

**PROJECT INFORMATION DOCUMENT (PID)  
CONCEPT STAGE**

May 6, 2014  
Report No.: 88696

<b>Operation Name</b>	Bolivia Disaster Risk Management DPC
<b>Region</b>	Latin America and The Caribbean Region
<b>Country</b>	Bolivia
<b>Sector</b>	Flood protection (100%)
<b>Operation ID</b>	P150751
<b>Lending Instrument</b>	Development Policy Credit
<b>Borrower(s)</b>	The Plurinational State of Bolivia
<b>Implementing Agency</b>	Ministry of Economy and Public Finances and Ministry of Development Planning
<b>Date PID Prepared</b>	05/06/ 2014
<b>Estimated Date of Appraisal</b>	07/14/2014
<b>Estimated Date of Board Approval</b>	08/26/2014

**I. Key development issues and rationale for Bank involvement**

Bolivia is highly exposed to the adverse natural events associated especially with extreme rainfall and flash floods, droughts and landslides. Bolivia is geographically diverse with high plateau zones of altitudes of 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. About 20% of its population and 21% of its GDP are at risk to three or more hazards<sup>1</sup>. With its geographic location and hydro-meteorological characteristics, as well as the vulnerability of its population and infrastructure, Bolivia was the 54<sup>th</sup> most vulnerable country to natural disasters worldwide and the 3<sup>rd</sup> most vulnerable country in Latin America in 2012.<sup>2</sup>

Extreme rainfall and droughts in 2005, 2006, and 2007 – and, in particular, the 2006/2007 El Niño and La Niña events - led to significant damages and losses estimated in US\$443 million<sup>3</sup>, equivalent to almost 4% of Bolivia’s 2007 GDP, affecting more than 250 thousand people.

Major catastrophic events can jeopardize efforts to end extreme poverty and boost shared prosperity, reversing hard-won development gains. Levels of overall poverty in 2012 were around 43%<sup>4</sup>. Extreme poverty in rural areas was 66.4% in 2009, leading to minimal disaster resilience among the rural population. Furthermore, of the 43%<sup>5</sup> of the Bolivian population living in urban areas in 2009, 44%<sup>6</sup> were in poverty. In 2012, 43% of the population was living

<sup>1</sup> Natural Disaster Hotspots – A Global Risk Analysis (2005). Table 7.2

<sup>2</sup> World Risk Report 2012.

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

<sup>4</sup> Source: National Statistics Institute, Central Bank of Bolivia, MEFP, Financial Institution Supervision Authority and staff estimates.

<sup>5</sup> World Bank Poverty and Equity Data

<sup>6</sup> Instituto Nacional de Estadística, Bolivia.

in high flood risk areas, 17% in high-risk forest fire areas, and 16% in high-risk drought areas<sup>7</sup>.

The floods of October 2013 – March 2014 caused losses of around US\$450 million<sup>8</sup> and led the Government to declare a national emergency on January 27, 2014. Affecting mainly the provinces of El Beni, Cochabamba, Potosi, and La Paz, the floods killed an estimated 50 people and affected more than 325,000 people, 483 schools with 75,000 students, 1.9 million livestock, 3,000 km of roads, 55 health centers, and 1,800 houses. The Government of Bolivia (GoB) to launch the *Plan Patujú*, a comprehensive reconstruction and recovery plan. The *Plan Patujú* consists of nine Executive Decrees (D.S.) issued on April 2, 2014, allocating funds to (i) the reconstruction of essential infrastructure; (ii) the establishment of a temporary work program; (iii) the rehabilitation of wildlife, agriculture and fisheries; (iv) the recovery of productivity capacities; and, (v) the relocation of affected parts of the population.

The actions to respond to the last extreme floods demonstrated Bolivia strong disaster response and recovery system but also reveals its high vulnerability to disaster and the challenges ahead to build a more comprehensive disaster risk management (DRM) framework.

Bolivia's macroeconomic policy framework is deemed adequate for the proposed credit. The fiscal situation is strong and medium term fiscal policy remains prudent, maintaining public debt at a sustainable level even in the most extreme scenarios. Monetary and exchange rate policies are also supportive of macroeconomic and financial stability.

## **II. Proposed Objective(s)**

The development objective of the proposed single-tranche DPC is to increase Bolivia's resilience to natural disasters by supporting the consolidation of its legal and institutional framework for DRM. The reforms address several gaps of Bolivia's legal and institutional DRM framework. They are packaged in three main policy areas:

- *Strengthening Disaster Risk Reduction and Adaptation to Climate Change.* This policy area is focused on the reforms that will allow the GoB to integrate disaster risk reduction and Climate Change Adaptation into territorial and development planning systems;
- *Consolidating the Emergency Response System.* This policy area supports the establishment of the necessary legal framework for the coordination mechanisms between the three levels of government to efficiently respond to disaster emergencies; and
- *Creating a framework for disaster risk financing and insurance.* This policy area supports reforms that enable the GoB to establish the necessary resources to start building a disaster risk financing and insurance strategy to increase fiscal resilience to natural disasters.

## **III. Preliminary Description**

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<sup>7</sup> Municipality Risk Index, 2012, Viceministerio de Planificación del Desarrollo.

<sup>8</sup> Government Estimates

The general framework for DRM in the country is structured around the 2010 Autonomy Law N° 031<sup>9</sup> which serves as the foundation for the establishment of DRM responsibilities at the three levels of government: national, provincial and municipal. The Autonomy Law provides the necessary provisions for the GoB to formulate a new DRM policy framework.

The new proposed DRM and Humanitarian Relief Law and National DRM Program will strengthen disaster risk reduction, improve the emergency response system, and promote proactive disaster risk financing and insurance measures. This law would replace Law 2140 of 2000 and is under discussion in Parliament, with passage planned for June 2014. In April the Senate established a technical advisory group to analyze the benefits of the new law.

### ***Policy Area 1: Strengthening Disaster Risk Reduction and Adaptation to Climate Change***

- ***Prior Action 1:*** The GoB regulates land use and urban planning at the municipal level allowing the establishment of the legal framework for the development of methodological guidelines for urban and land use planning integrating disaster risk management considerations by the issuance of the Law N° 482 - *Ley de Gobiernos Autónomos Municipales* dated January 9, 2014.
- ***Prior Action 2:*** The GoB regulates the operation of the Plurinational Authority of Mother Earth under the Ministry of Environment and Water establishing: (i) the policy framework and mechanism for climate change adaptation focusing on preventing and minimizing the impacts of risks associated to climate change; (ii) the Trust Fund to finance climate change adaptation activities; and, (iii) the information system for the integrated monitoring of climate change activities in the country; by the issuance of Executive Decree 1696 – Regulations of Plurinational Authority of Mother Earth dated August 14, 2013.
- ***Prior Action 3 [To be approved]:*** The GoB integrates in a comprehensive manner disaster risk management in territorial and development planning; and, in the process design, formulation and implementation of public investment by the issuance of the Law in Disaster Risk Management and Humanitarian Assistance – Title I - Chapter II on Institutional Framework for DRM & III on Comprehensive Development Planning [*To be approved*] and the Guidelines for Formulation of Annual Public Investment Budget and Guidelines for Medium and Long-Term Planning toward the 2025 Patriotic Agenda integrating disaster risk management considerations issued by R.M. 156 dated August 20, 2013.

This policy area focuses on improving coordination between different levels of government and strengthening disaster risk reduction and climate change adaptation measures. The policy reforms will be coordinated by the Ministry of Development Planning and implemented by sectorial ministries through the National DRM Program [*To be approved*]. The GoB will reduce disaster risk by establishing land-use responsibilities at the municipal level (Law 482, January 2014). Via R.M. 156 (August 20, 2013)<sup>10</sup>, the GoB mandates (i) the integration of disaster risk reduction into all public investment decisions (ii) the allocation of resources for disaster risk

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<sup>9</sup> Ley de Autonomías, Article 100 on DRM and Emergency Relief

<sup>10</sup> In particular, Guidelines for Formulation of Annual Public Investment Budget and Guidelines for Medium and Long-Term Planning toward the 2025 Patriotic Agenda.

reduction by local authorities and (iii) the establishment of guidelines for developing capacity building programs. Law 300 of 2012 established the *Vivir Bien* framework and identified disaster risk reduction as one of its six priorities. D.S. 1696 (August 2013) regulates the operation of the Plurinational Authority of Mother Earth under the MMyA, establishing the policy framework for climate change adaptation, and setting up the Trust Fund to finance climate change activities.

### ***Policy Area 2: Consolidating the Recovery and Emergency Response System***

- **Prior Action 4 [To be approved]:** The GoB has improved the coordination system between the three levels of government (national, provincial, and municipal) to respond to emergencies and disasters by the issuance of the Law in Disaster Risk Management and Humanitarian Assistance – Title III – Emergency or Disaster Situation [To be approved].
- **Prior Action 5:** The GoB has established the regulations for the operation of the National Directorate of Firefighters of the National Bolivian Police as part of the National System of Public Safety improving the system to respond during emergencies and natural disasters by the issuance of the Law N° 449 - Ley de Bomberos dated December 4, 2013.

The new laws will enhance Bolivia's emergency response capacity. The new Law on DRM and Humanitarian Assistance<sup>11</sup> defines responsibilities set out in Law N° 031<sup>12</sup> and establishes the process for declaring an emergency as well as actions following an emergency declaration. Law 264 (2012) establishes the National System for Public Safety, ensuring better coordination between different institutions. Law 449 on Firefighting (December 4, 2013) enables a faster response to forest fires. Furthermore, the creation of SINAGER-SAT will strengthen the early warning system. Laws 144, 164, and 165 (2011)<sup>13</sup> will further strengthen emergency response. Relief and emergency response activities will be conducted by the Ministry of Defense, Vice-Ministry of Civil Defense, Ministry of Government and Vice-Ministry of Public Safety.

### ***Policy Area 3: Creating a framework for disaster risk financing and insurance***

- **Prior Action 6: Prior Action 6 [To be approved]:** The GoB established the allocation of 0.15% of the national budget to fund disaster risk management and humanitarian assistance including funding activities of the National Disaster Risk Management Program, Emergency Response Plan, Contingencies Plans, in addition to the Recovery and Reconstruction Plans and the establishment of a Trust Fund (*Fideicomiso*) to operate the FORADE (Fund for Emergency and Disaster Response) by the issuance of the Law in Disaster Risk Management and Humanitarian Assistance – Title II – Financial Arrangements dated [To be approved].

**Prior Action 7 [To be approved]:** The GoB establish the Universal Catastrophe Agricultural Risk Insurance Program to reduce the fiscal impact of natural disasters in the Agricultural Productive sector by issuance of Ministerial Resolution [To be approved].

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<sup>11</sup> Title III – Emergency or Disaster Situation

<sup>12</sup> Ley de Autonomías, Article 100

<sup>13</sup> These laws respectively regulate Agricultural and Livestock Revolutionary Production, Telecommunications and Transport.

The establishment of a specific national budget allocation for DRM is a first step in increasing financial resilience to natural disasters. By the Law on DRM and Humanitarian Assistance the GoB enables the establishment of a Trust Fund to operate the FORADE, creating the mechanism to allocate funds for disaster response. Article 407 of the Political Constitution of the State (2009) sets the necessary framework for establishing the Catastrophe Agricultural Risk Insurance Program. Based on the Autonomies Law (2010), the GoB's will enhance its fiscal resilience to disasters by setting up contingency mechanisms. Led by the Ministry of Rural Development and Land, the Universal Catastrophe Agricultural Risk Insurance Program and the National Institute for Agricultural Insurance are established by issuance of the Law 144 (2011)<sup>14</sup>. Coordinated by the Ministry of Economy and Public Finances and the Ministry of Development Planning, the reforms in this policy area are a first step towards a comprehensive disaster risk financing and insurance strategy.

#### IV. Poverty and Social Impacts and Environment Aspects

Poor and vulnerable households are expected to benefit directly from this operation. Poor and vulnerable communities tend to bear a disproportionate share of the burden of natural disasters.<sup>15</sup> The livelihoods of low-income households—typically in agriculture—use resources that are more exposed and vulnerable to natural disasters. Moreover, poor households are likely to be less resilient to natural disasters. Evidence from Bolivia supports the global finding that poorer households are vulnerable to the adverse effects of floods and droughts.<sup>16</sup> The floods in early 2013 disproportionately affected some of the country's poorest regions. This operation can thus help amplify the positive impact of relief, rehabilitation, and DRM on the poor.<sup>17</sup>

- Despite the likely overall positive social impact of this operation, some of the specific measures to mitigate natural disasters may have important short term distributional consequences. It is not clear yet whether any of the expected effects are relevant, pending more information on the specific policies supported by the operation. Some possible effects<sup>18</sup> include that *Improved land use planning may have distributional implications* ;
- *the regulation of agricultural and forestry activities may limit productive activities in general or during certain periods of the year; and, that the operation may affect men and women differently.*

This operation is likely to have a significant positive impact on the environment. Moreover, the design of the operation is proactive with respect to internalizing environmental concern, as

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<sup>14</sup> Agricultural and Livestock Revolutionary Production (Chapter II)

<sup>15</sup> World Bank (2012) *Poverty and Social Impact Analysis for Climate Change Development Policy Operations* (Washington: The World Bank).

<sup>16</sup> See, for example, Winters (2012) "Impact of Climate Change on the Poor in Bolivia," *Global Majority E-Journal*, Vol. 3, No. 1 (June 2012), pp. 33-43; Oxfam International in Bolivia (2009) *Bolivia: Climate Change, Poverty and Adaptation* (London, United Kingdom: Oxfam International, October); Andersen, Lykke E. and Dorte Verner (2009) "Social Impacts of Climate Change in Bolivia: A Municipal Level Analysis of the Effects of Recent Climate Change on Life Expectancy, Consumption, Poverty and Inequality" Policy Research Working Paper No. 5092 (Washington: The World Bank).

<sup>17</sup> This is under the Bolivia Multidimensional Poverty Phase III NLTA (P132327)

<sup>18</sup> World Bank (2012) *Poverty and Social Impact Analysis for Climate Change Development Policy Operations* (Washington: The World Bank).

reflected in the role of Ministry of Environment and Water as one of the DRM agencies for Bolivia.

## V. Tentative Financing

IDA:	125.00m
<b>Total:</b>	<b>125.00m</b>

## VI. Contact point at World Bank and Borrower

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