

MEMORANDUM TO THE DCI COMMITTEE

CONCERNING THE

Annual Action Programme 2017 and 2018 part I in favour of Bolivia for theme “Integrated Water and Natural Resources Management” to be financed from the general budget of the Union

1. Identification

Budget heading	21.020100 – Cooperation with Latin America
Total cost	EUR 51 million of EU contribution
Basic act	<p>Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union,</p> <p>Article 94(2) of Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union,</p> <p>Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union’s instruments for financing external action¹ (hereinafter “CIR Regulation”),</p> <p>Regulation (EU) No 233/2014 of the European Parliament and of the Council establishing a financing instrument for development cooperation for the period 2014-2020 (OJ L 77, 15.3.2014, p. 44).</p>

2. Country background

Bolivia is classified as a middle income country. Poverty and inequality are still high, but significant progress has been made for social inclusion and income distribution. The combination of high commodity prices, a prudent macroeconomic policy (leading to an economic growth of 4.9 % between 2004 and 2014) and social protection programmes has allowed reducing moderate poverty from 59 % in 2005 to 39 % in 2014, while the Gini coefficient fell from 0.60 to 0.47 in the same period². Unemployment rate was 4.1 % in 2016³, the lowest in Latin America. However, this does not take into account underemployment and informal work that represent approximately 40 % of the population.

¹ OJ L 77 of 15.3.2014, p.95

² World Bank, April 2017

³ Bolivian National Statistics Institute

The 2009 Constitution institutionalized an ambitious vision in terms of indigenous people's inclusion and citizens participation, state decentralization, improved public service provision and administration transparency. In early 2016, the Government of Bolivia approved the 2016-2020 National Economic and Social Development Plan. With an extensive public investment program, it aims to maintain growth at an average rate of 5 % and reduce extreme poverty from 17 to 10 %. Investment areas include infrastructure, hydrocarbon exploration, industrialization of natural gas (fertilizers and plastics) and hydroelectric energy generation.

Diversification of income and growth sources remains a main challenge for the Bolivian economy, highly dependent on its (not renewable) natural resources. More efficient and effective public investment is needed to promote quality employment and social development. Poverty is exacerbated by the effects of recurrent natural disasters (floods and droughts) as well as an environmental deterioration which affects the quality of air, water and soil.

Within this context, the EU Multiannual Indicative Programme 2017-2020, prepared in coordination with Member States within the framework of the Joint European Strategy for Bolivia, proposes interventions in the sectors of : i) justice reform and fight against corruption, ii) fight against illegal drugs, and iii) water, sanitation and natural resource management.

This Annual Action Programme includes a measure within the third key sector of intervention. Specifically, it proposes a Sector Reform Contract in support to the Integrated Sector Plan of the Ministry of Environment and Water, with a strong focus on governance aspects as well as adaptation to climate change.

3. Summary of the Action Programme

1) Background

Bolivia is among the top 20 countries in terms of water availability. However, parts of its territory, like the highlands and Chaco regions (which include some of the largest cities) already suffer from significant water deficits. The outlook for the future is uncertain, with temperature increase and higher frequency of El Niño phenomenon expected to lead to the disappearance of 80 % of the small glaciers in the Andean mountain range in the coming 20 years, with important consequences on water availability and hydrological ecosystems of the high lands. Moreover, deforestation, inadequate planning of human settlements, infrastructure and economic activities have caused alterations in rivers course and furthered increased the degradation and physical vulnerability of river basins. All of the above can further impact water availability and leave thousands of people with severe water problems. The latest and most evident example of this was the 2016 drought, which showed its impacts on the rural areas, but caused the greatest problems in urban contexts due to the sheer number of affected population, leading to government to declare a national emergency.

In this context, the activities undertaken by the Ministry of Environment and Water since 2009, both in terms of hard investments (river protection infrastructure, hydraulic control, soil regeneration, forestation and water source protection) and soft actions (water governance at local level, local capacity development, information systems, research and innovation) are crucial to address the main environmental issues and reduce the risk of future large-sale disasters. The proposed measure aims at scaling up and strengthening the implementation of required and successful actions.

2) Cooperation related policy of beneficiary country

The 2009 Constitution and the 2012 Law of Mother Earth set out Bolivia's endorsement of the human right to water and sanitation and its vision about natural resource management. In these documents, the Government states as its main objective the promotion of integrated development to guarantee the well-being of the population while protecting the regenerative and adaptive capacity of the environment. This vision is translated into pillars 6 and 9 of the Economic and Social Development Plan 2016-2020: "Productive sovereignty with diversification" and "Environmental sovereignty with integrated development".

Significant alignment can be found between the Economic and Social Development Plan, the Institutional Strategic Plan of the Ministry of Environment and Water and Bolivia's Nationally Determined Contribution on climate change, especially in the sectors of water and forestry. In order to operationalize the goals set in these broad strategy documents, the Ministry has formulated its Sector Plan for Integrated Development (PSDI from its Spanish acronym) which has become the official reference document outlining the sector policy. The document was approved with Ministerial Resolution in January 2017. The plan builds upon a previous document drafted in 2014 with EU support, and it is expected to align the different subsectors under one common vision. Given the interdependence of actions in the fields of drinking water and sanitation, river basin management, irrigation, forestry and biodiversity, the focus on integration of this policy is highly relevant.

3) Coherence with the programming documents

The proposed measure is in line with the priorities set by the New European Consensus for Development, the EU principle of green growth, the Union Environment Action Programme to 2020, the EU commitments to step up contribution to averting global biodiversity loss by 2020 and to addressing at least 20 % of the its budget to low carbon and climate resilient society, and the EU Gender Action Plan II.

It is set in the framework of the European Joint Strategy for Bolivia 2017-20 and it operationalises what is foreseen under the third key sector of the EU MIP 2017-2020.

4) Identified actions

The overall objective of the proposed measure is to improve sustainable and climate-resilient management of natural resources, including forests and their biodiversity, ensuring availability of quality water and the protection of critical ecosystems.

The specific objective is to improve water governance and management of water-related risks, integrated forest management, and protection and sustainable use of critical ecosystems.

5) Expected results

By improving sustainable management of natural resources (water, soil, forest and protected areas, biodiversity), the proposed measure is expected to contribute to improved living conditions of mostly rural population and reduced vulnerability to climate change and recurrent natural disasters. The results of the proposed measure focus on good governance, environment and climate change adaptation and mitigation, and knowledge generation.

The action will also contribute to promote equal access and control over clean water for men and women, and equitable engagement in its management, through both mainstreaming of gender considerations in local level investment planning and specific actions aimed at piloting approaches for effective women participation.

This programme is relevant for the United Nations (UN) Agenda 2030. It contributes primarily to the progressive achievement of the Sustainable Development Goals (SDG) targets 6 (“Ensure access to water and sanitation for all”) and 15 (“Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss”), but also promotes progress towards Goals 5 (gender equality), 12 (“Ensure sustainable consumption and production patterns”) and 13 (“Take urgent action to combat climate change and its impacts”).

6) Past EU assistance and lessons learnt

The experience of past and current programmes (four Sector Budget Support and one Programme Estimate) in the areas of river basins and protected areas management has highlighted the need for further integration between the different sub-sectors under responsibility of the Ministry of Environment and Water. Currently, there is very limited geographical overlapping between interventions under the National Watershed Plan (PNC) and activities of the Environment Vice Ministry. This has limited synergies and the possibility to work on the close link between environment preservation and conservation and the availability and sustainability of water resources.

The most successful actions have been those combining different levels of intervention, from central level (policy) to local level (practical implementation), especially in a context where decentralisation is clear in the laws but only partially implemented in practice. The PNC has developed good practices for decentralised implementation under central supervision and assistance. The 2012 evaluation of the first phase of the PNC praised the progress made in terms of ownership of investments in watershed management by community-level organizations and local governments, and the effectiveness of the technical and administrative guidance delivered by national institutions. The 2017 evaluation of the second phase of the PNC reiterates the relevance of the policy and the need for its expansion.

7) Complementary actions/donor coordination

A number of complementarities and synergies can be expected between this action and other EU funded programme. The most relevant one is with the upcoming technical assistance programme to the Ministry of Environment and Water, funded under Decision DCI-ALA/2013/025-058 and expected to begin in the last quarter of the year. The programme will contribute to a more effective sector policy by strengthening the Ministry’s capacity to design and implement sector strategies and programmes, and will represent a key tool to mitigate both technical and coordination weaknesses within and between the beneficiary institutions of the Ministry.

Among the regional initiatives, EUROCLIMA+ and Biodiversity for Life (regional call for proposals) will represent great opportunities to complement national efforts in the thematic areas of forests, biodiversity and disaster risk management.

Among interventions implemented by the Delegation to Bolivia, complementarities will be sought with the food security and integrated development with coca programmes in case of geographical overlapping and as already done in previous years, with two ongoing biodiversity-related contracts with Local Authorities, as well as with the future sanitation programme under preparation. The action will also allow addressing increasing environmental issues in the Poopó Lake basin, which has been object of various EU programmes in the past years.

Finally, the action will be complementary and reinforcing of the interventions of the Directorate-General for European Civil Protection and Humanitarian Aid Operations

(ECHO) on disaster risk management in the past years, which have allowed translating important lessons into national legislation.

The action is set in the framework of the European Joint Strategy for Bolivia 2017-20 and coordinated with both European and other donors. Under the Joint European Strategy, seven Member States (Belgium, Denmark, France, Germany, Italy, Spain, and Sweden) are involved in the water and environment sector, as well as Switzerland. Ad-hoc meetings are called to coordinate joint European positions if needed vis-a-vis larger donor groups. There are two large donor working groups operating in the sector: one for river basin management, led by Belgium together with the Vice Ministry of Water Resources, and one for environment and climate change, led by Japan and the Interamerican Development Bank.

4. Communication and visibility

Based on a successful practice in place since 2014, the Delegation to Bolivia manages its communication and visibility actions through a contract for all Delegation's programmes. The budget of such contract comes from Decision 2013/025-058 ("Fomento a la construcción de capacidades en relación a las políticas públicas apoyadas por Contratos de Reforma Sectorial en Bolivia"). For this reason, no budget for communication and visibility action is foreseen under the proposed measure.

Using the Communication and Visibility Manual for European Union External Action as main reference document, the Delegation defines its visibility strategy to reach all target groups with appropriate messages and tools (press, information letters, technical publications, audio-visual manual, media relations, etc.).

Moreover, the EU contribution is acknowledged and made visible by the beneficiary Ministry of Environment and Water in jointly-organized events.

5. Cost and financing

The maximum contribution of the EU is EUR 51 million (EUR 25 million from the 2017 general budget and EUR 26 million from the 2018 general budget) and the financing modality is a direct sector budget support contribution to the General National Treasury of Bolivia.

	EU contribution (amount in EUR)	Indicative third party contribution, in currency identified
Error! Reference source not found.. Budget support - Sector Reform Contract	EUR 51 000 000	-
Error! Reference source not found.- Evaluation, 5.10 – Audit	-	N.A.
Contingencies	-	N.A.
Totals	EUR 51 000 000	-

The Committee is invited to give its opinion on the attached Annual Action Programme 2017 and 2018 part I in favour of Bolivia for theme Integrated Water and Natural Resources Management.



ANNEX

of the Commission Implementing Decision on the Annual Action Plan 2017 and
2018 part I for Bolivia

Action Document for “Integrated Water and Natural Resources Management”

1. Title/basic act/ CRIS number	“Integrated Water and Natural Resources Management” - CRIS number: DCI-LA/2017/039-032 financed under Development Cooperation Instrument	
2. Zone benefiting from the action/location	Latin America and Caribbean, Bolivia The action shall be carried out at the following location: Bolivia	
3. Programming document	Multiannual Indicative Programme 2017-20 for Bolivia	
4. Sector of concentration/ thematic area	Sector 3: water, sanitation and natural resource management	DEV. Aid: YES
5. Amounts concerned	Total estimated cost: EUR 51 million Total amount of EU budget contribution EUR 51 million of which EUR 51 million for budget support The contribution is for an amount of EUR 25 million from the general budget of the European Union for 2017 and for an amount of EUR 26 million from the general budget of the European Union for 2018, subject to the availability of appropriations following the adoption of the relevant budget.	
6. Aid modality(ies) and implementation modality(ies)	Budget Support Direct management –Budget Support: Sector Reform Contract	
7 a) DAC code(s)	14040 – River basins’ development 31210 – Forestry policy and administrative management 41040 – Site preservation 41030 – Biodiversity 74010 – Disaster prevention and preparedness	
b) Main Delivery Channel	Recipient Government- 12000	

8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	x
	Aid to environment	<input type="checkbox"/>	<input type="checkbox"/>	x
	Gender equality (including Women In Development)	x	<input type="checkbox"/>	<input type="checkbox"/>
	Trade Development	x	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	x	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	<input type="checkbox"/>	<input type="checkbox"/>	x
	Combat desertification	<input type="checkbox"/>	x	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	x	<input type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	<input type="checkbox"/>	x
	9. Global Public Goods and Challenges (GPGC) thematic flagships Global Climate Change Alliance Plus (GCCA+) flagship (for issues of sustainable land use, risk management planning, ecosystem based management, adaptation and mitigation synergies) Biodiversity for life (B4LIFE) and Forest Law Enforcement Governance and Trade (FLEGT) flagships (for issues of land degradation, deforestation and biodiversity loss)			

SUMMARY

In a context of climate change and increased pressure on natural resources, there is need to act on the close link between environment preservation and conservation and the availability and sustainability of water resources for human consumption as well as for productive activities. EU experience in the country through past and current interventions in the areas of river basins and protected areas management shows the need for further integrate these sub-sectors, as also auspicated by the Bolivian Ministry of Environment and Water.

In this framework, the Action proposes to *improve sustainable and climate resilient management of natural resources ensuring availability of quality water and the protection of critical ecosystems* (general objective) through the *improvement of water governance and management of water-related risks and the protection and sustainable use of critical ecosystems and their biodiversity* (specific objective). To do so, the Action will support the Ministry of Environment and Water's Integrated Plan for Sector Development and the relevant sub-sector policies to: improve governance of natural resources at local level; increase resilience to water-related natural disasters; continue investment for protection and sustainable use and management of natural resource; support monitoring systems for water quality, forest and protected areas; and increase knowledge and improve practices of the general population in relation to water and environment.

The action is in line with the Bolivian Economic and Social Development Plan 2016-20 and the related sector policies, as well as with the priorities set by the European Consensus for Development, the EU principle of green growth, the Union Environment Action Programme to 2020, the EU commitments to step up contribution to averting global biodiversity loss by 2020 and to addressing at least 20 % of the its budget to low carbon and climate resilient society, and the EU Gender Action Plan II. It is set in the framework of the European Joint

Strategy for 2017-20 and of the EU Multiannual Indicative Programme (MIP) 2017-2020 for Bolivia and aims to contribute to the progressive achievement of the Sustainable Development Goal (SDG) 5 (on gender equality) and 6, 12, 13 and 15 (on environment issues).

1 CONTEXT

1.1 Sector/Country/Regional context/Thematic area

1.1.1 Public Policy Assessment and EU Policy Framework

The 2009 Constitution and the *Ley de la Madre Tierra* (Law of Mother Earth) of 2012 set out Bolivia's endorsement of the human right to water and sanitation and its vision about natural resource management. In these documents, the Government states as its main objective the promotion of integrated development to guarantee the well-being of the population while protecting the regenerative and adaptive capacity of the environment.

This vision is translated into pillars 6 and 9 of the Government's Economic and Social Development Plan (PDES from its Spanish acronym) 2016-2020: "Productive sovereignty with diversification" and "Environmental sovereignty with integrated development", which are further articulated around wood and Amazonian products, sustainable productive systems, water resources and natural disasters prevention, forests and protected areas, and waste management.

Significant alignment can be found between the PDES, the Institutional Strategic Plan 2014-18 of the Ministry of Environment and Water (MEW) and Bolivia's Nationally Determined Contribution (NDC) on climate change, especially in the sectors of water and forestry. A planning exercise was completed to operationalize the goals set in the PDES, both at central and sub-national level, including the formulation of a new plan to integrate actions in environment and water– the Sector Plan for Integrated Development (PSDI, Spanish acronym) representing the new sector policy. Existing national programmes are being revised to ensure alignment and a new integrated monitoring system is to be established.

In the water sub-sector, the Vice Ministry of Water Resources and Irrigation (VRHR, Spanish acronym) continues to pursue its successful strategy of fostering decentralised and integrated watershed management while working on governance and capacity building with a variety of stakeholders (communities, productive sector, universities, municipalities, departments and NGOs). This focus on local-level management includes attention to the different situation and impacts on men and women, which is translated in project design. The National Watershed Plan (PNC, Spanish acronym) is currently being adjusted to reflect the ambitious targets defined in the PDES, which will require additional funding and implementation capacity to be achieved. An element of novelty is represented by the increasing attention and investment in large scale, multi-sector and infrastructure-heavy interventions in key basins, which are in line with the EU Nexus Initiative. The preparation phase of these new programmes has highlighted the importance of transparent and effective management of water resources in order to guarantee equity in water services provision and prevention of social conflict.

In the environment sub-sector, the PDES emphasises poverty reduction for people living in protected areas and demands an increased contribution of the forest sector to the national economy. Supreme Decree 2366 of 2015, allowing hydrocarbon exploration in protected areas, was an early indication of this new approach. The Vice Ministry of Environment,

Biodiversity, Climate Change and Forest Management and Development (VMA, Spanish acronym) and related entities as the National Service for Protected Areas (SERNAP, Spanish acronym) and the Forest and Land Authority (ABT, Spanish acronym) are in the process of defining new strategies and reviewing their implementation mechanisms. It is of outmost importance to support the Ministry in sustainably combining poverty reduction and environmental protection.

Although the national policy on gender equality, the “Plan of Equal opportunity: Women constructing the new Bolivia for *Vivir Bien*” (2009) and the gender equality-related objectives of the PDES do not target or identify specific links with the water and environment sector, the MEW is in the process of developing its own guidelines.

Differences between Bolivia and the EU on climate change (e.g. on climate justice, share of responsibilities between nations, assessment methodologies and mechanisms for actions) do not hinder collaboration at country level on topics as water, forestry and energy. Achieving Bolivia's extremely ambitious NDC targets will require strong political will and external support in terms of funding and technical assistance. Changing the energy matrix would represent a main paradigm shift for a country dependent at 36 % on hydrocarbons¹, and require private sector negotiations as well as a new regulatory and incentive framework. For the proposed 13-fold increase in forested area², new regulations, a good incentive structure, widespread technical assistance and a monitoring system based on nationally-agreed sector definitions are necessary. Dialogue among ministries in charge of environment, energy, infrastructure and agriculture will be key to ensure coherence of the respective policies.

In this context, this Action will support the MEW's PSDI which is considered by the delegation to be a relevant, credible and measurable policy, hence eligible for sector budget support.

This action is in line with the priorities set by the European Consensus for Development, as it contributes to *inclusive and sustainable growth for human development through improved natural resources management*. It is also aligned to EU principle of green growth, the Union Environment Action Programme to 2020, and the commitments to step up contribution to averting global biodiversity loss by 2020³ and to addressing at least 20 % of the its budget to low carbon and climate resilient society⁴. The environment sector, including water issues, has also been identified as one of the main cooperation areas under the Joint European Strategy in Bolivia 2017-20. Finally, the action is in line with the the EU Gender Action Plan 2016-2020, specifically the thematic priority “Economic, Social and Cultural Rights - Economic and Social Empowerment” – objectives 15 and 16.

1.1.2 Stakeholder analysis

The VRHR is the leading actor in the watershed management sector, setting policy, implementation strategies and guidelines for interventions. It leads a number of national and subnational platforms for the planning, financing and implementation of integrated water

¹ Bolivian Ministry of Economy, figure related to budget year 2015

² VMA – Forest Directory, draft forestation plan, 2016

³ EU Biodiversity target as part of EU Strategic Plan for Biodiversity 2011-2020

⁴ DCI regulations, recital 20

resource interventions, and it coordinates with the National Meteorology and Hydrology Service for the functioning of an early warning system in flood-prone areas.

The VMA is in charge of all environmental regulations and licensing processes, biodiversity strategies and programmes, biotechnology and biosecurity, wildlife trafficking issues, supervision of the National System of Protected Areas and forestry plans. Responsibilities for climate change issues are shared with the Mother Earth Multinational Authority, which is the strategic entity in charge of climate change-related funding and reporting through its mitigation and adaptation (funding) mechanisms. The management of the 22 national level protected areas is under the responsibility of the SERNAP, the licensing and monitoring of forest use is responsibility of the ABT, while the funding of forest projects is supervised by the National Fund for Forest Development.

Coordination between MEW viceministries and between the viceministries and their decentralised entities is not optimal. While foreseen by law, the delegation of decision making powers to sub-national level governments is expected to be a long term process.

The nine Autonomous Departmental Governments (GADs, Spanish acronym) constitute the intermediate level of government structure and perform a central role in development planning exercises, e.g. through their Plans for Soil Use (PLUS) and in river basin management in the case of major strategic watersheds shared by more than one municipality. Among the responsibilities of the GAD is the co-financing of investments and the support of Autonomous Municipal Governments in the implementation of their competencies. A few GADs have institutionalised specialized services for water resource management (the Departmental Watershed Service of Cochabamba and the Water Channelling and Pirai River Regulation Service of Santa Cruz) and environment/ protected areas management (the Sustainable Development Secretary of Santa Cruz, the Departmental Service of Protected Areas of Beni). Levels of capacity and availability of resources differ significantly among GADs, with Potosí, Chuquisaca, Beni and Pando ranking as the most vulnerable⁵.

Autonomous Municipal Governments (GAMs, Spanish acronym) have their own development plans, which, while attending local needs, are required to align and contribute to national strategies and plans. Responsibilities of GAMs include, among others, the identification, design and implementation of water management projects, the management of municipal protected areas, and disaster prevention and management. Responsibilities, however, do not always match with the municipal level of capacities, both in technical and financial terms. The recent decrease in hydrocarbon-proceeding income and long procedures for transfers from the national treasury have further complicated GAMs' work.

Other key actors within the government structure are the Ministry of Development Planning, through the Vice Ministry of Public Investment and External Financing, because of its role in the coordination of international cooperation, the Ministry of Economy and Public Finance, responsible for allocations of financial resources from the national treasury, and the Vice Ministry of Civil Defence (VIDECI, Spanish acronym) in charge of the response to natural disasters (floods, droughts, fires).

As main beneficiaries of investment projects, women and men of rural communities and indigenous territories take part in the decision making processes and management of natural resources through local watershed management organizations, protected areas management committees, etc. In the valleys, women are typically represented through the strong social and political voice of the Bartolina Sisa group, while in the highlands women traditionally share leadership roles with their husbands according to the chacha-warimi system. Indigenous

⁵ VIDECI, "Documento Pais Bolivia", 2014

communities have their traditional ways of relating with nature and benefit from a higher level of autonomy, which often translates in having their own local level development plans. Civil society organisations, including NGOs, women's groups (such as Bartolina Sisa and the National Confederation of Rural, Indigenous, and Native Women of Bolivia) and organizations working on women's right (specifically members of the Women's Alliance in Defence of Mother Earth, and the Women Coordinator), universities and study centres, play a crucial role in providing professional training, research and information dissemination (e.g. through pedagogic watersheds), address specific concerns of women and other disadvantaged groups, and at times implement projects directly. The past few years have seen a shrinking operational environment for NGOs, due to both reduced external funding and tighter controls from the government side, but the EU maintains a close collaboration on the basis of its civil society roadmap.

Donors participating in the river basin donor group and the GRUS environment sub-group represent a strong voice in policy dialogue and advocacy, besides being a major source of technical and financial support for the implementation of national programmes. Besides the EU, currently Belgium, Sweden, Germany, Switzerland, the World Bank and the Inter-American Development Bank (IDB) financially contribute to the PNC, while Belgium, Germany and Sweden also support the VRHR with technical assistance programmes. Denmark, Switzerland, Japan, IDB and CAF are the main donors to the environment sector, although the Danish programme on forest and protected areas will end in 2017, and the Swiss climate change portfolio will considerably be scaled down in the coming years. Alongside the donors, there are the UN agencies and other actors such as the Foundation for the Development of the Protected Areas National System which attract and canalise additional resources especially in the environment sector.

Finally, it is worth mentioning the role of neighbouring countries. For example, the implementation of depuration interventions on the Peruvian side will be crucial for the success of the Bolivian programme for the environmental sanitation of the Titicaca Lake, while the agriculture policies in Brazil and Argentina are pushing large scale producers to cross into the Bolivian territory for soy farming. On the other hand, water management on the Bolivian side has important repercussions on neighbouring countries as Bolivia hosts water sources and the upstream part of important Latin American rivers (such as Pilcomayo). While transboundary interventions are not foreseen under this Action, the benefits will be felt also in downstream countries.

1.1.3 Priority areas for support/problem analysis

Bolivia is rich in water resources and biodiversity⁶, but both climate variability and human activities are impacting on this abundance.

Temperature increase, coupled with higher frequency of El Niño phenomenon, is expected to lead to the disappearance of 80 % of the small glaciers in the Andean mountain range in the coming 20 years, with important consequences on water availability and hydrological ecosystems of the high lands, including the Titicaca and Poopó lakes. Since 1970, annual rainfalls have increased by 15 % in the Amazon region and decreased by 20-25 % in the Santa Cruz valleys.⁷ At the same time, in compliance with land use plans, deforestation (including through illegal bush fires), inadequate planning of human settlements, infrastructure and economic activities, and river course alteration, further increase the physical vulnerability of

⁶ According to the UN Environment Programme - World Conservation Monitoring Centre, Bolivia ranks 12th in the list of most biodiverse countries. It has 12 ecoregions and 199 ecosystems represented on its territory.

⁷ VIDECI, "Documento Pais Bolivia", 2014

river basins that already are prone to degradation and erosion due to the sandy nature of their soil at source.

As a consequence, frequency and intensity of natural disasters have been increasing and Bolivia has the worst possible value in ECHO natural disaster index. Different ecoregions suffer from different hydro-meteorological hazards (typically floods in low lands, flash floods in the Andean valleys, hailstorms and droughts in the highlands, dry valleys and Chaco region, and landslides in urban areas). Since 2002, on average 100,000 families per year have been affected by natural disasters, mostly in the departments of La Paz, Beni, Pando, Cochabamba and Santa Cruz⁸. The 2016 drought affected over 400,000 people in the capital city alone. The newly settled neighbourhoods of medium and large cities and the northern low lands (especially the Mamoré, Rio Grande, San Julian and Beni- Itenez and Madre de Dios basins) are the most vulnerable and exposed to floods and landslides.

Women are disproportionately affected by natural disasters, such as floods, as a result of gender inequalities regarding political and economic status, human rights, education and health.

Competition for scarcer water resources is increasing due to population growth; given the still weak water governance in most basins, social conflicts are on the rise. Practitioners recognize that scarcity and conflicts often cause heavier repercussions on the most disadvantaged population categories, including the poor, ethnic minorities and women. More water and sewage connections in the urban and peri-urban areas, but also inappropriate water use in industrial and mining activities, result in high levels of pollution. Problems are particularly acute in the high lands of the Lake Titicaca – Desaguadero River – Lake Poopó⁹ – Coipasa Salt Flats (TDPS, Spanish acronym) system where, alongside old environmental liabilities from mining, other types of contamination and water deviation through illegal channels have resulted in rivers and lakes drying up, damages to the ecosystems¹⁰, loss of livelihoods and human health problems. In other departments like Cochabamba, Tarija and Sucre local communities have initiated actions to solve land degradation and water scarcity problems but with limited effectiveness due to lack of proper orientation, follow-up and technical assistance under comprehensive and integrated plans.

Forests and protected areas are equally object of conflicts and subject to increasing pressure. While deforestation is mainly due to expanding livestock and agriculture production and creation of new settlements, degradation is linked to wood extraction, mining and fires. Nine¹¹ of the threatened national protected areas, and many sub-national ones, are located in the sub Andean corridor, where most of the country's rivers originate. In the low lands of Santa Cruz, Beni and Pando, protected and forested areas play a crucial role for climate change mitigation and adaptation – by retaining water and humidity and capturing carbon – besides representing a source of food and income opportunities. These environmental functions benefit greatly the agriculture sector in the Santa Cruz department, source of 70 % of Bolivian agriculture produce, where approximately 40 % of agriculture land is at less than 50 km from a protected

⁸ VIDECEI “Documento Pais Bolivia”, 2014, ECHO Integrated Analysis Framework for Bolivia, 2016, and Oxfam “Atlas. Amenazas, vulnerabilidades y riesgos de Bolivia”, 2010

⁹ In October 2015, water quality monitoring revealed high levels of metals, arsenic, chlorine, sulfate and ammoniac in the Poopó basin, due to mining activities, and high levels of nitrite due to organic contamination from the urban areas, making water inadequate for human consumption or even irrigation in downriver communities.

¹⁰ In the Lake Titicaca the increase in pollution and temperature has caused the growth of algae that, in turn, affect the natural production of forage as well as the habitat of birds, frogs and fishes.

¹¹ Apolobamba, Madidi, Pilon Lajas, TIPNIS, Amboró, Tunari, Tariquía, Aguarague and Iñaño.

or forested area. This notwithstanding, Santa Cruz suffered 76 % (or over 1.3 million hectares) of the total forest loss experienced by Bolivia in the period 2000-2010¹². Interventions in protected and forested areas bring about social consequences as well, as a large part of the forested land overlaps with indigenous territories, and over 30 indigenous groups depend on these areas and their biodiversity for their livelihoods.

Despite the announced government efforts to diversify the economy¹³, ore, gas and soy exports will continue to represent important sources of income for the country. Moreover, investment in most of the economic sectors identified as key in the PDES - energy, infrastructure, hydrocarbon, agriculture, mining and tourism – can have considerable environmental consequences. Therefore, it can be expected that pressure on and conflict for water and other natural resources will continue in the coming years.

The MEW will need support to face these challenges. Despite a good environmental legal framework (which includes demanding protection and conservation standards), till date its enforcement has been weak, with poor quality environmental impact assessments, unutilised environmental management plans and low monitoring capacity. Limitations have been due partly to insufficient human and financial resources and partly to an excessive and partially ineffective “licensing approach”, whereby attention was placed on paper-based administrative compliance rather than on ground reality monitoring. There is hope that ongoing reforms will lead to improvements in environment quality management. Another key aspect will be the dialogue with other sectors and institutions whose goals risk reducing the applicability and effectiveness of environmental policies. For example, coordination will be crucial between the MEW and the Ministry of Rural Development and Land, as they are developing their forestation and agriculture expansion plans¹⁴, respectively, targeting the same areas. Furthermore, in the forest sub-sector, technical and financial support will be needed for communities to manage and benefit from forests under their property.

Finally, awareness is low among the population on the importance and benefits of environmental services (as an example, in Bolivia, one third of the population depends on protected areas for their water supplies). Adequate communication to inform the population and engage them in sustainable consumption practices is still missing.

1.2 Other areas of assessment

1.2.1 Fundamental values

Bolivia has ratified the main universal treaties and international agreements in the field of human rights. The Constitution and national legal framework provide strong human rights guarantees, including on non-discrimination and fundamental freedoms. In 2013 and 2014 the Government passed new legislation on violence against women, trafficking and sexual violence, family, children and adolescents, and a national plan to address racism and discrimination. The challenge ahead is the effective implementation of these laws.

The 2009 Constitution also provided unprecedented protection of the rights of indigenous people and the Afro-Bolivian minority, but natural resource exploitation on indigenous lands remains a main cause of conflict. The 2015 Supreme Decree 2298 modified the conditions for

¹² “Mapa de Deforestación de las Tierras Bajas y Yungas de Bolivia 2000-2005-2010”, FAN 2012

¹³ 2016-20 national Social and Economic Development Plan

¹⁴ Based on the 2015 agriculture summit “Sembrando Bolivia”, the plan foresees an increase in agriculture surface from 3 to 13 million hectares till 2025.

consultation with indigenous groups (aligned to the standards set in the International Labour Organization Convention 169) in case of hydrocarbon exploitation activities on their territory, and specifically allowed the competent authority to proceed with the process of obtaining the environmental licence after 45 days, regardless of the realization and outcome of the consultation.

The adoption of a law in 2013, imposing a number of new legal requirements for civil society organisations to obtain legal status, was perceived by many as an attempt to restrict and control Bolivia's broadly-based and active civil society¹⁵. Environment organisations have been among the most criticised by the government.

Despite the country's legal, regulatory, and institutional framework covers all aspects linked to the enforcement of anti-corruption activities, Bolivia ranks worse than the regional average in terms of corruption, and compared to previous years the situation is deteriorating¹⁶. The weak and under-resourced judiciary is vulnerable to political and economic pressures.

1.2.2 Macroeconomic policy

According to the IMF, after a decade of substantial economic and social progress, underpinned by sound macroeconomic management, Bolivia is being challenged by low commodity prices. Bolivia recorded strong growth accompanied by a substantial build-up of fiscal and external buffers, and achieved significant reductions in poverty and inequality. However, Bolivia now faces the challenge of adjusting to a scenario of low commodity prices while preserving and building on the economic and social gains achieved in the past.

The Central Bank reports a sizable amount of international reserves that equalled almost 31 % of GDP in 2016 (40 % of GDP in 2015), but in an environment where the trade balance continue with growing deficits and an overvalued currency, some forecasts are not as positive as three years ago (i.e growth, total debt, trade balance, NIR, etc.). A 4 % annual inflation rate at end of 2016, a preliminary 6.9 % non-financial public sector fiscal deficit and a non-inflationary GDP growth of 4.3 % were reported.

The positive economic context during the last decade has helped in the reduction of moderate and extreme poverty, and inequality. In accordance with the IMF, the Gini coefficient dropped down from 0.62 in 2000 to 0.49 in 2014, while according to the National Institute of Statistics (INE) moderate and extreme poverty rates were reduced from 66 % and 45 % to 38.6 % and 16.8 % in 2015.

Bolivia's earnings from hydrocarbons dropped by 41 % in 2015 and 46 % in 2016¹⁷, erasing the country's 12 years of trade surplus. Oil prices have a delayed effect on natural gas export prices, which explains why Bolivia felt the decrease in commodity prices stepwise.

The public sector has been changing at a rapid pace in Bolivia. After 2006 the government reinforced the role of the State, creating a number of new state-owned enterprises (SOEs) and

¹⁵ Law n. 351. In May 2015, the United Nations Special Rapporteur on the rights to freedom of peaceful assembly and of association described the law as a restriction on the freedom of association. The Ombudsman appealed to the Constitutional Tribunal, though so far without response.

¹⁶ World Bank Governance Indicator

¹⁷ Preliminary figure

broadening the influence of the government in all areas, especially in those related to economic and productive activities.

The exchange regime is a crawling peg and has not been adjusted since November 2011, which turns it into a "de facto" fixed regime. The local currency is overvalued. Bolivian economy is considered to be a price-taking, small, open economy. Gross public debt is relatively low in Bolivia, representing 43 % of GDP in 2016 with around 19 % corresponding to external debt. The main creditors are multilateral agencies such as the CAF, IADB and the WB.

Following the decline in international oil prices, Bolivia faces several challenges that include reducing the non-hydrocarbons primary deficit, improving the business climate, promoting the non-commodity sectors, streamlining expenditures while increasing their efficiency, ensuring the financial health of SOEs, among others.

Based on the analysis performed, the review of the latest IMF Article IV mission and updated information gathered from different relevant sources, it is concluded that the government of Bolivia is pursuing a credible and relevant macroeconomic policy, aimed at stability, promoting fiscal and external sustainability. Nevertheless, important challenges need to be addressed in order to adjust to less favourable external environment.

1.2.3 Public Financial Management (PFM)

The Bolivian PFM reform responds to the overriding need to strengthen existing financial management systems so that they contribute to a more effective and efficient management of public resources. The 2009 PEFA assessment was the first step towards this objective; the second step was the drafting and the implementation of an Action Plan for the Improvement of Public Finance Management - PAMGFP (approved in December, 2010). Technically, with 95 % progress, the reform plan already concluded but several activities are still under implementation.

All the above will lead to a new cycle which should start with a new PEFA assessment that hopefully can be initiated during 2017. The EU, WB and IADB are willing to support the initiative, but an official request has not been yet received.

Some specific developments, among others, should be highlighted, such as:

- Significant progress on fiscal transparency (according to the IMF)
- Elaboration of the new Comprehensive State Planning System - SPIE
- Development of the new State System of Public Investment and Financing for Development (SEIF-D)
- Elaboration of a Debt Management Improvement Plan based on the WB's DeMPA
- Design, development and implementation of the Public Management System (SIGEP)
- Elaboration of the new 2016-2020 Economic and Social Development Plan (PDES)
- The implementation of the Medium-Term Macro Fiscal Framework in the budgeting process during 2012 - 2017
- The preparation of the National Treasury and Public Credit System Bill, the Tax Reform and regulations, the Public Trust Funds bill and the the Organic Law for the Supreme Audit Institution (CGE)
- Key gender priorities are integrated into the PDES and funded under the State budget. However, the related expenditure framework is not public and a gender budgeting

exercise (for programmes others than gender-specific) is not systematically carried out in Bolivia

Improvements in public financial management systems have taken the right direction, without significant external resources, which demonstrate the strong commitment the GoB holds with the reform.

The Delegation considers that all improvements, strategies and plans, including PAMGFP drawn from the PEFA study, are relevant and credible. It also raises some concerns regarding the willingness of the GoB of a new PEFA assessment that could corroborate all the improvements in the local public finance system since 2009.

Bottom-line, Bolivia is making satisfactory progress in improving its PFM system, which needs to be consolidated in the near future. With the above mentioned information, the Delegation considers that the country remains eligible for Sector Reform Contracts (SRC).

1.2.4 Transparency and oversight of the budget

Concerning budgetary transparency, the Ministry of Economy and Public Finance regularly publishes on its website the complete state budget approved by law. Annual reports on budget execution of all Nonfinancial Public Sector (NFPS) disaggregated by entity are also available for revision. In addition, monthly cash flow reports of the Treasury are available to the public. On the other hand, the Fiscal Dossier is uploaded in the ministry's website portraying information related to the central government, state-owned enterprises, public debt, fiscal balances, and sub-national levels.

The quality, integrity and exactness of information are sufficient and it is an example of the improvement of management systems of public institutions, especially those of the Ministry of Economy and Public Finances and the Developing Planning Ministry which coordinates everything concerning the programming of investments and foreign financing.

Thus, the government of Bolivia complies with the requirements concerning the eligibility associated to budget transparency.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Low international gas prices reduce government resources and in turn allocations to the environment sector	M	Policy dialogue with the Government to maintain key investments in the sector. Support the gov.t in the prioritization of key environmental issues thanks to leverage given by the BS programme.
Insufficient capacities at local level to articulate and monitor water and environment interventions lead to	H	Adequate selection of implementation areas and complementary technical assistance

poor results		
Social conflicts at local level (including on issues related to indigenous people's rights) delay or hinder programme implementation in specific areas	M	Strong focus of the programme on governance, policy dialogue with the Government in the field of human/ indigenous rights, and flexibility in the selection of programme implementation sites
Extreme climate conditions and mayor natural disasters divert attention and resources	M	Incorporation of climate/ disaster risk analysis and mitigation measures in both local level planning (municipal plans) and investments (feasibility studies); coordination with VIDECI in case of disasters
Poor coordination between MEW viceministries and entities significantly decreases efficiency and effectiveness of interventions	M	Centralized technical assistance to ease communication and coordination among stakeholders
Inadequate implementation tools inhibit performance in the environment sub-sector	M	Technical assistance to the VMA for the development of tools and a performance assessment framework
A gender blind implementation could reinforce existing gender inequalities in the sector and hinder the efficiency and sustainability of the action	M	Gender awareness training to stakeholders, inclusion of women and women's organizations in the implementation of the action, introduction of gender-sensitive indicators to assess progress
Assumptions		
<ul style="list-style-type: none"> - MEW integrated sector plan and related sub-sector plans and programmes, currently under development, are ready and actionable. - Political commitment to ongoing intervention is maintained following 2019 presidential elections. - Hydrocarbon exploration and exploitation, as well as other major interventions (e.g. large hydroelectric plants), do not cause major environmental disasters. 		

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

The experience of past and current Sector Budget Support programmes and Programme Estimates in the areas of river basins and protected areas management has highlighted the need for further integration between the different sub-sectors under MEW's responsibility. Currently, there is very limited geographical overlapping between interventions under the National Watershed Plan (PNC) and activities of the Environment Vice Ministry. This has limited synergies and the possibility to work on the close link between environment preservation and conservation and the availability and sustainability of water resources.

In consideration of decreasing financial contributions from both national budget and international cooperation, investments need to focus in the geographical areas at higher risks and with greater opportunities, as those more affected by natural disasters, the water sources along the sub Andean corridor, and the forest areas with the highest contribution to the national economy.

The most successful actions have been those combining different levels of intervention, from central level (policy) to local level (practical implementation), especially in a context where decentralisation is clear in the laws but only partially implemented in practice. The PNC has developed good practices for decentralised implementation under central supervision and assistance. The 2012 evaluation of the first phase of the PNC praised the progress made in terms of ownership of investments in watershed management by community-level organizations and local governments, and the effectiveness of the technical and administrative guidance delivered by national institutions¹⁸. The 2017 evaluation of the second phase of the PNC reiterates the relevance of the policy and the need for its expansion.

The EU experience in the Poopó basin¹⁹ has revealed the challenges and high costs of preserving or restoring water quality in main mining areas, and developed good practices on livelihood diversification for affected communities.

The 2014 floods and 2016 drought have showed the need to increase and expand work on river basin management, adapt agriculture practices, utilise monitoring and early warning systems (EWS), and implement forestation in river protection areas while reducing uncontrolled and illegal deforestation. Thanks to ECHO and other donors' strategic investments in the field of disaster risk reduction (DRR), the Government has adopted a new DRR Law²⁰ and municipalities have started to create their Risk Management Units. However, changing from a merely response-oriented system to broader risk reduction will take time and the capacity building process at municipal and departmental level will require additional support. Information management and usage is still weak, with EWS mostly lacking a component of information dissemination and to trigger response²¹.

The PACSBio programme²² has allowed important improvements in terms of protected areas management and biodiversity conservation, and highlighted the need to target protected areas as part of larger ecosystems rather than isolated units. Complementarily, the work of the Danish cooperation in the forest sector has highlighted the need to focus not only on long term forest protection but also on the most pressing causes of deforestation as agriculture and

¹⁸ Vuurmans, J., P. de Vries y R. Gutierrez, 2012. Evaluación final PNC1.

¹⁹ Programme Estimates DCI/ALA/2009/021-614

²⁰ Law n 602, adopted in October 2014

²¹ ECHO Integrated Analysis Framework for Bolivia, 2016, and VIDECI "Documento Pais Bolivia", 2014

²² Support Programme for the Sustainable Conservation of Biodiversity, DCI/ALA/2011/022-834

livestock activities. Till date, government-funded reforestation actions have been limited in size and quality, underestimating the importance of proper site planning and technical support to the beneficiary communities.

Finally, the current frequency and criticality of conflicts over natural resources is an indicator of the importance of civil society engagement, through both education / communication actions and participatory planning. In this context, participation of all individuals – men, women, young and elderly – shall be strengthened. The 2017 EU Gender Analysis revealed that, while formal participation takes place as foreseen in the sectorial policy, specific actions targeting women concerns and needs are still limited. Specific measures shall therefore be identified to fulfil the above-mentioned gaps.

3.2 Complementarity, synergy and donor coordination

Further to supporting the integration of the water and environment subsectors of the MEW, a number of complementarities and synergies can be identified between this action and the following programmes funded by the EU:

- ECHO's interventions on disaster risk management: important lessons can be learnt from past projects in drought-affected areas and the presence of ECHO partners in the flood-affected low lands can assist intervention design at local level. The DRR capacity building project funded by ECHO is a building stone for the governance and investment components of this action.
- Other EU Delegation's budget support programmes: the proposed action may have a geographical overlapping with the food security and integrated development with coca programmes, generating positive mutual reinforcement effects. Coordination and complementarities will be sought, as it has already been the practice with PACSBio programme. Additional synergies could be identified with future interventions in the sector of sanitation – new budget support programme being designed in 2017. The action will also allow to address increasing environmental issues in the Poopó Lake basin, which has been object of various EU programmes in the past years.
- The 2016 call for proposal for Civil Society Organisations (lot 1) and Local Authorities (lot 2)²³ with a focus on civil society participation to national policy making and monitoring, and sub-national level governance and planning for the use of natural resources (territorial approach) respectively. Besides reinforcing each other, it is foreseen that an exchange of experiences and good practices will be possible between this action and the projects which resulted from the call for proposals, of which one is focused on making government programmes and budget more gender-sensitive.
- EU-funded and UNDP-implemented project on conflict management²⁴: the project aims to strengthen MEW's capacities in conflict prevention, analysis and resolution, thus contributing to the governance and communication components of this proposed action. Moreover, the project will specifically target some of the areas identified as priority for the proposed action: the Lake Titicaca basin, the Lake Poopó basin and the Tunari national park.

²³ Call for Proposals EuropeAid/151790/DD/ACT/BO

²⁴ IFS project 358-830

- Regional programmes LAIF and INPANDES²⁵: both programmes are currently funding studies and small-scale interventions in the Lake Titicaca basin.
- Global programmes EUROCLIMA+ and Biodiversity for Life: should projects be funded in Bolivia under the thematic areas of forests, biodiversity and disaster risk management, these global and regional programmes and the proposed action would complement each other by focusing on different geographical areas, reinforcing results and targeting different types of actors, while working along the same lines and with the same overarching objectives.
- Upcoming technical assistance programme to the MEW (under Decision DCI-ALA/2013/025-058): technical assistance will be key to the achievement of the proposed action results, particularly the sub-sectors integration process and the capacity building at local level. The objective of the new TA programme is to contribute to a more effective sector policy funded through sector budget support, by strengthening the Ministry's capacity to design and implement sector strategies and programmes. The new TA programme is expected to begin in September 2017 (offer evaluation ongoing as of June).
- Programme for the Environmental Sanitation of Lake Titicaca: one of the MEW's flagship initiatives, this programme is mostly funded through a loan from the Inter-American Development Bank (IDB). The proposed action is expected to reinforce the effectiveness of the programme by contributing to its governance and monitoring components. Additional funds from IDB or other donors may be leveraged thanks to this Action.
- Potential future intervention of the European Investment Bank in forestry sector: should negotiations between the Bank and the Government of Bolivia be successful, European institutions may become the main donor to the sector in Bolivia.

Complementarities and synergies with other donors and actors will be sought through continuous engagement in the existing donor coordination mechanisms. Under the Joint European Strategy for Bolivia, seven Member States (Belgium, Denmark, France, Germany, Italy, Spain, and Sweden) are involved in the water and environment sector, as well as Switzerland. Ad-hoc meetings are called to coordinate joint European positions if needed vis-a-vis larger donor groups. The Delegation takes part to the PNC and the environment and climate change donor groups. The PNC platform is one of the most effective donors' coordination mechanisms in the country, whose role has been key at crucial times of development of the subsector policy as well as for evaluations and policy reviews. Currently, Belgium, Sweden, Switzerland, Germany are supporting the sector via a basket fund completely aligned to our support through a common Performance Assessment Framework. Individual programmes by the World Bank and France are also aligning to national priorities and plans. Together with the EU contribution, these financial allocations allow the resourcing of the Vice Ministry of Water Resources' plan at 75 % till 2020. Within the environment group, maximum coordination has been sought particularly with Denmark and Switzerland, the two countries with the most significant interventions in this field. Donors' financial support to the environment subsector saw a reduction in the last 3 years due to progressive withdrawal from the country; currently minor contributions come from Germany and the UN system. The MEW plans to use EU funds also to leverage resources from multilateral funds such as the Global Environment Facility and the Green Climate Fund, which may contribute to mitigate potential lower government allocations to the sector due to reduced hydrocarbons related revenues.

²⁵ DCI/ALA/2013/319-515 and DCI/ALA/2011/022-123, respectively

3.3 Cross-cutting issues

Governance (at local level), environment and climate change are targeted as main and significant objectives of this action. Based on lessons from previous experiences, strengthening of governance will be promoted with particular attention to the weaker sub-national level institutions. Both mitigation and adaptation to climate change will be pursued through actions in water and forestry, while a disaster risk management approach is expected to contribute to increasing people and systems resilience.

Human rights considerations are embedded in the Bolivian sector policy, which recognises and internationally promotes the right of all human being to water.

Considering that the different roles and responsibilities of women and men in water resources use and management are closely linked to environmental changes and water-related risks, an in-depth gender analysis has been carried out at the formulation stage. Based on the recommendations of the study, gender planning will be considered and female participation will be promoted in all decision-making bodies and in investment projects resulting in tangible economic benefits for women. Specifically, the Action will contribute to promote equal access and control over clean water, and equitable engagement in its management²⁶, through both mainstreaming of gender considerations in local level investment planning (as already foreseen in the national policy guidelines) and specific actions aimed at piloting approaches for effective women participation (indicator 5). Moreover, the programme will support the recovery and use of local knowledge and solutions, where gender and age perspectives are included through a mixed composition of the responsible government teams (indicator 5).

Access to information and participation of local population, and especially vulnerable groups such as disabled people, will be promoted to the extent possible, in line with the EU right-based approach.

4 DESCRIPTION OF THE ACTION

This action takes place in the framework provided by the MIP 2017-2020 for Bolivia, focal area 3 "Water, sanitation and natural resource management".

It will support the implementation of the new Integrated Sector Plan of the MEW, the PSDI, which was formally approved at the end of January 2017. Specifically, the programme will support the PSDI components related to water governance, integrated basin management and disaster risk reduction (already included in the National Basins Plan), reforestation/regeneration, protection of key areas (such as national parks), community-based forestry and sustainable use of biodiversity. Monitoring, women's participation and sensitization/education actions will be additional horizontal themes.

4.1 Objectives/results

This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of SDG targets 6 ("Ensure access to water and sanitation for all") and 15 ("Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss"), but also promotes progress towards Goals 5 (gender equality), 12 ("Ensure sustainable consumption and production patterns") and 13 ("Take urgent action to combat

²⁶ Objective n. 16 of the EU Gender Action Plan II

climate change and its impacts”). This does not imply a commitment by the country benefiting from this programme.

General objective

To improve sustainable and climate-resilient management of natural resources, including forests and their biodiversity, ensuring availability of quality water and the protection of critical ecosystems (MIP 2017-20, sector 3, SO2).

Specific objective

To improve water governance and management of water-related risks, integrated forest management, and protection and sustainable use of critical ecosystems (MIP 2017-20, sector 3, ERs 2 and 3).

Expected Results

ER1: improved governance of natural resources at local level

ER2: increased climate resilience to water-related natural disasters in selected areas

ER3: continued investment for protection and sustainable use and management of natural resource, leading to climate change mitigation and adaptation and biodiversity preservation

ER4: functioning monitoring systems for water quality, forest and protected areas

ER5: increased knowledge and improved practices of the general population in relation to water and environment

4.2 Main activities

4.2.1 Budget support

The main activities to implement the budget support package are policy dialogue, financial transfer, performance assessment and reporting. Additional activities related to capacity development will be undertaken under a separate technical assistance programmes, funded under the Financing Agreement DCI-ALA/2013/025-058.

Main activities will include:

- Transfer of up to EUR 51 million over the period 2017-2021;
- Continued policy dialogue with the Government with a particular focus on areas reflected in the programme's objectives;
- Policy dialogue with sector institutions to advance in achieving gender equality within sectoral interventions, and to follow a rights-based approach;
- Regular monitoring of progress towards expected results and other budget support eligibility criteria;
- Coordination with the donors in the water and environment and climate change sector, and particularly the related working group under the Joint European Strategy, in order to avoid duplication of activities, identify potential synergies and relieving the Government from multiple reporting duties;
- Continued effort to reinforce Government's capacities in the context of complementary support programmes.

4.3 Intervention logic

The action focuses on renewable natural resources. Water availability and environment protection are closely linked and interdependent. Water provision is one of the main environmental functions played by forests, together with soil conservation, climate regulation and air purification. Similarly, water management actions can not only be effective if they target the elements of water, soil and forest jointly, thus including soil recuperation, planning of land use and forest coverage into the programming. This action aims to improve year round availability and quality of water by protecting its main sources, sustainably managing and/or restoring its physical spaces (basins) and regulating its uses, and to benefit communities through the sustainable use of natural resources and biodiversity (e.g. of non-timber forest products of the protected areas) and equitable gain sharing with appropriate governance mechanisms.

As specific to the modality of budget support, the EU inputs will be in terms of financial contributions (yearly disbursements based on performance) and technical advice through both policy dialogue conducted by the Delegation's own staff and contracted support (through a complementary technical assistance programme). The expected direct outputs of these inputs are the increased financing of the sector, better quality of the public policy and enhanced coordination among actors of the sector. In the programme's intervention logic, it is expected that the MEW will manage its financial and technical resources to improve sector governance, sub-national level capacities, sustainable management of its natural resources, water quality in key basins, resilience to climate risks and information management – corresponding to the programme's induced outputs – and through them, achieve the specific and overall objectives.

The programme components, corresponding to its expected results, will focus on the geographical areas offering the most needed environmental services: the main water sources of the country and the areas with highest forest coverage capturing carbon. The Andean corridor (also affected by significant soil erosion processes) is the place of origin of the main country's rivers, while in the highlands water needs are met through wetlands. Most of the latter – including Lake Titicaca and Lake Poopó – are also identified as biodiversity hotspots and included in the RAMSAR Convention. The forested areas of the lowlands act as Bolivia's lungs and are the most vulnerable vis-a-vis the development agenda. In the context of climate change adaptation, the zones most affected by natural disasters will also be targeted with locally-adapted resilience actions.

Water basins, forests and protected areas will be considered in their relation with needs of the population, namely assessing the specific needs of women and men, and economic activities, as part of functioning ecosystems (or “life zones” as per Bolivian definition) to be managed at local level in line with a territorial approach. Efforts will be made to maximise benefits to the most disadvantaged groups, including women, in line with the overall Bolivian government's objective of reducing poverty levels.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Budget Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.12 will be carried out and the corresponding contracts and agreements implemented, is 48 months (plus 24 months for closure) from the date where financing agreement is concluded.

Extensions of the implementation period may be agreed by the Commission's authorising officer by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute Budget technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

5.3 Implementation of the budget support component

5.3.1 Rationale for the amounts allocated to budget support

The amount allocated for budget support component is EUR 51 million. This is in line with the support offered by the EU to Bolivia in the past eight years in the field of river basin management and environment and represents 7 % of the estimated budget for the implementation of environment and basin-related actions under the PSDI. This represents a relative reduction²⁷, mainly due to the ambitiousness of the sector plan, requiring significant financial resources, and the increasing financial responsibility of the Bolivian government. No amount is allocated for complementary support as this is foreseen under a separate action and Financing Agreement (ref section 4 – complementarities).

The proposed amount includes a fixed tranche (to be disbursed at the end of 2017 after signature of the FA) and three variable tranches (in 2019-21). Based on this timing the only overlap with ongoing programmes would be between the fixed tranche of the proposed action and the last variable tranche of the FA 025-046 in support to the National Basin Plan. Given the greater scope of this new action, this is not considered a problem. Conditions and indicators are designed as to avoid double financing of specific results/actions. The timing of the variable tranches (starting in 2019) will also allow the MEW to recalculate the baselines for the proposed indicators.

As per geographical areas, the coverage of the new programme is expected to be national as in the case of previous budget support programmes, although the analysis of government plans already indicates some priority areas such as the Poopó and Titicaca lake basins, and Amboró and Tunari national parks, which have also been object of EU support in the previous years.

5.3.2 Criteria for disbursement of budget support

a) The general conditions for disbursement of all tranches are as follows:

- Satisfactory progress in the implementation of the relevant public policy (the PSDI) and continued credibility and relevance thereof. Particular emphasis will be placed on: the coordination for the design and implementation of integrated actions by VRHR and VMA; the implementation of the capacity building plan; and coordination for policy coherence with Ministry of Rural Development and Land, Ministry of Mining, and Ministry of Energy;

²⁷ Budget support operations in the sub-sector of water resource management have contributed 21% to the PNC budget for 2013-8, while the PACSBio programme was covering up to 60% of SERNAP's financial needs.

- Satisfactory progress in the maintenance of stable macroeconomic-oriented policies;
- Satisfactory progress in the implementation of its program to improve public financial management;
- Continued satisfactory public availability of timely, comprehensive and sound budgetary information.

b) The specific conditions for disbursement of the variable tranches are related to the level of achievement of the performance indicators:

Programme results	Indicators
ER1: improved governance of natural resources at local level	Hydric and environmental governance in <i>zonas de vida</i> index Environmental performance index of hydrocarbon activities in protected areas Cumulative number of municipalities with adequate capacity for water and environment management
ER2: increased climate resilience to water-related natural disasters in selected areas	Cumulative number of municipalities with a functioning hydrological early warning system Cumulative number of hectares of areas protected against floods
ER3: continued investment for protection and sustainable use and management of natural resource, leading to climate change mitigation and adaptation and biodiversity preservation	Deforestation control and integrated fire management indexes Number of <i>zonas de vida</i> with integrated water management, forest and/or biodiversity conservation actions Number of sustainable management modalities which achieved the agreed target (including soil conservation measures) Index of implementation and financing of sector programmes
ER4: functioning monitoring systems for water quality, forest and protected areas	Water quality management index Index of implementation of a national information and monitoring system for water and environment
ER5: increased knowledge and improved practices of the general population in relation to water and environment	Number of actions for the recovery of local knowledge for solidary and equitable management of <i>sistemas de vidas</i>

Each indicator is described in details in Annex 1 of the Technical and Administrative Procedures – “Performance Indicators for Disbursement”. Additional impact-related indicators (such as those included in the AD logical framework) will be monitored through the annual Government reports on the sector policy implementation.

It shall be noted that gender-specific actions and targets are foreseen under indicator 5, through the sub-indicators “number of gender analysis” and “number of projects with gender focus” – please refer to Annex 1 of the TAPs.

The performance targets and indicators to be used for disbursements will apply for the duration of the programme. However, in duly justified circumstances, the MEW may submit a request to the Commission for the targets and indicators to be changed. The changes agreed to the targets and indicators may be authorised by exchange of letters between the two parties.

In case of a significant deterioration of fundamental values, budget support disbursements may be formally suspended, temporarily suspended, reduced or cancelled, in accordance with the relevant provisions of the financing agreement.

5.3.3 Budget support details

Budget support will be provided as direct untargeted budget support to the national Treasury. The crediting of the euro transfers disbursed into Bolivian pesos will be undertaken at the appropriate exchange rates in line with the relevant provisions of the financing agreement.

5.4 Implementation modalities

It does not apply as there is no complementary support.

5.5 Scope of geographical eligibility for procurement and grants

It does not apply as no procurement or grant contracts are foreseen.

5.6 Indicative budget

	EU contribution (amount in EUR)	Indicative third party contribution, in currency identified
5.3. Budget support - Sector Reform Contract	51 000 000	-
5.9–Evaluation, 5.10 – Audit	-	N.A.
Contingencies	-	N.A.
Totals	51 000 000	-

5.7 Organisational set-up and responsibilities

The implementing partner of the action will be the Government of Bolivia, and specifically the MEW, VRHR and VMA. The MEW may sign inter-governmental agreements with departments, municipalities and specialised entities for delegating implementation responsibilities. Overall action coordination, monitoring and reporting duties will lay with the Planning Department of MEW.

5.8 Performance monitoring and reporting

The disbursement of the tranches will depend on compliance with the eligibility criteria mentioned under section 5.3.2. For each of the mentioned indicators, the baseline will be defined by the Government – Ministry of Environment and Water, with information available from national statistics as well as the Ministry's own information management system. Moreover, the national policy's Performance Assessment Frameworks will enable the strategic monitoring of sector policy in conjunction with the government of Bolivia and donors, a process already ongoing within the PNC framework and to be agreed upon for the overall sector policy. Performance assessment exercises are expected to take place yearly with a review of results achieved in Y-1. Institutional and capacity assessments will be part of the Delegation's policy progress reports, and policy dialogue issues will be reported as part of BS disbursement dossiers.

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate annual progress reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the list of result indicators. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.9 Evaluation

Having regard to the nature of the action (budget support), evaluations may be carried out for this action or its components through a joint mission with the partner country.

The Commission may, during implementation, decide to undertake an evaluation for duly justified reasons either on its own decision or on the initiative of the partner.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner

country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

5.10 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

5.11 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.6above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

No specific contracts for communication and visibility are foreseen under this action. The Delegation will conclude a contract under another decision for communication and visibility of its overall portfolio of operations in Bolivia.

APPENDIX - INDICATIVE LIST OF RESULT INDICATORS (FOR BUDGET SUPPORT)

The inputs, the expected direct and induced outputs and all the indicators, targets and baselines included in the list of result indicators are indicative and may be updated during the implementation of the action without an amendment to the financing decision. The table with the indicative list of result indicators will evolve during the lifetime of the action: new columns will be added for intermediary targets (milestones), when it is relevant and for reporting purpose on the achievement of results as measured by indicators. Note also that indicators should be disaggregated by sex whenever relevant.

	Results chain	Indicators	Baselines (incl. reference year)	Targets (2020)	Sources and means of verification
Overall objective: Impact	OO1 To improve sustainable and climate resilient management of natural resources including forests and their biodiversity, ensuring availability of quality water and the protection of critical ecosystems (MIP 2017-20, sector 3, SO2) *	1- % of (151) municipalities with a high risk of natural disasters which have reduced their vulnerability (cf. PSDI ¹) (SDG13) 2- Cumulative number of hectares of forested area under sustainable management (cf. PSDI) **EURF Level 1 ind 23. (SDG15) 3- % improvement of water quality in prioritized basins (cf. PSDI) (SDG6)	1- 10% (2014) 2- 9.8 M (2014) 3- to be determined in 2017	1- 30% 2- 13 M 3- 15% improvement with respect to baseline	1- PSDI PAF 2- PSDI PAF 3- PSDI PAF
Specific objective(s): Outcome(s)	SO1: To improve water governance and management of water-related risks, SO2: To improve integrated forest management, SO3: to strengthen protection and sustainable use of critical ecosystems (MIP 2017-20, sector 3, ERs 2 and 3). *	1.1- Cumulative number of strategic water basins with integrated management plans (cf. PSDI) (SDG6) 1.2- Cumulative number of hectares of areas forested/ reforested/ recuperated, (cf. PSDI) (SDG13) 1.3 Cumulative hectares of national protected areas with adequate management (SDG indicator 15.1.2)	1.1- 5 (2014) 1.2- 55,809 (2014) 1.3- 17,067 (2012)	1.1- 14 1.2- 750,000 1.3- 17,067	1.1- PSDI PAF 1.2- PSDI PAF 1.3- PSDI PAF

¹ The Integrated Development Sector Plan (PSDI, Spanish acronym) is the public policy document of the Ministry of Environment and Water that this AD is aiming at supporting. The indicators at the level of Overall and Specific Objective are included for reference, and shall not be confused with the performance indicators for disbursement.

Induced outputs	IO1: improved governance of natural resources at local level	1.1- Hydric and environmental governance in <i>zonas de vida</i> index (2 sub-indicators/ indexes) (SDG6 and 15)	1.1- TBD in 2017	1.1- +21%// +15%	Ministry of Environment and Water's Annual Reports
		1.2- Environmental performance index of hydrocarbon activities in protected areas (SDG12)	1.2- 0	1.2- 0.8	
		1.3- Cumulative number of municipalities with adequate capacity for water and environment management (SDG15)	1.3- TBD in 2017	1.3- 30 additional municipalities	
		2.1- Cumulative number of municipalities with a functioning hydrological early warning system (SDG13)	2.1- TBD in 2017	2.1- 40 additional municipalities	
		2.2- Cumulative number of hectares of areas protected against floods (SDG13)	2.2- TBD in 2018	2.2- additional 1000 ha// additional 40 ha 3.1- 0.6 // 0.6	
	IO2: increased climate resilience to water-related natural disasters in selected areas	3.1- Deforestation control and integrated fire Management indexes (2 sub-indicators) (SDG15)	3.1- 0 // 0	3.2- 225// 0.37 // +30	
		3.2- Number of <i>zonas de vida</i> with integrated water management, forest and/or biodiversity conservation actions (3 subindicators) (SDG 12 and 15)	3.2- TBD in 2017// 0.45 // TBD in 2017	3.3- 7	
		3.3- Number of sustainable management modalities which achieved the agreed target (SDG 15)	3.3- Not applicable	3.4- baseline + 0.3	
	IO3: continued investment for protection and sustainable use and management of natural resource, leading to climate change mitigation and adaptation and biodiversity preservation	3.4- Index of implementation and financing of sector programmes	3.4- TBD in 2017	4.1- baseline*2,5 // baseline*0.91	
		4.1- Water quality management index (2 subindicators) (SDG6)	4.1- TBD in 2017 4.2- TBD in 2017	4.2- 0.7	
		4.2- Index of implementation of national information & monitoring system for water and environment	5.1- Not applicable	5.1- 9	
	IO4: functioning monitoring systems for water quality, forest and protected areas	5.1- Number of actions for the recovery of local knowledge for solidary and equitable management of <i>sistemas de vidas</i> (SDG12)			
	IO5: increased knowledge and improved practices of the general population in relation to water and environment				

Direct outputs	<p>DO1: Increased financial availability for sector policy implementation</p> <p>DO2: Good level of policy dialogue between the MEW and the donor community</p>	<p>1- Cumulative disbursement of EU budget support</p> <p>2- Number of meetings / year between the MEW and donor representatives in each of the water management and environment subsectors.</p>		<p>1- Up to EUR 51 M (2021)</p> <p>2- Four per subsector per year</p>	<p>1- EU disbursement information</p> <p>2- Meeting minutes</p>
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