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Report No. 93754-BO

INTERNATIONAL DEVELOPMENT ASSOCIATION AND INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

PROGRAM DOCUMENT

ON A PROPOSED CREDIT
IN THE AMOUNT OF EQUIVALENT TO SDR 69.1 MILLION
(US\$100 MILLION EQUIVALENT)

AND A PROPOSED LOAN
IN THE AMOUNT US\$100 MILLION

TO THE

PLURINATIONAL STATE OF BOLIVIA

FOR A

DISASTER RISK MANAGEMENT DEVELOPMENT POLICY CREDIT AND LOAN

January 26, 2014

Social, Urban, Rural and Resilience Global Practice
Bolivia, Chile, Ecuador, Peru and Venezuela Country Management Unit
Latin America and the Caribbean Region

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PLURINATIONAL STATE OF BOLIVIA - GOVERNMENT FISCAL YEAR
January 1 – December 31

CURRENCY EQUIVALENTS
(Exchange Rate Effective as of December 31, 2014)

Currency Unit
US\$1.00 = SDR 0.69022163
US\$1.00 = BOB 6.96

Weights and Measures
Metric System

ABBREVIATION AND ACRONYMS

ADFL	Autonomies and Decentralization Framework Law <i>Ley Marco de Autonomías y Descentralización</i>
APMT	Plurinational Authority of Mother Earth <i>Autoridad Plurinacional de la Madre Tierra</i>
CAF	Development Bank of Latin America <i>Banco de Desarrollo de América Latina</i>
CCA	Climate Change Adaptation <i>Adaptación al Cambio Climático</i>
CCT	Conditional Cash Transfer
CFAA	Country Financial Accountability Assessment
CIF	Climate Investment Fund
CONARADE	National Council for Disaster Risk Reduction and Emergency Response <i>Consejo Nacional de Reducción del Riesgos y Atención de Desastres</i>
CPE	Political Constitution of Bolivia <i>Constitución Política del Estado Plurinacional de Bolivia</i>
CPIA	World Bank's Country Policy and Institutional Assessment
CPS	Country Partnership Strategy
CUT	Treasury Single Account <i>Cuenta Única del Tesoro</i>
DIPECHO	The European Commission's Humanitarian Aid Department
DPC	Development Policy Credit
DPC/L	Development Policy Credit and Loan
DPL	Development Policy Loan
DPO	Development Policy Operation
DRFI	Disaster Risk Financing and Insurance
DS	Executive Decree <i>Decreto Supremo</i>
DRM	Disaster Risk Management

ECHO	Humanitarian Aid and Civil Protection Department of the European Commission
ECLAC	Economic Commission for Latin America and the Caribbean
FAO	Food and Agriculture Organization of the United Nations
FRFSPS	Fund for Reconstruction, Food Safety and Production Support <i>Fondo para la Reconstrucción, Seguridad Alimentaria y Apoyo Productivo</i>
FORADE	Disaster Reduction and Disaster Response Fund <i>Fondo de Fideicomiso para la Reducción de Riesgos y Atención de Desastres</i>
ERDM	Emergency Recovery and Disaster Management
GAR	Global Assessment Report on Disaster Risk Reduction
GDP	Gross Domestic Product
GFDRR	Global Facility for Disaster Reduction and Recovery
GIZ	German International Cooperation Agency
GNP	Gross National Product
GoB	Government of the Plurinational State of Bolivia
GRUS	Group of Partners for the Development of Bolivia <i>Grupo de Socios para el Desarrollo de Bolivia</i>
HIPC	Heavily Indebted Poor Countries
IADB or IDB	Inter-American Development Bank
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation
IEG	Independent Evaluation Group
IMF	International Monetary Fund
INSA	National Institute for Agricultural Insurance <i>Instituto del Seguro Agrario</i>
IRM	Municipality Risk Index <i>Índice de Riesgo Municipal</i>
JSAN	Joint Staff Advisory Note
LDP	Letter of Development Policy
MEPF	Ministry of Economy and Public Finances <i>Ministerio de Economía y Finanzas Públicas</i>
MDGs	Millennium Development Goals
MDP	Ministry of Development Planning <i>Ministerio de Planificación del Desarrollo</i>
MMAyA	Ministry of Environment and Water <i>Ministerio de Medio Ambiente y Agua</i>
MNACC	National Mechanism for Adaptation to Climate Change <i>Mecanismo Nacional de Adaptación al Cambio Climático</i>
MTEF	Medium-Term Expenditure Framework
NDP	National Development Plan <i>Plan Nacional de Desarrollo</i>
PDNA	Post-disaster Damage and Needs Assessment
PEFA	Public Expenditure and Financial Accountability

PER	Public Expenditure Review
PHRD	Japan Policy and Human Resources Development Trust Fund
PPCR	Pilot Program for Climate Resilience
PRONAGERD	Disaster Risk Management National Program <i>Programa Nacional de Gestión de Riesgos y Desastres</i>
PRRD	Program for the Reduction of Disaster Risk <i>Programa de Reducción del Riesgo de Desastres</i>
PRRES	National Plan for Sustainable Rehabilitation and Reconstruction <i>Plan Nacional de Rehabilitación y Reconstrucción Sostenible</i>
R.M.	Ministerial Resolution <i>Resolución Ministerial</i>
ROSC	Report on the Observance of Standards and Codes
SAMEP	Agricultural Insurance for Municipalities with High Extreme Poverty Index <i>Seguro Agrario para Municipios con Extrema Pobreza</i>
SDC	Swiss Agency for Development and Cooperation
SDR	Special Drawing Rights
SENAMHI	National Meteorological and Hydrological Service <i>Servicio Nacional de Meteorología e Hidrología</i>
SIGMA	Integrated System for Administrative Management and Modernization <i>Sistema Integrado de Gestión y Modernización Administrativa</i>
SINAGER	National Information System on Risk Management <i>Sistema Nacional Integrado de Información para la Gestión. del Riesgo</i>
SISRADE	National System for Risk Reduction and Disaster and Emergency Response <i>Sistema Nacional para la Reducción de Riesgos y Atención de Desastres y/o Emergencias</i>
SPCR	Strategic Program for Climate Resilience
SPIE	Comprehensive National Planning System <i>Sistema de Planificación Integral del Estado</i>
UNDP	United Nations Development Program
YPFB	<i>Yacimientos Petrolíferos Fiscales Bolivianos</i>

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BOLIVIA
Disaster Risk Management Development Policy Credit and Loan

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The peer reviewers were: Carter J. Brandon (GENDR), Joaquin Toro (GSURR) and Alfred Grünwaldt (IADB).

Finally, the World Bank team would like to express its gratitude for the collaboration of the Government of the Plurinational State of Bolivia in the preparation of this Development Policy Credit and Loan.

CREDIT AND LOAN PROGRAM SUMMARY

BOLIVIA

DISASTER RISK MANAGEMENT DEVELOPMENT POLICY CREDIT AND LOAN

Recipient/ Borrower	The Plurinational State of Bolivia
Implementing Agencies	Ministry of Economy and Public Finances (MEPF) and Ministry of Development Planning (MDP)
Financing Data	IDA Credit: SDR 69.1 MILLION (US\$100 million equivalent) <i>Terms: Maturity = 25 years; Grace Period = 5 years.</i> IBRD Loan: US\$100 million <i>Terms: US\$100 million 20 years bullet loan with a fixed spread.</i>
Operation Type	Stand-alone single-tranche development policy credit and loan (DPC/L).
Pillars of the Operation And Program Development Objective(s)	In line with priorities set by the Government, this Development Policy Credit and Loan would support policy reforms in three key areas: (i) strengthening disaster risk reduction and adaptation to climate change; (ii) improving institutional coordination for emergency response and management; and (iii) reducing the fiscal impact and improving capacity of Bolivia to financially respond to disasters associated with adverse natural events. The development objective of the proposed DPC/L is to support the strengthening of Bolivia’s legal and institutional framework for a comprehensive management of disaster and climate risks.
Results Indicators	Proposed results indicators include: (i) <i>Strengthening Disaster Risk Reduction and Adaptation to Climate Change:</i> <ul style="list-style-type: none"> • Number of departmental development plans that incorporate disaster risk management. • Issuance of Ministerial Regulation to incorporate risk analysis in public investment projects. • Approval of organizational design and operating standards for the operation of the Trust Fund Plurinational Mother Earth. • Adoption of the Plurinational Climate Change Plan articulating policies, financing and coordination mechanisms at the national and subnational levels for climate change adaptation activities. (ii) <i>Strengthening Institutional Coordination for Emergency Response and Management:</i> <ul style="list-style-type: none"> • Adoption of guidelines defining roles and coordination mechanisms for emergency and disaster response at all levels of government. • Number of Departmental (COED) and Municipal (COEM) Emergency Operation Committees established and operating. • Adoption of emergency operations procedures integrating the role of Firefighters at national level. • Number of departmental emergency management protocols integrating the role of Firefighters.

	<p>(iii) <i>Reducing the fiscal impact and improving the capacity of Bolivia to respond financially to disasters associated with adverse natural events:</i></p> <ul style="list-style-type: none"> • Issuance of guidelines to acquire, design and implement risk transfer instruments for the national and subnational governmental levels. • National Budget 2016 includes a specific budget allocation for FORADE to finance DRM activities.
Overall risk rating	The overall risk associated with this DPC/L is moderate (M).
Operation ID	P150751

THE PLURINATIONAL STATE OF BOLIVIA

DISASTER RISK MANAGEMENT DEVELOPMENT POLICY CREDIT AND LOAN

I. INTRODUCTION AND COUNTRY CONTEXT

1. **The Disaster Risk Management (DRM) Development Policy Credit and Loan (DPC/L) will contribute to the Bolivian government’s efforts to sustain and increase shared prosperity and reducing poverty of the past years.** Bolivia has made significant economic progress in the last decade, achieving high growth rates and accumulating sizeable macroeconomic buffers, taking advantage of an exceptionally favorable economic context. This strong economic performance has translated into important gains in shared prosperity and poverty reduction, as poor Bolivians saw their earnings rise at a faster pace than the average of the population. Sustaining this progress under less favorable external conditions will require tackling an unfinished agenda of improving economic opportunities for the poor and reducing the strong disparities between different groups of society and regions. Addressing economic and environmental vulnerabilities of the poor and those just above the poverty line is particularly important in this regard, and hence this operation will play a critical role in supporting Bolivia’s shared prosperity and poverty reduction efforts going forward.

2. **The main objective of the proposed operation is to strengthen the legal and institutional framework for a comprehensive management of disaster and climate risks.** The government is aware that continued improvements in well-being require sound management of disaster and climate risks. Important initial strides have been made in the past years, and the government is now addressing disaster and climate risk in a broad and deep manner. The proposed DPC/L for US\$200 million (US\$100 million IDA and US\$100 million IBRD) is a stand-alone operation supporting a program of policy reforms to increase resilience to disasters in the medium and long-term. The program helps address shortcomings in Bolivia’s current institutional and legal framework for disaster risk management and climate change adaptation. The proposed operation underscores the continued interest of the Government of the Plurinational State of Bolivia (GoB) in engaging and collaborating with the World Bank to strengthen DRM in the country. The supported program is consistent with the 2012-2015 Bolivia Country Partnership Strategy (CPS), particularly with the Climate Change and Disaster Risk Management results area and with Pillar “*Bolivia Digna*” (Policy 2 - Civil Defense System) and Pillar “*Bolivia Productiva*” (Policy 5 - on Adaptation to Global Changes and Policy 6 - Water for All), and the Government’s current National Development Plan (2006).

3. **Bolivia is highly exposed and vulnerable to adverse natural events, especially extreme rainfall and flash floods, droughts and landslides.** Bolivia is geographically diverse with high plateau zones of altitudes reaching more than 3,000 meters above sea level, middle-elevation valleys, and tropical plains. Due to this varied geography, Bolivia has a wide range of temperatures and microclimates within the country’s 1,098,581 square km. With more than 20% of its population and 21% of its GDP in areas at risk to three or more hazards, Bolivia carries the 32nd highest economic risk exposure to multiple hazards in the world according to the Natural Disaster Hotspot Study¹.

¹ Natural Disaster Hotspots – A Global Risk Analysis (2005) / Table 7.2

4. **In recent years, Bolivia has been affected by a large number of natural disasters, including extreme floods and droughts that have had significant social and economic impact on the country.** The 2006-2007 El Niño and 2007-2008 La Niña events and the floods early in 2014 led to significant damages and losses, demonstrating Bolivia's high vulnerability to adverse natural hazards. A post-disaster damage and needs assessment (PDNA) conducted by ECLAC² estimated that the 2006-2007 El Niño event affected 258,460 individuals and has an aggregate economic impact of US\$443 million³, almost 4% of Bolivia's 2007 GDP. Resulting losses were mainly damaged infrastructure, particularly roads and agricultural production. Due to important damages caused by significant floods, the Government declared a national emergency on January 27, 2014. The floods mainly impacted the departments of Beni, Chuquisaca, Cochabamba, Potosí, and La Paz, resulting in losses of around US\$450 million⁴, killing an estimated 50 people, and affecting more than 325,000 people, 483 schools with 75,000 students, 1.9 million head of livestock, and 3,000 km of roads. Furthermore, the floods damaged 92,000 ha of productive land, and 32 municipalities lost access to safe water.

5. **Climate change poses a threat to economies and ecosystems and is expected to increase the frequency and intensity of adverse weather events in the future.** Bolivia is potentially one of the most affected countries in the Andean region. Climate change is already causing accelerated glacier melt (a 25% loss of glacier surface area is a commonly quoted average for Andean tropical glaciers over the past 30 years), increasing the likelihood and intensity of extreme flood events. Anticipated impacts for the Andean region look severe, with unprecedented high-temperature extremes in the tropical areas that will consequently lead to significantly larger impacts on agriculture and ecosystems, increases to the El Niño phenomenon⁵ (which intensifies precipitation and flood likelihood), and increased aridity and drought conditions in tropical and subtropical areas with consequent impacts on energy generation⁶.

6. **People living in rural areas in Bolivia are highly vulnerable to adverse natural events.** The poor have few resources, tend to live in precarious housing units, and have limited access to insurance and credit. Food security and nutritional levels can be endangered after an adverse natural event. Major catastrophic events can jeopardize efforts to end extreme poverty and boost shared prosperity, reversing hard-won development gains. By 2012, based on the Municipal Risk Index (IRM) developed by the Ministry of Development Planning (MDP) a large share of the Bolivian population was exposed to natural hazards: 43% of the population was living in areas of potential high flooding, 17% in areas of potential forest fire, and 16% in areas of potential drought⁷.

7. **The actions undertaken by the Government to respond to and manage the impacts of 2014 floods demonstrated the capacity of Bolivia's strong disaster response and recovery system.** In 2009, the new National Political Constitution (CPE) promoted the integration of disaster risk management and climate change adaptation (CCA) into development planning. This new approach to development planning has been implemented through the integration of DRM and CCA considerations into all new sectorial and territorial planning policy instruments and

² Economic Commission for Latin America and the Caribbean

³ Alteraciones Climáticas en Bolivia: Impactos Observados en el Primer Trimestre de 2007, Comisión Económica para América Latina y el Caribe – CEPAL, p. 8.

⁴ Government estimates of April 2014

⁵ <http://www.nature.com/nclimate/journal/v4/n2/full/nclimate2100.html>

⁶ Andean Countries - Andes Adaptation to the Impact of Climate Change in Water Resources (P145345)

⁷ Índice de Riesgo Municipal (IRM), 2012, Ministerio de Planificación del Desarrollo.

processes since the enactment of the CPE. At the territorial level, progress was made with the adoption in 2010 of the Autonomies and Decentralization Framework Law⁸ (ADFL), which defined DRM⁹ responsibilities at the national, departmental and municipal levels and the native indigenous campesino territories¹⁰. This law contributes to significant changes in the process of moving from a system focused on disaster response to an ex-ante disaster risk management system at the territorial level. However, the process of developing policy reforms to update the DRM framework to the CPE and the ADFL is still underway. Important challenges to build a more comprehensive system to manage disaster and climate risks remain ahead: (i) to reduce high vulnerability to natural disasters, which requires policy reforms at the sectorial and territorial level allowing for an efficient resource execution, in particular at the subnational level; (ii) to ensure an efficient coordination of all DRM activities at the different levels of government; and (iii) to improve the management of fiscal shocks associated with large disasters, through a cost-efficient financial protection strategy against disasters. Addressing these three challenges will allow the GoB to enhance the current disaster risk management system, reducing risk with positive long-term development impacts.

8. The proposed Bolivia DRM DPC/L will support the strengthening of Bolivia’s legal and institutional framework for comprehensive management of disaster and climate risks. This objective will be achieved by supporting the implementation of strategic reforms in three pillars of the Bolivia’s DRM Program. These pillars are: (i) strengthening disaster risk reduction and adaptation to climate change; (ii) improving institutional coordination for emergency response and management; and (iii) reducing the fiscal impact and improving Bolivia’s capacity to respond financially to disasters associated with adverse natural events.

9. The proposed operation will contribute to the World Bank Group’s twin goals of ending extreme poverty and promoting shared prosperity. The policy reforms included in the proposed program are aimed at increasing the long-term resilience of Bolivia to withstand and recover from the adverse impacts of disasters, thereby helping to support the sustainability of development programs and the Government’s efforts to reduce extreme poverty and boost shared prosperity.

II. MACROECONOMIC POLICY FRAMEWORK

A. Recent Economic Development

10. Bolivia has reached high levels of economic growth over the past decade, despite international financial volatility and climate disasters. Boosted by gas and mining exports and by public investment, annual GDP growth has averaged 4.9% over the last ten years (Table 1). In this period, gas exports to Brazil and Argentina increased due to earlier investments in exploration, while mining output has doubled since 2006 due to the foreign-financed *San Cristóbal* project and, to a lesser extent, the expansion of cooperative mining. Expansion on public investment has spurred growth in other sectors, including construction, manufacturing, finance, transport, and

⁸ Ley N° 031, Marco de Autonomías y Descentralización “Andrés Ibañez”

: <http://www.autonomia.gob.bo/portal3/index.php/component/content/article/24-publicaciones/488-ley-nd-031-marco-de-autonomias-y-descentralizacion-andres-ibanez-con-jurisprudencia-autonomica-del-tribunal-constitucional-plurinacional.html>

⁹ Article 100 of Law N°031 define the responsibilities at different levels of government in prevention and risk reduction, preparedness and emergency response and management, financial protection, and rehabilitation and reconstruction.

¹⁰ This law includes the Native Indigenous Autonomies.

communications. This generally strong economic performance has helped compensate for its low and volatile agriculture growth, linked with recurrent climate disasters (Table 1). This context and Bolivia's relative isolation from the international financial markets helped Bolivia maintain positive growth during the international crisis. In fact, Bolivia recorded the highest growth rates in the LAC region in 2009. More recently, Bolivia has been affected by the deteriorating external economic context, even if its slowdown in growth is less pronounced than in the case of most countries of the region. Bolivia's growth has reached 6.8% in 2013 and a still robust growth of about 5.2% is estimated for 2014, while growth is projected to gradually reduce to 3.9% in 2017.

Table 1: Key Economic Indicators

							(Estim.)	(Projected)		
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
GDP growth (%)	6.2	3.4	4.1	5.2	5.2	6.8	5.2	4.3	4.1	3.9
Inflation rate (%)	11.8	0.3	7.2	6.9	4.5	6.5	5.2	4.5	4.5	4.5
Nominal exchange rate (Bs/\$)	7.1	7.1	7.0	7.0	7.0	7.0	7.0	..	..	..
Real exchange rate (2005=100)	77	85	83	77	76	69	66.1	..	..	..
Total investment (% of GDP)	17.3	16.5	16.6	19.0	18.2	19.9	21.3	20.5	19.5	18.5
Private investment (% of GDP)	7.5	7.0	7.1	8.4	7.8	8.7	8.9	8.8	8.0	7.6
Public investment (% of GDP)	9.8	9.5	9.4	10.5	10.4	11.2	12.4	11.7	11.5	10.9
Fiscal balance (% of GDP)	3.2	0.1	1.7	0.8	1.8	0.7	-1.6	-2.7	-3.0	-3.0
Revenues (% of GDP)	38.9	35.8	33.2	36.2	37.9	39.5	38.4	35.7	34.7	33.8
Hydrocarbon revenues	13.4	11.3	10.2	11.4	13.0	13.6	13.2	12.2	11.9	11.6
Expenditures	35.7	35.7	31.5	35.4	36.1	38.8	40.0	38.3	37.7	36.7
Wages and salaries	8.7	10.2	9.5	9.3	9.0	9.2	9.8	9.9	9.8	9.8
Good and services	2.2	2.6	2.2	3.0	2.1	2.3	2.4	2.4	2.4	2.4
Interest payments	2.0	1.6	1.4	1.2	1.0	1.0	0.9	0.9	0.9	0.9
Net public debt (% of GDP)	21.4	22.6	17.8	14.4	10.9	10.4	10.2	10.6	11.0	11.8
Gross public debt	38.7	40.3	39.0	36.4	36.3	37.3	36.3	33.7	32.5	32.4
Public dep. at Central Bank	17.3	17.7	21.2	22.1	25.4	26.9	26.1	23.0	21.5	20.6
Current account (% of GDP)	11.9	4.3	3.9	0.3	8.4	3.3	1.6	-3.1	-3.0	-2.8
International reserves (% of GDP)	44.9	49.5	49.3	50.0	51.5	47.6	46.2	41.7	37.4	34.2
International reserves (\$ billion)	7.7	8.6	9.7	12.0	13.9	14.4	15.7	14.0	13.7	13.7
Banks loans (% of GDP)	21.4	22.9	26.4	27.3	29.3	31.4	32.3	..	..	..
Non-performing loans (%)	4.5	3.7	2.3	1.7	1.5	1.5	1.6	..	..	..
Dollarization (% of deposits)	53.2	52.3	43.3	36.0	28.1	22.8	19.9	19.8	19.8	19.8
M3' growth (%)	19.9	19.7	12.5	17.7	20.2	16.2	15.6	6.6	9.5	9.7

Source: National Statistics Institute, Central Bank of Bolivia, MEFP, Financial Institution Supervision Authority and WB staff calculations

11. In the past decade, Bolivia experienced a marked improvement in macroeconomic and fiscal balances. A favorable external context, growing commodity exports and a prudent macroeconomic policy resulted in fiscal and current account deficits of the early 2000's turning into surpluses. On the external front, current account surpluses have prevailed over the last 12 years, averaging 5.6% of GDP since 2003. While public investments have expanded rapidly,

current expenditure levels¹¹ have remained below 15% of GDP since 2003, resulting in fiscal surpluses in the past eight years in a context of high revenues. The Government increased public investment from 6.9% of GDP in 2005 to an expected 12.1% of GDP in 2014, directed mainly to infrastructure upgrading and public enterprises. This rapid increase in public investment reflects the stated objective of the Government to increase its role in the economy, and has compensated for the low levels of private investments recorded in the past years.

12. As a result, sizable internal and external buffers have been accumulated, together with substantial improvement of financial sector stability. The relatively prudent fiscal policy—also supported by the Multilateral Debt Relief Initiative (MDRI)—and economic growth enabled the reduction of the share of gross public debt from 94% of GDP in 2003, to around 35.4% in 2014. Moreover, the public sector accumulated sizable deposits in the Central Bank, further reducing net public debt from 86% of GDP in 2003, to less than 10% in 2014, as public deposits have approached 26% of GDP in 2014. The combined effects of external surplus, public sector savings, and de-dollarization of the financial sector have contributed to substantially increasing international reserves from less than US\$1 billion (12% of GDP) in 2003, to US\$15.1 billion (48%) at the end of 2014, in a context of a moderate appreciation of the exchange rate (Figure 3). Indicators measuring financial sector stability have also improved, as bank loans continuously increased from 22% of GDP in 2006, to 32% in 2014. Non-performing loans decreased from about one fifth of total loans in 2002, to a record low of around 1.5% in recent years, and financial dollarization substantially dropped from over 90% of total deposits in 2003, to 20% in 2014.

13. Inflation rates have remained at single-digit levels since 2009 despite recurrent challenges resulting from international food inflation and recent disasters. In the last decade, Bolivia has faced important food inflation upsurges, mostly resulting from supply-side shocks related to international food prices and natural disasters (Table 1). The Central Bank focused its monetary policy on avoiding second order effects through an active and flexible monetary policy. Increasing public deposits at the Central Bank also allowed stabilizing net financing to the public sector despite growing financing to public enterprises. The growth of the monetary base was coherent with the rapidly growing real demand for domestic currency—linked with growth and strong financial de-dollarization—thus, avoiding negative impacts on the evolution of broad money aggregates and inflation. Reinforcing monetary policy measures, the Central Bank also intervened to appreciate the exchange rate to respond to the food inflation episodes of 2007-2008 and 2010-2011. Complementing Central Bank policy, the Government applied a set of unorthodox policy tools to cushion the effect of food inflation upsurges on the population. These policies included short term price controls and temporary export prohibition, as well as free import duties for critical products, direct retail of selected staples, and support to agriculture producers.

¹¹ This includes outlays for wages and salaries, goods and services, and interest payments.

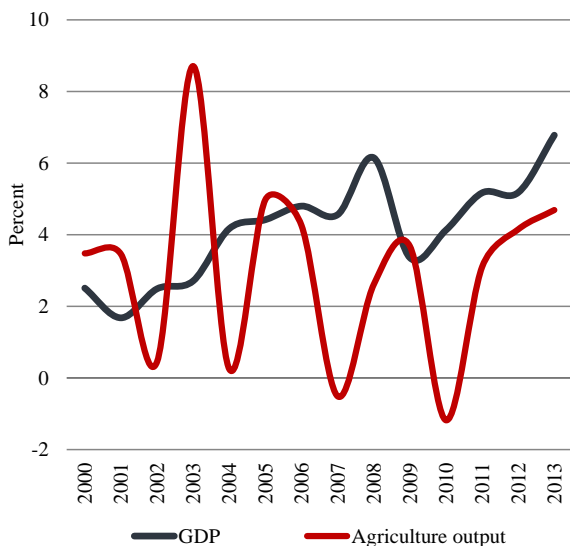


Figure 1. GDP and agriculture growth
Source: National Statistics Institute

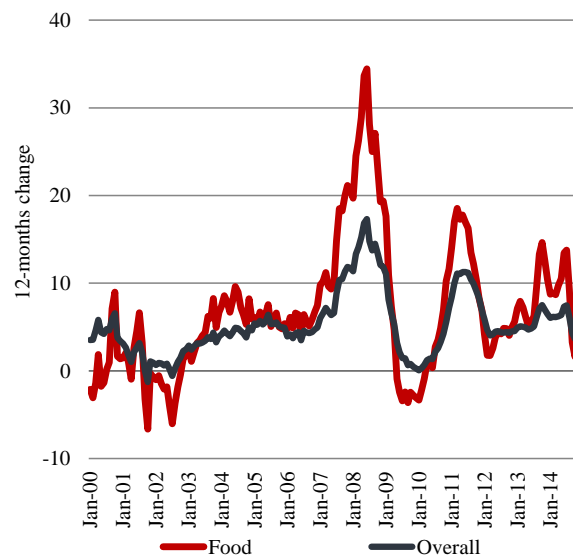


Figure 2. Overall and food inflation
Source: National Statistics Institute

14. **Bolivia's strong economic performance has allowed for a significant reduction of poverty and inequality.** In addition to the strong increase in growth, trade gains resulting from improved terms of trade allowed incomes to increase even faster than output. In effect, gross domestic income grew by 5.8% on average between 2002 and 2013. This contributed to further improving the economic situation of the population, in particular in rural areas where poverty is more prevalent, as workers in the labor-intensive cooperative mining sector and farmers benefited most from high commodity prices. High commodity exports and growing domestic demand favored non-tradable sectors, in particular low-skill, labor intensive activities such as construction, commerce, and transport, where the majority of the urban poor are employed. Moreover, over the last decade, the Government has scaled-up an existing cash transfer to the elderly, launched a Conditional Cash Transfer (CCT) encouraging primary school attendance, and initiated another cash transfer focused on mother and early child healthcare. As a result, the average income of the bottom 40% of the population increased by 15% per year between 2002 and 2011, three times higher than the average income growth. Using national poverty lines data, poverty strongly decreased from 63% of the population in 2002 to about 43% in 2012, and extreme poverty fell from 39% in 2002 to 21% in 2012 (Figure 4). The Gini coefficient has also decreased from 0.60 in 2002 to 0.47 in 2012. Bolivia has already reached the Millennium Development Goals on extreme poverty, malnutrition, literacy, gender equality, births attended by health staff, protected areas, and consumption of chlorofluorocarbons, and is likely to reach other goals by 2015.

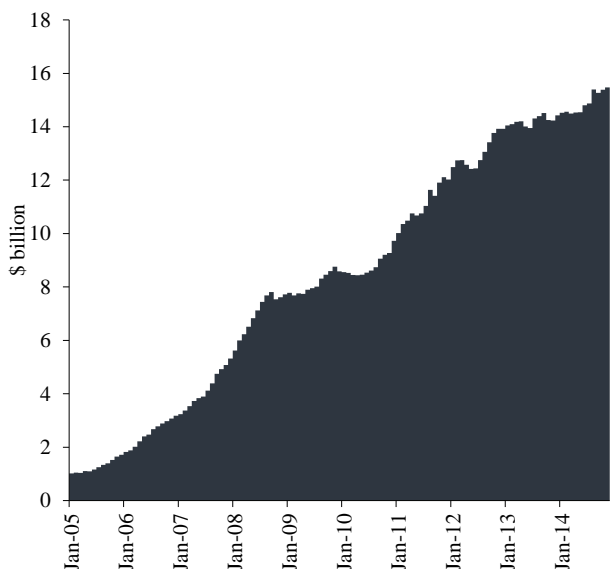


Figure 3. Net international reserves
Source: Central Bank of Bolivia

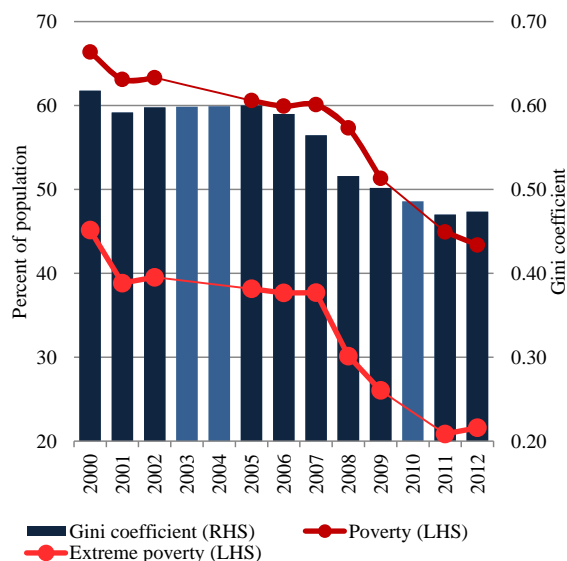


Figure 4. Poverty and inequality
Source: National Statistics Institute

B. Macroeconomic Outlook and Debt Sustainability

15. **Bolivia’s economic growth is expected to fall below the average of the last ten years, but remain relatively high by Latin American standards.** This is based on an assumption of a continuing trend in decreasing commodity prices and the absence of additional external economic shocks. GDP growth is projected to gradually decrease from 6.8% in 2013, to 3.9% in 2017¹² (Table 1). In this scenario, growth is likely to be supported mostly by domestic demand, in particular by public investment.

16. **The projected economic slowdown is leading to a certain erosion of external and fiscal balances, yet – if generally prudent policies are maintained - to levels that would not jeopardize overall economic stability.** The positive trend on fiscal surpluses was halted in 2014, as a fiscal deficit of around 1.6% of GDP is estimated for 2014 due mainly to higher expenditure, including the effects of the recent expenses related to climate disasters under the *Patuju* Plan. Assuming the Government maintains its track record in safeguarding macroeconomic stability, the fiscal balance is projected to converge to a deficit of 3.0% of GDP by 2017, which could be financed, at least partially, with ample public savings accumulated in the past decade, which currently exceed 25% of GDP. As a result, despite nominal debt continuing to increase, public debt in terms of GDP is expected to decrease from 36% of GDP in 2014, to 32% in 2017 as nominal GDP continues growing, albeit at a slower pace. It is projected that the current account balance will progressively shift to a 2.8% deficit by 2017, as gas export prices stagnate at a lower level. As a result, international reserves are likely to fall from 48% of GDP in 2014, to a still solid level of

¹² LAC growth is expected to reach 3.1 percent in 2017.

36% in 2017. Concurrently, it is expected that the Central Bank would continue maintaining a prudent monetary policy allowing inflation to converge to 4.5%¹³.

17. A number of downside risks could affect this scenario, notably a prolonged downturn in commodity prices, yet Bolivia's response capacity to shocks remains relatively strong. As hydrocarbon-related revenues amounted to between 10 and 13% of GDP from 2009 to 2014, Bolivia remains vulnerable to a prolongation of the current downturn in commodity prices. This will require an adjustment of fiscal and monetary policies, especially in light of the fiscal expansion in 2014. Potential changes in demand for gas from Argentina and Brazil, as well as capacity constraints in gas production resulting from a lack of investments in exploitation in past years could exacerbate this vulnerability, which however is mitigated by the medium-term timeframe of gas export contracts with Argentina and Brazil. Also, lower revenues, potential supply side bottlenecks, and nearly-full employment may limit the scope of Bolivia's public-investment fueled growth model. Medium term prospects could also be hampered by effects of past government interventions in markets. Finally, the stability and efficiency of the financial sector could be affected by credit quotas and interest rate floors and ceilings defined in the 2013 Financial Services Law. The potential impact of these downside risks is reduced by three main mitigating factors:

- First, the high levels of fiscal and foreign exchange reserves accumulated over the past years. Solid fiscal and current account surpluses, growing international reserves, and low levels of public debt constitute a solid buffer to respond to the potential accentuation in the downturn of the external environment. This is reinforced by the large scope in adjusting public investment levels in case of revenue shortfalls, given their substantial increase over the past years.
- Second, Bolivia's current fiscal and monetary policy framework remains generally adequate, and is based on a solid track record on fiscal and macroeconomic performance in recent years has transformed Bolivia's macroeconomic performance from the tail end to the top of regional average as regards to indicators like current account, fiscal results, foreign currency reserves and banking sector liquidity. Bolivia's capacity to respond to economic shocks could be further strengthened, though, by adopting effective counter-cyclical policy instruments like fiscal rules, more flexible exchange rate policies, as well as measures to further increase non-hydrocarbon revenues.
- Third, there have been recent signs of the Government increasing efforts to finding a better balance between private and public investment, in particular in extractive industries, and enhancing productivity gains. For instance, a recently approved Investment Promotion Law has been well received by the private sector. Additional efforts towards rendering Bolivia's legal and regulatory environment more conducive to private initiative would reinforce this.

18. A debt sustainability analysis (DSA) suggests that the public debt position is resilient to a range of simulated negative shocks. Completed in February 2014, the last IMF Article IV

¹³ These projections are not fully compatible with those on which the 2015 Budget is based on. The main hypotheses for the 2015 Budget have been set before the current fall in the oil price. The budget process in Bolivia starts around August each year when the Ministry of Finance distributes the Budget Preparation Guidelines. Soon thereafter, the main macroeconomic hypothesis (expected growth, inflation and exchange rate) are defined and all public institutions build their individual budgets around these guidelines. The 2015 Budget considers that growth will accelerate to 5.9% in 2015, while inflation remains under control at 5% and the exchange rate would remain stable. Moreover, as it was identified by the last PEFA assessment (2009), budget deviations are relatively common both in revenues and expenses.

consultation included an updated debt sustainability analysis. According to this DSA base case scenario, gross non-financial sector public debt is projected to decline from 33% of GDP in 2012, to 22% by 2018, and to 11% by 2033. Total public and private external debt is projected to decline from 20% in 2012, to 16% in 2018, and to 10% by 2033. All the debt burden indicators are well below the indicative thresholds for medium performers in terms of the three year average of the World Bank's Country Policy and Institutional Assessment (CPIA) scores. Sensitivity analyses show that the current low public and external indebtedness is resilient to shocks based on historical standard deviations of key variables, suggesting that Bolivia's risk of debt distress is low. Public and external debt ratios remain below thresholds even in the most extreme scenario where the total exhaustion of current proven gas reserves prevents the continuation of gas exports to Brazil and Argentina from the late 2010s. Under this extreme scenario, public debt could increase to 38% in 2033.

19. **In summary, Bolivia's macroeconomic policy framework is deemed adequate for the proposed operation.** The current slide in commodity prices has triggered a slowdown in Bolivia's economy that is projected to continue in gradual manner over the coming years. This is leading to a deterioration in Bolivia's fiscal and external balances. Nevertheless, the macroeconomic outlook remains generally solid and robust against downside risks, due to two main factors: first, the high levels of fiscal and foreign exchange reserves accumulated over the past years and the significantly reduced levels of public debt, which constitute a solid buffer to respond to a potential accentuation in the downturn of the external environment; and second, the fiscal, monetary and exchange rate policy framework in place, which would safeguard macroeconomic and financial stability, and maintain public debt at a sustainable level even in the case of major shocks.

C. International Monetary Fund Relations

20. **On January 27, 2014, the IMF Board of Directors concluded the Article IV consultation with Bolivia and welcomed Bolivia's strong economic performance¹⁴.** The IMF concluded that good macroeconomic performance and active social policies since the mid-2000s have helped Bolivia to nearly triple income per capita and reduce poverty. In recent years, the economy benefitted from high international commodity prices and rising volumes of natural gas exports. Coupled with twin surpluses in the fiscal and external accounts, net international reserves have increased to almost 50% of GDP, providing ample buffers against external shocks. The fiscal stance is expected to remain expansionary, with important investment projects to industrialize the resource sector in the pipeline. The overall fiscal surplus is projected to narrow to 0.6% of GDP in 2013 and turn to an overall deficit of 0.4% of GDP in 2014. Gross public debt is expected to continue its downward trajectory to 32.5% of GDP by end-2013, from 40% of GDP in 2009. Social policies have pursued ambitious redistributive and poverty reduction goals, increasing living standards of vulnerable households. Growth is projected to remain above potential again in 2014, sustained by hydrocarbon exports and a moderate fiscal impulse. However, the gross public debt is expected to continue its downward trajectory. The Bolivian financial system remains solid and well capitalized, but there are risks associated with new Financial Services Law.

III. THE GOVERNMENT'S PROGRAM

21. **Disaster risk management has been a priority in Bolivia since the early 2000.** Law

¹⁴http://www.imf.org/external/np/sec/pr/2014/pr1445.htm#P19_325

2140 – Disaster Risk Reduction and Emergency Management (2000), its Amendment Act N°2335 (2002), and the Executive Decree 26739 – Regulations of Law N°2140 (2002), establish the institutional, legal and operational framework for DRM in the country. The DRM institutional framework is composed by: (i) the National System for Risk Reduction and Disaster and Emergency Response (SISRADE); (ii) the National Council for Risk Reduction and Response to Emergencies and/or Disasters (CONARADE); and (iii) the Integrated Information System (SINAGER). The approval of this institutional framework allowed Bolivia to become one of the first countries in the region to start moving from a disaster response focused system to a disaster risk management system focusing on risk reduction. However, until now the system has consolidated primarily its emergency and disaster response component.

22. **The 2006 National Development Plan¹⁵ establishes DRM as a priority for the country’s long-term development strategy¹⁶.** The NDP identified the gaps and challenges of the DRM system established in 2000, including the absence of an active framework for disaster risk reduction; and the lack of coordination between different levels of government. The NDP envisaged and proposed strengthening Bolivia’s DRM system through: (i) implementing a disaster risk prevention and reduction program; and (ii) setting up a program for emergency and disaster response to improve the coordination between the different levels of government, and to implement nine Emergency Operation Centers for emergency response and management. However, due to limited resources allocated to support the implementation of these priorities under the NDP in the past years, the Government has shown little progress in advancing in the implementation of disaster risk reduction actions. Thus, most of the gaps and challenges identified in the NDP in 2006 remain.

23. **Since the establishment of the new Constitution in 2009, a comprehensive program of reforms and new initiatives has been implemented in Bolivia in DRM and CCA.** In February 2010, the Plurinational State Policy Planning (Comprehensive National Planning System¹⁷ - SPIE) laid out the basic principles for development planning in Bolivia, recognizing the importance of integrating DRM and CCA considerations to achieve the country’s medium and long-term development goals and emphasizing the importance of their integration in the three key areas of planning: sectorial, territorial and temporal (short, medium and long-term). In July 2010, the ADFL N°031, which introduced the current decentralization framework, defined the foundation for the establishment of DRM roles and responsibilities at the four levels of government: national, departmental, municipal and the native indigenous campesino territories (Article 100 on DRM). The CPE and the Autonomies Framework Law provide the necessary provisions for the Government to formulate and adopt a new DRM policy framework. In addition, Law N°071 on the Rights of Mother Earth (2010) and Law Framework of the Mother Earth and Comprehensive Development for Living Well (2012) define the concept of comprehensive development in harmony and equilibrium between society and the environment. These laws establish the foundation for climate change adaptation, focusing on protecting natural resources to ensure the sustainability of country’s development and maintaining the balance between people and their environment. An overview of the main DRM-related legal actions since 2000 is presented in Figure 5.

¹⁵ *Plan Nacional de Desarrollo (2006)*: <http://www.planificacion.gob.bo/sites/folders/documentos/plan.pdf>

¹⁶ In particular in Pillar “*Bolivia Digna*” (Policy 2 - Civil Defense System) and Pillar “*Bolivia Productiva*” (Policy 5 - on Adaptation to Global Changes and Policy 6 - Water for All)

¹⁷ *Sistema de Planificación Integral del Estado (SPIE)*

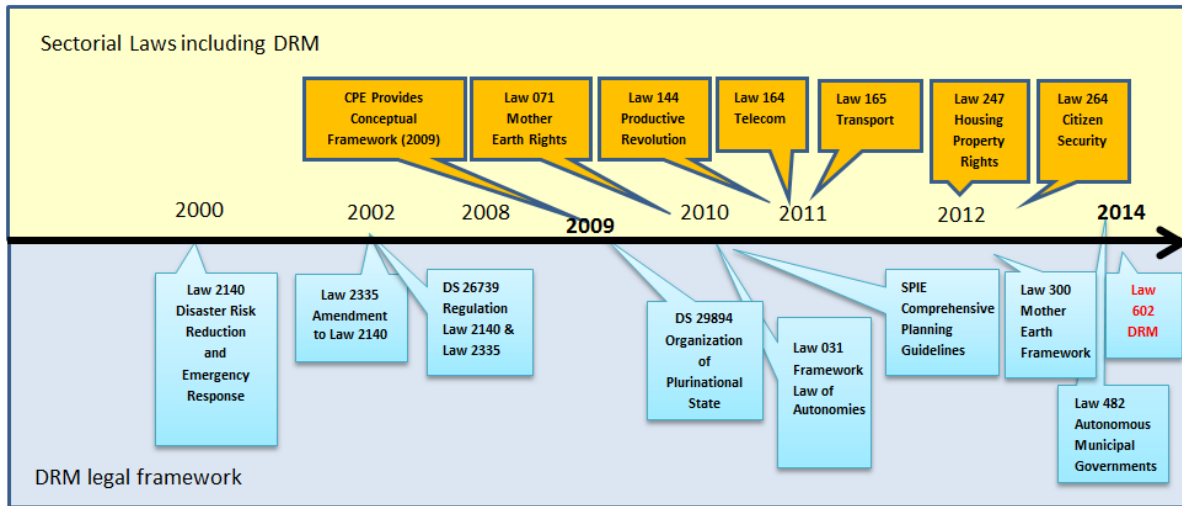


Figure 5. Timeline of DRM-related legal framework in Bolivia since 2000

24. **Finally, aligned with the institutional and legal framework established by the CPE and the Autonomies and Decentralization Framework Law, the Government has recently undertaken key policy reforms in DRM and is in the process of establishing a National DRM Program focused on reducing disaster risk.** The proposed operation will support the Government’s continued efforts in strengthening the DRM system. Key policy reforms include the new Disaster Risk Management Law which will replace Law N°2140 and complementary decrees, along with the development of the National DRM Program, and new policies in strengthening the integration of DRM and CCA in development and territorial planning at all levels of government. These reforms aim to address the legal and institutional gaps and barriers of the DRM system and the key remaining challenges in the country to manage disaster and climate risks as described in this document. A participatory process involving consultations with different sectors and the civil society and a technical discussion in the Legislative Assembly were undertaken during the preparation and appraisal of the new DRM law and policy reforms which form the proposed Program.

IV. THE PROPOSED DISASTER RISK MANAGEMENT DEVELOPMENT POLICY CREDIT AND LOAN

25. **While considerable progress has been made in the past years ensuring an effective management of emergency and disaster situations, Bolivia still has shortcomings towards building a comprehensive DRM system.** Through the past years, the establishment of SISRADE, CONARADE and SINAGER has structured the necessary institutional framework to respond to emergency and disaster situations. However, remaining challenges and shortcomings in the process of building a comprehensive DRM system need to be addressed and include: (i) an effective institutional and legal framework for integration of disaster risk reduction and climate change adaptation considerations in sectorial and territorial planning at the national and subnational levels; (ii) the establishment of the institutional coordination, definition of responsibilities, development of technical capacities and the development of effective communication mechanisms and channels among the different national governmental agencies and the subnational governments for emergency and disaster response; and (iii) improved fiscal

management of disaster and climate risks at all levels of government to protect the population and economies and ensure their capacity to respond financially to disasters associated with adverse natural events.

26. With the approval of Law N°602 on Disaster Risk Management, the GoB has strengthened the necessary legal and institutional changes for a comprehensive management of disaster and climate risks. The new law addresses five key aspects: (i) Strengthening of the National DRM System (SISRADE) led jointly by the Ministry of Development Planning and the Ministry of Defense, and including under this new framework sectorial ministries, specialized agencies and autonomous territorial entities as well as civil society; (ii) establishment of the roles, competences and responsibilities for the autonomous territorial entities (ETA) at the national and subnational levels in accordance with the ADFL (2010) and the CPE and defining the coordination mechanisms; (iii) increase in the allocation of resources for DRM and mandate the integration of DRM in all planning processes; (iv) integration of climate change considerations in disaster risk management; and (v) establishment of the framework for the development of financial protection strategies at the national and subnational levels.

A. Link to Government Program and Operation Description

27. **The development objective of the proposed DPC/L is to support the strengthening of Bolivia's legal and institutional framework for a comprehensive management of disaster and climate risks.** This objective will be achieved with the implementation of strategic reforms in Bolivia's DRM system and improved linkages to the climate change adaptation framework in place. The reforms address specific gaps and shortcomings in Bolivia's current DRM legal and institutional framework as presented in previous sections. They are packaged in three main pillars or policy areas:

- ***Pillar 1: Strengthening Disaster Risk Reduction and Adaptation to Climate Change.*** This pillar is focused on the reforms that will allow the Government to establish the institutional and legal framework to integrate DRM and CCA considerations into national development planning and public investment systems;
- ***Pillar 2: Strengthening Institutional Coordination for Emergency Response and Management.*** This pillar supports the establishment of the necessary legal framework for the coordination mechanisms among all levels of government to respond efficiently to disaster emergencies; and,
- ***Pillar 3: Reducing the fiscal impact and improving Bolivia's capacity to respond financially to disasters associated with adverse natural events.*** This pillar supports reforms that enable national, departmental and local governments to strengthen the legal and institutional framework to increase fiscal resilience to disasters.

28. **This operation follows a close Bank engagement with Bolivia on DRM since early 2006.** The Bank has been supporting the strengthening of DRM and CCA in Bolivia through several advisory and financial services in the past years.¹⁸

29. **The design of the proposed operation is backed by extensive analytical work in the field of disaster risk management in Bolivia.** This work has been conducted by the World Bank, supported by GFDRR grant resources and IDA credit operations over the past six years, by the

¹⁸ For details on specific activities and main outputs, see section IV C.

Inter-American Development Bank, by specialized agencies of the United Nations System and by bilateral cooperation agencies such as SDC, GIZ and JICA. This extensive work has provided the basis for the technical dialogue with the Government during the design of this operation. The general framework for analysis and preparation of this operation is built on the findings from a number of key documents and publications referenced in the analytical underpinnings section. A Bank-supported diagnostic of the progress in DRM in the country has been published jointly by the Ministry of Development Planning and the Ministry of Defense¹⁹.

B. Prior Actions, Results and Analytical Underpinnings

Pillar 1: Strengthening Disaster Risk Reduction and Adaptation to Climate Change

30. **Reforms in this pillar focus on tackling existing gaps for the integration of disaster risk reduction and climate change adaptation considerations into the national development planning and public investment systems.** The policy reforms are being coordinated by the Ministry of Development Planning (MDP) and the Plurinational Authority of Mother Earth (APMT) of the Ministry of Environment and Water (MMAyA).

31. **Prior Action 1: The Government has integrated disaster risk management into its Comprehensive National Planning System (SPIE) and the management of public investments, as evidenced by Law N°602 on Disaster Risk Management dated of November 14, 2014 and the MDP Ministerial Resolution 156 dated August 20, 2013 adopting the Guidelines for the Formulation of Public Investment Budget.**

32. **The Law N°602 on Disaster Risk Management in line with the CPE and SPIE seeks to enable Bolivia to continue moving towards a comprehensive disaster risk management system.** Of particular importance is the part of the law that makes it mandatory for subnational governments, including departments, to introduce actions and resources to integrate DRM in their development plans, in particular through the establishment of prevention and risk reduction programs.

33. **In parallel, at a national level, Ministerial Resolution 156 establishes the integration of DRM considerations in the public investment process.** The guidelines for the formulation of the annual public investment budget mandates as compulsory the integration of disaster risk prevention and risk reduction considerations in the process of designing, formulating and implementing annual public investment in the national and subnational budgets. This process includes the prioritization of public investments focused on reducing risk in key strategic sectors such as Education, Health, Transportation and Infrastructure. The guidelines also include the creation of national and subnational technical capacity building programs. The integration of disaster and climate risk information in public investment systems will help ensure that new public infrastructure and development plans are more resilient to natural disasters.

34. **Results Indicator 1:** (i) Number of departmental development plans that incorporate disaster risk management [Baseline 2014: [4/9] / Target 2016: [9/9]]; and (ii) Issuance of Ministerial Regulation to incorporate risk analysis in public investment projects (PIP). The second result indicator is an intermediary indicator that will effectively allow the incorporation of disaster

¹⁹ Diagnostic of the National Program for Disaster Risk Management for Development (*Diagnóstico del Programa Nacional de Gestión del Riesgo de Desastres para el Desarrollo*) (2014).

risk management consideration in all public investments projects. The formulation of PIP integrating risk analysis will take longer to materialize than the life of the operation.

35. **Prior Action 2: The Government has taken actions to operationalize the governing structure for climate change adaptation in the Recipient's territory by regulating the functions, responsibilities and resources of the Plurinational Authority of Mother Earth (APMT) as evidenced by the Executive Decree 1696 – Regulations of Plurinational Authority of Mother Earth, dated August 14, 2013.**

36. **Bolivia is highly vulnerable to climate change causing accelerated glacier melt and increasing the likelihood and intensity of disasters caused by extreme weather events.** Climate change adaptation actions are typically aimed at enabling populations and economies to maintain their level of welfare under systematically changed conditions. Such adaptation efforts should be articulated with and complement disaster risk management actions, to better enable populations to respond to climate variability and extreme events.

37. **The Framework Law of the Mother Earth and Comprehensive Development for Living Well (Law N°300) issued in 2012 established the legal framework for Climate Change Adaptation in Bolivia, and includes effectively reducing disasters and climate impacts as one of the Laws' six priority activities.** Bolivia has made good progress building a robust climate change adaptation framework. The main milestones achieved in recent years include: (i) the establishment of the National Mechanism for Adaptation to Climate Change (MNACC, by its Spanish acronym) (2007-2016) developed through a participatory process by the Ministry of Development and Planning and Ministry of Environment and Water; and (ii) the design and approval of the Special Programme for Climate Resilience (SPCR) in November 2011. The second phase of the Pilot Program for Climate Resilience (PPCR) co-financed by the Climate Investment Fund (CIF) and administered through the World Bank and the IADB, places special emphasis on strengthening existing institutional capacity to manage climate change at national and subnational levels, including accessibility of climate and hydro-meteorological information, climate change scenarios at subnational levels, flood and drought alert systems and the development of guidelines to integrate climate risk into Integrated Basin Management Plans. In addition, the PPCR supports the executing of infrastructure and basin management subprojects to increase climate change resilience related to glaciers melting, and the increased occurrence and intensity of flood and droughts. The Executive Decree 1696 issued in August 2013 builds on these achievements. It regulates Law N°300 and operationalizes the governing and operating structure for climate change adaptation in the country by: (i) regulating the functions, responsibilities and resources of the APMT; (ii) establishing the policy framework for effective operation of the MNACC; (iii) creating the APMT Trust Fund to finance climate change adaptation activities; and (iv) creating the information system/platform for the monitoring of climate change activities.

38. **Executive Decree 1696 establishes the policy framework, tools and financing mechanisms for an effective climate change adaptation in the country.** The Climate Change Adaptation Mechanism consist of five programs: water resource adaptation, human health adaptation, food security, ecosystems adaptation and human settlement adaptation and disaster risk management. The PPCR program (total cost of about US\$300 million) is financing part of the water resource adaptation and DRM programs. Operationalizing the APMT Trust Fund to finance the five programs listed above will be an important additional step towards the implementation of effective adaptation measures in the country. Aligned with the Climate Change Adaptation

Mechanism, the new DRM law establishes the coordination with climate change adaptation activities using and enhancing as necessary the tools and methodologies already established.

39. **The information system for the monitoring of climate change activities, created by the Executive Decree 1696, will be managed by the APMT.** The system is under development and its structure will consist of four main pillars: social, spatial, economic and environmental information. The monitoring system will be based on global indicators looking at overall capacity for climate change adaptation and specific indicators monitoring vulnerability and the evolution of resilience at the local level. A key challenge will be the integration of this system with the Integrated National Information System for DRM-SINAGER and its spatial data infrastructure GeoSINAGER²⁰. The latter was created by issuance of Executive Decree 26739 in 2002 in order to facilitate the assessment of disaster risks, consolidate information on hazard, risks, and disasters, and broadcast information through different levels across the country.

40. **With these reforms, Bolivia is taking critical first steps towards a better integration of DRM and CCA policies in development and territorial planning instruments, allowing the different levels of government to improve the management of the negative impact of disasters.**

41. **Results Indicator 2:** (i) Approval of organizational design and operating standards for the operation of the Trust Fund Plurinational Mother Earth through an Administrative Resolution; and, (ii) Adoption of the Plurinational Climate Change Plan articulating policies, financing and coordination mechanisms at the national and subnational levels for climate change adaptation activities. These two intermediate indicators represent the first step towards the operationalization of the APMT and are aligned with this operation's implementation period (closing in July 2016). The implementation of specific climate change adaptation activities under the recently established APMT will take longer to materialize than the life of the proposed operation.

Pillar 2: Strengthening Institutional Coordination for Emergency Response and Management

42. **The current Recovery and Emergency Response and Management Systems lack of mechanisms for a strong coordination between different levels of government and proper tools and instruments to enhance its operational effectiveness.** The policy reforms under this pillar will be coordinated by the Ministry of Defense through its Vice-Ministry of Civil Defense, and the Ministry of Government.

43. **Prior Action 3: The Government has institutionalized a coordination system between national and subnational (departmental, regional, municipal and native indigenous campesino territories) governmental levels for emergency and disaster response, as evidenced by Law N°602 on Disaster Risk Management dated November 14, 2014.**

44. **Following the large impact of the 2014 floods, the Government developed the *Plan Patujú*, a comprehensive recovery and reconstruction plan to assist the affected areas including ex-post prevention and risk reduction measures.** The *Plan Patujú* consists, initially, of nine Executive Decrees issued on April 2, 2014, allocating funds to specific regions for: (i) the reconstruction and rehabilitation of health, transport, housing, education and water and sanitation infrastructure; (ii) establishing a temporary work program; (iii) the rehabilitation of wildlife, agriculture and fisheries; (iv) the recovery of the productive capacity; and (v) the relocation of affected parts of the population. The rapid development of the *Plan Patujú* by the Government

²⁰ Sistema Nacional Integrado de Información para la Gestión de Riesgo: <http://geosinager.defensacivil.gob.bo/>

confirmed the strong emergency response and recovery system in place in Bolivia, but based on a recent analysis made by the World Bank, also showed the gaps and weaknesses of the institutional coordination system between the different levels of government and the lack of an operational manual to support coordination and complementarity of actions.

45. **The Law on Disaster Risk Management operationalizes the responsibilities established in the Article 100 of Law N° 031 (Autonomies and Decentralization Framework Law) and establishes the hierarchy, roles and responsibilities to declare emergency and disaster situations and operate and coordinate the actions and measures derived from this declaration.** These regulatory clarifications will lead to improved resource allocation and increased transparency in resource expenditure. Emergency response will be guided by the use of the SINAGER-DAT platform to inform actions at all levels. In this way, response to emergencies and disasters will then be strengthened through improved coordination between the different levels of government and governmental agencies.

46. The new Law complements the sectorial Laws 144²¹, 164, and 165 approved in 2011, which regulate Agricultural Production, Telecommunications and Transport, respectively. These sectorial laws incorporate specific roles and responsibilities for each sector in case of an emergency, thereby strengthening the coordination of the overall system.

47. **Results Indicator 3:** (i) Adoption of guidelines defining roles and coordination mechanisms for emergency and disaster response at all levels of government; and, (ii) Number of Departmental (COED) and Municipal (COEM) Emergency Operation Committees established and operating [COED: [Baseline 2014 = [4/9] / Target 2016 = [9/9]] and COEM: [Baseline 2014 = [22/339] / Target 2016 = [40/339]]. The adoption of updated emergency response protocols including the new roles and responsibilities of the different levels of government are a critical step towards improved emergency and disaster response. The effective implementation of the guidelines through simulations and drills will take longer to materialize than the life of the operation.

48. **Prior Action 4: The GoB has integrated the National Directorate of Firefighters of the Bolivian Police, a key body on disaster response, as part of the National System of Public Safety and the National DRM System (SISRADE), as evidenced by Law N° 449 on Firefighters²² dated December 4, 2013 and Law N°602 on Disaster Risk Management dated November 14, 2014.**

49. **The firefighters play a key role in disaster response.** While traditional firefighting activities have decreased over the years, the need to respond to disasters is expanding because disaster events are occurring more frequently. Emergency response and management during a disaster caused by an adverse natural event involves planning, coordinating, training and exercising all aspects of emergency response, for both predictable and unforeseen emergencies. By integrating the National Directorate of Firefighters of the Bolivian Police as part of the National System of Public Safety and the National DRM System (SISRADE), Bolivia will achieve a more effective and coordinated disaster emergency response and management capacity. The creation of the National System of Public Safety by Law N° 264 in 2012 ensures better coordination between different institutions and agencies in the case of disasters. Relief and Emergency Response and Management activities will be conducted in coordination at the national level between the Ministry

²¹ Ley de Revolución Productiva Comunitaria Agropecuaria

²² Ley de Bomberos

of Defense and its Vice-Ministry of Civil Defense and the Ministry of Government and its Vice-Ministry of Public Safety. Law N° 449 on Firefighting issued on December 4, 2013, ensures the integration of the National Directorate of Firefighters in the Bolivian Police and the National System of Public Safety, and will directly improve the efforts of the Government to not only respond faster to forest fires and more efficiently regulate the First Response Volunteer Groups, but also to have a more efficient and large scale response in the case of a natural disaster. As established by the Law N°602 on DRM, the Bolivian Police including the National Directorate of Firefighters, and the voluntary emergency response brigades and other groups are part of the structure of the National DRM System (SISRADE).

50. **Results Indicator 4:** (i) Adoption of emergency operations procedures integrating the role of Firefighters at national level; and (ii) Number of departmental emergency management protocols integrating the role of Firefighters [Baseline 2014: [0/9] / Target 2016: [3/9]]. In order to achieve the proposed Prior Action outcomes, the law requires a regulation that will allow its operationalization. The regulations of the Firefighters Law are under consultation process with different sectors and civil society for final appraisal and are expected to be issued by Ministerial Resolution or Executive Decree during the first semester of 2015.

Pillar 3: Reducing the fiscal impact and improving Bolivia's capacity to respond financially to disasters associated with adverse natural events

51. **A proactive management of fiscal impacts of disasters can help Bolivia to: (i) improve disaster recovery and reconstruction speed; (ii) clarify Government and private sector disaster liabilities and enable private actors' use of insurance instruments; (iii) improve Government emergency budget execution; and, (iv) help the Government achieve better financial terms for its emergency response resource needs.** The policy reforms presented in this pillar are a first step towards an ex-ante approach to reduce and finance fiscal risks associated with disasters associated with adverse natural events. The coordination of these policy reforms is jointly driven by the Ministry of Economy and Public Finances, the Ministry of Defense and the Ministry of Development Planning.

52. **Prior Action 5: The Government has strengthened the legal and institutional framework for financial protection against disasters by establishing: (a) risk transfer instruments and mechanisms; (b) the necessary sources of financing of emergency and disaster response activities, as evidenced by Law N°602 on Disaster Risk Management dated November 14, 2014.**

53. By issuance of Law 2140 on Disaster Risk Reduction and Emergency Management (2000), its Amendment Act 2335 (2002) and the Executive Decree 26911 on the Institutional Framework for the FORADE (2003), the GoB established the Fund for Emergency and Disaster Response (FORADE) to provide resources mainly for emergency response and disaster recovery. Since its creation, FORADE has never been active.

54. **Law N°602 on DRM dated November 14, 2014 establishes as mandatory the provision of resources by sectorial ministries and autonomous territorial entities for disaster risk management activities as established in their development plans.** These activities need to incorporate as defined in Article 24 considerations of climate change adaptation following the provisions established in the Mother Earth and Comprehensive Development for Living Well Law N°300 and its regulation.

55. **The new DRM law establishes two funds for the management of FORADE and the sources to finance FORADE, in particular a specific annual allocation of 0.15% of the total budget to be used as counterpart funds for DRM activities.** FORADE will be constituted by two main funds or accounts: (i) the Equity Fund, to finance mainly prevention and risk reduction activities as a priority; and, (ii) the Dedicated Fund, to finance emergency and disaster response activities and expenditures. These resources will allow the Government to channel resources in an efficient and transparent way to finance emergency response and recovery, and reconstruction on one side, and other disaster risk management activities, on the other side. The operation and effective management of FORADE will substantially increase fiscal resilience to natural disasters and largely reduce the need to reallocate funds ad-hoc, as had happened in cases of disasters in the past. A key remaining challenge to the Government in the months ahead will be to effectively regulate FORADE Trust Funds based on past lessons (for example from the response to El Niño 2006-2007) and establish clear Operational Rules, considering specific social and gender aspects as detailed in the poverty and social impact assessment below. Additionally, this will need the creation of a mechanism to monitor the funds and progress of disaster response and recovery, increasing transparency in the use of resources in the case of disasters.

56. **Additionally, article 18 of Law N°602 on Disaster Risk Management establishes as an obligation the design and promotion of risk transfer instruments and mechanisms, as insurance, for governmental agencies and autonomous territorial entities to reduce the financial impact of disasters in the productive sector.** Based on Article 100 of the Autonomies and Decentralization Framework Law issued in 2010, the Government’s current reliance on emergency reallocation of resources will be reduced by setting up contingency mechanisms and allocating resources to disaster and emergency relief more efficiently. The recently approved DRM law establishes the legal framework for the development of financial protection strategies against disasters at the national level, allowing sectoral and autonomous territorial entities to implement risk transfer instruments, as insurance products, to reduce the negative fiscal impacts of disasters.

57. **Results Indicator 5:** (i) Issuance of guidelines to acquire, design and implement risk transfer instruments for the national and subnational governmental levels; and, (ii) National Budget 2016 includes a specific budget allocation for FORADE.[Baseline 2014: no budget allocated].

Box 1—Prior Action Analytical Underpinnings

Prior Actions	Analytical Underpinnings
<i>Pillar 1: Strengthening Disaster Risk Reduction and Adaptation to Climate Change</i>	
<p>Prior Action 1: The Government has integrated disaster risk management into its Comprehensive National Planning System (SPIE) and the management of public investments.</p> <p>Legal evidence: <i>Law N°602 on Disaster Risk Management dated November 14, 2014 and the R.M. 156 dated August 20, 2013.</i></p>	<p>2011 “Global Assessment Report on Disaster Risk Reduction” (GAR) <i>looks on how public regulations shapes disaster risk:</i></p> <p>http://www.preventionweb.net/english/hyogo/gar/2013/en/home/index.html</p> <p>The “Sendai Report” produced by the WB-GFDRR in collaboration with the Government of Japan in 2012, <i>argues that the DRM practice is a defining</i></p>

	<p><i>characteristic of resilient societies, and should therefore be integrated into all aspects of development:</i></p> <p>https://www.gfdr.org/sendaireportandbrochure</p> <p>Inter-American Development Bank, World Bank and Simon Bolivar Andean University - Disaster Risk Management in Bolivia: First day of analysis and reflection on DRM in Bolivia (May 2010).</p> <p>Government of Colombia and World Bank -Analysis of Disaster Risk Management in Colombia – A Contribution to the Creation of Public Policies. <i>The report stressed the importance of a national DRM policy, emphasizing that improving land use and land occupation conditions is a priority in reducing the impact of disasters.</i></p>
<p>Prior Action 2: The Government has taken actions to operationalize the governing structure for climate change adaptation in the Recipient’s territory by regulating the functions, responsibilities and resources of the Plurinational Authority of Mother Earth (APMT).</p> <p><i>Legal evidence: Executive Decree 1696 – Regulations of Plurinational Authority of Mother Earth, dated August 14, 2013.</i></p>	<p>Climate and Development Knowledge Network (CDKN) Guide: Tackling Exposure, Placing Disaster Risk Management at the Heart of National Economic and Fiscal Policy (2012);</p> <p>World Bank White Paper Series (WPS5232) – Assessing the Financial Vulnerability to Climate-Related Natural Hazards (Mechler et al., 2010);</p> <p>Fiscal Implications of Climate Change (Bones <i>et al.</i>, 2012);</p> <p>2011 “Global Assessment Report on Disaster Risk Reduction” (GAR) on Disaster Risk Reduction <i>is a resource for understanding and analyzing global disaster risk today and in the future:</i></p> <p>http://www.preventionweb.net/english/hyogo/gar/2011/en/home/index.html</p>
<p><i>Pillar 2: Strengthening Institutional Coordination for Emergency Response and Management</i></p>	
<p>Prior Action 3: The Government has institutionalized a coordination system between national and subnational (departmental, regional, municipal and native indigenous campesino territories) governmental levels for emergency and disaster response.</p> <p><i>Legal evidence: Law N°602 on Disaster Risk Management dated November 14, 2014.</i></p>	<p>World Bank-GFDRR - Methodology to develop disaster contingency plans at the national and departmental levels;</p> <p>World Bank, GFDRR and ECLAC – Guidelines for Information management in post-disaster situations²³;</p> <p>Cooperación Italiana al Desarrollo / DC / SENAMHI / CIMA / FAO Sistema Nacional de Altera Temprana de Desastres (SNATD) (2013);</p>

²³ Banco Mundial / GFDRR / CEPAL - Guía de campo, Para la Gestión de información post-emergencia y desastres (2011): <http://www.defensacivil.gob.bo/images/publicaciones/Guia%20de%20campo%20emergencia%20y%20desastre.zip>

<p>Prior Action 4: The GoB has integrated the National Directorate of Firefighters of the Bolivian Police, a key body on disaster response, as part of the National System of Public Safety and the National DRM System (SISRADE).</p> <p><i>Legal evidence:</i> Law N° 449 on Firefighters dated December 4, 2013 and Law N°602 on Disaster Risk Management dated November 14, 2014.</p>	<p>Document on Lessons Learned from Bolivia Emergency Reconstruction and Disaster Management Project (P106449) and Other Recovery and Reconstruction Processes²⁴;</p> <p>Global Facility for Disaster Reduction and Recovery (GFDRR) Bolivia Country Note (2010).</p>
<p>Pillar 3: Reducing the fiscal impact and improving Bolivia’s capacity to respond financially to disasters associated with adverse natural events</p>	
<p>Prior Action 5: The Government has strengthened the legal and institutional framework for financial protection against disasters by establishing: (a) risk transfer instruments and mechanisms; (b) the necessary sources of financing of emergency and disaster response activities.</p> <p><i>Legal evidence:</i> Law N°602 on Disaster Risk Management dated November 14, 2014.</p>	<p>Government of the Plurinational State of Bolivia – Methodology to Evaluate the Municipality Risk Index (IRM) (2012) published by the Ministry of Development Planning;</p> <p>Disaster Risk and Disaster Risk Management Indicators for Bolivia. Notas Técnicas IDB-TN-169, September 2010: http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=35160012;</p> <p>WPS5429 – Financial Protection of the State Against Natural Disasters (Ghesquiere and Mahul, 2010): http://elibrary.worldbank.org/doi/book/10.1596/1813-9450-5429;</p> <p>Improving the Assessment of Disaster Risk to Strengthen Financial Resilience: Joint G20 Publication by the Government of Mexico and the World Bank: https://www.gfdr.org/G20DRM;</p> <p>Contingent Liabilities: Methodologies in Colombia, Ministry of Finance and Public Credit of Colombia (2012): http://www.minhacienda.gov.co/HomeMinhacienda/creditoydeudapublicos/Riesgo/Informes/ObligacionesContingentesIngles.pdf</p>

C. Link to Country Partnership Strategy and Other Bank Operations

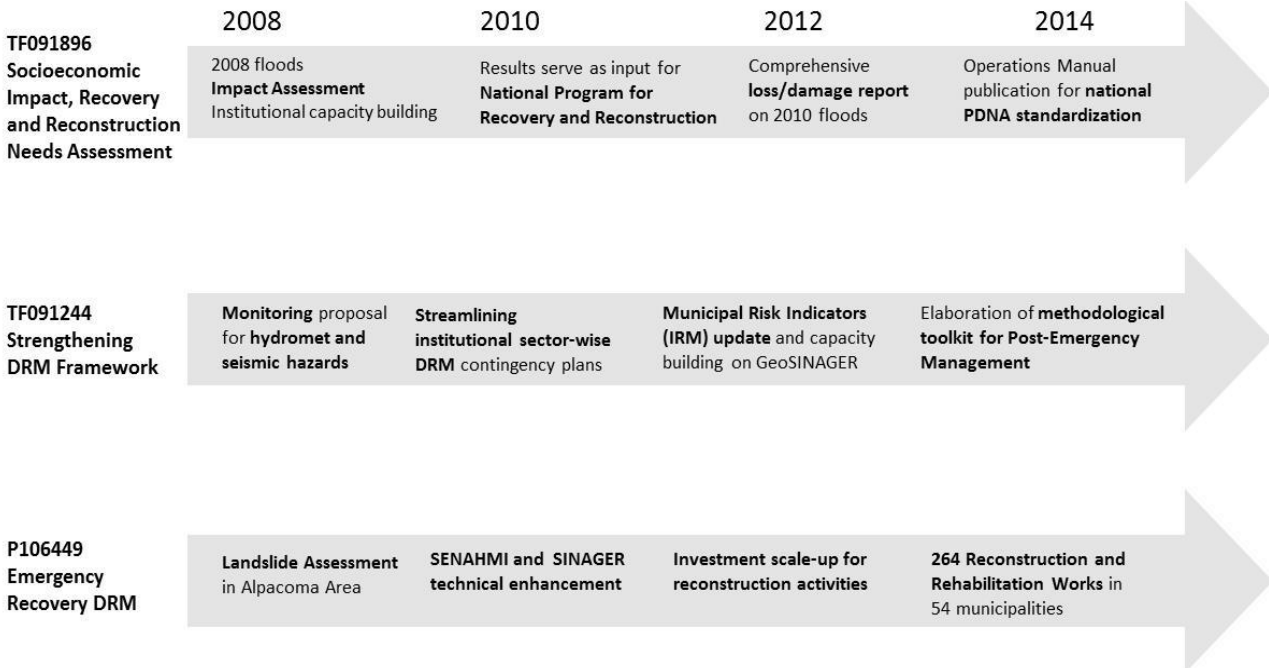
58. **The proposed program falls under the Climate Change and Disaster Risk Management results area of the Country Partnership Strategy (CPS) for FY12-FY15 and Progress Report (January 2014).** The key objective under this thematic area of engagement is to

²⁴ Ministerio de Planificación del Desarrollo – Experiencias en Reconstrucción y Rehabilitación Post-Desastres (2014) financed by GFDRR and The World Bank.

improve the Government’s capacity to cope with DRM and climate change. In 2014, the World Bank enhanced national capacities through the improvement of hazard monitoring systems, evaluation of risk at the municipality level²⁵, and creation of a GIS-based DRM information platform. By supporting the Government’s initiative to consolidate its DRM legal and institutional framework through reforms for strengthening gaps in risk reduction, climate change adaptation and financial protection against disasters, the proposed DPC/L will be in line with the strategic objectives set out in the CPS.

59. **The World Bank has played a prominent role in providing continuous technical assistance and financing for DRM over the past years.** Through its active engagement and support to the Government, the Bank has become a key partner in DRM for Bolivia. Based on this partnership, the Bank has provided support to: (i) strengthen the DRM system through capacity building at the national, sectorial and subnational levels (TF091896 and TF091244); (ii) rehabilitate, reconstruct and mitigate works at the municipality level after El Niño (2006-2007) and La Niña (2007-2008) (P106440); and (iii) contributing to the integration of climate resilience considerations in productive, social and environmental policy-making (TF091244)²⁶. Currently the Bank’s DRM program in Bolivia is focused on (i) supporting the modernization of the national DRM system; (ii) improvements in the application of disaster risk analysis and management in policy making, and (iii) further strengthening DRM at subnational levels.

Figure 6. World Bank DRM Engagement in Bolivia from 2008-2014



60. **The proposed operation builds on the extensive work in DRM and CCA supported by the Bank and incorporates key lessons learned from experiences around the world.**

²⁵ IRM - Municipal Risk Index (2014) integrated in GeoSINAGER platform.

²⁶ Enabling a Multi-Sectoral Approach to Climate and Municipal Risk in Bolivia: <https://www.gfdrr.org/enabling-multi-sectoral-approach-climate-and-municipal-risk-bolivia>

D. Consultations, Collaboration with Development Partners

61. **Aligned to the 2009 Political Constitution of the State, all prior actions were subject to consultation.** The approval of the DRM law provided a strong platform for collaboration and consultation with relevant stakeholders throughout the preparation of the law. Technical workshops and bilateral consultations meetings were organized by the Legislative Assembly with different sectorial ministries and cooperation agencies.

62. **The international donor community provided strong support to Bolivia's DRM engagement via technical assistance, funding for disaster preparedness, improving Bolivia's early warning system (EWS), and strengthening its disaster recovery process.** Prior to the 2014 floods, the *Grupo de Socios para el Desarrollo de Bolivia* (GRUS), a coordination mechanism including the UN, IDB, the World Bank, CAF, the IMF and bilateral donors, established an independent DRM advisory group with the objective of coordinating and monitoring the technical assistance projects and programs on matters relating to DRM in the country. The World Bank, through the GRUS works with other donors to coordinate actions and enhance complementarity. ECHO, the Humanitarian Aid and Civil Protection Department of the European Commission, has supported the Bolivian Government's DRM Program for the past seven years; for 2013-2014, the program has contributed €3.4 million with a primary focus on disaster preparedness and emergency response. In a partnership with SDC, UNDP has provided technical support to strengthen Bolivia's disaster information and coordination system within SISRADE. Founded by SDC in 2005, the Program for the Reduction of Disaster Risks (PRRD) has supported several projects in disaster prevention and disaster response at the local level.

63. **The European Union, UNDP, the Gates Foundation, the Food and Agriculture Organization (FAO) and the Swiss Agency for Development and Cooperation (SDC) have supported Bolivia's DRM Program.** The European Union's DIPECHO Programme supports an average of 30 municipalities through NGOs in capacity building in DRM. Channeling bilateral resources primarily from Spain and Belgium, the UNDP has supported the Bolivian Ministry of Development Planning, through its Vice-Ministry of Planning and Coordination, the Ministry of Defense and the Vice-Ministry of Civil Defense. Furthermore, the Gates Foundation has funded the collaboration of NGOs on DRM-related issues in Bolivia. The FAO has given support to Bolivia's agricultural sector through a program that protects livestock from flood risks. The SDC has allocated US\$4 million towards strengthening Bolivia's DRM and Adaptation to Climate Change capacities at both the municipal and national levels.

V. OTHER DESIGN AND APPRAISAL ISSUES

A. Poverty and Social Impact Assessment

64. **Poor and vulnerable households are expected to benefit directly from a disaster risk management operation.**²⁷ It is generally considered that poor and vulnerable communities bear a disproportionate share of the burden of natural disaster impacts because they rely on resources that are more exposed to natural disasters. Indigenous communities are also thought to be vulnerable because they tend to depend on forests and natural resources for their livelihoods, and some of

²⁷ World Bank (2012) *Poverty and Social Impact Analysis for Climate Change Development Policy Operations* (Washington: The World Bank).

those communities are located in areas prone to natural disasters. Therefore, their livelihoods are subject to the negative impacts from floods, droughts and other adverse natural events. The long term benefits of DRM policies and actions, but also potentially some of the short-term adjustment costs, are likely to be disproportionately borne by poor and vulnerable households.

65. In Bolivia, available data suggests that within relatively richer municipalities severely affected by the recent floods, poorer households have been the most affected²⁸ and that municipalities with a higher incidence of poor and indigenous population were not more affected by floods than others. In preparation for this operation, the World Bank prepared a set of maps that present information at the municipal level, including a poverty map based on the 2012 Population and Housing Census and the household survey, a map of municipalities by population shares of indigenous groups, and a map of the population affected by 2014 floods (in absolute terms as well as a percentage of the municipal population).²⁹ The data suggest at the aggregate municipal level, the correlation between poverty, indigenous status and exposure to floods are weak. However, within municipalities, the disaggregated data indicates that poor households tend to live in precarious housing units and with restricted access to insurance mechanisms and credit; thereby tending to be the most affected by disasters, and particularly floods.

66. The proposed operation may have variable impacts on different indigenous groups. Bolivia is a country with a large indigenous population made up of over 40 different ethnic groups of varying sizes and livelihoods strategies. Highland groups such as Quechuas and Aymaras have close-knit social organizations and are primarily farmers. Their strong collective identity provides a resilience that allows groups and communities to better face adversity. They also tend to have stocks and stores of food supplies that contribute to an increased resilience. In contrast, many of the smaller groups residing in the lowlands and Amazon are hunter gatherers and fishers, depend on sales of timber, or have migrated to the outskirts of cities and towns to engage in informal economic activity such as crafts. These groups tend to be more spread out with less tightly knit social organizations and fewer stores and are therefore more vulnerable to disasters and climate risks.

67. The direct impact of natural disasters on men and women differ, as does their ability to cope and this requires that disaster and climate risks are managed with sensitivity to gender. Differences in impact are determined by where men and women live, where they work, their household responsibilities, access to assets and resources, etc. For example, mortality rates have often been higher for women in natural disasters.³⁰ Meanwhile, especially in rural Bolivia, there is a strong linkage between gender roles and the differentiated climate vulnerabilities and adaptation strategies identified by women and men, with strategies that are shaped by existing divisions of labor and differential control over resources.³¹ Studies show that migration is dominated by adult men, often as a strategy to cope with losses due to natural disasters or issues

²⁸ From preliminary results of the Post-Disaster Needs Assessment currently in progress (TF017839).

²⁹ The poverty map and the map of indigenous communities were prepared by UDAPE and the World Bank team using small area estimation techniques under the Bolivia Multidimensional Poverty Phase III NLTA (P132327).

³⁰ World Bank (2014) "Resources for Gender Mainstreaming in Disaster Risk Management". LCR Gender Practice Spark Page, May 2014.

³¹ Ashwill, M. and M. Blomqvist, et al. (2011). *Gender Dynamics and Climate Change in Rural Bolivia*. Washington DC: The World Bank.

related to climate change, while giving the women left behind an additional workload.³² The new DRM law explicitly prioritizes the emergency and disaster response needs of vulnerable women, children and those with illness or disabilities.³³

B. Environmental Aspects

68. **The proposed operation is not likely to have any significant negative effects on the environment, forests, or other natural resources.** In recent years, Bolivia has achieved progress in environmental matters and established the necessary mechanisms to cope with negative impacts of natural disasters. The Environmental Law 1333 (1992), regulations and amendments (2002, 2003, 2005) and the recently approved Framework Law of Mother Earth and Comprehensive Development for Well Living (2012), are oriented to address and manage potential negative environment impacts, establishing mandatory environmental impact assessments for any investments in the economic sectors such as oil and gas, agriculture, industry and infrastructure. Bolivia utilizes specific regulations and policies to manage air pollution, solid waste, water resources, ecosystems and biodiversity. The Government has given a high level of attention to policies related to Climate Change, in particular through the creation of the APMT and the establishment of the policy framework for effective operation of the Mechanism for Climate Change Adaptation supported by this operation. The approved SPCR established three areas of intervention: strengthening the national capacity for managing climate change; climate resilience program for the water and sanitation system of the metropolitan areas of La Paz and El Alto; and strengthening the resilience to climate change in the Rio Grande basin. Some effective climate change adaptation measures have been financed through the Pilot Program for Climate Resilience. Others will be implemented in the second phase, including (i) Strengthening National Capacity for Climate Change Adaptation, (ii) Strengthening Capacity for Adaptation to Climate Change in the Rio Grande River Basin and (iii) Design and Implementation of Subprojects that improve climate resilience in the Rio Grande River Basin.

69. **Net positive environmental impacts are expected as a result of the implementation of the reforms the institutional and legal measures supported by this DPC/L.** To the extent that actions supported by the proposed operation are successfully implemented over time, there will be a need to continue strengthening the capacity of Bolivia to identify and address environment policy and regulatory issues that can arise from the proposed policy reforms. The proposed operation includes policy reforms to better address the negative externalities produced by natural disasters. The role and mandate of Ministry of Environment and Water to formulate policies, standards and structuring mechanisms for the conservation and sustainable use of biodiversity, water conservation and environmental protection, is strengthened through the creation of the APMT to cope with climate change adaptation measures and specific policies. The prior actions included in the three pillars will have a direct positive effect with regards to environmental management. The APMT will also support the strengthening of mechanisms for managing adaptation to climate change, incorporating aspects of forestry management and the establishment of articulated intervention at the territorial level to manage and reduce climate risk.

³² Morales, Miguel (2010). "The Social Dimension of Adaptation to Climate Change in Bolivia". World Bank Discussion Paper no. 13. cited in Ashwill, M. and M. Blomqvist, *et al.*, 2011).

³³ Article 5 (principles) point 7.

C. Public Financial Management, Disbursement and Auditing Aspects

70. **The World Bank and IDB teams prepared a joint PEFA report³⁴ for the central government of Bolivia in 2009.** This assessment has concluded that budget preparation and execution processes followed by the government were significantly enhanced by the use and expansion of the government's main FM information system (SIGMA) and the Treasury Single Account (CUT), which improved budget coverage and comprehensiveness, enabled timely preparation of in-year budget reports and annual financial statements, and strengthened the management of Treasury operations. At the same time, the PEFA report noted that budget preparation and approval processes, internal control and audit functions, as well as external scrutiny and external audit could benefit from further strengthening. Bolivia has undertaken several actions to improve management of public finances based on the findings and recommendations of the PEFA report. The current status of Bolivia's PFM systems based on the limited review conducted as part of this DPC/L preparation is as follows:

- **The annual budget is prepared on a timely basis and approved by the Legislative Assembly prior to the beginning of the fiscal year.** The preparation and approval process has been strengthened by bringing forward the budget preparation calendar and ensuring timely approval of budget directives and classifiers - administrative, economic, programmatic and sub-functional - which are consistently used by all public sector entities. Time assigned to spending entities to prepare budget proposals continues to be tight though, and there may be delays in communicating budget ceilings. Policies and priorities are broadly reflected in the budget; however, the budget is not forward looking and no medium-term budget framework is in place yet. The budget classification is substantially consistent with international statistical standards³⁵.
- **Budget execution is carried out in an orderly manner.** Expenditures are subject to budget controls incorporated in the SIGMA system, which effectively limit commitment to actual cash availability and approved budget allocations. Information on the approved budget provides a significant level of detail up to the entity and project level (e.g. road segment); and even allows access to activities within a given project while information on actual budget execution remains quite general. However, budget credibility and predictability continues to be affected by significant budget increases throughout the year, which, although approved in a transparent manner, may undermine the efficiency and effectiveness of the different programs.
- **Internal control and internal audit are generally transaction based.** Internal control rules and procedures consist of a basic set of rules for processing and recording transactions, which are generally complied with. However, controls may be deficient in some important areas, as the establishment and design of internal controls does not respond to a comprehensive risk assessment. The existing Internal Audit function is decentralized, but its overall operational capacity is weak because of the lack of resources and the limited transactional approach followed in its reviews.

³⁴ World Bank and Inter-American Development Bank: World Bank. 2009. Bolivia - Public financial management review, based on the PEFA methodology. Washington, DC: World Bank.
<http://documents.worldbank.org/curated/en/2009/10/13587889/bolivia-public-financial-management-review-based-pefa-methodology>.

³⁵ GFSM 1986

- **Implementation of the Treasury Single Account (TSA, *Cuenta Unica del Tesoro*) has significantly improved management of public funds.** The government use of a TSA has significantly improved management of public sector funds, including external-financed funds. The TSA is operated through a local currency (Bolivianos) account and a foreign currency account, centralizing all accounts at the National General Treasury. A cash forecast is prepared for the fiscal year and it is updated on a monthly basis; cash balances are calculated and consolidated on a daily basis. Overall, cash flow planning, monitoring and management are effective; however, the quarterly time horizon of the periodic in-year information provided to spending entities on ceilings for expenditure commitment (investment and recurrent) - “commitment quotas” - may still not be adequate for certain types of expenditures.
- **In-year budget reports and annual financial statements are timely in preparation.** Budgetary operations processed in SIGMA/SIGEP are simultaneously accounted for following a general chart of accounts used uniformly by public sector entities, and a modified accrual basis of accounting³⁶. In-year budgetary reports are available on-line and in real time for entities using SIGMA/ SIGEP, and aggregated reports on budgetary execution for all public sectors are prepared on a monthly basis. Consolidated government financial statements for the central government, including information on revenue, expenditure, and financial assets and liabilities, are prepared annually in accordance with governmental accounting standards. Those standards are, however, not fully compliant with International Public Sector Accounting Standards (IPSAS).
- **Annual financial statements for the central government are timely in presentation to the Legislative Assembly, but there is no independent audit review.** The external audit mandate has been conferred on the Auditor’s General Office (CGE). However, the CGE has primarily focused its efforts on carrying out special purpose and compliance audits.³⁷ At present no independent audit opinion is prepared by the CGE for the annual accounts of the central government, or for the annual financial statements issued by decentralized entities or state-owned enterprises. However, internal audit units are required to prepare a reliability report (*informe de confiabilidad*) on annual budget execution reports and financial statements of each public sector entity. The Legislative Assembly exercises its scrutiny role at the time of budget approval, but scrutiny of financial statement is quite limited.
- Transparency has become one of the key principles in government management; therefore, approved budget, budget execution reports and annual financial statements for central government, and all public sector entities are publicly available in the Ministry of Economy’s website.

71. **Overall, progress has been made and there is government commitment to continue modernizing and improving Public Financial Management.** It is important to note that results demonstrated so far could be further scaled-up by prioritizing key activities expected to be achieved within the PFM reform agenda, including issues related to preparation of audited financial statements, implementation of a medium term expenditure framework, enhancement of

³⁶ Under the modified accrual basis of accounting - as defined in the Bolivian accounting standards applied in the public sector - incomes are recognized when received and expenditures when incurred.

³⁷ The purpose of the special audit is expressing an independent opinion on the compliance with the administrative legal rules and other legally applicable regulations, and contractual obligations and, as may be the case, establish indications of responsibility of public officials (administrative, civil, criminal, and executive).

the existing internal controls framework, and adoption of comprehensive public sector accounting standards.

72. **The GoB has taken several recent steps to modernize government contracts.** The legal procurement regime of Bolivia includes all the most relevant aspects of procurement without creating an over-burdensome set of regulation on the public and private sectors compared to other countries in the region. In addition, Bolivia has recently taken steps to modernize government contracts including by the introduction into the legislation of the possibility of using “framework agreements” and the automation of the national registry of providers. The procurement regime needs nonetheless further improvement that would enhance competition which has been limited, in some sectors, in particular the construction sector. Some of the elements of the procurement regime that could be enhanced include the introduction of price adjustment in works contract, alternative securities to bank guarantees, and arbitration. The government is working on some of these aspects including reinforcing the procurement capacity of central and local government sectors.

73. **The GoB is aware of most of the barriers and obstacles that affecting the current procurement regime and has shown its willingness to foster competition and improve the conditions applicable to private contractors.** The Bank is supporting the strengthening of the system through an IDF grant on public sector management that is focused on reinforcing the capacity of several sectors of government, whether central or local, with a strong focus on procurement.

74. **Disbursement arrangements would follow the standard procedures for DPOs.** It is expected that: (i) credit and loan proceeds would be disbursed in a single tranche to a foreign currency TSA account, which forms part of the country’s foreign exchange reserves in the Central Bank of Bolivia; and (ii) the GoB will ensure that upon receipt of the funds into that account, such amount or an equivalent amount in local currency has been accounted for in the country’s budget management system. The GoB will be required to provide written confirmation of steps (i) and (ii) after funds are disbursed by the Bank that should provide sufficient reasonable assurance on the use of the funds and that is consistent with the fiduciary requirements for other countries with similar PFM arrangements including those using a single treasury account that receive DPL financing.

75. The most recent IMF Safeguard Assessment was completed in 2004. In addition, the IMF Financial Committee Report, issued September 2011, indicates that the policy of the Central Bank of Bolivia (BCB) aims to mitigate the adverse effects of economic cycles. Accordingly, in 2011, the Central Bank began the withdrawal of monetary impulses, increased the range of open market operations and implemented changes on the reserve requirement rate. The Bank team also met directly with Central Bank officials to review the audit report of the 2013 financial statements of the Central Bank, and respective Management Letter, both prepared by the audit firm PricewaterhouseCoopers. The auditor’s opinion and the issues raised in their audit report, all related to minor procedural aspects, do not raise significant concerns regarding the internal control environment of the BCB or issues that may impair the integrity of its operations or the fair presentation of its financial statements. As a result, the Bank does not consider necessary the requirement to request dedicated accounts at the Central Bank for the deposit of credit and loan proceeds. In addition, no audit will be required for the deposit account, and no additional fiduciary arrangements are considered necessary at this time.

D. Implementation, Monitoring, and Evaluation

76. **Two ministries are involved in the coordination and monitoring of the proposed program.** The MEPF is the main counterpart of the Bank for this DPC/L and the direct beneficiary. The implementation of the program is a shared responsibility with the Ministry of Development Planning (MDP). The MEPF is the executing agency for the Government, and the MDP, as the DRM coordinating agency, holds the coordination responsibility for most of the DRM Program. The policy reforms set out in the policy matrix (Annex 1) list a number of key actions required for building a comprehensive DRM institutional and legal framework. The MDP will play the role of coordination for this operation and will facilitate regular dialogue with other line ministries as required during the implementation of the operation to facilitate the Government's own monitoring of the pillars of this operation.

VI. SUMMARY OF RISKS AND MITIGATION

77. **The overall implementation risk associated to this DPC/L is moderate (M).** Program risks arise mainly from the institutional capacity for the implementation and sustainability of the proposed Program.

78. **Low political and governance risks are associated with the change in government in January 2015.** After the October 2014 presidential elections that resulted in the re-election of President Morales and his party obtaining absolute majority in the Legislative Assembly, the governmental transition is expected to result in continuous political support for the proposed DRM reform program in Bolivia. The DRM bill, the main policy reform supported by this operation, was proposed by the Legislative Assembly in early March and approved in November 2014. The discussions of the bill in the Assembly required inputs, comments and suggestions from the different sectors involved in DRM in the country, in particular, from the Ministry of Development Planning, the Ministry of Defense and the Ministry of Economy and Public Finance. The bill was discussed in a participatory process where all political forces participated. There is support across different political parties in the country about the importance of DRM, and in particular, the need for rapid implementation of the new DRM framework established by the Law.

79. **Risks to sustained growth and macroeconomic stability that could negatively affect the operation are considered moderate.** There are a number of downside risks that could lead to a more pronounced and faster than expected reduction in economic growth, which could potentially affect the capacity and willingness of the authorities to implement and finance the DRM reform agenda. Most importantly, Bolivia remains vulnerable to a longer and deeper than expected downturn in commodity prices, to potential changes in demand for gas from Argentina and Brazil, as well as potential capacity constraints in gas production resulting from a lack of investments in exploitation in past years. Also, the public-investment fueled growth model growth might face limitations in the form of lower revenues, supply side bottlenecks, and nearly-full employment. Similarly, medium term growth prospects could be hampered by effects of past government interventions in markets. However, the potential impact of these risks is substantially reduced by two main mitigating factors: (i) the high levels of fiscal and foreign exchange reserves accumulated over the past years and the significantly reduced levels of public debt, which constitute a solid buffer to respond to potential shocks; and (ii) the prudent fiscal, monetary and exchange rate policy framework in place, which would safeguard debt sustainability and macroeconomic and financial stability, and is based on a solid implementation track record of the past years.

80. **Institutional capacity for implementation and sustainability of this operation are subject to moderate risk.** The Government envisages an ambitious DRM reform agenda supported by this operation. The implementation of the different policy reforms implies important buy-in from subnational governments and large inter-agency coordination efforts. These risks would be mitigated by supporting the different policy reforms with technical assistance from the national government to subnational governments, the planned establishment of technical, multi-level implementation committees, involving users and civil society early in the process, and adequately communicating the generalized benefits of the measures supported in this operation.

81. **The proposed program is associated with low social and environmental risks.** The proposed operation is not likely to have any significant negative effects on the environment, forests, or other natural resources. Net positive environmental impacts are expected as a result of the implementation of the reforms supported by this DPC/L. The implementation of the reforms supported by this operation is likely to have a positive social impact and benefits reducing vulnerability to disasters.

Systematic Operations Risk-rating Tool (SORT) Table

Risk Categories	Rating
1. Political and governance	L
2. Macroeconomic	M
3. Sector strategies and policies	M
5. Institutional capacity for implementation and sustainability	M
6. Fiduciary	M
7. Environment and social	L
8. Stakeholders	L
Overall	M

Annex 1. Policy Matrix

OBJECTIVE	PRIOR ACTIONS	INDICATIVE OUTCOME INDICATOR
Pillar 1 – Strengthening Disaster Risk Reduction and Adaptation to Climate Change		
<i>Coordination:</i>		
<i>Ministry of Development Planning (MPD) and Plurinational Authority of Mother Earth (APMT) of the Ministry of Environment and Water</i>		
To improve and strengthen the development planning and public investment systems to reduce disaster and climate risks.	<p>Prior Action 1: The Government has integrated disaster risk management into its Comprehensive National Development Planning System (SPIE) and the management of public investments.</p> <p>Legal evidence: <i>Law N°602 on Disaster Risk Management dated November 14, 2014 and the R.M. 156 dated August 20, 2013.</i></p>	<p>(i) Number of departmental development plans that incorporate disaster risk management. [Baseline 2013: [4/9] / Target 2016: [9/9]]</p> <p>(ii) Issuance of Ministerial Regulation to incorporate risk analysis in public investment projects.</p>
To strengthen climate change adaptation measures reducing impact of future disasters.	<p>Prior Action 2: The Government has taken actions to operationalize the governing structure for climate change adaptation in the Recipient’s territory by regulating the functions, responsibilities and resources of the Plurinational Authority of Mother Earth (APMT).</p> <p>Legal evidence: <i>Executive Decree 1696 – Regulations of Plurinational Authority of Mother Earth dated August 14, 2013.</i></p>	<p>(i) Approval of organizational design and operating standards for the operation of the Trust Fund Plurinational Mother Earth.</p> <p>(ii) Adoption of the Plurinational Climate Change Plan articulating policies, financing and coordination mechanisms at the national and subnational levels for climate change adaptation activities.</p>
Pillar 2 – Strengthening Institutional Coordination for Emergency Response and Management		
<i>Coordination:</i>		
<i>Ministry of Defense (MD) and Ministry of Government (MG)</i>		
To improve the coordination system for emergency and	<p>Prior Action 3: The Government has institutionalized a coordination system between national and</p>	<p>(i) Adoption of guidelines defining roles and coordination mechanisms for</p>

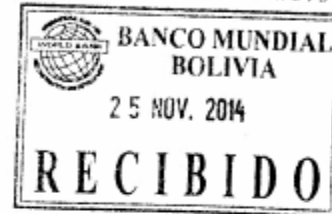
<p>disaster response at all levels of government.</p>	<p>subnational (departmental, regional, municipal and native indigenous campesino territories) governmental levels for emergency and disaster response. <i>Legal evidence: Law N°602 on Disaster Risk Management dated November 14, 2014.</i></p>	<p>emergency and disaster response at all levels of government. (ii) Number of Departmental (COED) and Municipal (COEM) Emergency Operation Committees established and operating. COED: [Baseline 2014 = [4/9] / Target 2016 = [9/9]]. COEM: [Baseline 2014 = [22/339] / Target 2016 = [40/339]].</p>
<p>To strengthen response capacity in case of disasters associated with adverse natural events incorporating a social and gender perspective.</p>	<p>Prior Action 4: The GoB has integrated the National Directorate of Firefighters of the Bolivian Police, a key body on disaster response, as part of the National System of Public Safety and the National DRM System (SISRADE). <i>Legal evidence: Law N° 449 on Firefighters, dated December 4, 2013 and Law N°602 on Disaster Risk Management dated November 14, 2014.</i></p>	<p>(i) Adoption of emergency operations procedures integrating the role of Firefighters at national level. (ii) Number of departmental emergency management protocols integrating the role of Firefighters. [Baseline 2014: [0/9] / Target 2016: [3/9]].</p>
<p>Pillar 3 - Reducing the fiscal impact and improving Bolivia's capacity to respond financially to disasters associated with adverse natural events <i>Coordination:</i> <i>Ministry of Development Planning (MPD), Ministry of Defense (MD) and Ministry of Economy and Public Finances (MEPF)</i></p>		
<p>To improve and increase financial capacity to respond to emergency and disaster response and reduce the fiscal impact of disasters.</p>	<p>Prior Action 5: The Government has strengthened the legal and institutional framework for financial protection against disasters by establishing: (a) risk transfer instruments and mechanisms; (b) the necessary sources of financing of emergency and disaster response activities. <i>Legal evidence: Law N°602 on Disaster Risk Management dated November 14, 2014.</i></p>	<p>(i) Issuance of guidelines to acquire, design and implement risk transfer instruments for the national and subnational governmental levels. (ii) National Budget 2016 includes a specific budget allocation for FORADE. [Baseline 2014: no budget allocated]</p>

Annex 2. Letter of Development Policy
(Original in Spanish)



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La Paz, 25 NOV 2014
MPD/NIPFE/DGGFE/UOF-003186/2014
010792 14 10:17 RCVD



Señor
Jim Yong Kim
PRESIDENTE
BANCO MUNDIAL
Presente.-

**Ref.: CARTA DE POLITICA - CREDITO DE POLITICAS
EN GESTION DEL RIESGO DE DESASTRES**

Señor Presidente:

Como es de conocimiento general, el Estado Plurinacional de Bolivia está realizando los esfuerzos necesarios para afrontar las pérdidas generadas por los desastres naturales acontecidos en varias zonas del país, en los primeros meses del presente año. Asimismo, el Banco Mundial ha reforzado su apoyo al país mediante la Alianza Estratégica 2012-2015, focalizando la atención en las siguientes áreas: i) Desarrollo Productivo Sostenible; ii) Cambio Climático y Gestión de Riesgo de Desastres; iii) Desarrollo Humano y Acceso a Servicios Básicos; y iv) Eficacia del Sector Público, con el fin de reducir la pobreza moderada y extrema y de fortalecer el compromiso permanente que tiene este Organismo con el país desde hace medio siglo.

Al respecto, con el fin de continuar con las acciones realizadas en Gestión del Riesgo de Desastres, solicitamos su apoyo a través de una operación de Crédito de Apoyo Presupuestario al Estado Plurinacional de Bolivia para el Desarrollo de Políticas en Gestión del Riesgo de Desastres, por un monto de USD 200 millones, poniendo en su conocimiento el contexto económico del país, así como los esfuerzos realizados y las propuestas de políticas en esta área.

CONTEXTO ECONÓMICO

El Estado Plurinacional de Bolivia ha presentado un buen desempeño macroeconómico producto de la implementación del Modelo Económico Social Comunitario Productivo desde el año 2006, este modelo plantea llevar los excedentes de los sectores estratégicos hacia los sectores generadores de ingreso y empleo, buscando liberar a Bolivia de la dependencia de la exportación de materias primas para abandonar el modelo primario exportador y construir un país industrializado y productivo, al mismo tiempo implementar políticas redistributivas entre los sectores vulnerables de la sociedad.



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De igual manera han contribuido al desempeño favorable de la economía, la promulgación de la Constitución Política del Estado en 2009, que ha derivado en la adecuación del marco normativo del país mejorando su institucionalidad; el establecimiento de líneas de acción específicas plasmadas en el Plan Nacional de Desarrollo; y los precios internacionales de los hidrocarburos y minerales, principales productos de exportación del país.

Desde 2006, la economía boliviana ha presentado un crecimiento sostenido, incluso durante los años 2008 y 2009 de la crisis financiera internacional, momento en que las tensiones financieras y la debacle fiscal de los países más avanzados del mundo hicieron tambalear a muchas economías latinoamericanas, las cuales presentaron una desaceleración acentuada. En 2008 y 2009 el crecimiento real del PIB en Bolivia alcanzó 6.1% y 3.4% respectivamente, cifras que se atribuyen a la incidencia de la demanda interna sobre el crecimiento de la economía.

En el año 2013, el desempeño de la economía superó las expectativas previstas, alcanzándose un crecimiento de 6.8%, el más alto de los últimos treinta y ocho años. Sectorialmente, las actividades con mayor crecimiento fueron el del Petróleo Crudo y Gas Natural (14%), Construcción (10,6%) y Servicios de la Administración Pública (9,5%). Sin embargo, las actividades que tuvieron mayor incidencia en el crecimiento del PIB fueron la Industria Manufacturera (1,01 p.p.), seguido del sector de Petróleo Crudo y Gas Natural con 0,93 p.p.; Servicios de la Administración Pública con 0,87 p.p. y Establecimientos Financieros con 0,78 p.p. Asimismo, desde 2005 el Producto Interno Bruto de Bolivia se ha más que triplicado, pasando de USD 9,627 millones a USD 31.237 millones.

La política fiscal basada en una administración prudente, ha logrado superávits fiscales durante ocho años consecutivos. A nivel latinoamericano, sólo Bolivia y Perú registraron resultados fiscales positivos en 2013, siendo el promedio latinoamericano de -1.7%.

Asimismo, los mayores ingresos estatales posibilitaron la expansión de la inversión pública, permitiendo una mayor ejecución de proyectos, que desde la gestión 2005 ha ido mostrando un comportamiento ascendente, pasando de USD 629 millones a USD 3.781 millones en 2013; y para el presente año se tiene programada una inversión pública de USD 4.519 millones. A nivel sectorial, en el año 2013, las inversiones en infraestructura y sector social fueron las que mayor participación tuvieron sobre el total, 39,7% y 28,7% respectivamente, seguidas de las inversiones en el sector productivo (26,9%) y multisectoriales (4,7%).

El actual perfil externo de Bolivia es muy sólido con consecutivos superávits en cuenta corriente desde 2003, reservas internacionales de alrededor de 14.4 mil millones de dólares las cuales corresponden alrededor del 51% del PIB, siendo el ratio de reservas internacionales respecto a la deuda pública del 135%; uno de los más altos en todo el



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mundo y registrando un alto grado de sostenibilidad de la deuda pública externa, dado que los coeficientes de sostenibilidad se encuentran por debajo de los límites referenciales internacionales:

COEFICIENTES DE ENDEUDAMIENTO

DEUDA EXTERNA PÚBLICA DE MEDIANO Y LARGO PLAZO

Variables	2006	2007	2008	2009	2010	2011(p)	2012(p)	2013(p)	Límite Referencial
SD/Xbs	7,3%	6,6%	3,7%	4,1%	4,2%	2,5%	4,1%	2,3%	20%
DE/Xbs	73,4%	44,1%	34,8%	47,5%	40,3%	37,8%	34,3%	42,0%	150%
DE/PIB	28,2%	16,7%	14,5%	14,9%	14,6%	14,5%	15,4%	17,1%	40%

SD: Servicio de la Deuda Externa

DE: Saldo de Deuda Externa Pública

Xbs: Exportaciones de Bienes y Servicios

PIB: Producto Interno Bruto

Fuente: Banco Central de Bolivia (BCB). Informe de la Deuda Externa Pública al 31 de Diciembre de 2013.

En cuanto a la Inversión Extranjera Directa (IED) Neta recibida en 2013, ésta alcanzó la cifra de USD 1.750 millones¹ (5,7% del PIB), este monto equivaldría a más de 6 veces la IED Neta registrada en el año 2006. Entre 2006 y 2013, la IED se destinó principalmente a las actividades de explotación y exploración de hidrocarburos y minerales.

La inflación ha presentado un comportamiento moderado, alcanzando a diciembre de 2013 una tasa de 6,5% la cual se encuentra dentro del rango de proyección de 3,8% y 6,8%, demostrando la eficacia de las medidas implementadas por el gobierno boliviano para el control de la inflación, garantizando la producción y abastecimiento de alimentos a precio justo. A pesar de algunos shocks de oferta tanto en el contexto externo como interno, debido a factores climatológicos y acciones especulativas, el Banco Central de Bolivia (BCB) y el Órgano Ejecutivo, ha realizado los esfuerzos necesarios para mantener bajo control el incremento de precios, mediante la aplicación de medidas que garantizan el abastecimiento del mercado interno y lucha contra la especulación. Además, se destaca los esfuerzos monetarios por regular la liquidez a través del empleo de nuevos instrumentos complementarios a los ya existentes, que fueron utilizados para reducir la liquidez como la emisión de Certificados de Depósitos a las administradoras del Sistema Integral de Pensiones y las reservas complementarias que se exigió a las entidades bancarias².

Los indicadores de deuda pública demuestran los importantes avances alcanzados en la recomposición de la cartera de deuda y la capacidad de endeudamiento del país, con relación a gestiones anteriores y respecto a otros países, manteniéndose dentro de los límites referenciales de sostenibilidad internacional, alcanzándose un nivel de deuda pública respecto al PIB de 31% a diciembre de 2013.

¹ Revista Economía Plural. Ministerio de Economía y Finanzas Públicas. Abril 2014.

² Informe de Política Monetaria. Banco Central de Bolivia. Enero 2014.



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El sólido desempeño económico destacado párrafos arriba ha sido acompañado por mejoras en la calidad de vida de los bolivianos, alcanzándose grandes avances en cuanto al Desarrollo Social, con bajos niveles de pobreza, menor desigualdad y una distribución más equitativa de los recursos. Es así que entre 2006 y 2013 el consumo de los hogares creció en promedio 4,6% y la formación bruta de capital fijo en 11,1%, gracias a un crecimiento sostenido del producto que permitió dinamizar la demanda interna a través de la redistribución de los ingresos estatales hacia las poblaciones más vulnerables con la creación de bonos sociales condicionados (Bono Juancito Pinto, Renta Dignidad y Bono Juana Azurduy). La canalización de recursos de estos tres programas sociales, en la gestión 2013, ha beneficiado al 36,6% de la población, es decir 4.028.517 personas (Bono Juancito Pinto 17,7%; Renta Dignidad 9,3% y Bono Juana Azurduy 9,6%). El crecimiento de la economía, registrando tasas superiores al crecimiento de la población, ha permitido que el PIB per cápita se incremente en un 136,4% entre estos años, de USD 1.182 en 2006 a USD 2.794 en 2013(e)³.

Este desempeño también ha permitido que a dos años del 2015 se hayan registrado importantes avances en el logro de los objetivos de desarrollo del milenio (ODM). Así, el año 2011 se alcanzó la meta relacionada con extrema pobreza, se ha recuperado la senda de la culminación en el nivel primario, se han logrado avances significativos en la provisión de iguales oportunidades a niños y niñas del país, existen avances importantes en los indicadores de salud, tal el caso de la cobertura de partos institucionales cuya meta fue alcanzada antes del plazo establecido; en cuanto al acceso a agua potable, se registran avances importantes (cobertura del 78,9% en 2012p), habiéndose cumplido la meta del milenio (78,5%). Sin embargo, es necesario realizar esfuerzos adicionales para alcanzar el resto de los compromisos asumidos en estas áreas.

El desarrollo económico y social que ahora proyecta el país le ha permitido conseguir constantes mejoras en la calificación de riesgo en los últimos años, alcanzando una calificación BB con perspectiva estable en mayo de 2014 por parte de la agencia Standard & Poor's, esta calificación de riesgo asignada a Bolivia es la más alta en toda su historia y la ubica muy próximo a obtener el grado de inversión (BBB).

Conforme al Fondo Monetario Internacional (FMI), se tiene las siguientes perspectivas para el 2014: i) Que la economía boliviana crezca a una tasa más moderada del 5,4% y para el periodo 2015-2018 un crecimiento del 5%; ii) Las proyecciones sugieren una tasa de inflación anual a finales del 2014 de 5,5% con una disminución paulatina en torno del 5% para el 2018; iii) En cuanto a la política fiscal, se espera registrar pequeños déficits entre el 0,4% (2014) y 0,7% (2018) como porcentaje del PIB y una disminución de la deuda pública del 29,7% al 22,3% en esos mismos años; iv) Con relación al sector externo, se espera registrar superávits en cuenta corriente, mantener el elevado nivel de

³ Estimado por el Ministerio de Economía y Finanzas Públicas.



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reservas (45,5% del PIB para el 2018) y un descenso de la deuda externa en torno al 16,3% del PIB (2018)⁴.

A futuro se espera que la economía boliviana extienda su situación de economía sólida en base a la continuidad de sus políticas y al proceso de industrialización encarado en el marco del Modelo Económico Social Comunitario Productivo. En ese sentido, el Estado viene realizando las acciones necesarias que permitan mantener las perspectivas de crecimiento. Por ejemplo, en lo que va del 2014 se promulgó la Ley de Promoción de Inversiones que moderniza el marco jurídico para atraer mayores inversiones y acompañar la transformación de la matriz productiva e industrialización del país; asimismo se promulgó la Ley de Minería que regula las actividades minero metalúrgicas estableciendo principios, lineamientos y procedimientos, para la otorgación, conservación y extinción de derechos mineros, desarrollo y continuidad de las actividades minero metalúrgicas de manera responsable, planificada y sustentable.

Asimismo, el país ha planteado una visión de desarrollo de largo plazo, que se materializa en la Agenda Patriótica hacia el Bicentenario 2025, propuesta por el Presidente Morales en enero del 2013. Entre los aspectos fundamentales que plantea esta agenda de desarrollo, se encuentra la erradicación de la pobreza extrema; socialización y universalización de los servicios básicos; soberanía alimentaria y ambiental respetando los Derechos de la Madre Tierra, entre otros.

No obstante, a pesar de los buenos resultados macroeconómicos registrados en los últimos años, existen factores regionales y mundiales que podrían presentar algunos riesgos; entre los más importantes están: i) Un crecimiento más débil de Argentina y Brasil; y ii) Menores precios mundiales de commodities, en particular, hidrocarburos. Sin embargo, el holgado nivel de reservas internacionales con las que cuenta el país permitiría a las autoridades mitigar el efecto adverso de shocks externos si estos se materializaran⁵.

A diciembre de 2013, se cuenta con avances importantes en la implementación del Sistema de Gestión Pública (SIGEP), la implementación de un Sistema Único y Centralizador de Información Presupuestaria y Contable, el reordenamiento del proceso de generación de las cifras fiscales del SPNF, la implementación a nivel nacional del Sistema de Información de Entidades Territoriales (SIET), entre otros. En cuanto a las auditorías del BCB, no se tienen observaciones en el área fiduciaria del mismo.

A pesar del buen desempeño macroeconómico y social, es necesario tomar en cuenta la magnitud de los efectos que provoca el cambio climático en los diferentes sectores de la

⁴ Bolivia: Staff Report for the 2013 Article IV Consultation. Fondo Monetario Internacional. Febrero 2014

⁵ Comunicado de Prensa No. 13/455. Misión del FMI concluye visita a Bolivia para la Consulta del Artículo IV. Fondo Monetario Internacional. 18 de Noviembre de 2013.



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economía boliviana debido a la vulnerabilidad que presenta el país ante problemas medioambientales, por tanto la Gestión del Riesgo de Desastres debe ser considerada como una de las principales políticas públicas, que permita afrontar y prevenir los impactos adversos.

ESFUERZOS REALIZADOS EN GESTIÓN DE RIESGO DE DESASTRES

En general, la economía boliviana está fuertemente expuesta a riesgos de desastres naturales y estos afectan principalmente a los pobres. Una Evaluación de Daños y Pérdidas estimó que la inundación de La Niña en diciembre de 2007, causó por sí sola daños y pérdidas estimados por un valor de USD 443 millones, abrumando la capacidad del Gobierno para responder a las necesidades de rehabilitación y recuperación. El Proyecto de Recuperación de Emergencias y Gestión de Desastres y un Financiamiento Adicional (PREGD/BM), han apoyado la rehabilitación de la capacidad productiva de las comunidades afectadas, respondiendo a los objetivos del Plan Nacional para la Rehabilitación y Reconstrucción Sostenible (PRESS) y Plan Nacional de Rehabilitación y Reconstrucción 2008-2010 del Gobierno.

En la Alianza Estratégica 2012-2015, consensuada entre el Banco Mundial y el Gobierno Nacional, se menciona que el país es altamente vulnerable a los desastres naturales y fenómenos del cambio climático tales como inundaciones, sequías, retroceso de los glaciares, que a su vez afectan el suministro y el manejo del agua, los sistemas de riego, la generación de energía hidroeléctrica y la infraestructura de transporte. Los impactos en el desarrollo productivo sostenible, así como en las condiciones de vida de las poblaciones pobres de las zonas rurales y urbanas, pueden ser considerables, como han demostrado los fenómenos meteorológicos de La Niña y El Niño.

El Gobierno ha adoptado un papel activo para hacer frente a los riesgos inherentes de la vulnerabilidad de Bolivia ante los desastres naturales y el cambio climático. Se incluyó la Gestión del Riesgo en el marco normativo del proceso autonómico, la Ley Marco de la Madre Tierra, Ley de Bomberos, normas sectoriales en agricultura y desarrollo rural, transportes, comunicaciones, en el sistema de planificación integral del desarrollo, y el ordenamiento territorial.

El 13 de noviembre de 2014 se sancionó la Ley N° 602 de Gestión de Riesgos con el objeto de regular el marco institucional y competencial para la Gestión del Riesgo de Desastres, que incluye la reducción del riesgo a través de la prevención, mitigación y recuperación y; la atención de desastres y/o emergencias a través de la preparación, alerta, respuesta y rehabilitación ante riesgos de desastres ocasionados por amenazas naturales, socio-naturales, tecnológicas y antrópicas, así como vulnerabilidades sociales, económicas, físicas y ambientales.



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En la mencionada norma la estructura del Sistema Nacional de Reducción de Riesgos y Atención de Desastres y/o Emergencias SISRADE toma en cuenta el nivel territorial a través del Consejo Nacional para la Reducción de Riesgos y Atención de Desastres y/o Emergencias CONARADE, los Comités Departamentales de Reducción de Riesgo y Atención de Desastres CODERADE y los Comités Municipales de Reducción de Riesgo y Atención de Desastres COMURADE.

A nivel Institucional el SISRADE está conformado por aquellas que corresponden al nivel Central de Estado y las Territoriales Autónomas, Las Fuerzas Armadas y la Policía Boliviana, además de Instituciones técnico-científicas y universidades, de grupos de búsqueda, salvamento y rescate, brigadas forestales y otros equipos voluntarios de respuesta inmediata a desastres y/o emergencias. En el ámbito social se cuenta con las Organizaciones Sociales y Comunitarias, así como con Personas Naturales y Jurídicas de derecho privado.

En el marco del CONARADE se asignan responsabilidades específicas a seis Ministerios Sectoriales, quienes coordinan y articulan territorialmente la Gestión de Riesgos y Atención de Desastres y deciden las acciones a seguir a través de una Secretaría Técnica a cargo del Viceministerio de Defensa Civil. La gestión de riesgos requiere de intervención integral y complementaria y a nivel central del Estado estará a cargo del Ministerio de Defensa y del Planificación del Desarrollo.

El Ministerio de Defensa definirá políticas y estrategias para implementar acciones de gestión de riesgos en el corto plazo y el Ministerio de Planificación del Desarrollo definirá políticas y estrategias de planificación para la gestión de riesgos en el mediano y largo plazo en el marco de la planificación integral, el ordenamiento territorial y la inversión pública. Las instituciones públicas deberán incorporar la Gestión del Riesgo de Desastres a sus planes de desarrollo, planes de ordenamiento territorial y planes sectoriales.

Los CODERADES y COMURADES coordinan, promueven y recomiendan acciones de gestión de riesgos dentro de su ámbito territorial. Lideran los Comités de Operaciones de Emergencia Departamental COED y Comités de Operaciones de Emergencia Municipal COEM, respectivamente, en coordinación con el Viceministerio de Defensa Civil. Asimismo, proponen y promueven mecanismos de transferencia de riesgos, como seguros y otros, orientados a minimizar los efectos de las eventuales pérdidas en sectores productivos, agrícola, pecuario, forestal, vivienda y otros.

En el ámbito financiero las entidades nacionales y territoriales autónomas preverán en sus programas operativos anuales y presupuestos los recursos necesarios para la gestión de riesgos, según los planes de desarrollo, los que deberán vincularse a todo nivel a través del SEIFD y los sistemas de gestión pública, de manera de garantizar los recursos para planes y programas de gestión de riesgos. Para la transferencia de riesgos se podrán



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diseñar mecanismos para transferir los riesgos de manera de cubrir las pérdidas y daños resultantes. Asimismo, el Ministerio de Defensa constituirá el Fideicomiso "Fondo para la Reducción de Riesgos y Atención de Desastres – FORADE", para captar y administrar recursos, para financiar la gestión de riesgos en los niveles nacional, departamental, municipal y autonomías indígena originario campesinas.

La Ley 144 de la "Revolución Productiva Comunitaria Agropecuaria" crea el Seguro Agrario para asegurar la producción de alimentos que fueron afectados por el cambio climático y desastres naturales, en ese marco, durante la gestión 2013 se ha priorizado 115 municipios sensibles a los desastres naturales y con mayores niveles de extrema pobreza. Además, en situaciones de emergencias como son los desastres naturales, el MDRyT apoya con la provisión de semilla y otras acciones de mitigación especialmente a familias más pobres que fueron afectadas por estos fenómenos adversos⁶.

Actualmente, se tienen en marcha planes sectoriales de Gestión de Riesgos en agricultura, agua y salud, entre otros, así como planes de contingencia para sucesos tales como sequías, inundaciones e incendios. Asimismo, el Gobierno está trabajando en un Programa Nacional de Gestión de Riesgos que identifique estrategias y acciones para prevenir y mitigar los impactos y responder a los desastres naturales.

Los programas sectoriales en el marco del Mecanismo Nacional de Adaptación al Cambio Climático también promueven acciones para la adaptación al cambio climático y desarrollan capacidades para mitigar los riesgos asociados a éste. El Programa Piloto para la Resiliencia al Cambio Climático (PPCR) es una iniciativa conjunta entre el Gobierno de Bolivia, Banco Mundial, Banco Interamericano de Desarrollo y la Unión Europea, cuyo objetivo es apoyar la implementación del Programa Estratégico para la Resiliencia Climática de Bolivia.

En cuanto a las agencias internacionales de cooperación, se puede mencionar a la Organización de las Naciones Unidas para la Alimentación y la Agricultura (FAO por sus siglas en inglés) que apoya el Programa de Emergencia (Proyectos OSRO).

Por otra parte, mediante el contrato de préstamo CFA 3747, la Corporación Andina de Fomento (CAF), en 2007 ha financiado el "Programa de Atención de Emergencias Naturales Bolivia 2006" con el objetivo de realizar actividades de rehabilitación y reconstrucción de las pérdidas en capital físico, natural y social ocasionadas por las lluvias torrenciales desde enero 2006. Posteriormente, se suscribió en 2008, el contrato de Préstamo CFA 4808 destinado al Programa de Atención de Emergencia III, cuyo objetivo fue la atención de emergencias, rehabilitación y reconstrucción, así como medidas de prevención para capital físico, natural y social ocasionados por las

⁶ Informe Técnico de Gestión 2013. Ministerio de Desarrollo Rural y Tierras. Enero 2014.



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emergencias naturales a finales de 2007 y 2008. Por último, en fecha 23 de marzo de 2012, el Estado Plurinacional de Bolivia y la CAF, suscribieron el Contrato de Préstamo CFA-7725 destinado al "Programa de Prevención de Desastres Naturales en Bolivia", con el objetivo de preservar el área productiva y de infraestructura de las regiones afectadas por el desbordamiento de los ríos, a través de la protección de riberas mediante el control hidráulico de cauces, labores de dragado y acciones de reforestación.

El Proyecto de Sostenibilidad del Sistema Nacional de Áreas Protegidas (financiado a través del GEF, por sus siglas en inglés), ha tenido importantes resultados en las áreas protegidas y ha proporcionado infraestructura y equipamiento mínimo para garantizar la gestión y el funcionamiento eficaz de cada área.

En colaboración con la Agencia Suiza para el Desarrollo y la Cooperación (COSUDE), se inició el 2005 el Programa de Reducción del Riesgo de Desastres (PRRD) con el propósito de fomentar la prevención, la sensibilización y el fortalecimiento de actores en mecanismos de reducción del riesgo de desastres.

Bolivia ha venido ejecutando planes, programas y proyectos financiados a través de la modalidad de Apoyo Presupuestario, tanto con recursos de Donación (con la Unión Europea y con Suecia), como con créditos del BID. Desde el año 2010 se ejecuta un Apoyo Presupuestario por año con el BID, lo que podría alcanzar hasta un 30% del total de la programación anual que tiene Bolivia con esa Agencia de Financiamiento.

"Plan Patujú" de Recuperación y Prevención

Mediante Decreto Supremo N° 1878 del 27 de enero de 2014, se declara Situación de Emergencia Nacional por la presencia de inundaciones, riadas, granizadas, desbordes de ríos, deslizamientos y heladas, provocadas por variaciones climáticas extremas e intensas precipitaciones, en los primeros meses del presente año. En ese marco, y ante la magnitud del impacto, el gobierno nacional se encuentra implementando el denominado "Plan Patujú", cuyo objetivos principales son: i) Restablecer las condiciones básicas para normalizar las actividades de la población en áreas afectadas; ii) Rehabilitar y recuperar de manera integral los sistemas productivos e infraestructura que fueron afectados por los eventos climáticos; e, iii) Implementar una estrategia integral de desarrollo regional en los departamentos que fueron afectados. Algunas de las medidas que se desarrollan en el marco del "Plan Patujú" fueron aprobadas mediante nueve Decretos Supremos.

IMPLEMENTACIÓN DE POLÍTICAS DE GESTIÓN DE RIESGO DE DESASTRES

Conscientes de la necesidad de que el país continúe avanzando en la reducción de su vulnerabilidad fiscal frente a los desastres y con el fin de fortalecer su marco nacional de



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transferencia y financiación del riesgo, el Gobierno Nacional ha definido, con base en el marco normativo, las siguientes áreas prioritarias de política:

- 1) Marco Institucional y Legal para el Fortalecimiento de la Reducción del Riesgo de Desastres y la Adaptación al Cambio Climático; bajo la coordinación del Ministerio de Planificación del Desarrollo, la Autoridad Plurinacional de la Madre Tierra y el Ministerio de Medio Ambiente y Agua.*
- 2) Mejora de la coordinación institucional para un Sistema eficiente de Manejo y Respuesta a Emergencias y Recuperación ante Desastres; bajo la coordinación del Ministerio de Defensa y el Ministerio de Gobierno; y*
- 3) Fortalecimiento de una marco para reducir el impacto y mejorar la capacidad financiera para responder a desastres; bajo la coordinación del Ministerio de Economía y Finanzas Públicas, el Instituto del Seguro Agrario y el Ministerio de Desarrollo Rural y Tierras.*

El Estado Plurinacional de Bolivia reitera su compromiso en el tema de manera de complementar las acciones llevadas a cabo. En ese sentido, solicita el apoyo del Banco Mundial en su primera operación de Crédito de Apoyo Presupuestario para el Desarrollo de Políticas en Gestión del Riesgo de Desastres, por un monto de USD 200 millones.

Con este motivo, saludo a usted atentamente.

E. Viviana Caro Hinojosa
MINISTRA DE PLANIFICACIÓN
DEL DESARROLLO

**Letter of Development Policy (LDP)
(Unofficial/Informal Translation to English)**

*Mr. JIM YONG KIM
President of the World Bank Group
Washington, DC*

Ref: Letter of Development Policy - Disaster Risk Management Development Policy Credit

Dear Mr. President,

As is generally known, the Plurinational State of Bolivia is making the necessary efforts to cope with the losses from the natural disasters in various regions of the country in the first months of this year. Furthermore, the World Bank has strengthened its support to the country through the Country Partnership Strategy 2012-2015, which focuses on the following areas: i) Sustainable Productive Development; ii) Climate Change and Disaster Risk Management; iii) Human Development and Access to Basic Services; and iv) Public Sector Effectiveness, with the aim of reducing moderate and extreme poverty and strengthening the permanent commitment of this organization to the country in the last fifty years.

In this regard, with the purpose of continuing with the actions undertaken in Disaster Risk Management, we request your support through a Budget Support Credit operation for the Plurinational State of Bolivia for Disaster Risk Management Policy Development, in the amount of US\$ 200 million, whereby we are informing you of the economic context of the country, as well as of the efforts made to date and the policy proposals in this field.

ECONOMIC CONTEXT

The Plurinational State of Bolivia has displayed a good macroeconomic performance as a result of implementation of the Community Social Productive Economic Model since 2006. This model seeks to transfer the surplus from the strategic sectors to employment and income generating sectors, aimed at lowering Bolivia's dependence on raw material exports so the country could leave aside its primary export-oriented model and focus on building an industrialized and productive nation, at the same time implementing policies of redistribution to vulnerable sectors in society.

Favorable performance of the economy has been furthered also by enactment of the Political Constitution of the State in 2009, which led to adjustment and improvement of the country's legal and institutional framework; definition of the specific lines of action included in the National Development Plan; and the international price of oil, gas and minerals as the country's main export products.

Since 2006, the Bolivian economy has been growing at a sustained rhythm, even in 2008 and 2009 when the international financial crisis hit and when the financial tensions and the fiscal debacle of the most advanced countries in the world shook many Latin American economies

which then entered a clear slowdown. In 2008 and 2009, Bolivia's GDP grew by 6.1% and 3.4%, respectively, thanks to the impact of the domestic demand in growth of the economy. In 2013, the economy's performance exceeded all expectations with a growth of 6.8%, i.e. the highest rate in the last thirty-eight years. In terms of sectors, the highest growth rates were concentrated in Crude Oil and Natural Gas (14%), Construction (10.6%) and Public Administration Services (9.5%). Nonetheless, the activities with the greatest impact in GDP growth were the Manufacturing Industry (1.01 p.p.), followed by the Crude Oil and Natural Gas sector with 0.93 p.p.; Public Administration Services with 0.87 p.p. and Financial Establishments with 0.78 p.p. In addition, since 2005 Bolivia's Gross Domestic Product has more than tripled, from US\$ 9,627 million to US\$ 31,237 million.

Thanks to the prudent fiscal policy, the country has enjoyed a fiscal surplus over eight consecutive years. In Latin America, Bolivia and Peru were the only countries with positive fiscal results in 2013, contrary to the Latin American average of -1.7%.

Furthermore, the higher state revenues allowed for an expansion of public investment, and therefore the execution of more projects, with public investment displaying an upward trend since 2005, from US\$ 629 million to US\$ 3,781 million in 2013. The public investment programmed for this year is US\$ 4,519 million. From a sectoral perspective, in 2013 the investments in infrastructure and the social sector accounted for the highest percentage, with 39.7% and 28.7% respectively, followed by investments in the productive sector (26.9%) and multi-sectoral investments (4.7%).

Bolivia has a very solid external profile at the moment with current account surpluses since 2003, international reserves of around 14.4 billion dollars or around 51% of GDP, and with a ratio of international reserves relative to public debt of 135%, i.e. among the highest in the world. The country's external public debt is characterized by a high degree of sustainability, with sustainability coefficients under international reference limits:

COEFFICIENTS OF MEDIUM AND LONG TERM EXTERNAL PUBLIC DEBT

<i>Variables</i>	2006	2007	2008	2009	2010	2011(p)	2012(p)	2013(p)	<i>Reference Limit</i>
<i>SD/Xbs</i>	7.3%	6.6%	3.7%	4.1%	4.2%	2.5%	4.1%	2.3%	20%
<i>DE/Xbs</i>	73.4%	44.1%	34.8%	47.5%	40.3%	37.8%	34.3%	42.0%	150%
<i>DE/GDP</i>	28.2%	16.7%	14.5%	14.9%	14.6%	14.5%	15.4%	17.1%	40%

SD: External Debt Service

DE: External Public Debt Balance

Xbs: Exports of Goods and Services

GDP: Gross Domestic Product

Source: Central Bank of Bolivia (BCB). External Public Debt Report as at 31 December 2013.

The Net Foreign Direct Investment (FDI) received in 2013 totaled US\$ 1,750 million³⁸ (5.7% of GDP), which is equivalent to six times the Net FDI recorded in 2006. Between 2006 and 2013, the FDI primarily benefited hydrocarbons and mineral exploitation and exploration.

The inflation has been a moderate behavior, reaching 6.5% as at December 2013, which is within the forecasted range of 3.8% to 6.8% and which confirms effectiveness of the measures

³⁸ Revista Economía Plural. Ministry of Economy and Public Finance. April 2014.

taken by the Bolivian government to control inflation and ensure the production and supply of food products at a fair price. Despite some supply shocks in both the external and internal context due to climatic factors and speculation, the Central Bank of Bolivia (BCB) and the Executive Body have made all necessary efforts to control price increases by applying measures to ensure the supply of the domestic market and fight against speculation. Additionally, important monetary efforts have been made to regulate liquidity with new instruments complementing the already existing ones to reduce liquidity, e.g. the issuance of Deposit Certificates for the Integrated Pension Fund administrators and the additional reserves requirement applied on banking entities³⁹.

The public debt indicators show the important progress achieved in restructuring the debt portfolio and the country's borrowing capacity, relative to previous years and other countries, whereby the country has remained within the international reference limits of sustainability, achieving a public debt level in relation to GDP of 31% as at December 2013.

The solid economic performance described above has gone hand in hand with improvements in the Bolivian people's living standard, with considerable progress in the sphere of Social Development: low poverty rates, a decreasing inequality and a fairer distribution of the resources. Thus, between 2006 and 2013 household consumption grew by an average of 4.6% and gross fixed capital formation by 11.1%, thanks to a sustained output growth which enhanced the domestic demand through the redistribution of state revenues to the most vulnerable population groups, particularly through the creation of conditional cash transfers (Bono Juancito Pinto, Renta Dignidad and Bono Juana Azurduy). The resources channeled to these three social programs in 2013 have benefited 36.6% of the population, i.e. 4,028,517 persons (Bono Juancito Pinto 17.7%; Renta Dignidad 9.3% and Bono Juana Azurduy 9.6%). The economic growth at a rate exceeding the population growth rate, allowed the GDP per capita has increased by 136.4% over those years, from US\$ 1,182 in 2006 to US\$ 2,794 in 2013(e)⁴⁰.

Also, thanks to this performance two years away from 2015, significant progress has been made towards the Millennium Development Goals (MDGs). Thus, in 2011 the country reached the goal related to extreme poverty, it is back on track as regards primary school completion, it has made significant progress in ensuring equal opportunities for boys and girls in the country, significant progress has been made in the health indicators, e.g. in births attended by skilled personnel, the goal was achieved before the deadline. With regard to the access to potable water, significant progress has been made (coverage of 78.9% in 2012p) and the millennium goal (78.5%) has been achieved. However, additional efforts are required to reach the other commitments taken on in these areas.

With the current pace in terms of economic and social development, the country has been able to constantly improve its risk rating in recent years, having been granted a BB rating with a stable outlook in May 2014 by Standard & Poor's. This is the highest risk rating assigned to Bolivia ever in its history, meaning the country is very near to being granted investment grade (BBB). According to the International Monetary Fund (IMF), the country's outlook for 2014 is as follows: i) expectations are for the Bolivian economy to grow by a more moderate rate of 5.4% and for years 2015-2018 by 5%; ii) The forecasts suggest an annual rate of inflation by the end of 2014 of 5.5% with a gradual decrease to around 5% by 2018; iii) As regards the fiscal policy,

³⁹ Informe de Política Monetaria. Central Bank of Bolivia. January 2014.

⁴⁰ Estimate by the Ministry of Economy and Public Finance.

small deficits are expected of between 0.4% (2014) and 0.7% (2018) as a percentage of GDP and a decrease of public debt from 29.7% to 22.3% over the same years; iv) As regards the external sector, a current account surplus is expected, besides a continuing high level of reserves (45.5% of GDP by 2018) and a decrease of the external debt by around 16.3% of GDP (2018)⁴¹. Towards the future, expectations are that the Bolivian economy will maintain its solid economic situation based on the continuity of its policies and the industrialization process envisaged as part of the Community Social Productive Economic Model. In this sense, the State has been taking the necessary actions to maintain the growth perspectives. For example, in 2014 the Investment Promotion Law has been enacted, modernizing the legal framework to attract greater investments and accompany transformation of the productive model and industrialization of the country. In addition, the Mining Law was enacted, regulating activities in mining and metallurgy and setting out the principles, guidelines and procedures for the granting, preservation and extinction of mining rights, and the development and continuity of activities in mining and metallurgy in a responsible, planned and sustainable manner. In addition, the country has developed a long-term development vision, which is materialized in the Patriotic Agenda 2025 which President Morales presented in January 2013. Some of the key elements put forward in this development agenda are the eradication of extreme poverty; the socialization and universalization of basic services; food and environmental sovereignty with respect for the Rights of Mother Earth, etcetera.

Nonetheless, despite the good macroeconomic results in recent years, a series of regional and global factors may involve some risks, among which: i) a weaker growth of Argentina and Brazil; and ii) decreasing international prices of commodities, particularly of oil and gas. Still, the country's high level of international reserves would allow the authorities to mitigate the adverse impact of possible external shocks⁴².

As at December 2013, important progress had been made in implementation of the Public Management System (SIGEP, in Spanish), implementation of the Single System for Centralizing Budget and Accounting Information, reorganization of the process for producing fiscal figures for the NFPS, nationwide implementation of the Information System of Territorial Entities (SIET, in Spanish), among others. With respect to BCB audits, there are no observations on fiduciary matters.

Despite the good macroeconomic and social performance, it is important to keep in mind the magnitude of the effects caused by climate change in different sectors of the Bolivian economy due to the country's vulnerability to environmental issues. Therefore, Disaster Risk Management has to be focused as one of the main public policies aimed at addressing and preventing adverse impacts.

EFFORTS MADE IN DISASTER RISK MANAGEMENT

In general, the Bolivian economy is highly exposed to natural hazards which mainly affect the poor. A Damage and Loss Assessment estimated that the floods caused by the La Niña event in

⁴¹ Bolivia: Staff Report for the 2013 Article IV Consultation. International Monetary Fund. February 2014

⁴² Press Release No. 13/455. IMF Mission concludes Article IV Consultation Visit to Bolivia. International Monetary Fund. 18 November 2013.

December 2007 caused damages and losses for an estimated value of US\$ 443 million, overwhelming the Government's capacity to respond to the needs for rehabilitation and recovery. The Emergency Reconstruction and Disaster Management Project and related Additional Funding (PREGD/WB), have supported rehabilitation of the affected communities' productive capacity, within the framework of the objectives of the National Plan for Sustainable Rehabilitation and Reconstruction (PRESS) and the Government's National Plan for Rehabilitation and Reconstruction 2008-2010.

In the Country Partnership Strategy 2012-2015, agreed on by the World Bank and the National Government, it is mentioned that the country is extremely vulnerable to natural disasters and climate change events such as floods, droughts, and glacier melt, which in turn affect the supply and management of water, the irrigation systems, hydropower generation and transportation infrastructure. The impacts in sustainable productive development, as well as in the living standard of the poor in rural and urban areas, can be considerable, as has been clear in the La Niña and El Niño climate events.

The Government has taken on an active role in addressing the risks inherent in Bolivia's vulnerability to natural hazards and climate change. Risk Management has been included in the legal framework of the autonomic process, the Framework Law of Mother Earth, the Firefighters Law, sectoral regulations in agriculture and rural development, transportation and communications, in the comprehensive development planning system and in land use planning.

- 1. On 13 November 2014, Law 602 on Risk Management was enacted, with the purpose of regulating the institutional and competence framework for Disaster Risk Management, including risk reduction through prevention, mitigation and recovery, and disaster and/or emergency response through preparedness, alert, response and rehabilitation in the event of disaster risks caused by natural, socio-natural, technological and anthropic hazards, as well as social, economic, physical and environmental vulnerabilities.*
- 2. In this law, the structure of the National System for Risk Reduction and Disaster and Emergency Response (SISRADE) takes into account the territorial level through the National Council for Disaster Risk Reduction and Emergency Response (CONARADE), the Departmental Committees for Disaster Risk Reduction and Response (CODERADE) and the Municipal Committees for Disaster Risk Reduction and Response (COMURADE).*

On an institutional level, SISRADE is made up of central State and Autonomous Territorial entities, the Armed Forces and the Bolivian Police, besides technical-scientific institutions and universities, search and rescue groups, forest brigades and other immediate disaster and/or emergency response teams of volunteers. The members from the social sphere are Social and Communal Organizations, besides Natural and Legal Persons governed by private law.

Within the framework of CONARADE, specific responsibilities are assigned to six Sector Ministries, which will be responsible for territorial coordination and articulation of Risk Management and Disaster Response and which will decide on the actions to be taken through a Technical Secretariat under the responsibility of the Vice-Ministry of Civil Defense. Risk

Management requires a comprehensive and complementary intervention which, on the central level of the State, will be the responsibility of the ministries of Defense and of Development Planning.

The Ministry of Defense will define policies and strategies to implement risk management actions in the short term, while the Ministry of Development Planning will define policies and strategies to plan risk management in the medium and long term, within the framework of integrated planning, land use planning and public investment. All public institutions will be required to integrate Disaster Risk Management into their development pillars, their land use and sectoral plans.

The CODERADES and COMURADES coordinate, promote and recommend risk management actions within their territories. They lead the Departmental Emergency Operation Committees (COED) and the Municipal Emergency Operation Committees (COEM), respectively, in coordination with the Vice-Ministry of Civil Defense. Furthermore, they propose and promote risk transfer mechanisms, among which insurance, in order to minimize the effects of possible losses in productive, agricultural, livestock, forestry, housing and other sectors.

In the financial sphere, the national and autonomous territorial entities shall include the necessary resources for risk management, in accordance with their development plans, in their annual operational plans and budgets. This will be linked on all levels through the SEIFD and the public management systems, in order to ensure the necessary resources are available for the risk management plans and programs. As regards risk transfer, mechanisms will be designed to transfer risks as a way to cover the resulting losses and damages. Furthermore, the Ministry of Defense will set up the Risk Reduction and Disaster Response Fund (FORADE) to collect and administer resources to finance risk management on the national, departmental and municipal levels and on the level of the indigenous, native and peasant autonomies.

Law 144 on the Community-Based Agricultural and Livestock Revolutionary Production creates the Agricultural Insurance to ensure production of the food products affected by climate change and natural disasters. Within this framework, in 2013 priority was given to 115 disaster-prone municipalities with high levels of extreme poverty. Additionally, in emergency situations such as natural disasters, the MDRyT distributes seed and undertakes other mitigation actions, particularly targeting the poorest families affected by these adverse events⁴³.

At the moment, sectoral Risk Management plans are being carried out in agriculture, water and health, among others, aside from contingency plans to cope with events such as droughts, floods and fires. And the Government is working on a National Risk Management Program that sets out strategies and actions for the prevention and mitigation of impacts and to respond to natural hazards.

The sectoral programs within the framework of the National Mechanism for Adaptation to Climate Change also promote actions for climate change adaptation, besides building capacity to mitigate the associated risks. The Pilot Program for Climate Resilience (PPCR) is a joint initiative of the Government of Bolivia, the World Bank, the Inter-American Development Bank

⁴³ Informe Técnico de Gestión 2013. Ministry of Rural Development and Land. January 2014.

and the European Union which aims to support the implementation of Bolivia's Strategic Program for Climate Resilience.

With regard to the international donor community, we could mention the Food and Agriculture Organization (FAO) of the United Nations which is supporting the Emergency Program (OSRO Projects).

In addition, through loan agreement CFA 3747, in 2007 the Andean Development Bank (CAF, in Spanish) financed the "Natural Emergency Response Program, Bolivia 2006", with the objective of conducting activities related to the rehabilitation and reconstruction of losses in terms of physical, natural and social capital resulting from the heavy rains since 2006. Subsequently, loan agreement CFA 4808 was concluded in 2008 for Emergency Response Program III, focusing on emergency response, rehabilitation and reconstruction, as well as prevention to protect physical, natural and social capital from the natural hazards at the end of 2007 and in 2008. Finally, on 23 March 2012, the Plurinational State of Bolivia and CAF concluded Loan Agreement CFA-7725 for the "Natural Hazard Prevention Program in Bolivia", with the purpose of preserving the productive land and the infrastructure of the regions affected by river overflows by protecting the riverbanks with hydraulic riverbed control, dredging and reforestation efforts.

The Project for Sustainability of the National System of Protected Areas (financed by GEF) has yielded important results in the protected areas and has provided minimum equipment and infrastructure to ensure effective management and operation of the areas.

In collaboration with the Swiss Agency for Development and Cooperation (SDC), the Program for the Disaster Risk Reduction (PDRR) started in 2005 with the purpose of fomenting prevention, awareness-raising and strengthening of the stakeholders in disaster risk reduction mechanisms.

Bolivia has been implementing plans, programs and projects financed through Budget Support, both with Grant resources (with the European Union and Sweden), and with IADB credits. Since 2010, one Budget Support per year is executed with the IADB of up to 30% of the total annual programming of Bolivia with this funding agency.

"Plan Patujú" for Recovery and Prevention

Through Executive Decree No. 1878 of 27 January 2014, a National Emergency was declared due to the floods, flash floods, hail, river overflows, landslides and frost caused by extreme weather variations and intense rainfall in the first months of this year. Within this framework, and in view of the magnitude of the impact, the national government is implementing the "Plan Patujú", which has the following primary objectives: i) Restore the basic conditions to normalize the activities of the population in affected areas; ii) Comprehensively rehabilitate and restore the productive systems and infrastructure affected by climate events; and iii) Implement a comprehensive regional development strategy in the affected departments. Some of the measures developed within the framework of the "Plan Patujú" were approved through nine Executive Decrees.

IMPLEMENTATION OF DISASTER RISK MANAGEMENT POLICIES

Aware of the need for the country to make further progress in reducing its fiscal vulnerability to disasters and with the aim of strengthening its national framework for risk financing and transfers, based on the existing legal framework the National Government has defined the following priority policy areas:

- 1) Strengthening Disaster Risk Reduction and Adaptation to Climate Change; under coordination of the Ministry of Development Planning, the Plurinational Authority of Mother Earth and the Ministry of Environment and Water;*
- 2) Improving institutional coordination for an efficient System of Recovery and Emergency Response and Management; under coordination of the Ministry of Defense and the Ministry of the Interior; and*
- 3) Reducing the impact and improving the financial capacity to respond to natural disasters; under coordination of the Ministry of Economy and Public Finance, the Institute for Agricultural Insurance and the Ministry of Rural Development and Land.*

The Plurinational State of Bolivia wishes to reiterate its commitment to the issue presented in this document and with the objective of complementing the actions carried out to date. It hereby requests assistance from the World Bank in its first Budget Support Credit operation for Disaster Risk Management Policy Development, in the amount of US\$ 200 million.

Yours sincerely,

Viviana Caro
Minister of Development Planning

Annex 3. Political Map of Bolivia

IBRD 33374

