



Ministry of Foreign Affairs

IOB Evaluation

Impact of Ending Aid

Bolivia country study

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Willem Cornelissen
Caspar Lobbrecht

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List of acronyms and abbreviations

AECID	Spanish Agency for International Development Cooperation
CIDA	Canadian International Development Agency
CIE	Inter-institutional Committee on Education
COSUDE	Swiss Development Cooperation
DAC	Development Assistance Committee
DANIDA	Danish International Development Agency
DfID	Department for International Development
DWH	Department for the Western Hemisphere
EKN	Embassy of the Kingdom of the Netherlands
FAM	Federation of Municipalities
FASE	Fund for Assistance to the Education Sector
FAUTAPO	Education for development foundation
GDP	Gross Domestic Product
GESPRO	Management of Municipal Public Investment
GPE	Global Partnership for Education
GRUS	Coordination round table
ICAPs	Training institutes
IDB	Inter-American Development Bank
IDH	Direct Taxation on Hydrocarbons
IMF	International Monetary Fund
MAS	Movement towards Socialism
MoE	Ministry of Education
PEI	Strategic institutional plan
PIEB	Programme for Strategic Research in Bolivia
REC	Joint evaluation meeting
Sida	Swedish International Development Cooperation
SNV	Netherlands Development Organisation
TGN	General Treasury of the Nation
TIPNIS	Isiboro-Sécure Indigenous Territory and National Park
TSE	Supreme Court for Election
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
VIPFE	Vice-Ministry for Public Investment and External Finance



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Introduction

In 2010, the Minister of Foreign Affairs and the State Secretary for Foreign Affairs of the Netherlands decided to reduce its number of partner countries from 33 to 15. An official argument was the conviction that decreasing fragmentation and specialisation would enhance the efficiency and effectiveness of Dutch bilateral aid. It would give the Netherlands a better position for gaining more in-depth knowledge of the political, economic, social and cultural structures in the (remaining) countries and would help to reduce the costs of operational management. At the same time, the reduction was instrumental for introducing budget cuts, as the government had decided to reduce Dutch ODA from 0.8 to 0.7% of the GDP.

The State Secretary promised to coordinate the partner country choices with other donor countries and the EU in order to achieve a more effective division of labour among donors and to develop a country-specific exit strategy. To ensure a smooth and successful exit, the embassies in question would develop an exit strategy, including a timetable and an assessment of the possibilities for ending the development relationship or transferring the development cooperation programme to other partners. The State Secretary also phased out support to the social sectors (education and health), focusing more on the economic sectors as it was believed that the value added of the Netherlands in the latter would be higher. Budget cuts also hit the Netherlands Ministry of Foreign Affairs, forcing it to reduce the Dutch presence abroad. The embassies in five countries where the Netherlands had decided to phase out bilateral development cooperation were closed as well.

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Bolivia is among the countries where the Netherlands has discontinued its bilateral development relationship. For 30 years, Bolivia was a major recipient of Dutch aid, and the Netherlands was one of the country's major donors. A few months after the Dutch government decided to end development cooperation, it announced that it would be closing the Embassy of the Kingdom of the Netherlands (EKN) in La Paz as well.

The House of Representatives in the Netherlands has requested an analysis of the effects of the budget cuts in bilateral aid on developing countries. In a reaction, the State Secretary promised that the independent evaluation department of the ministry (IOB) would evaluate the effects of discontinuing the development cooperation partnership.

The aim of the evaluation is to assess the impact of ending bilateral development cooperation on the former partner countries:

- at the macro level, focusing on the Dutch decision to phase out and the effect on total aid and the policy dialogue;
- at the micro level, focusing on the impacts on specific programmes and projects that were previously supported by the Netherlands.

IOB conducted six country case studies: Bolivia, Nicaragua, Guatemala, Burkina Faso, Tanzania and Zambia. The evaluation department selected these countries on the basis of income level and the relative importance of Dutch development assistance for the country. In each of the six country studies, the evaluation analyses the impact on key sectors that received Dutch support.

This report summarises the results for the Bolivia case study. It presents the findings that assess the impact of ending support to the education and the governance sectors. The report is based on an analysis of information obtained through interviews with various stakeholders, the review of documentation and existing evaluation reports, and the analysis of financial and other statistical information. Willem Cornelissen (Erasmus University) and Caspar Lobbrecht (IOB), with valuable support from national consultant Rafael E. Rojas Lizarazú.

Chapter 2 presents the country context. Chapter 3 discusses the phasing-out process. Chapters 4 and 5, respectively, discuss the impact of ending support on the education and governance sectors. Chapter 6 presents the main conclusions.



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Country context

2.1 Introduction

This chapter outlines Bolivia's recent political and socio-economic development in order to contextualise the Dutch exit decision. The chapter examines economic prosperity in Bolivia and the subsequent reduced role for development cooperation.

Bolivia has traditionally been one of the smallest economies in Latin America. Since colonial times, the country has had a dual economy with, on the one hand, a subsistence economy producing food crops and raising some livestock and, on the other hand, a formal economy depending on the extraction of minerals, hydrocarbons and agricultural products for exports. The semi-nationalisation of oil and gas in 2009 led to sharp increases in the public budget and a stable budget surplus. Bolivia's economy picked up, with growth rates of about 5%-6% in recent years.

2.2 Political development

Bolivia experienced significant political change over the past decades. Until the early 1950s, the political, public administrative, economic, military, judicial and religious powers were intertwined and in the hands of some 20 families. The majority indigenous population lived in rural communities, in semi-feudal circumstances. In 1952, a national revolution took place, fuelled by social inequalities in urban areas, the mining industry and commercial agriculture. The revolution hardly addressed the main concerns of the indigenous peoples. Frequent coups d'état by military juntas with little understanding of macro-economic stability used the instrument of monetary expansion to close fiscal gaps. Social unrest and political chaos led to the call for military rule to end, and in 1982 this resulted in the election of the civilian Hernán Siles Zuazo.

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The return to democracy was the main reason for the Netherlands to offer development cooperation in 1984. The restoration of democracy was accompanied by a major macro-economic transformation, guided by the International Monetary Fund in its first 'structural adjustment' programme, applying a broad range of neo-liberal policies (IOB, 1998). Among the measures taken were those aimed at restoring fiscal discipline by increasing revenue and cutting expenditure; the liberalisation of trade; the reform of the financial sector; the privatisation of public enterprises; and incentives for private sector investment. These policies neither affected the traditional communities (since these were largely based on subsistence farming and barter trade), nor did they deal with the concerns of the indigenous peoples, such as the recognition of territorial rights, the autonomy of their nations, the protection of living areas (forest) in the lowlands, lawlessness, and political and social marginalisation.

Since such a radical change initially has a high social price, the mitigating ‘social dimension of adjustment’¹ introduced reforms to address issues of civil participation in the state (the Law on Popular Participation in 1994 and the Law on Administrative Decentralization in 1995), but also ensured that more attention was paid to persistent poverty problems through the poverty reduction strategy papers that were a condition of international debt relief initiatives (e.g. the heavily indebted poor countries initiative). But still, the territorial rights and political recognition of the many indigenous peoples remained hardly addressed, while the privatisation of social services made many poor people in Bolivian society feel that their basic rights were being threatened.

This culminated in the so called ‘Water War’ in Cochabamba (2000), when massive protests were able to expel the foreign company that had managed to gain ownership of the water resources in the region. The subsequent popular and *campesino* movements (2000, 2002 and 2003) were triggered by the unattended concerns of indigenous population groups on issues such as property and land rights, the recognition of indigenous rights and nationality. The increasing unrest led to the demand for the replacement of President Sanchez de Lozada, who was perceived as the driving force behind the neoliberal model. In an environment of a politically and socially deeply divided society, elections were held in 2005 and the Movement towards Socialism (MAS) won with 54% of the votes.

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Under the leadership of President Evo Morales, the MAS government was immediately challenged by the high expectations regarding institutional and economic change, and the inclusion of the indigenous poor. The government turned away from the neoliberal economic model and adopted what it calls the ‘neo-state model’, based on welfare optimisation, respect for Mother Earth and a pyramidal, inclusive democracy. Substantial investments were made in the social sectors, adopting widespread literacy campaigns and massive health-care programmes. Furthermore, it was decided to distribute government-owned land to the landless and to reclaim unproductive, privately-owned landholdings for use by poor farmers. Shortly after the elections, the MAS administration passed a hydrocarbons law that required foreign firms (then operating under risk-sharing contracts) to surrender all production to the state energy company in exchange for a predetermined service fee. Observers feared that this ‘nationalisation’ would chase away the international oil and gas companies, but in practice most companies signed new contracts.

¹ The 1994 social dimension of adjustment (the Law of People’s Participation, the Law on Administrative Decentralisation, the Agrarian Reform, the Education Reform and others) were of fundamental importance to pave the way for the political empowerment of the indigenous population and for the development of regional capacities in performing state functions (PIEB, 2012: 38).

The new government also redrafted the constitution from a more indigenous perspective (cosmo vision). The 2009 constitution explicitly recognises 36 indigenous population groups and their languages, remodelling Bolivia from a unitary to a pluri-national state. The deepening of the democratic system was vested in a decentralised model of decision making with autonomy for sub-national governments, with collective welfare optimisation and respect for Mother Earth as constitutional pillars. The process towards sub-national autonomy and the new constitution became conceptual antagonists: the demand for regional autonomy had its origin in the movements of 2000-2003 when local governments strived for autonomy in an effort to counterbalance the national power. These movements were the same constituency that voted for the MAS in 2005. The push for autonomy was hijacked by the opposition, namely the eastern departments of Santa Cruz, Beni, Pando, Tarija and Chuquisaca. In 2008, violence between demonstrators and supporters of President Morales in Pando resulted in at least 30 deaths. In 'peace negotiations', President Morales and the opposition agreed to hold a referendum in early 2009 and elections in December 2009, while Morales promised he would not run for president again in 2014. With the approval of the Law on Autonomy and Decentralisation in 2010, governmental authority was further subdivided in a complex mixture of decentralisation and real delegation (PIEB, 2012).

The Morales government coincided with an economic bonanza (see 2.3) that brought him the support of voters. Four consecutive national elections weakened and fragmented the opposition: in 2008, Morales looked to reconfirm his mandate and obtained 67% support; in February 2009 the controversial constitution was approved with 61% support; in December 2009 Morales was re-elected with 64% of the votes; and in 2014 he was re-elected with 61% of the votes (despite his 2008 promise). The 2014 elections brought MAS the absolute majority in the chamber and in the senate. Despite Morales' anti-American, anti-capitalist and neo-socialist rhetoric, in practice government has conceded some 'liberal' space to the private sector. This unprecedented cocktail has silenced part of the opposition in the commercial Santa Cruz area, and MAS was victorious in every department of the country except Beni.

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The most severe protests challenging government were those in 2011, 2012 and 2013 against the proposed highway through the Isiboro-Sécure Indigenous Territory and National Park (TIPNIS). These protests consisted of long-haul marches from the Amazonian department of Beni to the capital La Paz. The first march – brutally repressed by the police – was just against the proposed highway, but subsequent marches had a more ethnic character and looked for a lowland indigenous-urban alliance. This potential alliance was a possible political threat to the president (whose constituency is mainly highland indigenous population). The contract with the Brazilian construction firm was cancelled, and the TIPNIS issue continues to be a power struggle with an ethnic background.

2.3 Socio-economic development

While Bolivia has traditionally been one of the smallest economies in Latin America, gas exports triggered a high real GDP growth of 5% on average per year for almost a decade. The semi-nationalisation of oil and gas extraction benefitted the public budget: with the royalties as additional non-tax revenue, the state revenue increased to a high of 49% of GDP (2013). Thanks to these higher revenues, the usual budget deficit became a surplus, and international reserves increased as well. Since Bolivia is linked to the world economy mainly through the export of mining and energy products, the country was largely unaffected by the global financial crisis (2008-2012). The high growth has boosted private consumption as well, as evidenced by a booming construction sector and a diversifying domestic market (EIU, 2015).

	2008	2009	2010	2011	2012	2013 ^a	2014 ^a
GDP (USD billion)	16.7	17.3	19.7	24.0	27.1	30.7	33.0
Real GDP growth (%)	6.1	3.4	4.1	5.2	5.2	6.8	5.8
GDP per capita (USD, PPP)	4,501	4,613	5,180	5,457	5,739	6,118	6,465
Fiscal surplus / deficit (% of GDP)	-	-	1.7	0.8	1.8	0.7	-0.7
Trade balance (USD billion)	1.8	0.6	0.8	0.8	2.4	2.1	1.8
Current account balance (USD billion)	2.0	0.6	0.7	0.4	1.5	0.9	0.5
International reserves (% of GDP)	47.0	45.5	49.9	50.6	51.9	47.6	45.4

Source: World Bank, IMF, International Financial Statistics.

^a Estimated by Economist Intelligence Unit.

The policy of semi-nationalising gas and oil has substantially enhanced the government's ability to mobilise tax and non-tax revenue. The government has been pursuing a public expenditure policy that applies income equality measures combined with structural investments in transport infrastructure and education. Initially, the poverty reduction strategy papers and subsequently the national development plans for 2006-2010 and 2010-2015 focused on social inclusiveness and poverty reduction. Government policies have recognised traditional and communal rights, in addition to individual rights as citizens. Vulnerable groups in society have benefitted from economic prosperity thanks to the improved pension system (*Renta Dignidad*); monetary incentives for parents to keep their children in school (*Juancito Pinto*); and mother and child health care (*Juana Azurduy*). These socio-economic policies reflected fundamental shifts, reversing from the belief in a trickle-down effect of economic growth to the conviction of actively supporting the poor and setting minimum wage and employment condition standards. The Morales administration also invested strongly in infrastructural works, with the recently constructed cableway in La Paz as an appealing showpiece. Various social conflicts (teachers, truck drivers and jail inmates) have been resolved. However, formal employment opportunities are scarce and most people are (partly) self-employed in micro and small businesses (furniture, metal workshops and services) and in agriculture.

Although Bolivia has made progress in reducing its poverty rates (see table 2.2), the demographic composition has led to an increase of young adults in the lower income brackets over the current decade. The accelerated process of rural-urban migration has led to rapid urbanisation. The absolute number of poor and extreme poor are found in semi-urban and urban areas rather than rural areas (Kruijt and Molina, 2009). Bolivia's informal employment ratios remain among the highest in Latin America, and urban informality rates even rose between 2008 and 2011 (CEDLA, 2013). The government was effective in reducing income inequality between 2009 and 2011, but inequality remains substantial.

	2008	2009	2010	2011	2012	2013	2014
Poverty (% of population)	57	51	-	45	43	39	39
Extreme poverty (% of population)	30	26	-	21	22	19	17
Rural extreme poverty (% of population)	52	46	-	41	41	39	36
Gini index	0.53	0.50	-	0.47	0.47	0.48	0.50

Sources: National Statistical Institute (INE). Estimated at national poverty lines.

2.4 The changing role of ODA

The traditional international development partners actively supported the structural adjustment programmes that started in 1984 and continued for a period of 15 years, while from 1998 onwards they continued to support neo-liberal policies, but focused also on the Millennium Development Goals (MDGs) within the framework of the Paris Declaration (2005), the subsequent Accra Agenda for Action (2008) and the Busan Partnership (2011). Linked to the Aid Effectiveness agenda, for some years budget support was the preferred aid modality (IOB, 2006). In recent years, however, various parallel phenomena have led to a substantial change in the composition, character and volume of development cooperation with Bolivia.

The export earnings from the hydrocarbons industry enabled the Bolivian government to channel substantial amounts to the state coffers, leading to a fiscal surplus in most of the years and a surplus on the current account of the balance of payments. Consequently, the government neither needed grant money nor external financing of the fiscal deficit. The importance and influence of international donors for public expenditure shrunk rapidly. The stable budget surplus (except in 2014) subverted the budget support modality as an instrument for donors to engage in a policy dialogue. It also enabled the MAS government to exhibit an independent attitude towards donor conditionality and scepticism regarding the 'old' DAC donors, previously associated with neo-liberal policies. President Morales perceived aid conditionality as interfering with Bolivia's internal affairs and sovereignty. Most traditional donors moved away from working directly with the government and are increasingly engaging with NGOs. The Bolivian government, however, also requires that

NGOs follow and support government policies. International NGOs that do not adhere to this requirement have been expelled from the country. In 2013, President Morales also expelled USAID from Bolivia, accusing the agency of disrupting the stability of the MAS government.²

Traditional donors have been revisiting their policies and strategies both in light of the ‘post-2015 agenda’ and as a result of eroding budgets for development cooperation. Some of Bolivia’s bilateral partners have either phased out their assistance (DfID), are considering doing so (Sida) or have curtailed their available budgets (AECID and CIDA). The European Union is the single donor that has continued to provide sector budget support, while the remaining traditional donors have shifted away from aligned support and the social sectors to project-based support through blended mechanisms aimed at the productive sectors and trade. Consequently, some achievements of the Paris Declaration principles have been reversed (fragmentation in aid and transaction costs), or aggravated by the ‘new’ donors – Cuba and Venezuela, for example – who usually do not adhere to the principles of harmonisation, alignment or the distribution of labour.

	2008	2009	2010	2011	2012	2013	2014
Netherlands	41	45	48	54	38	21	6
IDB		111	175	183	211	273	311
United States	136	110	65	62	53	27	35
EU institutions	43	78	68	51	65	83	36
Spain	89	95	148	51	31	23	22
Germany	55	47	85	43	33	40	44
Other donors	222	257	286	281	266	261	260
Total ODA	586	743	875	725	697	728	714
<i>o/w grants</i>	546	594	650	497	434	391	344
ODA as % of GDP	3.5	4.3	4.5	3.0	2.6	2.4	2.2

Source: Netherlands Ministry of Foreign Affairs, OECD/DAC.

As an alternative to traditional donor support, the Bolivian government welcomes south-south and triangular cooperation. A large number of non-traditional donors, such as South Korea and China, but also Latin American development agencies from Argentina, Brazil and Chile are increasingly supporting Bolivia, providing both economic and technical cooperation.

² Tensions between USAID and President Morales have existed for a longer time; USAID implemented projects discouraging the production of coca leaves and indirectly funded the conservative opposition by ‘enhancing democracy’.

2.5 Challenges

Despite Bolivia's favourable macro-economic outlook, some important challenges remain. To start with, the most important contributor to Bolivia's growth and increased levels of domestic revenue is the export of hydrocarbons and raw materials. Roughly speaking, natural gas has represented about half of all of Bolivia's exports in recent years. The Morales administration wants to diversify Bolivia's economy and export base by – among other ways – processing raw materials. Nevertheless, the country will continue to rely on minerals and hydrocarbons in the short and medium term. Slowdowns in Bolivia's gas exports and declining oil prices may affect the country's trade balance and growth rates.

Table 2.4 Exports							
	2008	2009	2010	2011	2012	2013	2014
<i>in USD billion</i>							
Minerals	1.9	1.8	2.4	3.4	3.7	3.1	3.9
Hydrocarbons	3.5	2.1	3.0	4.1	5.9	6.6	6.6
Total	6.5	5.0	6.4	8.4	11.3	11.7	12.3
<i>as % of GDP</i>							
Minerals	12	11	12	14	14	10	12
Hydrocarbons	21	12	15	17	22	22	20
Total	39	29	33	35	42	38	37

Source: Central Bank of Bolivia.

Despite the government's attempts to enhance the processing of raw materials, Bolivia's productive base remains fragile and thin, and hence depends on imported manufactured goods.³ Consequently, unemployment and underemployment are persistent, as Bolivia's extractive industries do not generate large-scale job opportunities. Poverty figures remain relatively high, and the average income is the fourth lowest in the Latin American and Caribbean region.

When the Netherlands announced that it would end Dutch support (2011), the MAS dominated all five power structures in the country, including the democratically elected judicial power. The country has the characteristics of a single-party system. The opposition is silenced and corruption continues to be widespread. Contrary to what was promised, Morales ran for president once more in 2014, backed by the Supreme Court. President Morales allegedly used government money to sponsor his 2014 election campaign. The election results have further contributed to the accumulation of power, granting MAS a two-thirds majority in the senate and chamber. Although economic inequality decreased, the current government's agenda of social inclusiveness and pluri-ethnicity does not prevent controversies between the government and (lowland) indigenous groups.

³ Bolivia's principal import product is refined petroleum.



3

The phasing-out process

3.1 Introduction

For 30 years, Dutch bilateral aid to Bolivia had the overarching objective to reduce poverty, but also to promote macro-economic stability and support democracy. The Netherlands' formal decision to enter into a bilateral development relation with Bolivia (in 1984) was related to the aim of supporting the democratic process and political stabilisation; it entered into this relationship once it had become clear that Bolivia would become an 'early adjuster' to the neo-liberal economic policy recommended by the IMF (Van Dam et al., 2013). Initially, the Netherlands provided balance-of-payment support, and after 1988 project aid. In 1994, Dutch development cooperation focused on supporting 'second-generation reform': people's participation, administrative decentralisation and educational reform. In fact, this support was maintained up to the point that Dutch development cooperation with Bolivia ended.

During the last decade, in the frame of the Millennium Development Goals, the focus on poverty reduction and social services in Bolivia became more explicit. At the same time, the Netherlands played a pivotal role in the pursuit of the Paris Declaration principles in Bolivia and stressed the importance of harmonisation among development partners, alignment with the government's policies and strategies, and active dialogue and mutual responsibility. After headquarters announced it was ending development cooperation in the country, the staff at the embassy in La Paz did their utmost to adhere to the principles of a responsible exit. The embassy, however, was bound to a tight time schedule and limited financial flexibility.

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3.2 Background: the Dutch role prior to phasing out

Since the 1994 Law on Popular Participation, the Netherlands always supported the process of participation in, and decentralisation of, public administration. After 2006, Dutch development cooperation supported specific components of the agenda of the new government: the Netherlands was the first to provide support to the Ministry of Autonomy established in 2010.

From 2001 onwards, Dutch development cooperation was a frontrunner in terms of how to apply budget support. This approach is based on the concepts of alignment, harmonisation and mutual responsibility. In 2011, almost all Dutch development cooperation was delivered in aligned modalities, such as sectoral basket funds and core funding to non-governmental organisations. The classical project modality hardly existed anymore in Dutch bilateral aid.

Both the government of Bolivia and its development partners considered the Netherlands a flexible partner that showed confidence in the institutions and organisations that it supported. To the Bolivian authorities, the Netherlands was more than just a development partner. Diplomatic relations were usually smooth, characterised by a high level of mutual trust and even sound personal relations. Since the rotation of high officials is frequent in Bolivia, embassy staff has – with discretion – assisted new technical advisors and even politicians in becoming acquainted with the problems and activities in their area of competence (Kruijt and Molina, 2009).

	2008	2009	2010	2011	2012	2013	2014
Education	19.6	14.5	15.2	9.9	7.7	6.4	4.1
Food security	5.1	7.9	10.6	19.0	14.1	5.4	0.0
Environment	3.3	7.4	9.6	11.2	6.3	0.6	0.0
Good governance	3.6	9.2	5.9	7.6	5.7	5.9	0.4
Other	9.7	6.0	6.3	5.9	3.7	3.0	1.9
Total	41.3	44.9	47.7	53.7	37.5	21.2	6.4

Source: Ministry of Foreign Affairs.

Apart from Sweden and Denmark, other development partners did not follow the Dutch ‘fully-aligned approach’, but financed specific programmes the results of which they thought would be easier to monitor and measure. The Dutch policy, in which embassies are mandated to make decisions about development cooperation, contributed to the image of a flexible partner able to respond in a pragmatic way in unforeseen circumstances.

3.3 The exit process

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Prior to 2011, the staff of the Embassy of the Kingdom of the Netherlands (EKN) in Bolivia expected a gradual transition from development cooperation to economic cooperation. An informal outline for such a transition was circulated, but in practice no preparatory measures had been taken to start such a transition. In 2011, the embassy was informed about the decision to end development cooperation with Bolivia by December 2013 at the latest. The Netherlands Ministry of Foreign Affairs did not issue clear guidelines or protocols for phasing out development cooperation, but had indicated some strategic outlines. Specifically, the recommendations demanded:

1. timely communication at a political level with the countries involved;
2. taking into account the interests of these countries;
3. realistic timetable with the participation of the countries in question;
4. flexibility in the allocation of budgets;
5. respecting existing obligations and political commitments; and
6. taking into account the existing institutional capacity, in order to prevent the destruction of capital and to assure the sustainability of results.

The communication about ending development cooperation was timely indeed. The Bolivian government was informed through the formal channels of diplomatic communication. Subsequently, letters were sent to all counterparts, both to entities in the public sector and to NGOs. The head of development cooperation paid a personal visit to most counterparts and recipients to explain the Dutch decision. At the political level, the Bolivian government did not react explicitly to the news, but feared a domino effect, since Dutch cooperation was not only the second-largest in financial terms, but also a spokesman

on behalf of the bilateral donors. On the 'working floor', the Bolivian authorities reacted with regret and disappointment.

In April 2011, the Dutch government decided that it would close its embassy in La Paz on 31 December 2013.⁴ This was not communicated in a timely fashion, not even to the ambassador. The embassy staff found out about the decision from the Bolivian press, and the ambassador had to enquire with the ministry in The Hague whether the news was true or not. Once confirmed, the EKN informed the authorities about the Dutch government's intentions to close the embassy and to scale down the level of diplomatic representation. From the Bolivian perspective, the unilateral decision to change the diplomatic status quo was perceived as a political signal and undermined the long and sound diplomatic and political relations between the Netherlands and Bolivia.

EKN informed the donor community about the Dutch withdrawal from development cooperation through the existing coordination mechanisms. From the outset it was clear that the options for taking over other development partners' programmes or activities were bleak (IOB, 2013). All support to the public sector were joint, aligned approaches, such as basket funding. Other partners in these baskets had their own multi-annual budget commitments and could not shift allocations easily. New donors preferred project funding and were not willing to embark on administrative and procedural alignment with government systems, and were not properly equipped to become involved in policy dialogue. For support to NGOs, similarly, there were no other donor willing or able to take over the core funding arrangements. At best, other donors were interested in funding some programme components.

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There was a certain friction between the EKN and a few development partners, who blamed the Netherlands for 'pulling the plug' at a moment when fundamental changes in both Bolivian society and international cooperation were taking place. Given the intensive cooperation with Sweden and Denmark at the time, these countries were the most likely candidates, on paper at least, to take over some of the activities. Denmark, however, indicated that it planned to discontinue development assistance to Bolivia as well, while Sweden was straddling the fence (up to late 2014), uncertain about the future of its assistance to Bolivia. Among the traditional development partners, only Spain, the European Commission and some multilateral development banks were likely to continue their programmes with Bolivia. This largely restricted the EKN's options to find alternative funding for Dutch-funded activities. The EKN did not assist the Bolivian government in identifying alternative financing possibilities, such as twinning relations or higher-end technical assistance.

⁴ The EKN proposed to the Ministry of Foreign Affairs to close the embassy in mid-2014, so that there would be time to wind up, in an orderly administrative way, the development programmes on 31 December 2013 (audit and financial closure). However, the Department for the Western Hemisphere (DWH) insisted on the date of December 2013. As a pragmatic solution, the EKN proposed to DWH to focus full attention on winding up activities and dismantling the embassy in 30 days. This suggestion was rejected, however, with the argument that the premises could be sold on 1 January 2014. In practice, there were no buyers for the premises and it was sold one year later, in December 2014.

The embassy did make an effort to take into account the interests of Bolivia and to develop a realistic timetable with input from the Bolivian authorities, though within the restrictions set by the ministry, so with no flexibility concerning the two-year time frame. As a component of the exit strategy, the embassy staff put together files on each individual activity, in which all commitments and obligations were registered and outlined. A leading principle of the exit process was to respect all existing commitments and avoid the transfer of obligations to third parties as much as possible. EKN had an open and frank dialogue with the Vice-Ministry for Public Investment and External Finance (VIPFE). This dialogue at ‘the working floor’ level took place during moments of tension, since the relationship between the government and international development cooperation had become turbulent.⁵ In this dialogue, the EKN expressed concerns about certain programmes implemented through the government (education, the elections court and the ombudsman) that were faced with expected shortfalls for the implementation of their programmes due to the exit of Dutch support. At the political level, the Bolivian authorities trivialised these concerns by indicating that the country’s budget was sufficient to compensate for the loss of external grants and that sufficient expertise was available to continue all activities. At the ‘working floor’ level, these concerns could not be so easily removed, however. There were no in-depth conceptual discussions about sustainability or about which (management) instruments could be applied for a smooth transition. The interest of the government was guided by its current priorities and concerns. For example, the Morales administration was more inclined to allocate domestic resources (TGN) to education than to the ombudsman. The justification of the existence of the latter had been publicly questioned by the president.

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The EKN respected existing (financial) obligations and was flexible in the allocation of budgets. The given time frame of two years for ending the Dutch presence was too short for ongoing programmes with a longer time horizon, such as the basket funding for the education sector and the joint funding of the ombudsman. In these cases, special arrangements were made in order to ensure that existing commitments could be respected: timetables were modified; resources were ‘swapped’ with Sweden for the basket funding of the education sector; additional funds were set aside for non-governmental organisations (FAUTAPO and PIEB) to give them time to look for alternative funding arrangements.

The initial idea of conducting a large series of evaluations was not realistic considering the lifespan of the activities and the time available for ending Dutch cooperation with Bolivia. The EKN did, however, coordinate a systematisation of experiences and lessons learnt from 25 years of development cooperation with Bolivia, encompassing education, environment, gender and emancipation, productive development, good governance, socio-economic research and culture. The narrative of this systematisation was published in the booklet *Brillar Juntos*.

⁵ This situation was further aggravated after Bolivia expelled both USAID in May 2013 and the Danish IBIS in November 2013, and the president threatened to expel more NGOs ‘for interfering in politics’.

Smoothly ending development cooperation and closing an embassy simultaneously requires sound management of a complex operation and implies a high workload. The need for this process was not recognised, as the gradual reduction of the international staff at the EKN in La Paz illustrated, while senior level posts were either fulfilled by temporary staff or not at all. Local staff had to assume the additional workload. Although it had been the intention to transfer several tasks to the EKN in Lima, this embassy was faced with a situation in which two countries (Ecuador and Bolivia) were added to its operational mandate, while it was reducing staff. While the EKN in Lima was supposed to shape economic and trade relations with Bolivia, it lacked the manpower to do so.

The ending of bilateral development cooperation did not mean the end of all Dutch support instruments in Bolivia. Bolivia remained eligible for funds that are directly managed by the Ministry of Foreign Affairs in The Hague (central funds). Since the Netherlands' policy was to embark on a transition 'from aid to trade', it was important that existing programmes remained open to Bolivia, such as the one that promoted imports from developing and middle-income countries (CBI) and the one that provided management assistance to private sector initiatives (PUM). Bolivia is also eligible for other private sector support programmes, such as DRIVE⁶ and the Dutch Good Growth Fund (this fund was launched after the 'exit' from Bolivia).

3.5 Conclusions

After 30 years of development cooperation, the Netherlands decided to phase out completely in about two years. The decision to end development cooperation with Bolivia was taken unilaterally and not together with other like-minded donors in a joint approach. The time frame of two years, imposed by the Ministry of Foreign Affairs, had to be strictly adhered to, even if this was not pragmatic. This made it a difficult task to exit responsibly in the spirit of the recommendations.

The additional workload that accompanies a simultaneous ending of development cooperation, closure of the embassy and shaping of a new relationship based on economic ties (managed from the EKN in Lima) was not supported by an appropriate human resource strategy. Within that context, the EKN's staff managed to develop a joint EKN-Bolivian timetable to end the support and showed flexibility in resource allocation. Contrary to the expectations at the time, no new external donors could be identified for most ongoing activities.

⁶ The Development Related Infrastructure Investment Vehicle (DRIVE).



4

Education

4.1 Introduction

This chapter outlines the development of Dutch support to the sector and the impact of Dutch withdrawal. The majority of education expenditure took place at decentralised levels, while Dutch support to the basket fund contributed directly to the Central Ministry of Education's budget. However, this does not mean that ending basket support had no consequences. Prolonged basket funding would have resulted in higher budgets for teacher training and curriculum transfers, and could have indirectly improved the country's low quality of education. The effects were more severe for organisations that had received core funding from the Netherlands in the past. As no other donors could be identified, several activities have come to a near or complete standstill.

4.2 Development

The MAS government increased Bolivia's expenditure on education substantially (both in absolute terms and as a % of GDP), fluctuating around 8% in recent years. Absolute expenditure on education increased threefold during the decade 2005-2014. The Central Ministry of Education's share of the public budget is relatively small, since the majority of public funds is either transferred to or provided by subnational governments, from the hydrocarbons revenue laws that oblige subnational governments to investment in the social sector (IOB, 2011), for example.

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With the aim of enhancing nationwide inclusiveness in primary education, the MAS government launched the conditional cash transfer programme *Juancito Pinto* in 2006. Initially, this programme provided a financial bonus of BOB 200 (almost 30 USD) to the parents of children from lower-income households finishing a year of (primary) school. The government extended the conditional cash transfer several times, in terms of covering beneficiary households and the eligible school period. Since 2013, it has served families from all income brackets with school-going children until the fourth grade of secondary school. The total number of beneficiaries increased substantially over time, and in 2014 over two million bonuses were disbursed.

The MAS administration also implemented an adult literacy programme with technical assistance from Cuba (*yo sí puedo, yes I can*). The programme intends to support Bolivia's most marginalised social groups, using literacy as a social tool for transformation. The programme primarily focuses on the rural population, since the majority of Bolivia's illiterate population is from rural areas of the country (Steele, 2008) and of indigenous origin. After the president declared the country free of illiteracy in 2009, the government launched the post-literacy programme *yo sí puedo seguir* (*yes I can continue*), aimed at providing Bolivia's newly literate adult population with continuous assistance.

The Dutch drive towards the sector-wide approach in education became the benchmark for the donor community in Bolivia. Between 2006 and the new constitution in 2009, the focus of the educational programmes was on access to primary education in line with the

Millennium Development Goals. In 2010, the new Education Law 070 focused on intracultural and intercultural education, as well as on the new 'decolonisation' of curricula. As opposed to traditional academic learning, education would now focus on practical learning within students' own living environments, aimed at 'feeling well' instead of 'earning well'. The 2009 constitution granted education as a fundamental right to which each person has free access and for which the state holds primary responsibility. The government drafted a national development plan (PND 2010-2015) in line with the Education Law 070, based on the country's pluri-ethnic and multilingual character.

The Central Ministry of Education formulated a strategic institutional plan (PEI 2010-2014) to serve as the basis for donor support. The aid modality was basket funding. The PEI is a planning instrument for the transition process towards a strategic 'revolution in education' as established in the new constitution. The development partners contributed about 15% of the PEI's overall budget. The basket fund would be largely aligned, making use of all administrative procedures for the public sector, but the financial flows and administration were kept separate. The PEI does not support all aspects of the educational sector, but is restricted to supporting functions of the central ministry: planning, organisation, monitoring and evaluation, financial management, internal control, acquisition, anti-corruption measures, financial incentives and public accountability.⁷ The PEI comprises the four axes mentioned in the strategic institutional plan:

1. Equity and opportunity, (this is mainly the *Juancito Pinto* bonus);
2. Quality of education, (computers for teachers, infrastructure, training of teachers and bonuses for rural teachers);
3. Education and productive work, (equipment and infrastructure); and
4. Strengthening management capacity, (mainly contracting of consultants).

The donor basket funding was not earmarked for the *Juancito Pinto* subsidy, which largely absorbed the ministry's resources, but rather it focused on investing in infrastructure, equipment and teacher training, the ministry's management.

Monitoring progress in Bolivia's education sector remains a difficult task. Attempts were made by Beta Gama (2014) and HIFAB (2010), but these did not lead to any kind of profound understanding. According to Beta Gama (2014), two-thirds of the goals from the PEI 2010-2014 were attained and some targets were even exceeded, while about a third was at risk of not being attained during the implementation period. However, in the Bolivian context, there are several reasons why the usual indicators for the educational sector, such as enrolment rates, cannot be used.⁸

⁷ Beta Gama Consultores SA. 2014. *Análisis de Capacidades Institucionales*. Ministerio de Educación, Informe Final. Embajada de Suecia.

⁸ According to UNESCO's figures, primary enrolment rates in Bolivia have decreased in recent years. However, there is a known problem with Bolivia's net enrolment rates, already outlined by IOB (2011: 87). 'In 2006 the unique student register (RUDE) was installed, whereby information began to be gathered directly from the students and their parents via a questionnaire with a unique identification for each student. ... The implementation of the RUDE can therefore lead to erroneous conclusions regarding the evolution of enrolment in Bolivia. However, it is possible that in reality enrolment has not changed much, and that the decline observed reflects the impact of the implementation of RUDE.' Estimating enrolment figures based on national household surveys, IOB (2011) indeed found that net primary enrolment rates increased somewhat across all age groups between 2001 and 2009.

Educational quality can be measured in different ways. The most basic and commonly used measure focuses on quality as outcome and measures learning achievements using test and examination scores, typically in language and mathematics (IOB, 2011). Table 4.1 demonstrates that the quality of education in Bolivia remains below the targets and, as a whole, did not increase between 2010 and 2014.

	2010	2011	2012	2013	2014	Target 2014
Mathematics – Primary	43	43	45	44	45	55
Mathematics – Secondary	44	44	44	43	43	55
Language – Primary	43	44	46	42	43	55
Language – Secondary	46	46	46	45	46	55

Source: Beta Gama (2014).

4.3 The role of the Netherlands in the sector

Between 1994 and 2014, the EKN in Bolivia disbursed over 30% of all Dutch aid to education. After the introduction of the sector approach, the Netherlands selected education as one of its priority sectors for Bolivia (IOB, 2006). The Dutch policy in the sector not only aimed to support the reform processes, but also to highlight certain aspects, such as closing the gender gap in access to education, devoting attention to indigenous groups, and strategic research for policy improvement and quality monitoring.

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The overall objective of the support to the education sector was to improve quality and equity in the Bolivian educational system. The EKN used two main instruments for supporting the education sector in Bolivia: sector support to the Central Ministry of Education and complementary support and funding to national and international NGOs and research. The delegated authority of the EKN and its subsequent extensive involvement in the sector enabled the embassy to build a strong reputation in the donor community (IOB, 2011). Table 4.2 demonstrates the (largest) Dutch contributions in the education sector.

	2008	2009	2010	2011	2012	2013	2014
Support to the Ministry of Education	9.5	8.1	8.3	6.0	6.8	5.3	3.7
Vocational education (FAUTAPO)	6.8	5.6	5.0	2.9	0.0	0.0	0.0
Policy related research (PIEB)	0.7	0.4	0.7	0.6	0.8	1.0	0.5
Quality of education	1.2	0.4	0.7	0.4	0.1	0.0	0.0

Source: Ministry of Foreign Affairs

Support to the public sector

Since 2004, a group of development partners jointly supported the PEI of the Ministry of Education in a sector-wide approach and made partly aligned financing available through basket funding. The Netherlands was the most important stakeholder and the informal lead partner in the coordination round table (GRUS) for the education sector. The formal lead rotated. In practice, there was an array of different coordination levels with respect to the Ministry of Education: the joint evaluation meeting (REC), the Inter-institutional Committee on Education (CIE), the donors group and thematic working groups.

Over a decade, the basket fund *Fondo de Apoyo al Sector Educativo* (FASE) was the main channel for the Netherlands, Sweden (Sida), Denmark (DANIDA), Spain and later on UNFPA for supporting the education sector. After the finalisation of FASE I in 2010, a total of USD 93.4 million was committed for FASE II (August 2010 to December 2014).⁹ The basket fund supports the functions of the Central Ministry of Education and not the entire education sector, the total resources of which are much higher as a result of the budgets provided by sub-national governments (Law on Administrative Decentralisation and Law IDH).

The other donors contributing to the FASE II basket fund were Denmark, Spain and Sweden. The basket fund amounted to 76% of the investments of the strategic institutional plan, implemented by the Ministry of Education. Emerging donors, mainly China and Cuba, made up for about 11% of the ministry's investments (Conexión, 2015). At the same time, however, investments in the education sector at sub-national levels rose substantially between 2009 and 2013. Basket funds only contributed to the Central Ministry of Education.

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	2010	2011	2012	2013	2014
Investment in education	177	170	233	326	302
Total expenditure on education	1,565	1,770	2,068	2,515	2,436
Investment Central Ministry of Education	11	18	27	27	38
Total expenditure Central Ministry of Education	114	83	106	101	119
Credibility (in %)	92	86	92	88	-
<i>Central Ministry of Education, by source</i>					
Basket fund	23	18	26	22	-
Other donors	3	1	4	1	-
Domestic resources	79	58	70	73	-

Source: The authors' own calculations. Based on VIPFE, the Ministry of Education, the Ministry of Economy and Public Finance and Conexión (2015).

⁹ Joint Appraisal Document. Support to the Strategic Institutional Plan of the Bolivian Ministry of Education 2010-2014. According to the systematisation of experiences, the amount was USD 75 million.

Expenditure and investment on education rose sharply between 2010 and 2010, mainly at the sub-national levels. The basket, however, only financed the Central Ministry of Education. At the ministry, the funds were mainly used for capital expenditure, allowing continued high domestic allocations to the *Juancito Pinto* bonus. According to the Bolivian authorities, the conditional cash transfer reduced school dropout rates from 6.4% in 2006 to 1.5% in 2013. On top, the bonus was progressive in nature and modestly decreased Bolivia's economic inequality.¹⁰

	2010	2011	2012	2013	2014
<i>Juancito Pinto</i>	46.3	50.9	52.2	57.1	63.2
One computer per teacher	49.8	0.3	10.0	0.5	0.1
Other current expenditure	7.2	13.1	16.4	16.7	17.7
Total current expenditure	103.3	64.3	78.8	74.4	81.0
Infrastructure and equipment	6.4	7.5	10.9	13.4	24.0
Other investments	4.8	10.7	16.3	13.1	13.8
Total capital expenditure	11.1	18.2	27.2	26.6	37.9
Total expenditure	114.4	82.5	106.0	101.1	118.9

Source: Authors' calculations. *Conexión's* (2015)

Since external basket resources provide a discretionary funds, the Ministry of Education used this primarily for investment. Administratively, the Central Ministry of Education allocated basket fund resources to strengthen the ministry's management capacities, to train teachers, to establish and equip tele-centres and to develop and equip technical and vocational training and technology institutes. In detail, the funds financed:

- 'Fixed-term consultants' (*consultores de línea*). The institutional capacity of the Ministry of Education was limited and there was a shortage of highly skilled staff (IOB, 2011). With funds from the basket, the ministry employed 'fixed-term consultants' for various key positions in the ministry. These consultants were directly and solely paid from the basket fund. In total, about 26% of all staff at the MoE was paid for by donors in 2009;

¹⁰ Using micro-simulation techniques to estimate the impact of *Juancito Pinto*, Yáñez (2012) demonstrated that the bonus effectively increased school enrolment rates by 3.6 percentage points. The enrolment effect is progressive in nature as the observed impact is larger in rural areas and in the poorer segments of Bolivian society; school enrolment increased from 89% to 93% for the poor population, compared to an increase from 96.0 to 97.7 for the non-poor population. Indeed, Arauco et al. (2014) argue that *Juancito Pinto* is Bolivia's most progressive conditional cash transfer. Medinaceli and Mokrani (2010) also demonstrate the bonus' progressive nature. Since the eligibility criteria were extended to all households in 2013, it is uncertain whether the same progressive effects still exist. Finally, reflecting the higher opportunity costs of going to school at a later age, Yáñez (2012) found that the enrolment effect is higher for younger children. While the *Juancito Pinto* bonus did not directly reduce poverty, the poverty gap and inequality among the poor decreased slightly as an effect of the conditional cash transfer.

this figure decreased to 22% in 2012 (Beta Gama, 2014). The ministry increased its capacities and benefitted directly from hiring technical staff (IOB, 2011).

- Infrastructure and equipment. The basket fund facilitated the ministry to spend additionally on the improvement of infrastructure, computer equipment in so-called telecentres, and the equipment of technical and vocational education.
- Curriculum transfer. The basket fund was used to implement Education Law 070, by investing in the development of a new curriculum that pays attention to intracultural and intercultural education. By 2012, however, only seven regionalised curricula were aligned with the new core curriculum, compared to the planned 15 in 2014 (Beta Gama, 2014). In 2012, only 25% of the teachers had been trained to implement the new curriculum (Beta Gama, 2014).
- The adult post-literacy programme *Yo sí puedo seguir*. The Bolivian authorities state that the country is free of illiteracy as a result of the *Yo sí puedo* programme.¹¹
- Teacher training. In order to improve the quality of education, the ministry used funds from the basket to organise teacher training and professionalisation programmes, for teachers at all levels of schooling.¹²

Support to non-governmental organisations

Since the Netherlands did not implement projects directly, the EKN acted mainly as financier (and sometimes as strategic advisor) in its support to non-governmental organisations in the educational sector. In contrast to most other development partners, the Netherlands provided core funding. Between 2008 and 2014, the embassy mainly supported FAUTAPO, Plan International and PIEB.

Initially, the AUTAPO project was the product of an agreement between the Vice-Ministry for Higher Education, Science and Technology and the EKN in 1997, aimed at improving and promoting the career path for Agronomy and Veterinary Services at universities in Tarija and Potosi. The FAUTAPO foundation was established in 2005, as a vehicle for the implementation of AUTAPO. FAUTAPO developed and adapted itself to new circumstances over time. For example, it focused on the production and marketing of quinoa, within the framework of the EKN's product chain' approach. Over time, FAUTAPO expanded and diversified and obtained financial support from, inter alia, IDB and Switzerland. From 2011 onwards, FAUTAPO's technical training programmes were integrated into the EKN's

¹¹ The programme is progressive in the sense that it mostly benefits society's poorer groups (Arauco et al., 2014). Hernani-Limarino et al. (2015), however, did not find evidence, apart from the fact that the programme did reduce levels of illiteracy for women in urban areas faster than in a control group. Although Beta Gama (2014) did not observe a relation between the number of people enrolled in the literacy programme and the (il)literacy rates in the country either, it found that the programme did have some significant, but small positive effects on mechanical reading and writing communication skills.

¹² Programa de Profesionalización de Maestros Interinos (PPMI), Programa de Educación a Maestros de Secundaria (PEAMS) and Programa de Formación Complementaria (PROFOCOM).

productive sector programme, in line with the orientation of the programme and the increasing contribution by the private sector. By late 2013, FAUTAPO had trained well over 14,000 persons in close to 200 municipalities (Yapu, 2013).

Dutch support to Plan Internacional aimed to improve the quality of education in local communities, and it was implemented with financial contributions from a number of municipalities. The programme was coordinated with the Ministry of Education, but implemented by partners of Plan Internacional. The contract expired in 2011 and the external donor support was taken over by Sida. This transfer took place prior to the exit programme and hence was independent from the ending of the Dutch development cooperation with Bolivia.

PIEB (*Programa de Investigación Estratégica en Bolivia*) was established in 1994 as a product of a Dutch initiative to strengthen the capacities of non-students involved in science-based research on Bolivia's social and political development.¹³ The programme aimed to provide politically independent research on socio-economic development to the Bolivian population. The funding of the programme, initially a subsidy from central funds (Ministry of Foreign Affairs) became a multi-annual contract funded by decentral (embassy) resources. After two consecutive three-year funding periods (2004-2006 and 2007-2009), PIEB entered into a five-year funding period up to 2014. After the closure of the embassy, for the last year of the contract (2014) the financial responsibility was handed over to the ministry in The Hague. In total, 331 studies were completed by 1,127 researchers and PIEB established a university component, with accreditation and recognition by the state. Since 2004, the potential ending of Dutch development cooperation funding had been a regular subject in meetings between the Dutch development cooperation and PIEB's management. Over the years, PIEB remained highly dependent (85%-90%) on Dutch core funding, notwithstanding study assignments contracted by the embassies of France, Canada, the United Kingdom and Switzerland. None of these potential donors was willing or able to provide core funding like the Netherlands.

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4.4 The phasing-out process

The public sector

From the outset, the development partners in the basket fund pursued a strategy of temporary support to enhance the institutional capacities of the Central Ministry of Education. Since the start of FASE II (2010), the partners agreed to provide support for the duration of the strategic institutional plan (PEI), up to 2014. The likelihood of a subsequent, third phase of the basket fund were bleak after that and chances were further reduced due to changes in the orientation of international development cooperation and the generation of more domestic revenue by Bolivian tax authorities. With FASE II set to continue until late 2014, the withdrawal of Dutch development cooperation had little (or no) effect on the decision to discontinue the basket fund support to the educational sector. It is highly likely

¹³ For an extensive description of PIEB, see EKN (2013).

that the other development partners would have reduced their contributions to the education sector anyway in the post-Millennium Development Goals (2015) period.

Shortly after the Dutch decision to end development assistance to Bolivia, the EKN informed the Ministry of Education. At the time, the basket fund was the only activity in the public sector (education). At the political level, the Minister of Education showed no interest in meeting EKN representatives, but there was daily communication 'on the working floor' between the EKN and the Ministry of Education.

In its exit strategy, the EKN decided to actively continue its participation in FASE II up to December 2013 and to delegate responsibility for the remaining year (2014) to its partner Sweden through a delegated cooperation arrangement. A Joint Commission was established for the post-2014 period with the aim of guaranteeing the sustainability of the achievements. The Ministry of Education also developed a strategy to ensure that more resources would be freed from both the national treasury and the subnational governments (Law IDH).

The development partners in the basket fund were willing to help find solutions to the Dutch withdrawal. However, each of these partners faced organisational changes of their own. Therefore, the prospects for a follow-up phase of basket support to the PEI were bleak. The Netherlands did not actively assist the ministry in identifying alternative financial sources for post-2014 activities. It was unlikely that a FASE III would be developed.

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Non-governmental organisations

In the case of the vocational training institute FAUTAPO, the Dutch exit decision in 2011 coincided with the presentation of an institutional plan to diversify its sources of income through the delivery of services to public entities – in practice an extension of a path already embarked upon. This plan was presented prior to the expiry of the contracted activity. Based on this diversification plan, the EKN allocated a modest additional budget for the period 2012-2013 with the aim of: (i) avoiding capital destruction; (ii) diversifying sources of income to FAUTAPO; and (iii) making the organisation's operations more efficient. Independent from the Dutch decision, FAUTAPO had already initiated a system of paid service delivery to public entities and private enterprises, such as oil companies. The EKN successfully established connections with COSUDE and oil companies such as British Gas, IDB, Sweden, and Plan International. One of the strategies was to generate income by establishing an agribusiness and a cooperative. By 2011, FAUTAPO had managed to become less dependent on Dutch resources by approximately 60%. The two-year intermediary plan 2012-2013 allowed for further diversification. In 2013, the financial gap that resulted from the Dutch withdrawal had been compensated by 20%-25% as a result of income flows from other sources. The remainder would result in a reduction of manpower and activities.

The core funding that the Netherlands made available to PIEB did not change over the period 2010-2014, when PIEB had a budget of USD 4.3 million at its disposal, 87% of which came from the Netherlands.

	2010	2011	2012	2013	2014	Share (%)	Balance October 2014
The Netherlands	376	725	765	966	640	87	244
Other donors	42	58	65	60	29	9	118
Own resources	37	37	37	37	31	4	6
Total	455	819	867	1,063	699	100	368

Source: PIEB.

The EKN assisted PIEB in searching for financial support from Sida (Sweden), but Sida, like other donors, had its own multi-annual plan, and the core funding of non-governmental organisations was not among its financing modalities. The core funding was a hurdle to obtaining long-term financial diversification (EKN, 2013). Since the contracted period between the Netherlands and PIEB would end in 2014 (one year after the anticipated ending of development cooperation), the EKN made some additional resources available to pre-finance (part of) the work plan for 2014. This would also provide PIEB with one year to look for funding alternatives or to modify its approach to generate income. However, PIEB lacked a strategy and plan to adapt itself to the new circumstances and it showed little flexibility in modifying the way it operated. And it hoped, until the bitter end, that the ministry in The Hague would come to its rescue with central funds. According to PIEB management, ‘only the Dutch understood the importance of independent research’. In 2014, PIEB declared that it would take an ‘institutional pause’ and use the financial balance from previous years to reorient the organisation and assess the demand for socio-economic research by both public and private organisations.

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4.5 The impact of the Dutch withdrawal

Support to the public sector

Towards the end of the period of basket funding for education, it became clear that a new phase of harmonised support to the ministry was unlikely. The medium-term expenditure framework of the public budget has increased threefold compared to the period 2008-2014 and the budget allocation to education has substantially increased over the financial year 2015 compared to previous years. According to the 2015 budget proposal, the resources for investment in the education sector were set to increase from USD 302 million to USD 358 million. However, the PEI for the period 2015-2020 shows both a financing and liquidity gap. It is nevertheless likely that allocations to *Juancito Pinto* will continue.

The budget for capital expenditure at the Central Ministry of Education, previously covered by resources from the basket fund, has only been partly replaced by domestic resources (TGN). The enacted budget for 2015 shows a decline in the MoE’s investments by more than

half.¹⁴ This decline is not only the result of having ended the basket funding, but also because the Bolivian government had already largely assumed the costs for infrastructure development and the adult literacy programme and some major infrastructural works were completed in 2014.

In the policy dialogue, the EKN had always insisted on monitoring via a series of quality indicators in the Performance Assessment Framework. The ending of basket funding has had an effect on the quality of education in Bolivia, but the magnitude of these effects could not be determined. While the training of teachers exceeded the targets prior to 2014, the 2015 budget of the Central Ministry of Education for the training was less than the amount available from basket funding. Beta Gama (2014) concluded that the Ministry of Education's changes to the educational system were in accordance with the Education Law 070 and that the ministry made progress regarding multi-ethnic education. The development of new curricula, however, was not on schedule. The enacted budget for 2015 reveals that the Bolivian authorities did not plan to finance the development of curricula now that donor funding had ended.

Prolonged basket funding would have resulted in higher budgets for teacher training and curriculum transfers, potentially contributing indirectly to the quality of education. The quality of education in Bolivia was below target (see table 4.1) and hardly improved during the period 2010-2014. Although the Swedish embassy (which was delegated to take over the remainder of the Dutch contribution in 2014) continued to stress the importance of quality in education and the use of quality indicators, with the Dutch withdrawal the discussion concerning quality indicators lost impetus. Apart from possible effects on the quality of education, the ending of FASE II could potentially have the following other effects:

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- About a quarter of the basket funding was used to enhance the institutional capacity of the Central Ministry of Education. The consultants working in key positions in the Ministry of Education lost the source of their funding. Since they were externally funded, the criteria for contracting them was different than those of regular civil servants. At best, the government may partially take over some of these *consultores de línea*, but not all, and not always under the same employment conditions. Consequently, various high-skilled consultants, performing regular staff functions at the ministry will not return after their contracts expire. This means that these qualified members of staff may be replaced by less qualified staff and the ministry's institutional capacity could be negatively affected.
- With the unilateral decision to finalise its support in a joint programme, the Netherlands abandoned the principles of the Paris Declaration (harmonisation and mutual responsibility) that it had advocated for well over a decade. It was precisely this advocacy role that made the Netherlands the (informal) leader of coordination and policy dialogue mechanisms. By late 2014, the coordinators of round-table mechanisms, including the Inter-institutional Committee on Education (CIE) had not met anymore since the Dutch departure. The departure of the Netherlands meant that there was insufficient force to

¹⁴ Note, furthermore, that the credibility rates for MoE's investments have been low in recent years, varying between 55% and 69% – therefore the actual investments can be lower than the enacted budget.

maintain the dialogue with the government. Hence, an indirect effect of the Dutch withdrawal was that various of the coordination and dialogue mechanisms between the government and the development partners in the education sector became inactive.

After the completion of FASE I, the Netherlands continued to focus on the MDGs with aligned forms of support to the education sector, although a new situation had emerged. Financial resources were no longer an incentive for policy dialogue, Bolivia had become a lower middle-income country and the Netherlands' development cooperation had started to focus more on commercial and trade relations and private sector development. While development partners such as Germany changed their cooperation relations with Bolivia, using more of a blend of modalities, the Netherlands continued its support through FASE II.

The Dutch withdrawal had more of an impact on the functioning of (aid-dependent) NGOs than it did on public sector support for education.

Non-governmental organisations

For FAUTAPO, the withdrawal of Dutch development cooperation did affect the financial situation, but at the same time it was the catalyst for diversifying its activities and sources of income. FAUTAPO stressed that it was not the finance, but the conceptual contributions by the Dutch experts that would be missed, as well as the EKN's broad international network. The Dutch contributions to FAUTAPO played an important role in developing a Bolivian policy with respect to technical and vocational training. The EKN played a decisive role in establishing a gender-sensitive perspective in that policy, in particular when it comes to the relation with production chains, information flows and equity objectives. In order to implement this policy, FAUTAPO worked through the training institutes (ICAPs) and Centres for Alternative Education (CEAs). According to FAUTAPO's monitoring system, approximately 80% of those who received training are currently employed. In practice, the financial impact of the Dutch withdrawal caused the institution to reposition itself and diversify its resource base. But it also meant that the volume of the institution's activities decreased substantially, as follows:

- a staff reduction of 50%;
- the closure of two (Santa Cruz and Rurrenabaque) of the 12 offices; and
- austerity measures at the operational level.

PIEB did not start to develop a strategy of financial diversification on time. In fact, its main problem was that the Netherlands allocated core funding, while other donors contracted research and the dissemination of the results of such research. This contracted research represented 13% of PIEB's budget only during the period 2010-2014. Components such as the training of non-student researchers, institutional strengthening and overhead such as administration were funded with Dutch resources (plus it generated a modest amount of its own revenue). The 9% margin over contracted research by others was far too small in absolute terms to cover the overhead costs. By October 2014, PIEB had USD 368,000 dollars left at its disposal as a balance over the period 2010-2014 (see table 4.6). This limited financial reserve is the basis for the 'active pause' the institution took in 2015, during which time the organisation had to come up with a new survival strategy.

The 'sponsored' research will continue, as well as the activities of PIEB University (sponsored by World Vision). Apart from that, however, the council of directors decided that PIEB would enter into an 'active pause', so that it could contemplate:

- a 70% reduction of high-level permanent staff, while remaining staff will work part time;
- a 30% to 50% salary cut;
- no more calls of new research or services;
- discontinuation of the paper bulletin, but maintenance of the digital bulletin; and
- continuation of its relations with the technical universities in Oruro and Santa Cruz, but discontinuation of its relations with other universities.

One of PIEB's benefits was that socio-economic research at universities expanded in both number and magnitude, which was also enabled by new legislation and the establishment of a 'knowledge city' in Cochabamba. However, independent, participatory and multi-disciplinary research on socio-economic questions in Bolivia is still rare. The universities' increasing research capacities means that the demand for PIEB's services may change over time. PIEB will only survive if it is able to identify its own new 'niche' market. It is highly unlikely that this will be of the same magnitude and importance as it was when PIEB had access to Dutch resources.

4.6 Conclusions

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Until the decision to end cooperation, the Netherlands was a large donor in the education sector, contributing about USD 17-18 million annually. The largest contributions went to the Central Ministry of Education, in the form of basket funding. The Central Ministry of Education developed a strategic institutional plan (PEI 2010-2014) to serve as the basis for donor support. In recent years, however, the financial role of development cooperation decreased as the Bolivian government started to mobilise more internal revenue and donor priorities began to shift. The likelihood of a subsequent third phase (after 2014) of the basket fund for the Ministry of Education were bleak. During the phasing-out process, the Netherlands respected its commitments and delegated the resources for 2014 to the Swedish embassy. Therefore, the ending of Dutch funding to the basket fund had little effect.

The Netherlands had always stressed the importance of the use of quality indicators in the Performance Assessment Framework. The quality of education remains problematic in Bolivia, and with the withdrawal of the Netherlands, this issue is receiving less attention than before. The ending of basket funding has had some effect on educational quality. Prolonged basket funding would have resulted in higher budgets for teacher training and curriculum transfers and probably would have indirectly improved the quality of education. Also, the Bolivian government did find substitute funding for the *consultores de línea* at the Central Ministry of Education, previously paid for with resources from the basket fund.

The Dutch exit from Bolivia meant a major setback to the non-governmental organisations FAUTAPO (vocational training) and PIEB (policy-related research). These organisations lacked alternative funding and were unable to diversify their financial means. The ending of Dutch support had a direct impact on the operations of these organisations. Especially at PIEB, the activities came close to a standstill.



5

Governance

5.1 Introduction

This chapter discusses the involvement of Dutch support in the practice of ‘good governance’ in Bolivia and assesses the impact of Dutch withdrawal on the various supported activities. Traditionally, the Netherlands supported a range of activities in the governance sector in Bolivia. Since the 1994 Law on Popular Participation, the Netherlands always supported the process of participation in, and decentralisation of, public administration. After 2006, Dutch development cooperation supported specific components of the new government’s agenda. The Netherlands, for example, was the first donor to provide support to the newly established Ministry of Autonomy.

One of the overarching conclusions in this chapter is that the democratic process in Bolivia continues to face major challenges. The departure of several cooperating partners from the country has affected the governance sector, mainly in terms of democratic focus and decentralisation. The supported organisations in the sector not considered important by the Bolivian government faced larger problems in finding alternative funding that activities supported by the government.

5.2 Development

Thirty three years of democratically elected governments without any military interference have strengthened Bolivia’s democratic institutions. Important processes have been the Laws on Popular Participation and Administrative Decentralisation (1994) that established local governments to which powers of the central government have been delegated, and the Law on National Dialogue (2001), which regulates the allocation of budget resources that were ‘liberated’ by debt relief mechanisms to subnational governments, mainly in support of the social sectors. These local governments (departments and municipalities) are directly elected, have their own administration and service delivery entities (*prefecturas*, i.e. municipalities) and manage their own budget. Their sources of income include 20% of the national budget, which is transferred as a component of the Law on Popular Participation, the redistribution of the country’s Direct Taxation on Hydrocarbons (IDH) and the subnational royalties obtained from the exploitation of natural resources (mines and timber).

The 2009 constitution introduced a new state structure: Bolivia as a pluri-national state recognising the multi-ethnicity of its citizenry. The Dutch embassy contributed to the process of improving governance by supporting electoral democracy through the Supreme Court for Elections. One of the strategic pathways towards democracy has been the establishment of the Ministry of Autonomy (*Ministerio de Autonomía*), the objective of which is to strengthen decentralisation processes. In terms of the relationship between the state and its citizens, it is the ombudsman’s task (as *Defensoría del Pueblo*) to allow individual citizens to file complaints against the public bureaucracy or the state.

5.3 The role of the Netherlands

For decades, international development cooperation has strongly supported the institutionalisation of democratic processes in Bolivia. The Netherlands was among the most committed in the area of good governance and became a dominant stakeholder from 1994 onwards by supporting the laws on Popular Participation and Administrative Decentralisation. The Netherlands considered good governance a prerequisite for effective poverty reduction and aimed to contribute to the legitimacy of the Bolivian state and the effectiveness of public administration. Several organisations and institutions supported in the area of good governance in Bolivia are listed in table 5.1.

	2008	2009	2010	2011	2012	2013	2014
Municipal public investment (FAM)	0.3	3.1	0.6	1.2	1.7	3.2	0.4
Prefectural management	1.6	1.4	1.3	1.0	0.4	0.5	
Conflict management (UNIR)	0.5	0.9	0.9	1.1	0.9	1.1	
National Electoral Court	1.0	0.3	0.5	1.1	0.6		
Support to Ministry of Autonomy	0.0	0.3	0.1	0.6	1.3	0.9	
Ombudsman		0.2	0.2	0.2	0.2	0.2	

Source: Ministry of Foreign Affairs.

Ministry of Autonomy

The Ministry of Autonomy was established in February 2009 in support of the new constitution that had recognised four types of autonomy: the department, the municipality, the region and the autonomous indigenous areas. The mandate of the ministry is to formulate, develop and implement policies geared towards strengthening political and administrative decentralisation. The Framework Law on Autonomy and Decentralisation was published in July 2010 and is one of the most important reforms made to the state structure. For the framework's implementation, the Ministry of Autonomy developed a strategic institutional plan (PEI) for the period 2011-2015.

The PEI enabled international development cooperation to align its support to the decentralisation process. Based on its experience in administrative decentralisation since 1994, the Netherlands was the first country to offer support to the new ministry. The intention was to establish a basket fund with other donors, but only Spain showed interest. However, the latter had to withdraw its support due to austerity measures in the Spanish cooperation budget (though it continued to provide some project support to the ministry). In terms of grants, the Netherlands was the most important external donor to the ministry. Other grant donors were Spain, Denmark, Canada, Switzerland, the United Nations, while both the World Bank and the Inter-American Development Bank provided credit. The operations of the ministry relied on international cooperation. In the period 2010-2014, the ministry's enacted budget was substantially higher than the budget spent, with an out-turn of approximately 61%.

	2010	2011	2012	2013	2014
Domestic	2.1	2.2	2.3	3.0	3.2
Loans	2.8	0.2	0.9	0.1	
Grants	2.7	3.5	5.0	2.7	0.5
Total	7.5	5.9	8.1	5.8	3.7

Source: Data from Ministry of Autonomy.

Since 2012, TGN (national) resources have increased slightly but could not substitute for the reduced grants at the ministry. The total resource envelope of the ministry was reduced substantially.

Ombudsman

The ombudsman (*Defensoría del Pueblo*) was introduced in the constitution as a concept in 1992 and established as an institution in December 1997. The ombudsman obtained national presence in Bolivia in 2008 (through regional offices). The mandate of the institute is to protect the rights of Bolivian citizens against public bureaucracy or the state. As one of the few institutes critical of the government, the *Defensoría* has traditionally relied on donor funding. In the early 2000s, departmental offices were established throughout the country. Disputes over land were the main theme. Over time, the institute has been supported by several donors, mainly through basket funding. The Netherlands also joined the basket during the second Institutional Strategic Plan (PEI 2007-2012). Dutch contributions have always represented a minor share of the institute's overall budget. Between 2011 and 2014, the ombudsman implemented activities for USD 19 million.

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A revision of the institute's functions took place as a result of changes to the constitution in 2009. After various amendments were made in the nomination procedure, the first ombudsman under the 2009 constitution was elected in 2010. Opposition during previous governments had strongly supported the ombudsman, but once in power that political support vanished.

Supreme Court for Elections

The 2009 constitution provided the basis for the Supreme Court for Elections (*Tribunal Supremo Electoral – TSE*). TSE replaced the National Elections Court. It has a wide variety of functions and in recent years was responsible for the 2009 referendum on autonomy, the national elections of 2010, the national presidential elections in 2014 and the elections for sub-national governments in 2015. An important activity is providing voting entitlements to many citizens that lack the right documentation by introducing biometric voter registration.

The Netherlands had supported the National Elections Court prior to 2010 and indicated that it was willing to continue doing so to TSE in the form of basket funding together with Canada and Sweden. The support was based on the existing five-year plan for 2007-2011, which was extended by one year (until 2012). Through the TSE, the Netherlands facilitated improvements in the Civil Registry Service, modernising the delivery and correction of birth

certificates. This has had important implications not only for the exercise of voting rights, but also for the broader public participation in society (access to public services and citizen rights, for example). Since 2012, domestic allocations to the TSE increased substantially in the light of the presidential and parliamentary elections of 2014. The basket funding represented about 6% of the court's total expenditure during this period.

Prefectural management

Since 2005, the prefects are elected posts in Bolivia and no longer representatives of the president at the departmental level. As a result, the departments have become more independent from the central government and developed into departmental administrations (*prefectura*). Based on its experience and involvement in administrative decentralisation since 1994, the Dutch embassy offered support programmes for political and operational reinforcement, which occurred in three areas: (i) strategic planning in the medium and long term, for example by developing operational strategies; (ii) productive development; and (iii) the development of instruments for further decentralisation. On behalf of the embassy, the implementation of the support was assigned to the Netherlands development organisation SNV.

FAM

Since 1994, Dutch development cooperation has supported the Bolivian Federation of Municipalities (FAM). This was done through financial support, capacity building programmes, but also through linkages with municipalities in the Netherlands. As a result of higher revenues from the exploitation of natural resources, many municipalities were able to make larger investments, but they lacked the plans and capacities to do so. The aim of Dutch support, therefore, was to improve the capacities of municipalities and advise them on investment strategies. Elaborating on municipal development plans was among the supported activities. The programme not only produced guidelines and toolkits on how to set up larger municipal investment programmes, but also developed standard programmes and inter-municipal projects that could be used 'off the shelf'.

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UNIR

UNIR was established in 2004 and was a creation mainly by international cooperation stakeholders. These partners were concerned about social tensions in the country and the threat of civil war in 2003. Through UNIR, the goal was to construct a culture of peace and understanding in Bolivia, based on negotiation, dialogue, communication and knowledge. UNIR took aboard various proposals of the ombudsman (the first director of UNIR was an ex-ombudsman) to use for long-term peace-building activities.

UNIR was initially supported by basket funding with contributions by like-minded donors such as the United Kingdom, Sweden, Switzerland, Denmark and the Netherlands. Later, however, only Sweden and the Netherlands remained as supporters of UNIR. During the period 2008-2013, UNIR operated with an annual budget of approximately USD 2 million per year. The major part of this budget was provided by international donors, and the Netherlands alone contributed almost half of the overall budget from 2009 onwards. Together, the Netherlands and Sweden funded 80% or more of UNIR's overall budget.

5.4 The phasing-out process

The Ministry of Autonomy was supported by a basket fund for the implementation of the PEI for the period 2011-2015. In 2011, the Netherlands communicated that it would end its support to the ministry during the implementation process of the PEI by late 2013, but would remain committed to the anticipated total financial contribution. After 2012, the Ministry of Autonomy lost almost all of its external support, and it was impossible to identify new donors to replace the Netherlands. Although Switzerland is a development partner of the Ministry of Autonomy, its contribution is directly linked to a World Bank programme. UNICEF and UNDP support specific projects only. Although the allocation from the national budget increased from 2012 onwards, it has not been able to compensate for the loss in external grant money. In general, development partners have ceased to support the Bolivian decentralisation process since it is now incorporated in the constitution. While domestic recourses (TGN) recorded modest increases, the ministry's overall available budget has decreased substantially. Its future is unclear, since President Morales has publicly questioned the justification of the ministry's existence.

In 2011, the Netherlands informed the ombudsman that it would be ending its development cooperation by 2013. In 2012, the existing PEI was amended for the period 2012-2016 for a total of USD 25 million, half of which was to come from international cooperation. The new PEI took into account the withdrawal of Dutch support from 2014 onwards. Therefore, the participation of the Netherlands remained restricted to the first two years of the funding plan. Switzerland, Sweden and later Belgium continue contributing to the ombudsman, and the TGN allocation, meanwhile, increased in 2014.

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Dutch support to the Supreme Court for Elections (in a basket with Canada and Sweden) was based on the five-year plan 2007-2011 that was extended by one year (in 2012). Since 2012, the allocations from the national budget increased after the 2014 presidential and parliamentary elections. The basket funds were scheduled until late 2012, and although audit reports had observed unclarified expenses, the embassy respected all of its commitments without contributing to the new multi-annual plan. The withdrawal of the Netherlands coincided with the Canadian departure from the sector and a possible withdrawal from Sweden. At the same time, there were complications in the implementation of the TSE's activities as result of the late disbursement of funds resulting from changing authorities and regulations. This affected the already limited options of identifying new donors. Sweden (through the non-governmental organisation IDEA) and UNDP continue to fund specific projects.

SNV and FAM were informed in a timely fashion. In the case of SNV, there was an unfortunate coincidence with the ending of Dutch support to Latin America through SNV core funding. In late 2010, the Ministry of Foreign Affairs instructed SNV to discontinue the use of subsidised resources for activities in Latin America. Through SNV, Switzerland safeguarded the implementation of some activities regarding prefectural management. For FAM, a modest additional amount was allocated to wrap up the administrative closure of the Management of Municipal Public Investment (GESPRO) programme.

In UNIR's case, the period of its five-year plan (2009-2013) was extended by one year until 2014, paid up front. Sweden postponed its 2013 contribution to 2014. As a result, UNIR had sufficient resources to operate in 2014. Identifying alternative sources was difficult, since the Netherlands and Sweden were the only active partners. Denmark had changed its priorities in development cooperation. UNIR did not establish a strategy to adapt to the new situation and prevent the loss of capital. It made no serious attempt to diversify its funding sources (apart from a failed effort to gain the interest of the EU). The Bolivian government is not interested in supporting UNIR, due to its critical stance towards NGOs and its position that social conflicts can be resolved without mediation.

5.5 The impact of Dutch withdrawal

The impact of the Dutch withdrawal varies from organisation to organisation and depends on factors such as financial reliance on Dutch resources, and the willingness to accept alternatives. The Ministry of Autonomy, to start with, has been left with a financing gap. The core funding by the Netherlands was used mainly to contract consultants for key positions. The costs for these consultants cannot be (entirely) covered by public resources, while other donors are not disposed to provide core funding and are sticking to their policy of supporting specific programmes or projects only.

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Dutch support to the ombudsman comprised less than 5% of the organisation's total budget. The institution had anticipated the Netherlands' withdrawal and taken it into account in its actual strategic plan. Although the overall dependence on external resources was modest, dependency was high at the level of the regional offices (which lack financial autonomy). The combined reduction of international cooperation has not been compensated by public resources, due to decreasing political interest in the ombudsman in Bolivia. Since the Dutch announced it was ending its contributions, any effects on the ombudsman have been the result of the discontinuation of support by all development partners to the ombudsman. In 2014, the ombudsman started to enter into partnerships to reduce costs and to mitigate the negative effects of the reduction of international cooperation.¹⁵

These can be summarised as follows:

- reduction of staff (previously paid for by international cooperation);
- less presence in rural areas, due to restrictions travel resources;
- scheduled activities are maintained but at a lower level (i.e. less training events); and
- less budget flexibility to attend to immediate needs.

¹⁵ These partnerships are either public, private or linked to goods with organisations like Visión Mundial, Levántate Mujer, GIZ, UNIR and Defensoría de la Niñez.

Overall, the ombudsman's ability to comply with its watchdog function and protect citizens against violence by the state (i.e. police violence) has become more restricted as a result of the current government's stand that citizens no longer need to be protected against the state. At the same time, the restriction is a product of the ending of development cooperation, which entails that less attention can be devoted to the rural, and in particular the lowland, population that does not support (or less so) the MAS government.

As for TSE, the financial effects of the Dutch withdrawal have been absorbed by national resources and by funding from Sweden and the UNDP. Besides, the court has diversified its revenue with income-generating activities. Approximately 75% of all the activities previously funded by the basket fund are still continuing to take place through TGN allocations. Hence, in financial terms, the impact of ending support is modest and is only noticeable in areas of low priority to the Bolivian government, such as reinforcing democratic intercultural services. There is however, another, more important effect on governance in Bolivia: the development partners have always stressed the function of TSE as being one that is above the political parties, while the government considers it something instrumental to the party in power.

As the Netherlands mainly provided institutional support (core funding) to UNIR and accounted for a substantial part of the entire foundation's budget, the end of Dutch funding affected the organisation's existence. Although UNIR managed to attract a small number of new sources through the supply of services (training) to public entities, as well as attracting financial means from Plan International and COSUDE for specific projects, the annual budget has suffered a substantial cutback, since 80% came from the Netherlands and Sweden. The implications to UNIR are the following:

- UNIR was forced to reduce its staff by half;
- It is suffering from a lack of funds to cover operational costs (COSUDE and Plan International do not cover operational costs); and
- decreases in the quality and quantity of its activities.

Both for FAM and the Prefectural Management Programme, the ending of Dutch support meant scaling down activities. While COSUDE continued funding SNV for prefectural management, a more thematic focus has been applied now; only five of the initial nine *prefecturas* continue to receive assistance. Since the Netherlands was the most important donor for FAM, the ending of Dutch support meant the immediate reduction of financial recourses. The vast majority of all staff was forcibly laid off, and the number of activities still implemented is limited. All technical assistance and legislative support to the municipalities was discontinued.

5.6 Conclusions

This chapter demonstrated that the impact of Dutch withdrawal varied greatly among the various supported activities. While the issue of the financial sustainability of NGOs receiving core funding had been raised frequently, for example during the multi-annual planning process, the core funding itself impeded the active search for diversification and financial sustainability. Organisations dependent on core funding from the Netherlands, such as UNIR, did not succeed in finding alternative funding and were forced to a near standstill. For other activities, such as FAM and the Prefectural Management Programme, the ending of Dutch support also meant that they had to scale down their activities. Across the board, the effect of Dutch withdrawal was most poignant for those activities considered low priority by the Bolivian government.

More generally, the impact of the Dutch (and other development partners') exit from the governance sector is significant, mainly in terms of the focus on democracy. The democratic process in Bolivia still faces major challenges, such as strengthening the state based on a decentralised structure. While the country's constitution and laws are moving in the direction of further autonomy for subnational governments, currently the state is more centralised than before the MAS government assumed power. The government also stands for the choice between a state with a strong ombudsman in order to ensure checks and balances or a state that does away with institutionalised criticism; the choice of having an electoral court which stands above the political parties or one that caters to the majority. International cooperation fulfilled a watchdog function over democratic processes and the institutions linked to it. The independent research by PIEB played a role in that function.



6

Summary and conclusions

In 2011, the Netherlands took the unilateral decision to end its development cooperation with Bolivia. This decision was neither the product of a coordinated and harmonised exit strategy with other (like-minded) development partners, nor an aligned approach with the Bolivian authorities to shift towards a new form of collaboration (trade and commerce). A harmonised approach would have been an option, since various development partners were (and still are) reconsidering their position in Bolivia. With the Netherlands' unilateral decision to end its support in joint programmes (such as education and the ombudsman), it abandoned the principles of the Paris Declaration (harmonisation and mutual responsibility) that it had advocated for well over a decade. An aligned approach would have been an option as well, since Bolivia aims to be independent from development cooperation by 2020 and is interested in different forms of cooperation. Both Dutch development cooperation and the embassy in La Paz were formally closed on 31 December 2013, according to plan.

Process of ending support

The EKN informed the political authorities in a timely fashion about its intention to end its development cooperation within a period of two years. All direct partners were informed, in many cases by formal letters or by personal visits of the ambassador or the head of development cooperation. Communication about the closure of the Netherlands embassy two months later was handled less smoothly. In fact, the press got wind of it before the Dutch ambassador. While the Bolivian authorities showed understanding about the ending of development cooperation, it was affronted by the decision to close the embassy in La Paz. Some Bolivian politicians and high-level civil servants perceived the closure of the embassy as a political signal of disapproval of the current government's policies.

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The embassy developed an exit strategy to end its activities that aimed to have an orderly withdrawal over a two-year period, respecting existing commitments. The Dutch embassy also showed flexibility in the allocation of budgets. Special financial arrangements were made for the basket funding with the Ministry of Education and with the non-governmental organisations FAUTAPO and PIEB, all of which respected existing commitments and aimed to find more lasting solutions. The Ministry of Foreign Affairs believed that the financial gap left by the Dutch withdrawal from various activities would be bridged by other development partners. The embassy's exit plan also indicated an active search for new financiers for those activities (in the public sector and non-governmental sector alike) no longer backed by Dutch resources.

Both the Ministry of Foreign Affairs and the embassy were overly optimistic in their assumption that these activities would be taken over by others. There were several reasons why it would be difficult to take over activities. To start with, other partners had their own multi-annual budget commitments and, moreover, they preferred project funding over aligned approaches. The Netherlands was the only donor in Bolivia that provided core funding to NGOs and other donors were, at best, interested in funding some programme components. Furthermore, the embassy was not equipped to explore other funding alternatives, due to a lack of experience in this area and a lack of manpower. The process of simultaneously ending development assistance and closing the embassy was neither harmonious nor efficient. The financial and administrative closure of programmes and

projects had to be carried out while the embassy was being dismantled in terms of manpower and assets.

Impact of ending support

Overall, the Netherlands was the leading bilateral development partner, and for well over a decade consistently aimed for coordination, harmonisation and alignment. In the various sectors with joint programmes, such as education, the coordination and dialogue mechanisms put in place were kept going by like-minded countries with the Netherlands at the forefront. These mechanisms, which promoted the principles of the Paris Declaration, had already begun to disintegrate a few years before the Dutch decided to end its development cooperation. But these coordinating mechanisms, such as the Joint Evaluation meeting (REC) and the inter-institutional committee on education died out once the Netherlands departed. Over a period of three or four years the Netherlands, Sweden, Denmark and the European Commission had kept harmonised and aligned support afloat, but Dutch departure marked the end of the Paris Declaration in Bolivia.

In macro-economic terms, the impact of the Dutch departure on Bolivia is only marginal, in particular in a country whose current account has a surplus and whose public budget is balanced. This does not, however, mean that ending aid to Bolivia had no effect. In general, the impact of ending Dutch support was most felt in the previously supported activities that were considered as low priority by the Bolivian government. The effect of the Dutch departure on the various organisations therefore varied widely. What they have in common is that – with few exceptions, such as FAUTAPO – the recipients seemed poorly prepared for the absence of Dutch funding. This applied somewhat more to non-governmental organisations than to public entities.

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- The Dutch exit from Bolivia meant a major setback to the non-governmental organisations that either lacked alternative funding, or had not been able to become self-sufficient through their activities. The ending of support to non-state organisations such as FAUTAPO, PIEB and UNIR had a direct impact on their operations. FAUTAPO had to reduce its sphere of activities and cut the number of staff members in half, but it has shown flexibility by repositioning itself with a more market-oriented approach. The activities of both PIEB and UNIR came close to a standstill. Core funding by the Netherlands, such as the funding that went to the ombudsman or to PIEB and UNIR enabled these entities to carry out activities that would not have been possible without these funds.
- The ombudsman was prepared for the ending of Dutch support. The Bolivian government had less interest in bridging the financial gap left by the Dutch withdrawal with TGN resources. The impact of the Dutch ending of development assistance on the ombudsman has mainly manifested itself in terms of geographical coverage of the services. Indeed, the proliferation of regional and departmental offices and activities that were the result of years of core funding will be a thing of the past. This will have a negative effect on rural inhabitants' access to the ombudsman's services, as well as the range of services offered. The ombudsman's ability to carry out its watchdog function and protect citizens against violence by the state (i.e. police violence) will be more restricted. Similarly, FAM and the

Prefectural Management Programme were forced to scale down their activities as a result of ending of Dutch support.

- The Netherlands was the only development partner to provide core funding to the Ministry of Autonomy. The ministry's operations depended on cooperation with the Netherlands and on cooperation with other donors for specific programmes. Since the Netherlands was not the only country to end support, as other partners were also gradually reducing their project aid, the ministry's total resource envelope was essentially cut in half. The effect of Dutch withdrawal cannot be determined in detail, but since the Netherlands was the only partner providing core funding, the fact that hired consultants could not (all) be taken over by TGN resources can be attributed to Dutch withdrawal.
- At the Supreme Court for Elections, approximately 75% of all the activities previously funded by the basket fund are being continued with resources from TGN, Sweden and the UNDP. Moreover, the court has diversified its income by generating its own resources. The financial impact of Dutch withdrawal is therefore negligible. The position of the TSE, however, somewhat altered the departure of donors. Development partners have always stressed the function of TSE as being one that is above all political parties, while the government considers it something instrumental to the party in power.
- Ending Dutch funding to the Central Ministry of Education had little direct effect since the resources for 2014 were delegated to the Swedish embassy and it was unlikely that basket funding would have continued after 2014. A government-donor joint commission was established for the post-2014 period with the aim of guaranteeing the sustainability of the achievements obtained by basket funding. No plan was made for a follow-up donor support programme. The impact of ending the basket fund in general has mainly manifested itself in terms of educational quality. This is because the TGN resources are hardly used to train teachers or develop new curricula. Moreover, the institutional quality at the Central Ministry of Education may have been affected because the funding for 'fixed-term consultants' has not been absorbed with domestic resources.

The initial policy intention of ending development cooperation with Bolivia was to move from an aid relation to a trade relation. This transition did not take place, since no creative and operationally practical modality was found to replace the functions of the embassy. While Bolivia would remain formally eligible for centrally managed funds in favour of private sector development, and commercial and trade interests would be handled by the EKN in Lima, this embassy was faced with a situation in which two countries (in addition to Bolivia also Ecuador) had been added to its operational mandate, while it was reducing staff. While some of Bolivia's other development partners modified their support from MDG-driven support for the social sectors towards support for private sector development and trade, using a blend of mechanisms, private sector development had never been a key priority for the Netherlands in its relation with Bolivia. Consequently, no institutional framework had been developed to that end. Networks are not developed overnight. The closure of the embassy meant that the Netherlands had lost a network that potentially could have been used to develop a trade and commerce-related network.

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Annexes

Annex I List of interviewees

Aguirre Ledezma, Noel	Vice-minister for Alternative and Special Education, Ministry of Education of Bolivia
Aramayo Tejada, Antonio	Executive director, UNIR Foundation
Barrón Rondón, Marcelo	Leader advisor public policies, coordinator Eurosocial, SNV Bolivia
Betancourt, Cristina	Ministry of Autonomy of Bolivia
Borda, Rebecca	Programme officer education, Embassy of Sweden
Cabrera Marza, Hernán	Ombudsman (Defensoría del Pueblo), Representative Department Santa Cruz
Candía Castillo, Rodolfo	Strategic planning expert, Department for Strategic Planning and Public Policy, Departmental Autonomous Government of Santa Cruz
Capobianco Sandoval, Eliane	Lawyer, Brio Consultants, Santa Cruz
Casapia Johanson, Norma	Head internal affairs and senior administrative officer, Embassy of the Netherlands in Lima
Van Dam, Anke	Previously sector expert education, Head Development Cooperation, former Embassy of the Netherlands in La Paz
Delgadillo, Beatriz	Previously administrative officer, former Embassy of the Netherlands in La Paz
Floru, Carolina	Programme officer, Institute for Democracy and Electoral Assistance IDEA
Garcia, Francisco	First Secretary, Head of Cooperation section, Delegation of the European Union in La Paz
Garrett Kent, Jorge Julio	Country director SNV Bolivia
Giles Castillo, Myragliha	General Director External Finance Management, Vice-ministry of Public Investment and External Finance (VIPFE), Ministry of Planning and Development
Jäggi, Barbara	Head of Cooperation, COSUDE, Embassy of Switzerland in La Paz
Kuijper, Paul	Honorary Consul General of the Netherlands in Bolivia
Laguna de Vera, Blanca	Head International Cooperation, Ombudsman (Defensoría del Pueblo)
Martín-Moreno LLansó, Sergio	General coordinator of Development Cooperation, Agencia Española de Cooperación Internacional para el desarrollo (AECID), Embassy of Spain in La Paz
Marquez, Alejandra	Previously thematic expert governance, former Embassy of the Netherlands in La Paz
Mendoza Esprella, Monica	External finance analyst, Vice-ministry of Public investment and external financing (VIPFE)
Mojica Sandi, Roxana	Executive Director, Federation of municipalities in Bolivia (FAM)

Montaño O., Gary	Advisor to the Minister for Productive Development and Diversified Economy. Previously programme officer, former Embassy of the Netherlands in La Paz
Muyzert, Ron	Previously Ambassador of the Netherlands to Bolivia
Preisig, Andreas	International Executive Director FAUTAPO
Ramos Quino, Bernardo	Head Finance. Ministry of Education of Bolivia
Sandoval, Godofredo	Director of PIEB Foundation
Soria Acero, Juan	National Director for Strategic Development, Supreme Court for Elections (TSE)
Toornstra, Conny	Regional Director, ICCO South America
Torres, Nicolás	Head of Financial Department, Ministry of Education, Department Santa Cruz
Trujillo, Jeanette	Previously thematic expert governance and gender, former Embassy of the Netherlands in La Paz
Valcarce Torrico, Carla	National Coordinator, Unit Capacity Development, UNIR Foundation
Velasco Aguilar, Wilma	President of the Supreme Court for Elections (Tribunal Superior Electoral, FSE)
Villareal, Maria	Previously thematic expert education, former Embassy of the Netherlands in La Paz
Van der Werff, Johan L.C.	Ambassador of the Netherlands in Lima

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- Photo chapter 1: Measurement at the Bolivian-Brazilian gas pipeline station (Rio Grande, 2004). Photo: Diego Giudice (Redux Pictures).
- Photo chapter 2: A billboard showing president Evo Morales asking people to vote 'Yes' for a new constitution (La Paz, 2009).
Photo: Robin Hammond (Panos Pictures).
- Photo chapter 3: Entrance at the yellow line of the newly constructed La Paz-El Alto Cable Car with view over the city (La Paz).
Photo: Bernd Schumacher (plainpicture).
- Photo chapter 4: Schoolgirl from El Alto walking home after school (La Paz, 2009).
Photo: Petrut Calinescu (Panos Pictures).
- Photo chapter 5: Meeting regarding productive and technological innovation, organised by, inter alia, PIEB. (La Paz, 2008). Photo: PIEB
- Photo chapter 6: Vocational education at FAUTAPO. Photo: FAUTAPO

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