



Estado Plurinacional de Bolivia



MMAyA  
Ministerio de Medio Ambiente y Agua

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1207

Luis Alberto Moreno  
PRESIDENT  
INTER-AMERICAN DEVELOPMENT BANK

REF.: REFORM PROGRAM FOR THE WATER, SANITATION, AND  
WATER RESOURCES SECTORS IN BOLIVIA - SECOND  
OPERATION (BO-L1100)

Dear Sir:

I am pleased to send you warm greetings and to express through President Evo Morales Ayma the commitment of the Government of the Plurinational State of Bolivia—as part of the National Development Plan, the Basic Sanitation Sector Development Plan, and the National Watersheds Plan—to continue strengthening the water, sanitation, and water resources sectors, in order to: (a) expand the coverage and improve the quality and sustainability of water, sewerage, wastewater treatment, and solid waste disposal services; and (b) improve water resource planning and management as a whole, taking into consideration technical, environmental, economic, and social considerations, through the development of an institutional and political framework for the management of these services and the water resource sector.

In this context, Bolivia has been working with the Inter-American Development Bank (IDB) to implement the “Reform Program for the Water and Sanitation and Water Resources Sectors in Bolivia.” The operation includes reforms and commitments to be implemented in the 2012-2016 period, and consists of two programmatic loan operations.<sup>1</sup>

Bolivia’s economic situation, the program objectives, as well as the actions carried out in the context of the program are described below.

<sup>1</sup>

The first operation, 2771/BL-BO, was approved on 4 September 2012 and was disbursed on 12 December 2012. The negotiation, amount, and disbursements for the second operation will be based on the requirements for unrestricted funds or balance-of-payments support.



## **A. Economic context**

The Plurinational State of Bolivia has shown good macroeconomic performance, averaging 5% per year over the 2006-2014 period. This growth enabled per capita GDP to increase from US\$1,229 in 2006 to US\$3,069 in 2014 and a significant reduction in poverty. The principal source of growth was public investment facilitated by an increase in government revenue related to hydrocarbons. In upcoming years, oil prices are expected to remain below the levels of recent years. However, Bolivia will be one of the countries with the highest growth in Latin America and the Caribbean, supported by a favorable external environment resulting from the sustained increase in volumes and international prices for its principal export products, especially hydrocarbons. As a result, Bolivia's average economic growth rate was close to 4.6%, paired with significant consecutive external and fiscal surpluses, controlled inflation, and monetary and financial market stability. Per capita GDP rose substantially in this same period, up from US\$1,016 in 2005 to US\$2,314 at end-2011.

Thanks to prudent management of economic policy and the international context the country was able to achieve an average fiscal surplus of 1.2% of GDP between 2006 and 2014, with a fiscal deficit in 2014. The favorable international context also allowed for a sustained increase in the value of exports, with cumulative net international reserves reaching US\$15.123 billion in December 2014. Nonfinancial public sector public debt as a percentage of GDP fell from 55% of GDP in 2006 to 32% in 2014 and the sustainability indicators are below the established thresholds. During the export boom period and the external and fiscal surpluses accrued over six consecutive years from 2006 to 2011, Bolivia began 2012 with fiscal reserves and high liquidity. The accumulation of public sector deposits at the end of 2011 amounting to 22% of GDP, and the record volume of international reserves equivalent to 16 months of imports, provide a cushion against external shocks. Bolivia's fiscal position improved significantly in the 2006-2011 period owing to increased fiscal revenue from external sales of hydrocarbons and cyclical improvements in tax receipts. Available fiscal revenue in this period following nationalization of the natural gas industry made it possible for the nonfinancial public sector to attain an average overall surplus equal to 2.8% of GDP and an average primary balance of 4.3% of GDP. However, the general government's non-petroleum fiscal deficit (i.e., excluding income from this sector) averaged 7.9% of GDP for this same period.



## **B. Reform Program for the Water and Sanitation and Water Resources Sectors**

Although the Ministry of Environment and Water (MMAyA) and other sector agencies have implemented measures to strengthen the institutional, policy, and regulatory framework, improve the quality and planning for national and regional investments, and enhance the management of service providers, among others, the reforms need to be deepened, taking actions to overcome existing gaps:

- In the potable water and basic sanitation sector: there is still low water, sanitation, and wastewater treatment service coverage, deficiencies and inequities in the quality of water and sanitation service delivery, inadequate sustainability of existing systems, rates that often are insufficient to cover investment, operating, and maintenance costs for the services, etc.
- In the water resources sector: increase surface area under irrigation, improve the training and technical education of human resources, and address the lack of information for adequate planning of water resources, seeking a comprehensive view of the management of these resources in the watersheds, considering risk management and climate change adaptation in the sector.

Accordingly, the Plurinational State of Bolivia has prepared, with Bank support, the Reform Program for the Water and Sanitation and Water Resources Sectors (the program) with the objective of (a) improving the efficiency, equity, and sustainability of water and sanitation service delivery in Bolivia; and (b) improving and developing institutional capacity for the water resources planning and management processes.

The program comprises actions to: (i) strengthen sector planning; (ii) strengthen organizational and institutional development of sector agencies; (iii) support effective implementation of the financial policy; and (iv) develop monitoring and evaluation instruments.

### **a. Sector planning**

The program proposes effective sector planning at the national, departmental, and municipal levels, establishing policy guidelines to ensure sustainability. The Government of Bolivia has developed and approved the update of the Water and Basic Sanitation Development Sector Plan (PSDSB) for the 2016-2020 period in this second operation, establishing coverage targets for the different segments of the population, identifying investment programs required to achieve those targets, and quantifying them overall.



In addition, in line with the current institutional framework and in order to improve sector planning, the country continued to move ahead with actions that had been initiated and identified in the first operation, BO-L1074: (i) the diagnostic assessments of the water and sanitation sector were updated to identify the major challenges, such as increasing coverage with comprehensive and sustainable services, improving the sustainability of those services, creating an efficient sector financing instrument, strengthening the institutional framework and decentralization of the sector, and incorporating the study of actions to adapt to and mitigate climate change in the management of the services, which are reflected in the update of the 2011-2015 PSDSB, with a new PSDSB for 2016-2020 developed on this basis as well; (ii) the sector has promoted departmental water and sanitation planning, which form the basis for the exercise of concurrence of competencies in this area; (iii) the preparation of metropolitan master plans identifying the main problems and prioritizing investments and actions to make water and sanitation services sustainable; (iv) development of programs called “Broad Programmatic Approaches” to address the needs of the segments of localities with fewer than 2,000 inhabitants and those with 2,000 to 10,000 inhabitants; (v) implementation of an operational plan for the regulation and oversight of water and sanitation service providers, which will make it possible to improve services; (vi) the incorporation of risk management strategies and measures for adapting to climate change in the plans and programs implemented by the sector. In addition, the State of Bolivia established the 2025 Patriotic Agenda, which has 13 Pillars of a Dignified and Sovereign Bolivia, two of which are part of the sector policy and are related to basic services. Moreover, the Ministry of Development Planning prepared the Comprehensive Five-year Development Plan – 2015-2020 Government Plan “*Juntos vamos bien para vivir bien*” [Together, we’re on the right path for living well], which contains 12 proposals, two of which are part of the sector policy and are related to basic services. However, there is continued low quality in the projects submitted to the MMAyA by the AMGs or ADGs, and there are also many projects involving small amounts and limited impact, demonstrating the need to continue with the development of departmental sector plans, in line with the 2016-2020 PSDSB, to identify key projects and quantify the actions needed to fulfill the constitutional mandate on access to potable water and sanitation.

In the water resources sector, and in order to achieve the proposed targets, the Government of Bolivia approved the Multiyear Integrated Water Resource Management and Integrated Watershed Management Program (GIRH-MIC) 2013-2017. This program continues the process of implementing the GIRH-MIC outlined by the 2007 National Watersheds Plan, adapting the lessons learned in the process and



incorporating risk management (putting into practice the guidelines of the Risk Management Intervention Strategy of the Office of the Deputy Minister for Water Resources and Irrigation - VRHR) and adaptation to climate change. In the irrigation subsector, the decentralization process established in the Framework Law on Autonomous Entities and Decentralization (Law 031 of 2010) has been consolidated, launching the Departmental Irrigation Services (SEDERIs). The latter, in conjunction with the governors' offices, work on identifying, evaluating, and monitoring the execution of investment projects and administration mechanisms to ensure proper community administration and operation of the existing systems as well as the large number of systems to be developed in the next few years. At the operational level, the VRHR has approved guides for the submission of irrigation projects that incorporate the issue of risk management and climate change among their analytical components, with the ongoing challenge of training for the proper application of these analyses still pending. In addition, in 2013 the Government of Bolivia approved the 2025 Irrigation Agenda, with the following central elements: (i) more water for irrigation; (ii) social and institutional empowerment; and (iii) more agricultural production under irrigation. Currently, the VRHR is preparing the 2015-2019 Multiyear Irrigation Program, which proposes specific targets for the period, broken down by that program's different lines of action (revitalization of irrigation systems, dams, mechanized irrigation, and other areas).

#### **b. Organizational and institutional development**

The program contributes to strengthening the organization and management capacities of the sector institutions responsible for policy-making, capacity building, project execution, oversight, and regulation, to ensure they can adequately meet sector demands. To attain these objectives and based on the diagnostic assessment performed, the Organizational Development and Institutional Strengthening Plan of the MMAyA was developed through a participatory process with sector stakeholders, using a process-based management approach and structured into the following components: 1 - Organizational Development, which will include: (i) management instruments, (ii) instruments for decentralized management; (iii) capacity development; and (iv) technological and information management development; 2 - Institutional Strengthening: including (i) Institutional strengthening of the MMAyA; (ii) decentralized/deconcentrated management; and (iii) research, innovation, and development. Program implementation anticipates the formation of a team of professionals specializing in different subject areas and working full time.

In addition, within the context of this operation, the following instruments were developed: (i) the EMAGUA institutional strengthening strategy, (ii) the AAPS institutional strengthening plan, (iii) the SENASBA Institutional Strengthening Plan, (iv) the Potosí and



Pando UNASBVs' Strengthening Plan for receiving and evaluating water and sanitation projects, (v) SEDERIs with a budget for operating in seven of the country's departments where there are irrigators' organizations, (vi) creation and implementation of a National Registry of Dams, (vii) Guides for preparing EPSA institutional strengthening programs, approved by SENASBA, (viii) Guides for the institutionalization of community development in the EPSAs, (ix) community development social regulation differentiating population segments for pre-investment and investment, updated and approved by the MMAyA, (x) Plurinational Water Institute, and (xi) National Irrigation Institute with budgets for their operation.

### **c. Financial policy**

The program has updated Investment Mechanism for Water and Sanitation Sector Coverage (MICSA), establishing resource allocation criteria, modalities, incentives, mechanisms, and sector financing lines to ensure the reduction of inequities existing in the W&S sector, and the Basic Sanitation Investment Area Identifier index (IARIS) based on access deficit and poverty criteria, have helped to ensure that resources are starting to be allocated to the neediest sectors. There is still a need, however, to strengthen cofinancing on the part of subnational entities and to add, as part of the allocation criteria, the subject of the population to be served, considerations that this program's actions seek to improve these aspects by updating these instruments.

With respect to financing by subnational governments, the Bolivian government has begun to generate intergovernmental agreements so that those entities participate actively in financing the investments included in the PSDSB.

In addition, so as to ensure the sustainability of investments over the long term, the government is developing a rate policy and a subsidies mechanism that will allow the providers to be financially sustainable

### **d. Monitoring and evaluation**

The program complements, and makes the necessary adjustments to, the performance evaluation framework, developed and approved by the MMAyA, which is useful to monitor attainment of the periodic outcome and management targets and indicators for the different population segments identified in the PSDSB.





The program has also developed and implemented: (i) the Performance Evaluation Framework of the National Watersheds Plan updated for the 2013-2017 period, (ii) the National Irrigation Information System (SNIR), (iii) the Integrated Regulatory Information System for Water and Sanitation (SIIRAYs), which is now being implemented; and (iv) the Water and Environment Information System (SIAM), which was created and is now in operation, and is being made compatible and/or harmonized with the other information systems of the sector's institutions.

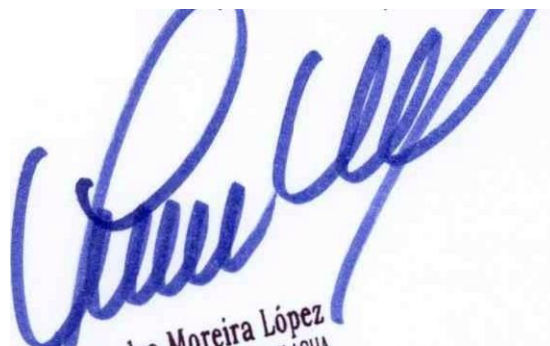
### C. Conclusion

As evidenced by the foregoing, the Government of the Plurinational State of Bolivia is committed to these policy actions and reforms and to continuing with the efforts to guarantee expansion of coverage, system sustainability, and improved quality of the water and sanitation services, and to improving water resource planning and management as a whole.

With this understanding, it is the intention of the Bolivian State to continue moving forward in these areas with the support of the Inter-American Development Bank in the water, sanitation, and water resources sectors.

Accordingly, the Government of the Plurinational State of Bolivia hereby requests that the second operation under the "Reform Program for the Water and Sanitation and Water Resources Sectors" (BO-L1100) be approved, with financing of up to US\$90 million from the Inter-American Development Bank, to be disbursed in 2016.

Sincerely yours,



Alexandra Moreira López  
MINISTRA DE MEDIO AMBIENTE Y AGUA  
MINISTER OF THE ENVIRONMENT AND WATER



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c.c. Arch.

