a large part of the population, including El Alto and La Paz will be reduced due to rapidly melting glaciers. Logging and the expansion of farmland destroys every year about 300,000 ha of forest, mostly in the Amazonas, which is also negatively affected by climate change. This primarily affects the livelihood of indigenous peoples. It also contributes to global warming. Due to deforestation, CO² emission per capita is comparable to emissions in Europe. Continued social conflicts over access to natural resources in forest areas are expected. 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 recruitment of staff with fewer qualifications. Political affiliation – the need to be able to trust staff – appears (now as before) more important for recruitment of staff than qualifications. A contributing factor to weak capacity is the fact that MAS does not have as many qualified people in their ranks as former governments, who were mostly representing the elite. Furthermore, wage levels are low for many public servants. Although, the benefits of a more stable and professional civil service is recognised widely in the government, it is not likely that there will be a significant change during the next 5 years in recruitment policies. The weak capacity of the public sector is a more critical bottleneck for the development of longer term plans and their efficient execution than lack of financial resources. Development co-operation plays a critical catalytic role in helping alleviate this bottleneck.

Internationally Bolivia is allied to the ALBA group of countries, but committed to regional cooperation (including UNASUR and CELAC). The strength of ALBA is highly dependent on Venezuela's commitment and strength. Bolivia has recently asked to become member of MERCOSUR. Bolivia in general maintains good relations to its neighbours. With Chile, Bolivia has a century long conflict over a demand for sovereign access to the sea. There is a slight possibility that the conflict be solved. Although the area of coca production is falling, due to Bolivia's own efforts and some international cooperation, it is a major regional and international concern that cocaine production and transit trade is increasing. Most of the cocaine coming from Bolivia goes to Brazil and South American countries and Europe. Relations to the USA remain strained. Bolivia plays a role in international efforts to promote sustainable development and in Climate Change negotiations. The strong commitment of both Denmark and Bolivia on these issues constitutes a ground for future cooperation to mitigate and adapt to climate change and promote global sustainable development (green growth). Bolivia is also an ally in the promotion of human rights, including women's reproductive and sexual rights, and rights of minorities and indigenous peoples.

Commercial and business opportunities are mainly related to the partnerships developed through the Danida Business Partnership programme. Danish businesses have shown a big interest for developing partnerships in Bolivia with more than half of 23 projects resulting in joint-ventures or other forms of continued commercial relations. Through the Danida Business Partnership, Danish enterprises can use Bolivia as an entry to other South American markets. Potential areas include agroindustry, renewable energy, environment, energy, textiles and organic products. It is also expected that there will be more opportunities for Danish exports in the next 5-10 years as modernisation of the extractive industries and industrialisation of the natural resources takes root. But the market is still small.

The National Development Plan is currently under revision. The plan will most likely reflect the goals (i.e. what) the government wants to achieve, rather than how it will achieve the goals. It will continue to have a very strong focus on sustainable development, industrialisation of natural resources, diversification of the economy with more emphasis on small scale farms and enterprises, protection of the environment, including sustainable forest management, promotion of social rights, including the rights to education and health for all, access to water, access to justice and improved and modernised public services. The challenge for the government will be to develop the strategies defining how the plan can be implemented. Improving the relatively weak overall monitoring framework for the national development plan and deficiencies in the coherence between planning at national and sector level is now given higher priority. The development partners, such as Danida can make a positive contribution

in this area.

Development cooperation funding is small in relation to the government budget, around USD 650 million from 2007-2010 annually, constituting around 3 per cent of GDP or 15 per cent of the public investment budget. Internal resources, which financed only 37% of public investment in 2005, accounted for almost 85% in 2012. Bolivia has increasingly gained access to development loans and launched successfully a bond issue of 500 million dollars last year. Main donors are EU, Spain, Netherlands, Denmark, Sweden, Germany, Japan and Switzerland. The (grant) aid level will likely continue to fall gradually with Netherlands phasing out.

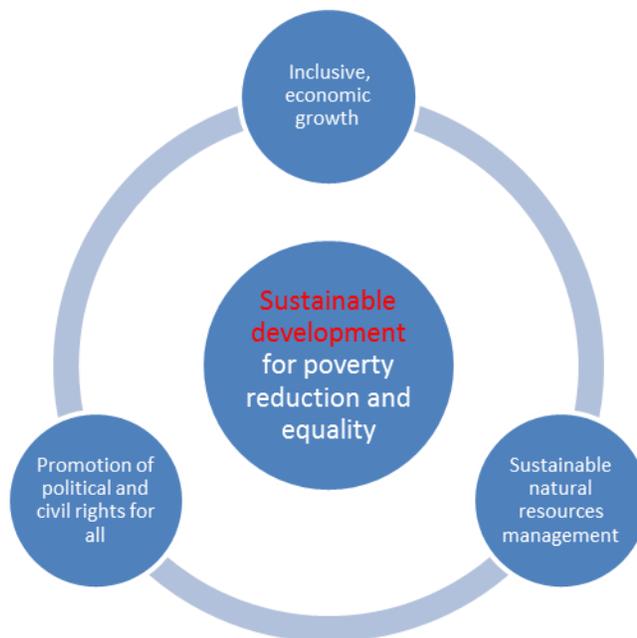
There are major risks that may affect reduction in poverty and respect for human rights and inequality, and affect sustainable development negatively. The high economic dependence on commodity exports and tax revenues leaves Bolivia exposed to falls in commodity prices, which could reduce income and revenue making conflicts difficult to manage. This exposure will be higher if productive investments do not take off, in industrialisation of natural resources, in agriculture and manufacturing. Failure to improve the judiciary and police could result in more trafficking in cocaine and people, undermining democracy. Finally, there could be – although small – risks 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, these risks could negatively affect political stability, human rights, democratic consolidation, and reduction of poverty, economic activity, and sustainable management of natural resources.

4. Objectives and overall strategy in the Danish-Bolivian partnership

The overall aim of the Danish-Bolivian partnership for 2013-18 is contribution to **reducing poverty and inequality in respect of human rights on the basis of sustainable development**. The strategic objectives are:

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

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



The three objectives are interlinked and will directly strengthen the economic, civil and political and environmental rights of those 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 revenue and the government's policy of a continued increased level of public investment and services such as education, health, water, infrastructure etc. to the benefit of those living in poverty and vulnerability and in areas, where such services are not provided. 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 creation of more and better jobs in agriculture and manufacturing, including small scale businesses to help provide employment for a growing labour force and for those who leave low productivity jobs in agriculture and small scale mining.

Increasing agricultural productivity could help lower the pressure for new land and deforestation. The Danida Business Partnership Programme is expected to contribute to introduction of green technologies, job creation and improved commercial relations between Bolivia and Denmark. Through the EU, support will be provided for further developing the trade regime between Bolivia and the EU promoting trade, job creation and sustainable development.

The rule of law is critical to promote the respect for political and civil rights, to consolidate democracy further, and to fight trafficking of drugs and people. Rule of law is also important to secure more private sector investments (property rights, contract enforcement) and hence economic development, and to ensure sustainable use of natural resources and respecting the rights of indigenous peoples. Close policy dialogue on issues related to promotion of rule of law and human rights in Bolivia will be pursued, bilaterally and together with the EU, as will dialogue on critical international human rights

issues such as women's reproductive and sexual rights, rights of minorities and indigenous peoples. Contributions to UN efforts for the promotion of human rights in Bolivia will be another important instrument, including active participation in the Universal Periodic Reviews by the UN Human Rights Commission and through UN organisations such as the UN Office of the High Commissioner for Human Rights.

As Bolivia is one of the world's most bio diverse countries and one of the countries, most vulnerable to climate change, promotion of sustainable management of natural resources will be important not only for the future of Bolivians, but also for the global future. Introducing better legislation, participatory management capacity and technologies in the use of natural resources can help decrease poverty now and at the same time preserve natural resources for the use of future generations. Development cooperation, including climate financing and Danida Business Instruments will be the key Danish instruments, as well as an active policy dialogue with Bolivia, especially on sustainable development and climate change nationally and internationally.

Support through Danish civil society organisations and research cooperation is still very relevant and will continue to be part of the Danish policy instruments in the pursuit of sustainable development in Bolivia and globally.

Denmark will actively contribute to promote EU objectives of stability, democracy and development, and regional cooperation in South America, to help prevent a growing gap between ALBA countries and other countries, reduce supply and transit of drugs, establish common ground with Bolivia on climate change issues, and promote European trade and investments. The EU members are formulating a European Coordinated Response to ensure a division of labour in development cooperation with government and with a view to establish joint programming from 2017. Trilateral cooperation will also be looked into.

It is likely that Bolivia within 10 years or so may reach the GDP ceiling for Danish bilateral development aid (USD 2690 per person in 2012). The Partnership Policy therefore also emphasizes business related partnerships, technology transfers and expanding commercial relations. Denmark will be willing to take active part in a Bolivian-led strategy of phasing out development cooperation if and when needed.

A main challenge, which will be addressed, is the low capacity in the public sector for medium-term planning and organising of service delivery to meet the demands in accordance with the rights of the citizens. As civil society in Bolivia is relatively strong, support to civil society advocacy through bilateral cooperation will be limited but focused. The rights of civil society to democratic participation, to control service delivery and to get access to information will be prioritised in the political dialogue, including with the EU delegation and member states.

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

The design of the programme will apply the principles of human rights based development and have particular focus on the four key principles of non-discrimination (with a strong focus on the rights of women and indigenous peoples), transparency and accountability (including strong focus on combatting corruption) and participation (with support to civil society and a special strong focus in the policy dialogue in the maintaining and developing good framework conditions for the participation and inclusion of citizens and their civil society organisations in policy development and legislative processes as well as social control of the public sector organisations and their execution of their mandate. Furthermore, the following principles will guide the process of design of the country programme:

1. Interventions will be agreed in close dialogue with partners with a view to development effectiveness and division of labour, including facilitation of public-private dialogue and partnerships.
2. Priority will be given to institutional and capacity development of the public sector and co-financing of service delivery, which partners can fully sustain once Danish support is phased out.
3. Compared to other Danish partner countries, funding per sector and partner will be less, as the critical bottleneck is not financial resources, but the capacity to plan and execute funding effectively.
4. Flexibility in order to provide quick support, when windows of opportunities open up for difficult reforms such as reforms removing privileges or opportunities for corruption.
5. Exit strategies will be developed in cooperation with partners and with anticipation of 3-5 years in those areas where Danish assistance will be phased out by the end of the 5-year period.

5. Strategic focus areas

Strategic objective no. 1: Promotion of inclusive and sustainable economic growth

Justification – major challenges and opportunities

The high rate of poverty demonstrates the need for continued focus on ensuring economic growth and job creation, which benefit the poor. Most of the people living in poverty work in small scale agriculture and/or the informal economy, where services such as commerce are a large provider of jobs. The production of natural gas and the modern mines that have contributed most to growth, exports and the increase in public sector revenue do not provide many jobs.

Production and productivity in agriculture are low, mainly because of low technical capacity within the sector. Land customs in the highlands and valleys to a large extent prevent merging of small farms into more economically feasible farm sizes. Deficient access to finance and markets are other constraints. Small innovations can result in high impacts in terms of productivity and at the same time reduce pressure on natural resources. Currently the agricultural frontier is advancing rapidly (with some 300,000 ha of forest cut down annually) in the tropical lowlands, as people from the highlands and valleys migrate because of lack of economic opportunities.

The rate of change from subsistence type agriculture to a market orientated production is still very slow, especially in the highlands and valleys. The current cooperation between Denmark and Bolivia

supports this change process and has developed intervention models with promising results. At the same time demand for agricultural products is increasing, internally, driven by Bolivia's economic growth, and externally through higher demand for special Bolivian products like quinoa, traditionally produced by communities living in extreme poverty. In the tropical lowlands agriculture is often driven by foreign capital investing in high yielding production. Production systems are not very sustainable as there is a deficiency in the incentives to invest in preserving land fertility and as there is still new (forest) land available at low cost.

However, increasing agricultural production and productivity will not be able to create sufficient jobs. Even if it helps increase income in rural areas, migration to the urban areas will continue, where the migrants now are absorbed by the informal, mainly commercial sector. So there is an additional need to improve decent employment opportunities in the urban areas.

Investments in the private sector are low at present – less than 10% of GDP. Even if this figure may not account appropriately for the investments carried out in the huge informal economy, it is a challenge for Bolivia to increase private, productive investment. At the same time, the home market and a growing tourism provide good opportunities (also for Danish enterprises). The opportunities for increased production are not fully exploited, as the private sector – including international investors – does not have confidence in the government's commitment to a good business climate. A number of laws and regulations for the private sector, including small scale business sector, are outstanding and there is a need – and hence an opportunity – for supporting the development of these. Improving confidence 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 and farmers and introduce 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 deficient, but there are opportunities to facilitate such dialogue – even in the face of the other tendency of increased state involvement in production.

The following key results are envisaged:

- Increased income, productivity and food security among small holders, women and men
- Increased public and private productive investments
- Increased number of decent jobs for women and men
- Improved framework conditions for productive sector development
- Increased Danish investments and increasing sustainable commercial relations with Bolivia facilitating technology transfer, enhancing competitiveness, in accordance with the UN Global Compact principles

Contents/areas of intervention

Support will be provided to the Ministry of Rural Development's mandate of policy development and monitoring at central level; to the Ministry's programme to increase small scale agricultural production, productivity, processing and marketing in the poorest areas of Bolivia with co-financing from local level governments and the farmers. Furthermore, the national agricultural and forestry research institute will be supported, promoting public-private partnership in the development and application of better seeds and more sustainable production methods. This support will be provided with other partners,

including World Bank and Switzerland.

Support to small and medium sized enterprises will be provided through cooperation with relevant business organisations at the national level, building on good experience. Focus will be on assisting the small and medium sized enterprises in improving access to technology, markets and finance contributing to increased productivity, sales and decent jobs. Furthermore, support is envisaged to promote policy making and dialogue between the private sector, the public sector and labour at the national and local level to help improve the business environment and labour rights. This support could be supplemented by co-financing activities agreed by the parties, such as technical education, job policies for youth, improvement of working environment etc.

Support to the sustainable use of natural resources in forest and national parks, will contribute to job creation, including production based on forest products, ecosystem services, and tourism.

Danida Business Partnership will facilitate economic development and job creation through cooperation between Bolivian and Danish business leading to increased Danish investments in Bolivia. Furthermore, Danida Business Finance could possibly provide financing for relevant projects within environment, renewable energy etc. Emphasis will be put on promotion of human rights, including labour rights, environmental sustainability and anti-corruption in line with the UN Global Compact.

Involving Danish research institutions could further promote sustainable development in agriculture and other productive sectors.

Efforts will also be undertaken to help facilitate co-operation between Danish resources (research institution, businesses etc.) and Bolivian partners who need access to modern and green technology, which could promote sustained relationships with some justified development co-funding, i.e. that the activities contribute effectively to the development objectives.

Strategic objective no 2: The promotion of political and civil rights

Justification, major challenges and opportunities

It remains a challenge for Bolivia to improve the quality and quantity of public services to all citizens in a non-discriminatory way. In many areas of the country the state is not present and basic services are easily available. Capacity and quality in public organisations is weak with corrupt practices. 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, e.g., low because of non-presence of the judiciary in many areas of the country and/or because of lack of knowledge and resources and discriminatory practices. This is particularly the case for indigenous peoples and women, who are subject to violations of their sexual and reproductive rights at a high rate.

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

It is not surprising then, that the public's confidence in the justice system and the police is very low due

to a) violations of human rights; b) delay of justice; c) lack of transparency, with numerous cases of corruption; and d) interference by political and economic interests. Aside from the influence of economic and political power, the causes include 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, 4) inadequate and cumbersome legal procedures.

Bolivia is in the middle of a process of profound change in the way the branches of power are organized, particularly the executive branch and the judiciary. The aim of the government, which is shared by Denmark, is to make the state and its services more effective, more accountable and present in all parts of Bolivia for all Bolivians. This process requires significant reform of key institutions like the judiciary. Many of these reforms are and will be resisted by those groups who benefit from status quo. The government has to navigate between 1) many specific interests (which generate conflicts), 2) a huge reform agenda, 3) limited human resources, and 4) very cumbersome procedures. Some of these reforms do not require large external financial resources. But they do require external partners who are flexible, willing to share risks and provide quick up-front financing. The external partners must therefore be risk willing, have the ability to understand the political economy and the sufficient capacity to engage.

Bolivians are generally well organized in demanding their rights. It is assessed that the most binding constraints for promotion political and civil rights and the rule of law are in the public organisation that are the duty bearers.

Denmark has for some years supported the judiciary, and (together with Sweden) key public sector reforms, promoting transparency and reducing opportunities for corruption and others. There is a trustful relationship between Denmark, Sweden and Bolivia on dealing with these critical and often sensitive challenges.

The following key results are envisaged:

- Improved access to justice, benefitting the most vulnerable groups, including women and indigenous peoples, through improved services and more geographic coverage
- Improved access to selected public services, benefitting the most vulnerable groups, including women and indigenous peoples through improved services and more geographic coverage
- Improved coordination and links between selected public sector organisations to reap benefits of economies of scale
- Improved citizens' confidence in key services of the judiciary and other public organisations, including with reference to combatting corruption
- Improved management capacity of other public sector organisations supported by Denmark in the other sectors

A significant part of support (20-30 %) will need to be arranged in a flexible way, which permits it to be directed at the areas, where there is an important need and at the same time opportunities for promoting change. This implies an incremental approach to reform. However, priority will be given to

areas where the impact on the rights of the poorer parts of the populations, including women and indigenous peoples, is significant. It will be important to work together with at least one more donor partner in the area.

Contents/areas of intervention

Support will be given to the justice system and to improvements of key public sector services through agreement with the co-ordinating Ministry of the Presidency.

The programming approach will be human rights based. Other key strategic elements in the programming will be: Promotion of results-based management in the partner organisations with a view to transform management from the present focus which is more on controlling whether regulations and procedures are being followed; promotion of coordination and links between public organisations which can benefit from each other's work (such as immigration, registry of persons, tax authority, judiciary etc.) and capacity development from co-financing infrastructure in remote areas, equipment, soft-ware systems, training and technical assistance.

Support to the judiciary is foreseen to be done in co-operation with other donors. The cooperation is foreseen to include the attorney general, the courts, the public defender and others with key roles in the administration of justice. Support to the police will also be considered with a specific focus on promoting women's rights. Civil society is critical and some support is envisaged with a focus on women's access to justice.

The specific areas of support to public sector reforms will be defined with the government and other donors (most probably Sweden). It is expected that support will be given to modernisation and simplification of administrative processes and procedures using modern technology that can reduce waiting times, increase transparency and accountability, reduce discrimination, and improve participation and dialogue between Government and non-government actors, improve inter-institutional coordination etc. Areas of interest are reform of the systems for identification of people, civil registry service and the wider use of this register in areas such as migration and border control (which will help fighting human trafficking), financial sector control (controlling money laundering as part of the fight against cocaine-crime), taxation, supervision of public service providers for consumer protection, education and health etc.

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 is a critical environmental problem, affecting poor people's livelihood, Bolivia's unique biodiversity and contributing negatively to climate change adaptation and mitigation. Among the causes are legal and political uncertainty, lack of integrated territorial approaches, weak government institutions, low control and monitoring capacity, lack of financial incentives, and low opportunity cost and low value added to forest products. Some of the opportunities relate to the diversity of forest management experiences and the ongoing process of policy formulation of a sustainable and integrated forest management model and other environmental sector plans. Forest management is highly relevant in terms of climate change adaptation and mitigation and the possibility

to improve the livelihoods of people living in poverty.

Bolivia has a potential for increased production of renewable energy (and cleaner technology), including wind, solar, hydro and bio energy. Bolivia 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 could take years before the government will be able to reduce significantly the level of subsidies. If framework conditions improve, renewable energy would be a good opportunity for Danish support. A lot of energy is wasted in Bolivia in 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 more effective use of water resources in agriculture and industry. Danish development co-operation has good experience to build on in this regard, including through the involvement of Danish know-how.

The following key results are envisaged:

- Strengthened forest and biodiversity conservation in national parks and forestry areas
- Climate change mitigation and adaptation through integrated forest management
- Improved livelihoods for local communities in parks and forest
- Empowerment of local communities and organisations (civil society) in claiming their rights and in territorial management and integrated sustainable forest management
- Improved energy efficiency and use of renewable energy
- Increased use of Danish know-how and increased Danish investment in cleaner production and sustainable forest management (such as timber related industries).

Contents/areas of intervention

Support will be provided to bio-diverse areas, such as the departments of Beni, Pando and the north of La Paz covering a large part of the Amazonia, in addition to the national parks.

Development of instruments that increase agricultural productivity in a sustainable manner and help reduce the expansion of agricultural frontier.

Support will be provided to public institutions at central level in the formulation of environmental norms and regulations; strategic environmental assessments; integrated and sustainable forest management; control, monitoring and evaluation of the state of the environment.

Support will be provided to promote energy efficiency in co-operation with relevant ministries and the private sector. If feasible, support will be provided for the development of renewable energy.

At local level territorial management and sustainable use of forest resources will be supported through adequate models of interventions in cooperation with indigenous and community organisations, central and local government authorities, civil society and private sector. This would involve capacity building of local actors in territorial planning, governance and implementation of productive initiatives for conservation with emphasis on products from the forest. These efforts will help strengthening local actors' capacity to mitigate and adapt to climate change (e.g. through forest protection, protection of water bodies, fire prevention, eco-system services etc.).

Support will be provided to help civil society promote environmental rights and the rights of Mother Earth in accordance with the legislation and the rights of indigenous peoples.

6. Monitoring and Evaluations Framework

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

Monitoring will be based upon the monitoring framework of partners. If this is not developed, support will be provided for its development, and it will be ensured that indicators for key results and related outputs and activities etc. will be defined and monitored, even when partners do not have a functioning framework, e.g. in relation to promotion of Danish investments and commercial relations.

Close dialogue will be maintained with all partners, with agreements on joint management, including planning framework, decision making, technical reviews, reporting, accounting etc.

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

7. Communication

The embassy will continue to ensure communication of challenges, opportunities and results in Bolivia with main focus on development co-operation. The embassy's communication plan for communication in Denmark and Bolivia will be continuously updated in accordance with the changing needs and opportunities that appear with changing technologies etc. Key elements in the communications plan is expected to be regular updates on the embassy's Facebook; publishing of an annual report on development cooperation for the Danish public; continuously feeding news in the Danish and Bolivian media, when opportunities arise, including in cooperation – and with financing of – Danish and Bolivian journalists; offering talks and interviews in Bolivia and Denmark to interested audience; adapting the public diplomacy material that is developed by the Danish Government and others etc.

Annex 1: Key economic and social data

Key economic data		Unit		Source
Area		km2	1,083,300	WBI
Population (2011)		Million	10,09	WBI
GDP (2011)		Bn USD	23.9	WBI
Annual economic growth (GDP) (2011)		%	5	WBI
GNI per capita (Atlas method)(2011)		USD	2020	WBI
Growth in GNI per capita		%	3.7	WBI
Ease of doing business (2012)		Rank	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 expense (% of GDP)(2007)		%	22	WBI
Tax revenue (excluding grants, % of GDP)(2007)		%	17	WBI
Development assistance per capita		USD	68	WBI
Net official development assistance (% of GNI) 2012		%	3.6	WBI
Debt service (ratio to exports) ()			4.9	WBI
Key social data		Unit		
Population growth (annual average) (2011)		%	2	WBI
Life expectancy (2010)		Years	66	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				
Ratio of area protected to maintain biological diversity to surface area		%	16	CBD
CO2 equivalent emissions per capita, including land use, 2004		ODP tons	9.2	UNFCCC
Key Human Rights data				
Ratification with main international human rights instruments (12 in total)		No.	12	OHCHR
Compliance with main international human rights instruments		No.		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) environment, and (iii) education, and two thematic programmes focusing on public sector reform and improved access to justice. Support to the promotion of the rights of indigenous people as an independent programme was phased out in 2010. There is focus on gender equality and indigenous peoples' rights within all programmes.

Sector Programme Support to the Agricultural Sector (2010-2013, 170 million DKK). The programme focuses on private sector-led economic growth and job creation based mainly on agricultural production. The immediate objectives include support to capacity building in the Ministry of Agriculture 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 extension services to seed producers, and a programme for local economic development, where the 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 is furthermore supporting mainly 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 environment through establishment of strategic agreements between private and public actors. Finally, the programme supports the access to finance for small and medium 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 focus on promoting gender equality and the rights of indigenous peoples.

Sector Programme Support for Education (2010-2014, 136 million DKK). The programme primarily supports the Ministry of Education's strategic educational plan. Key priorities from the Danish side include the promotion of basic education, bilingual education and technical education relevant to the labour market. In addition, a minor support for the indigenous people's 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, 230 million DKK). 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. The public environmental management is strengthened at both central and decentralized levels, including through the support of the National Programme on Protected Areas (SERNAP) and support for the National Program 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 competitiveness of private enterprises. Finally, support to civil society advocacy is provided through a network of environmental organisations, and environmental research is supported in strategic areas. In mid-2012 the support for interventions related to reduction of mining pollution, to the introduction of cleaner technology, and to support for the national programme for watershed management were phased out.

Supporting the judiciary (2009-2013, 80 million DKK). The programme focuses on improving access to justice in Bolivia through a two pronged strategy: firstly, the aim is to improve the provision of

public services with specific focus on women's and indigenous peoples' legal problems and secondly to contribute to the strengthening of the judiciary in the longer term through institutional strengthening of key institutions and better coordination between these, complemented with 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 province. The institutional support includes strengthening of the Ministry of Justice, the judiciary, public prosecutor and public defender, leading to improvements in the performance of the judges, and generally contributing to the effectiveness of the legal centres. These initiatives are complemented by support for a network of CSOs 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, 110 million DKK). The programme contributes to the modernization of the public sector in 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. The objective is supported through efforts at both the central and decentralized levels of public administration, aiming at creating an inclusive, transparent and efficient public sector. At 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 actors in the productive sector in a number of municipalities, mainly in the countryside.

In addition to the sector programmes implemented to activities within the "Business to Business" Programme, now Danida Business Partnerships, where 23 on-going partnerships supported in the agribusiness, IT, textiles, coffee, chocolate, etc.

Disbursements for the bilateral development cooperation with Bolivia were 149 million DKK in 2012. In addition, approx. 16 million DKK were 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 MDGs 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