



Final Report

Budget Support to the Integrated Water Resources
Policy in Bolivia

BOL14 03511

“Financiamiento de un fondo canasta para la
implementación del Plan Nacional De Cuencas -
2nda Fase”

Acronyms

AFC	Acuerdo de Financiamiento Conjunto (Joint Finance Agreement)
AFD	Agence Française de Développement (French Development Agency)
AOP	Annual Operational Plan
ASDI	Agencia Sueca de Desarrollo Internacional (Swedish International Development Agency)
BCB	Bolivian Central Bank (Banco Central de Bolivia)
BMZ	Bundesministerium für Wirtschaftliche Zusammenarbeit und Entwicklung
BTC/ENABEL	Belgian Development Agency
CAF	Banco de Desarrollo de America Latina (Latin American Development Bank)
CIF	Climate Investment Funds
COSUDE	Agencia Suiza Para El Desarrollo y la Cooperación (Swiss Development Cooperation Agency)
DEU	Delegation of the European Union
DGAA	Dirección General de Asuntos Administrativos (Directorate General of Administrative Affairs)
DGP	Dirección General de Planificación (Directorate General of Planning of the MMAyA)
DGCRH	Dirección General de Cuencas y Recursos Hídricos (Directorate General of Watersheds and Water Resources)
EDB	European Development Bank
EU	European Union
FAO	Food and Agricultural Organization
FC	Competency Strengthening Program (CTB/Enabel)
FEWS	Flood Early Warning System
GCF	Green Climate Fund
GDP	Gross Domestic Product
GEF	Global Environment Facility
GIZ	Gesellschaft für Internationale Zusammenarbeit
GoB	Government of Bolivia
GRAS	Subgrupo de Agua y Saneamiento (subgroup on water and sanitation)
GRUS	Grupo de Socios (Group of Partners)
IADB	Inter American Development Bank
IBP	International Budget Partnership
IDH	Impuesto Directo a los Hidrocarburos (Direct Tax to Hydrocarbons)
IEDH	Impuesto Especial a los Hidrocarburos y Derivados (Special Tax on Hydrocarbons and Derivates)
IMF	International Monetary Fund
IT	Information Technology
IWRM	Integrated Water Resources Management
JFA	Joint Finance Agreement
KFW	Kreditanstalt für Wiederaufbau
MDRyT	Ministerio de Desarrollo Rural y Tierras (ministry of rural development and land)
MEFP	Ministerio de Economía y Finanzas Públicas (Ministry of Finances)
MMAyA	Ministerio de Medio Ambiente y Agua (Ministry of Water and Environment)
MPD	Ministerio de Planificación del Desarrollo (Ministry of Development Planning)
MTE	Mid Term Evaluation
OBS	Open Budget Survey
OBI	Open Budget Index

OGC	Organismo de Gestión de Cuenca (catchment management organism)
OTCA	Organización del Tratado de Cooperación Amazónica (Treaty Organization of Amazon Cooperation)
PAERE	Proyecto de Apoyo en Experticia, Estudios y Asistencia Técnica al sector Agua y Medio Ambiente (Expertise, studies and technical assistance project for the water and environment sector)
PAF	Performance Assessment Framework (MED by its abbreviation in Spanish)
PAMGFP	Plan de Mejoras para la Gestión de Finanzas Públicas (Action Plan for the Improvement of the Management of Public Finances)
PARC	Programa de Apoyo al Riego Comunitario
PDES	Plan de Desarrollo Económico y Social (Economic and Social Development Plan)
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PI	Plan Integral (integral plan for the sector environment and water)
PNC	Plan Nacional de Cuencas (National Watershed Management Plan)
PPCR	Pilot Project on Climate Resilience
PRONAREC	Programa Nacional de Riego con Enfoque de Cuencas (national irrigation plan with a watershed approach)
PSDI	Plan Sectorial de Desarrollo Integral (integral sectoral development plan)
SBS	Sector Budget Support
SIGEP	Sistema de Gestión Pública (public management system)
SIRH	Sistema de Información de Recursos Hídricos (hydrologic resources information system)
SPCR	Strategic Program on Climate Resilience
SPIE	Sistema de Planificación Integral Estratégico (integrated strategic planning system)
SUBAT	Subgrupo de Asistencia Técnica (TA-subgroup, of the PNC donor table)
SWAP	Sector Wide Approach
TA	Technical Assistance
TOR	Terms of Reference
UGC	Unidad de Gestión de Cuenca
VIPFE	Viceministerio de Inversión Pública y Financiamiento Externo (Vice ministry of Public Investment and External Finance)
VLIR	Vlaamse Interuniversitaire Raad (Flemish interacademic council)
VMABCCGDF	Viceministerio de Medio Ambiente, Biodiversidad, Cambio Climático y Gestión y Desarrollo Forestal (Vice ministry of environment, biodiversity, climate change and forest management and development)
VRHR	Viceministerio de Recursos Hídricos y Riego (vice ministry of water resources and irrigation)
VTCP	Viceministerio del Tesoro y Crédito Público (vice ministry of treasury and public credit)
WB	World Bank
WDP	Watershed Directory Plan

Intervention Form

Intervention / Program Name	“Financiamiento de un fondo canasta para la implementación del plan nacional de cuencas 2nda fase” (Budget Support to the Integrated Water Resources Policy in Bolivia)
DAC – Code / Sector	14010/14015 – Water Governance, Integrated Water Resources Management
NAV Code	BOL14 03511
Earmarking (sector/subsector/region)	Water & Environment Sector / Integrated Water Resources Management (IWRM) / National, Subnational Level
Location	Bolivia (countrywide)
Budget	€ 10 million Belgian contribution as Sector Budget Support (SBS) (DGD PRISMA nr 3015129) + € 1 Million Technical Assistance (DGD PRISMA nr 3017573)
Partner Institution	Ministry of Environment and Water (MMAyA)
Date Intervention Start	Specific agreement signature date: 20/11/2015 Date of arrival experts: > Integrated Water Resources Management (IWRM): 18/05/16 > Public Financial Management (PFM): 21/11/16
Period covered by Specific Agreement Period covered by CMO	20/11/2015 - 30/06/2019 09/12/2015 – 30/06/2019
Target Groups	Government institutions (national and subnational level); technical, scientific and expert staff; coordination mechanisms such as platforms and inter-agency collaborative networks
Impact	Environmental quality of water systems and catchments improved; enhanced climate resilience
Outcome	Improved water governance at national, subnational and local community level

Total budget of the intervention	€ 11 Million: € 10 Million Sector Budget Support and € 1 Million Technical Assistance.
Period covered by this report	January 2016 – December 2018

Global Appreciation

Belgian SBS and AT to the development of national water resources policies and practices have met key requirements over the three years of its implementation within the longer timeframe of the development of the PNC, contributing to a strengthened sphere of water and environmental governance and institutions. Though the process of policy development and implementation at all levels and relevant geographic environments will likely take many years, it is felt that a solid base was established providing future governments with a sufficiently advanced organizational point of departure to allow further buildup, undoubtedly putting new political accents and priorities but maintaining a central logic of integrated water resources management to assure water safety for the future.

The SBS was aligned, together with an array of support initiatives, to the central governments' development goals and strategies, and could be effective owing to sufficient and coherent political steering of the PNC by the Ministry of Environment and Water.

The subsector program performance indicators reached full achievement of annual targets between 2015 and 2017, in spite of gradually increasing ambitions within the sector and the water resources management subsector, as laid down in the multi-annual plans of the government. Future targets are set high, however, and the gap between required and available resources and man/womanpower will not easily be narrowed.

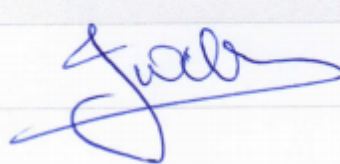
Score¹

Very satisfactory

ENABEL Execution Official

Johannus Willet, IWRM AT

Gamaliel Rueda Mendoza, PFM AT



Johannus Willet
Enabel

Disbursement rate of the budget support

Source of funding	Currency	2013	2014	2015	2016	2017	2018	TOTAL
Belgian SBS disbursements	EUR				6,0	4,0		10,0

¹ Very Satisfactory – Satisfactory – Non Satisfactory, in spite of some positive elements – Non-Satisfactory

Other basket fund donors' disbursements	EUR	2,1	2,3	3,6	4,3	0,04	0,16	10,1
European Union SBS	EUR		3,0	2,5	5,5	7,0	7,0	25,0

1 Assessing the BS intervention strategy

This chapter describes contextual evolutions that had a crucial influence on the intervention, and its attainment of results, including noteworthy elements within the general context, institutional context, execution modalities contexts and harmonization dynamics.

1.1 Context

The ministry of environment and water of Bolivia (MMAyA) is charged with the national water resources management policy, in which the development and strengthening of an institutional framework and capacities are major challenges. The national watershed plan - PNC (*Plan Nacional de Cuencas*) constitutes since 2007 the overarching national strategy for integrated water management in Bolivia, operationalised through multi-annual action plans².

The Belgian sector budget support to the PNC was granted as part of a coordinated support to the subsector development by a group of European and non-European donors dating back to 2005. After an initial pilot called “*proyecto piloto del plan nacional de cuencas*”, undertaken through a MoU between the Bolivian government and a few donor countries, amounting to around US\$ 1,5 million, the current donor coordination structure was set up in 2007 after a new government in Bolivia had taken office, composed of a Basket Fund on the one side, and a donor table dialogue on the other.

While the basket fund mechanism played a key role during the first decade of implementation of the PNC policy, currently the support structure has entered a transit phase wherein the role of the basket fund is being reduced vis a vis other financial sources and mechanisms, such as development loans, blended finance and climate funding³. The transition is pushed by two main factors, the maturing of the PNC towards a full-grown government policy being rolled out in a large number of regions, demanding the financial input from a greater and diverse set of sources, and Bolivia's development as a mid-income country and the consequent change in the mix of financial support mechanisms available.

The policy dialogue structure of the donor table has been effective throughout the development phases of the PNC in accommodating the variety of supporting agencies within a single coordination mechanism between donors and the government, made possible by its flexible set-

²PNC, Marco conceptual y estratégico versión 01 (Ministerio del Agua, 2006); PNC 2013-2017 multiannual plan (MMAyA, 2013 <http://publico.sirh.gob.bo/biblioteca/79>) and 2017-2020 multiannual plan (MMAyA, 2017 <http://publico.sirh.gob.bo/biblioteca/250>).

³ Examples are, the restauration of the Río Katari-Minor Lake Titikaka watershed undertaken in 2017 through a joint finance by the EU and the AIDB of US\$ 85 million, to be complemented in 2019 through an operation by the AFD with EDB funding of EUR 115 million.

up around the financial agreement between the basket fund contributors and the government, inviting other financial and technical support agencies to participate and raise issues.

As a result, the Belgian SBS was part of a rather broad and diverse mosaic of coordinated support modalities wherein two sets of partnerships may be highlighted, i) the joint finance agreement (JFA, 2014-2020), signed by Switzerland, Germany, Sweden, Belgium and Bolivia, for the conformation and operational agreements of a basket fund amounting to EUR 20,1 million - including EUR 10 million of Belgian SBS, and ii) the EU sector budget support operations to the PNC amounting EUR 25 million between 2012 and 2018, including participation in the policy dialogue mechanism of the donor table. Though the EU sector budget support, by force of general EU regulations, are not formally part of the basket fund, an internal agreement between the MMAyA and the ministry of public finance made available these funds directly to the PNC, thus de facto adding them up to the basket fund resources.

While the accent within the JFA lies on reviewing at key moments within the planning cycle, annual plans, annual reports and financial audits, the EU-SBS introduced within the donor table dynamics a results-based control and disbursement mechanism based on a payment for performance principle. The combination of these two SBS modalities, basket fund and EU-SBS, made up for a mix of control mechanisms, those formally agreed between the JFA partners, and those of the EU-SBS, creating a particular context for the Belgian SBS.

Adding to the variety of participants within the policy dialogue is the more recent involvement of European and non-European agencies operating their own programs within the framework of the PNC, as well as development banks (IADB, WB) or their intermediaries (EDB, through AFD), each pursuing specific development objectives, but still loosely involving with the PNC policy dialogue framework offered by the donor table.

Recently Bolivia is engaging more in regional collaborations with neighbor countries (Brasil, Argentina, Peru) and through partnerships with other latin american countries (Mexico), either related to shared waterresources or institutional collaboration and/or exchange.

During the three years covered by this report, of active Belgian involvement in the subsector policy development through its SBS and TA to the PNC and two other support programs, PAERE and FC, its role has been of growing importance after having assumed the function of co-leader of the donor group, presided by the minister of environment and water. Particularly in the final year 2018, Enabel has been in the position of directing a dialogue on important issues regarding the quality of the PNC-subsector performance reporting, the adjustment of the donor table mechanism itself to the changing political and external finance environment and the further development of the policy itself towards becoming a mainstream axis of a sector wide approach within the water and environment ministry.

A contextual element worth mentioning is that since the 1st of July 2015, a Belgian embassy was no longer established in Bolivia, meaning that to a large extend, the representative role concerning the Belgian SBS had to be excerciced through the Enabel Representative.

Apart from SBS described in this report, Belgian cooperation had a long involvement with the water resources policy development in Bolivia through several intervention modalities, including professional training and academic exchange, regional projects and programs co-executed with

the bolivian government and co-finance of projects with other agencies, all adding to a longer-term commitment to a development now reaching a point of becoming institutionalized⁴.

Which are among the reasons Enabel has undertaken a systematization of the policy development of the PNC in a wider historical and institutional perspective, to be presented later this year. The systematization is part of the capitalization efforts Enabel is developing in accordance to its exit plan for Bolivia, due in the first semester of 2019.

1.2 Evolution in national policy and planning

Within the timeframe of the PNC-SBS agreement signed between Bolivia and Belgium (2015-2019), the PNC multi-annual program 2013-2017 had to be renewed, in order for this and other finance agreements, including a new EU SBS phase starting 2018, to be endorsed with a valid policy document. On the other hand, the PNC subsector policy also needed to catch up with the national development mid-term planning cycle, fixed in the national planning law (law N°777 from January 2016) to a five-year cycle starting from 2016. The same law commits all government sectors to draw up their five-year sector plans (*Plan Sectorial de Desarrollo Integral* - PSDI), based on the thirteen pillars, 69 targets and 341 results of the national economic and social development plan (*Plan de Desarrollo Económico y Social* – PDES 2016-2020, Estado Plurinacional de Bolivia, 2015).

While the PDES incorporated in its 9th pillar on environmental sovereignty, all PNC 2013-2017 multiannual plan's main components, the next step for the MMAyA was to write a five-year sector plan (PSDI 2016-2020, Ministerio de Medio Ambiente y Agua, 2017). That step was completed during 2016 with strong support of Enabel technical assistance, thus making explicit the PNC strategic structure at the sectoral and national level development plans.

An important feature of these higher-level plans is that while including, and thus formalizing, the PNC strategic components laid down in the 2013-2017 multiannual plan, the corresponding targets and budget caps were drastically increased, thus putting high pressure on the Directorate General of Watersheds and Water Resources (DGCRH) to accelerate investments. The same increase of development targets was set for other subsectors of the MMAyA, such as the irrigation and water and sanitation subsectors, and expresses the ambition of the central government through these mid term planning exercises towards its *Agenda-2025* longer term goals.

Two severe water related crisis, a drought affecting the water service of the capital La Paz and four other major towns between 2016 and 2017, followed by extreme precipitations and inundations between 2017 and 2018, served during the drawing up of the extension phase of the PNC as an extra justification and pressure on the MMAyA to increase its ambition level.

The 2017-2020 multi-annual plan of PNC was completed through an intense interaction between the DGCRH and Enabel-TA, in order to operationalize the new targets in an achievable manner, taking into account all current and expected processes in Integrated Water Resources Management (IWRM) and optimizing their output on behalf of the expected goals. At the same

⁴ Besides, the belgian government also finances non governmental organizations operating in the field of natural resources management in Bolivia, complementing the mentioned support modalities in the public sphere.

time, new investment and support proposals were being formulated by some major financing agencies/intermediaries including the IADB, CAF, AFD, FAO, KFW, ASDI, BMZ and the EU, to be fitted into the next PNC-phase.

The new PNC multi-year plan further needed to respond to a list of 35 recommendations made by a joint mid-term evaluation of the PNC, realized early 2017 by the EU-TA on initiative of the donor table (Dockweiler and Alencastre, 2017). Finally, the renewed PNC laid the basis for an addendum to the JFA, extending the agreement till 2020, thus avoiding the thread of discontinuity of the donor coordination group towards the end of 2017. A visualization of the planning levels may help the reader to better understand the hierarchy of plans referred to (see Figure 1).

Figure 1. National planning structure according to law 777 of January 21st of 2016 on the national development planning system



*) not regulated by law N° 777

The planning exercise was a further step towards mainstreaming integrated water resources management within the environment and water sector, as the new sector plan (PSDI) stresses the need for an integrated planning and coordinated use and conservation of water sources at the watershed level for all water related subsectors. This direction given by the head of the sector through the PSDI and other directives is further reflected in subsector plans and strategies within the MMAyA, namely Irrigation and Drinking Water & Sanitation. But outside the MMAyA, sectors like Rural Development & Land (MDRyT) and Energy, still appear hesitant to embrace an integrated water resources management approach. A step forward in that direction is though an agreement signed between the MMAyA and MDRyT for closer collaboration.

A key integrating strategy of the PNC, meant to bring together user categories and groups and government actors within given watersheds or river basins, is the development of Water Directory Plans (WDP). The intergovernmental planning of the use and protección of water resources at the level of strategic watersheds was given an impulse through the PDES by increasing the number of WDPs till 2020 from six to fourteen, as compared to the PNC 2013-2017 multi-annual plan.

The increase is supportive to the institutionalization of Integrated Water Resources Management (IWRM) strategies through the PNC, but is further bringing to light the lack of a legal base for these WDPs. To fill this gap would mean the declaration of a new water law, which is a tempting

perspective for many in the water sector, but shouldn't be embraced too enthusiastically, in the face of the more than 35 failed attempts since the current water law of 1906 was adopted.

The development of WDPs has shown to be convincing as a strategy to face climate change, when an international initiative on climate resilience (PPCR⁵) granted Bolivia support for climate change adaptation pilot based on the strategy, and new WDP initiatives are being developed aimed at cofinance through climate funding mechanisms.

An important change in the policy environment for the PNC has been the ascent of former vice minister Carlos Ortuño, responsible directly for the PNC (and in that quality occupying the presidency of the donor table since 2009), to the post of minister of environment and water, on January 22th of 2017. The change has resulted in an increased high-level support for the PNC within the MMAyA, while bringing a step nearer the proposition of an integrated sector wide approach with IWRM and watershed management as connecting elements (see Figure 2). A significant sign of that was the decision of Mr Ortuño to keep his role as president of the PNC donor table after having been designated minister.

Figure 2. Components of the PNC and interrelationships with the other subsectors of MMAyA



Source: Booklet PNC, MMAyA, 2018 (<http://publico.sirh.gob.bo/biblioteca/386>)

1.3 Evolution in PFM Aspects

Initial assessment of the Public Finance Management (PFM) conditions was based on the results of a PEFA evaluation sponsored by the IADB and the WB, dating back to 2009. While showing sufficiently high scores on the twelve indicators prioritized for SBS by the Belgian Government, no official PEFA evaluation was done since, as the result of a certain degree of rejection by the ministry of public finance (MEFP) officials towards being taken the measure by a standard not fully subscribed to.

In the years following the last PEFA evaluation, the MEFP had submitted, in order to qualify for EU SBS, to the formulation and implementarion of a PFM improvement action plan (PAMGFP),

⁵ Pilot Project on Climate Resilience

with yearly reporting on progress as a sufficient condition for EU SBS disbursements in each of the various sectors (water&sanitation, protected areas, watershed management and coca).

The BTC/Enabel assessment of PFM done in 2013 was able to detect, based on the progress reports on the PAMGFP and other information analysed, among others from IADB and WB, that progress was made on the relevant indicators, thus giving green light for the proposed finance to the PNC (Shepherd, 2013). However, the Technical Note drawn up by BTC/Enabel to work out the proposed SBS operation on behalf of the PNC recommends a technical assistance component including a PFM-TA to oversee and support the operation (Technical Note PNC, CTB, 2015).

The PNC-SBS started in March 2016 with the first disbursement of EUR 6 million, followed by the arrival of international experts, on Integrated Water Resources Management (IWRM) in May 2016 and a Public Finance Management (PFM) expert in November 2016. In order to cover up for the delay in the contracting of the PFM expert by Enabel, a follow-up mission by the international PFM-expert Jorge Shepherd was organized in September 2016, taking stake of the developments since his former mission in 2013 (Shepherd, 2016). This new evaluation reaffirmed that, although formal ways to establish the state of the PFM in Bolivia according to a standardized measurement (PEFA) were lacking, his earlier appreciations regarding positive developments of the financial management systems in Bolivia were reconfirmed. Meanwhile, the report recommends that work should be done to make sure that the positive developments at the level of the general (national) PFM framework, be echoed at the more detailed level of PNC-investments. More particularly, the relatively decentralized investment mode of the PNC through financial transfers to lower level governments (mainly municipalities), would require an extra effort from basket fund partners, to keep track of the use of these funds and detect any structural problems regarding their implementation, especially because of the commonly known weaknesses among local governments.

The study finalizes recommends the following:

1. To create a network of PFM actors to advocate for a new PEFA Assessment,
2. To carry out a tailor-made water and environment sector PEFA assessment and subsequently, a sector PFM reform plan with a high-level group of public officials to monitor it,
3. To carry out a new PEFA assessment (national) and to update the PFM reform plan (national).

Once started the PFM TA by Enabel, follow up on these recommendations was undertaken, for the period of two years (2017-2018) covered by the AT. We'll shortly comment on each of them.

PFM working group

An informal exchange platform of PFM experts within the group of donor agencies in Bolivia was joined by the Enabel PFM expert, in which a broad number of issues of general interest is being treated, on a rotating basis. While useful for exchange and analysis purposes, the group doesn't count on the partnership of the MEFP authorities and thus couldn't serve as a platform for policy dialogue.

On the other hand, Enabel and DUE share an interest in the improvement of PFM performance, as prescribed by either SBS conditionalities for disbursement. A favourable condition for the

Enabel-TA was that DUE has a long-standing relationship with the MEFP, particularly through the earlier promotion of a PAMGFP in 2011 and reporting on progress made with the implementation in the years after. Thus, DUE and Enabel coordinated their relation with MEFP officials to see how the continuity of PFM reforms since the PEFA evaluation of 2009 and the PAMGFP of 2011 could be assured.

Tailor made water and environment sector PEFA evaluation

The idea of a tailor-made sector-PEFA had to be abandoned for two reasons: 1) No methodology has yet been established within the international PEFA network for specific sector PFM evaluations as suggested by the recommendations of Shepherd, and 2) PFM expertise within the MMAyA was found insufficient to carry out a sector-wide evaluation of PFM practices.

While on the desirability and practical feasibility of a sector-oriented PEFA, discussion is still ongoing, some progress is made with a PEFA evaluation procedure at the level of subnational governments. La Paz became the first city in the country to carry out a PEFA evaluation and becomes an example for other public institutions and the central level government.

Not only was a sector analysis of PFM found unfeasible, the Enabel PFM-TA also met with insufficient support within the MMAyA to address main bottlenecks effectively, as pointed out further in paragraph 2.2. A suggestion by the Enabel TA to eventually include in the general PFM reform action plan to be carried out starting 2019, a specific chapter on improvement of the PFM within the water and environment sector was also disregarded.

Renewed national PEFA or PFM improvement plan

A PEFA assessment normally takes around one year to be prepared, carried out and validated by the PEFA secretariat, being the most important factors for success, the partner country's willingness to carry it out, officially endorse the diagnostic and to embark on a new reform plan. While a new PEFA turned out not to be an option because of resistance at the ministerial level, a new PFM reform plan was proposed and finally approved, and drawn up with technical and financial support by Enabel (Ministerio de Economía y Finanzas Públicas, 2018).

The consultancy in support of the design of a new action plan started early 2018, and was set up in line with the new PEFA 2016 methodology, substantially different from the previous standard. During preparation of the PAMGFP, the new PEFA methodology raised interest among the MEFP technical staff and participants requested the hired consultants and the Enabel and DUE experts to share information about the subject, and thus, the reform planning exercise may be said to have helped familiarization and acceptance of the PEFA logic, especially at the technical-operational level of the MEFP.

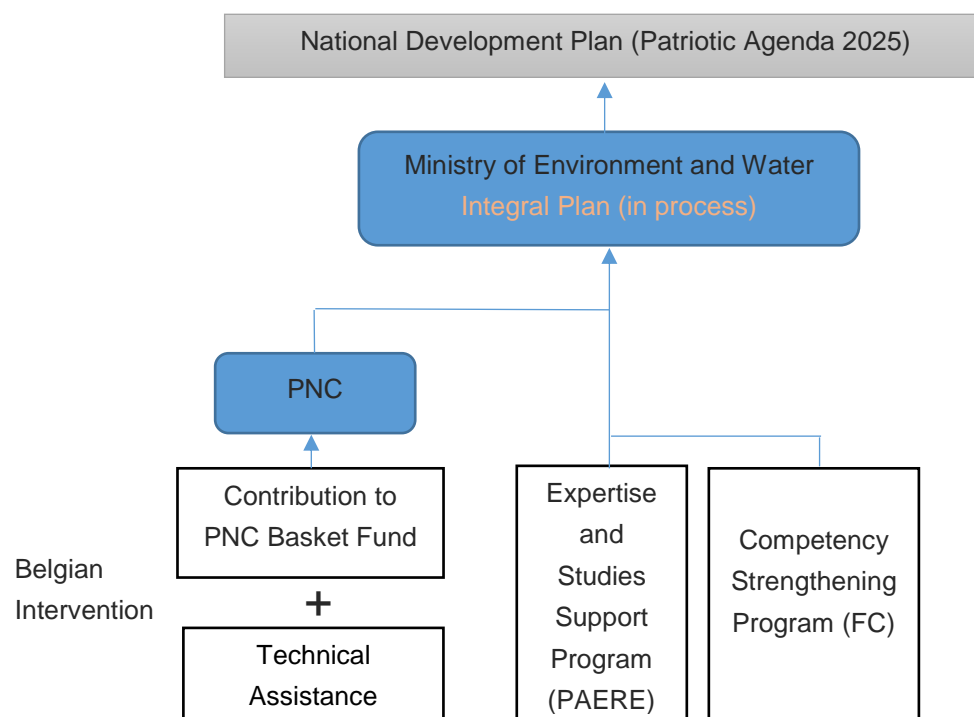
During the last quarter of 2018, progress in the development of the new plan had slowed down, apparently because of a decrease in its priority within the ministry, when a new external finance opportunity through a policy-based loan from the CAF appeared, triggering renewed urgency to complete and officially approve the document. The actions in the new plan were devised with the purpose of improving PEFA scores if a new evaluation were to follow, and were approved as such

by the Government, as an indication of a more positive attitude towards the option of a new PEFA assessment in the future.

1.4 Important changes in our Program strategy

Budget support to the PNC was conceived as a step towards improvement of the effectiveness of Belgian cooperation in the environment and water sector of Bolivia, shaped in the past decades by a number of programs and projects, each with an added value in its own right, but still awaiting a more solid impact at the level of national policies and institutions that eventually determine the scope for structural change. Thus, a new portfolio of support modalities was devised in the bilateral cooperation planning for the period 2014-2016, including a considerable share of total funding (65%) to be directed to the PNC through budget support of the basket fund, already in place, complemented with two support programs towards the MMAyA (PAERE and FC), and a TA to accompany the SBS (see Figure 3).

Figure 3. Intervention logic cooperation plan Belgium-Bolivia 2014-2016



Source: Cooperation Program Belgium-Bolivia 2014-2016.

To a high degree, the proposed cooperation strategy was followed in implementation, with three main changes.

- i) The original strategy was based on the supposition that an Integral Plan (PI) would be formulated by the MMAyA as the basis for a Sector Wide Approach into which the individual support programs of european donors for the sector would eventually merge in 2017 as part of a European Joint Programme. The Integral Plan was drawn up with donor support, but once finalized didn't raise too much enthusiasm among the MMAyA and its subsectors' authorities, and was eventually archived. As a consequence, the Belgian bilateral support program with

the MMAyA was extended till June 2019, the year of closure the Belgian bilateral cooperation with Bolivia.

- ii) As a result of postponement of the implementation of the various elements of the Belgian-Bolivian support strategy, both PAERE/FC and SBS/AT-PNC were only able to start in 2016, when the perspectives of an integrated sector approach and a coordinated donor response were already cooled. As a result, PAERE and FC were taken in by the MMAyA, as an opportunity to fill existing capacity gaps at the sector and subsectoral level, instead of as a main startup mechanism of the integral plan as foreseen. The supposed synergy between the two programs, the PNC-SBS, and AT-PNC therefore was lost at the start, when the main focus for PAERE/FC interventions were put on priorities of the vice ministry of environment (VMABCCGDF), while the PNC is implemented by the VRHR. Further on in the process, articulation between the two interventions was restored, but at the cost of an effort of nearly eighteen months in which the effectiveness of the original setup of the cooperation strategy was negatively affected. In effect, the rearticulation of all parts of the strategy occurred after the earlier mentioned ministerial change, after which a renewed interest in a sector wide strategy for the MMAyA became evident (see Figure 2 on page 11).
- iii) While the original proposal for the Belgian support strategy was aimed at the three PNC-components: (2) promotion of investments in integrated watershed management; (6) strengthening of information management; and (7) strengthening of local and national level actors and institutions for IWRM (Cooperation Program 2014-2016), during formulation of the SBS/AT-PNC, component 1 was added: development of Water Directory Plans (Technical Note, basket fund in water basin management PNC II, CTB, 2015). During implementation, also component 3 (hydrological risk management) and 4 (water quality management) received major attention, either through the PAERE/FC or the AT/PNC modality (or both). To a lesser degree also the last component (5) of Pedagogic Watersheds turned out to have complementary and strategic value for the whole, and was targeted for (TA) support.

Eventually all main elements of the strategy were fulfilled, starting with SBS disbursements according to the planning (see for further detail disbursement reports, CTB, 2016 and CTB, 2017). Technical assistance was provided by Enabel through two international experts, on IWRM (32 months) and on PFM (24 months). Other elements of the strategy, concerning the support to the policy dialogue and alignment between the several support modalities directed by Enabel were also carried out as foreseen.

Efforts were made to find opportunities for complementation and synergy with Belgian non-governmental and academic cooperation, resulting in some cases to concrete results as with Solidagro, a Belgian NGO, leading to a follow up in its areas of intervention on experiences carried out by PNC-ally Helvetas on local (municipal) legislation for the protection of water sources. Another example in this respect is the coordination with the academic Institute of Ecology (Major University of San Andrés), through which a VLIR financed investigation in the field of impact of watershed management on erosion was initiated.

Although foreseen in the budget for Technical Assistance (TA), no backstopping missions were organized in support of the Enabel SBS/AT-PNC operations, as no direct need for that was experienced. Further details on the progress of in the implementation can be found in the trimestral and annual reports presented in the course of the TA.

1.5 Evolution in aid effectiveness: BS as a modality in SWAP context

As pointed out in the Technical Note on the PNC-SBS, dialogue between the GoB and development cooperation is structured at distinct levels, starting with the *Group of Partners* (GRUS) dialogue between the Ministry of Development Planning (MPD) and 23 cooperation partners, created in 2006 as a follow up on the Paris Declaration. Below that level are operating thematical working tables, incorporating the cooperation agencies active or with an interest in that field and chaired by sector representatives.

Recently (2018), the MPD has launched an initiative for renewal of the dialogue structure, in the light of a discontent at either side of the dialogue about the fragmentation of the coordination spaces (33 thematic tables, 12 working) and consequently a low level of efficacy/efficiency of their functioning. A growing lack of capacity within donor agencies to attend the high frequency of meetings may have compounded the unease⁶. The number of thematic tables/subgroups of GRUS was brought back to six. The PNC donor table, as well as the GRAS donor group on drinking water and sanitation, fall under one of these six thematic subgroups of GRUS, namely the Water, environment, risk management and climate change table, without affecting their internal functioning.

At another level, European countries and the EU have been conducting efforts to further align and coordinate their cooperations in accordance with EU guidelines, starting with a European Coordinated Response initiative and eventually resulting in a Joint Strategy (EU+Switzerland) accorded in 2017. In the interlying period a Joint Cooperation Program was drafted between the EU and the GoB, but wasn't made to operate (Estado Plurinacional de Bolivia, 2016).

Development of donor coordination and policy dialogue

An indication of the PNC donor table dynamics can be read from some statistics extracted from the donor meeting minutes available from 2008 onwards. A total of 48 meetings were held during 11 years, with the highest frequency in the years till 2012 (see Figure 4). Significant is the participation in 100% of the meetings of MMAyA or VRHR, followed by the JFA subscribers and the EU (see Figure 5). Another important fact supported by the data is the large list of 21 agencies that at least one time participated at the donor table meetings, demonstrating the flexibility of the mechanism set up through the JFA, to accommodate participation beyond the basket fund contributors. Equally calling attention is the scarce use made by multilateral banks such as IADB, CAF (0%) and WB (8%) of the space for dialogue offered by donor table⁷.

Among the issues treated at de donor table meetings, the main focus was on concerns regarding the implementation of the PNC (about four each meeting), while a low frequency was seen for the treatment of the PNC strategy (on average one occasion per year). Monitoring and evaluation, including performance indicators and/or reports, was a regular theme on the agenda (see Figure 6).

⁶ Nine european donors were participating, on average, in six thematic groups in 2016 (Estado Plurinacional de Bolivia, 2016).

⁷ The absence of international banks at the inter-agency policy dialogue may be called problematic, as some of the mayor investments in the field of water resources management are conducted by these, such as the PPCR program (WB, \$45 million), and the restauration of the Katari-Lake Titikaka watershed (IADB, \$85 million).

Figure 4. Frequency of PNC donor table meetings 2008-2018

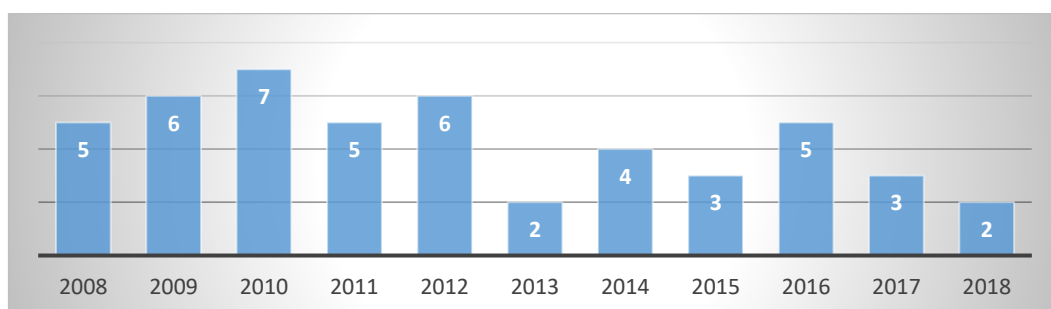


Figure 5. Frequency of participation of PNC donor table participants (%) 2008-2018

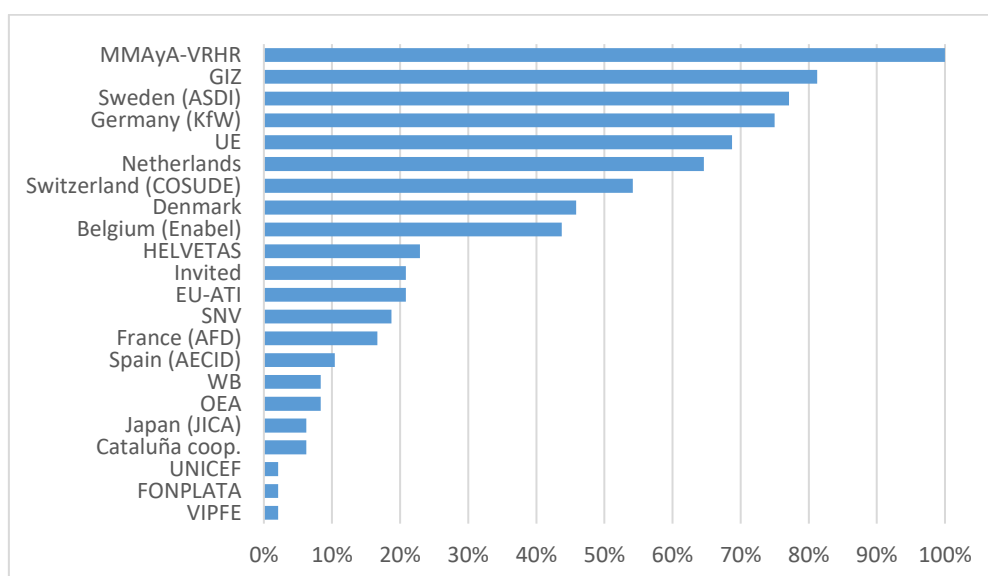
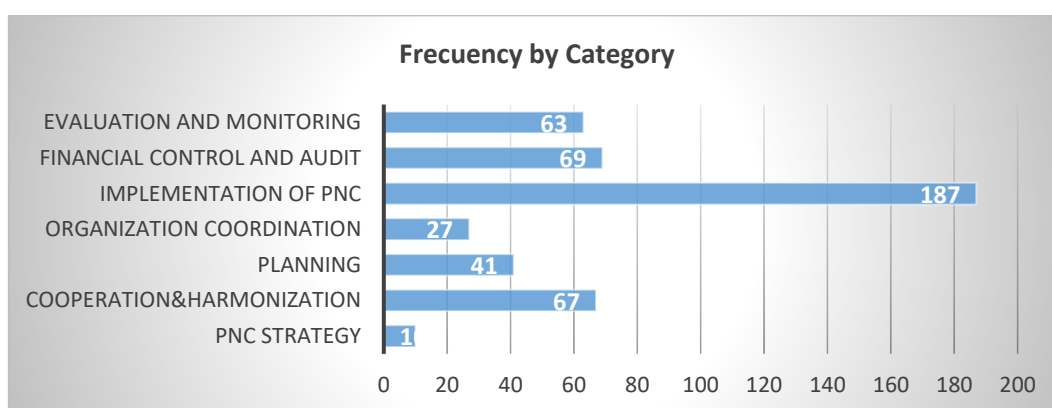


Figure 6. Issues treated at PNC donor table meetings 2008-2018



Source figures 4, 5 and 6: Enabel-AT/PNC, 2018

Some specific issues to be highlighted from the donor table dialogue during the period of implementation of the PNC SBS/AT program are resumed next.

- Quality of information presented in yearly financial and performance reports on the PNC: A question raised by the basket fund donors was that financial information presented in year reports and annual plans by the MMAyA do not follow the programmatic structure of the PNC, as a result of the incompatibility of the national financial information system to include program-

based categories of public expenditure. At request of the donor group, MMAyA made efforts to generate financial detail at the level of PNC components (1-7) but at the cost of a high workload. Solutions were sought among financial experts from the donor agencies and the ministry, but didn't eventually work out.

- Another issue regarding reporting led to a more successful outcome. Since the start of the JFA (2008), yearly reports were generated by force of the agreement, reporting on progress and the use of funds. Later on, in 2011, the EU-SBS introduced performance monitoring to the donor table, resulting in a separate yearly performance report. A third kind, narrative progress report, was subsequently added on request of the DEU. On reception of the three separate reports on 2016, the donor group suggested a new format, resulting in a general year report 2017, incorporating the three separate reports. From the Enabel point of view, high quality yearly reporting on the PNC subsector policy is part of a broader challenge to improve the dialogue mechanism.
- Audits of PNC-basket fund resources are limited to the point of transfer by the MMAyA to subnational implementing entities (mainly municipalities), and do not look into the pace and quality of the use of those funds at that level, because sectors don't have access to the financial statements of subnational governments. The question has been on the agenda recurrently since assessments by sample of the use of PNC transfers to executing agencies keep showing low levels of implementation of around 60-70%, confirmed also by the general level of financial execution by municipalities and departments. While the donor group made special requests to the MMAyA to provide more specific information in year reports and audit reports, a response to the latest observance to the 2017 audit report was that the issue lies outside the sphere of influence of the MMAyA, referring to the autonomy of subnational governments.
- Joint evaluations and field visits: though external evaluations are foreseen in the JFA once every 2-3 years and joint field visits every year, the frequency of both have been lower: three evaluations and were realized in 11 years, and four field visits in the last eight years. Both were considered by all involved as very useful and supportive to the overall purpose of harmonization and effectiveness of the donor support.

The donor support and coordination through the donor table dialogue has evolved over the years to an effective tool to align the variety of support initiatives, financial and technical, towards the development objectives of the PNC. Positive feedback between the growth in government appreciation of the policy, institutional strengthening, successfulness in implementation and attraction of external support, has helped reaching a point of consolidation of the PNC within the relatively short time of a decade. Higher expectations both internally and externally also compound the complexity of the policy implementation, with increased volumes and diversity of finance modalities, greater demands on information management and communication and multiplying numbers of institutional linkages and actors involved. Evidently, the role of the donor table dialogue will change under the circumstances, while the mechanism itself will need revising.

Belgium, in the role of coleader of the donor group, initiated discussion about the future demands and adequacy of the dialogue structure. In a first approach, the need for a renewal of the JFA to assure its functioning till December 2020 through an addendum was taken as an opportunity to make some limited adjustments to align the agreement to grown practices. Subsequently, the question of how to develop the donor dialogue as a separate mechanism and adapt it to the

changing context was made part of discussions, starting with the MMAyA authorities and including the subject on the list of issues for the transfer of coleadership to the Swiss cooperation in 2019. A further concrete step is the writing of a first draft of a new donor table regulation, as an input for coming donor group meetings.

Coordination of technical assistance

Since 2010 is functioning the Technical Assistance Subgroup – SUBAT, as part of the coordination structure on the PNC between international cooperation and the VRHR/MMAyA. Most donor countries have included in their support strategies for the PNC, a mix of modalities including TA. Often, as in the case of Belgium, the technical assistance is composed of two basic elements, i) a regionalized intervention program or project, with specific goals regarding improvement of local development indicators, and ii) more or less flexible technical assistance through consultancies and expertise. The most important TA programs in the case of PNC are, the successive GIZ TA programs PROAGRO I, II, III and PROCUENCAS, financed by Germany and Sweden; Concertar/GESTOR/GIA programs subsequently implemented by the Swiss cooperation COSUDE through Helvetas and SNV; EU-TA programs associated with SBS; and PAERE/FC, implemented by Enabel.

The main purpose of SUBAT has been since 2010, to achieve a degree of adjustment between TA initiatives through operational level coordination of plans, strategies, activities and methodologies, on the bases of the specific needs of the VRHR and implementing agencies of the PNC. Through SUBAT, the quality and relevance of the interventions were improved, avoiding duplicity of efforts, exchanging information on best practices and collaboration on specific tasks, including quality control. In formal terms, SUBAT operates at a next operational level under auspices of the donor table, and is frequently addressed for advice or specific input by the donor table or the VRHR/MMAyA.

Due to the density of potential subjects, problems and opportunities in the field of practical implementation of the PNC activities, the functioning of SUBAT is less formal and more agile than the higher-level coordination structures, also because formal decision making is not at stake. The resulting operational mode bears characteristics of a formal coordination platform, combined with a network structure mode of functioning, through the emergence of different collaborations between individuals and groups, according to needs. The frequent interaction within SUBAT at a concrete level of implementation may have contributed to the harmonization and alignment at the higher-level dialogue structures, in which a stimulating role was played by Enabel, owing to its long-term involvement in the PNC and buildup of institutional relationships within the sector.

PFM-dialogue and advocacy

During the last decade, donors and multilateral organizations have played advocating roles regarding PFM improvement individually, each trying to support reforms working on aspects of the PFM system. Though an official PFM reform plan had been prepared by the MEFP with support of the DEU in 2011, most actions developed are out of the scope of this plan, while the plan itself is often regarded as merely an instrument to meet the DUE requirement for Budget Support eligibility.

The existence of possibilities for opening up a more harmonized dialogue between donors and the government has been demonstrated during the process of reaching agreement on a new PAMGFP between the DUE, Enabel and the MEFP, and it is hoped that the Belgian contribution may have raised an interest in some players in the field of PFM to better coordinate their actions around the PAMGFP, although the lack of a dialogue culture would seem to remain an obstacle in that regard.

2 Performance of the Sector Programme

2.1 Summary Description of the Sector Programme

The PNC is a national policy program to confront the problems related to water and the environment, including water scarcity, floods, erosion, degradation of watersheds, contamination and the effects of climate change. The purpose of the policy is to promote water governance at different levels, from the international to the local level, applying IWRM concepts and practices.

Since 2007 the program has evolved, reaching in the latest version of 2017 (multi-annual program 2017-2020, MMAyA, 2017) a level of coherence between strategic outlook, objectives, activities, indicators, targets, resources and operating mechanisms (including M&E), not equaled by former versions. Also the scope of the program, in terms of geographic extension and quantitative results, was substantially increased in comparison to the former version (multi-annual program 2013-2017, MMAyA, 2013).

The strategic framework of the program has seven components:

1. Management of strategic watersheds through water directory plans
2. Investments in catchment management projects
3. Hydrological risk management and climate change
4. Water quality management
5. Intercultural program of pedagogic watersheds (pilot watersheds)
6. Hydro-environmental information management and communication
7. Institutional strengthening and capacity development for hydro-environmental management

Geographically, the program is intended to spread activities in a gradual manner, with a focus on the strategic watersheds prioritized for component 1, but without excluding other regions or municipalities when presenting projects or needs. Up to 2020, a number of 14 strategic watersheds was selected for intervention considering a combination of criteria, covering 17% of the national surface, about half of the 339 municipalities and 58% of the population. The highest concentration of activities is in the Andes region and the inter-andean valleys, where the incidence of the mentioned problems is highest, most population is concentrated and poverty rates high.

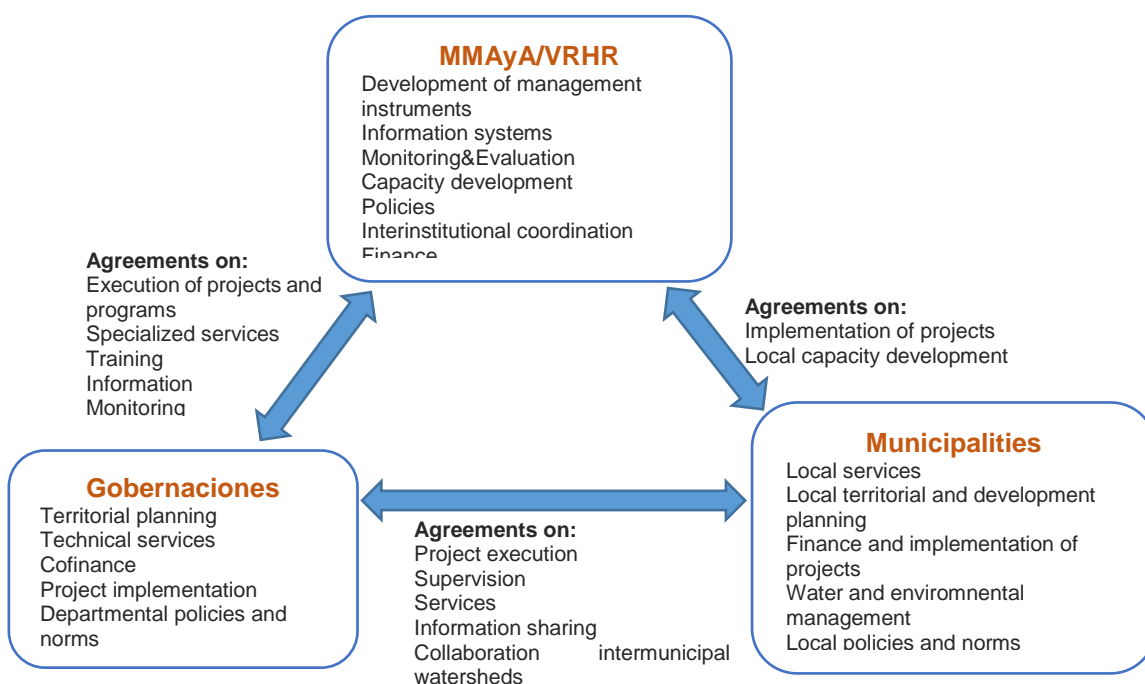
For each of the seven components, performance indicators were established with measurable targets as the basis for EU-SBS disbursements (performance-based finance). The dynamic has introduced within the VRHR and MMAyA a strong focus on results, result measurement and progress monitoring.

Internally, MMAyA is organized in three viceministries, responsible for seven subsectors (drinking water and sanitation, waste management, irrigation, water resources and watersheds, forest

management, biodiversity, environmental management and climate change). The viceministry of water resources and irrigation is directing the PNC, through its Directorate General of Watersheds and Water Resources (DGCRH). The DGCRH has two divisions, together overseeing six technical areas, each one in charge of one of the PNC components. Component N°6, of information management and communication, falls directly under the minister, through the Directorate General of Planning of the MMAyA.

The activities and investments are carried out through an interplay between three government levels as shown in Figure 7.

Figure 7. Implementation of PNC activities through subnational government entities



Source: Adapted from PNC multi-annual program 2017-2020, MMAyA, 2017.

At the lowest level of watershed management, the local catchment, communities are organized in Catchment Management Organisms (OGC), as participant in the development of investment projects and expected to follow up on project investments through operation and maintenance and other resource management activities, supported by municipalities

In the course of development of the PNC, linkages are gradually established with other MMAyA subsectors and other sectors involved in water management, though formal recognition of the need for integrated water resources management through legislation or formalized practices is still missing.

2.2 Analysis of Results

In this paragraph, results of the implementation of the PNC are reviewed, taking the performance assessment framework (PAF) indicators of the multiannual plan 2013-2020 as a basis. The 2013-2017-PAF contains output and outcome indicators while in the next version, 2017-2020, some impact indicators have been introduced, although no official data are yet available on that new PAF. The results of the performance monitoring are shown in Table 1 on page 22.

Table 1. Results of the performance indicators of the PNC 2013-2017 multiannual program.

PNC Component	Performance Indicator		2013			2014			2015			2016			2017		
			planned	achieved	%	planned	achieved	%	Planned	achieved	%	Planned *)	achieved	%	planned	achieved	%
1. Water directory plans	Governance index	1	0.3	0.32	107%	0.34	0.37	109%	0.38	0.47	124%	0.51	0.53	104%	0.57	0.57	100%
2. Watershed management projects	N° of projects	2.1	6	13	217%	12	25	208%	22	33	150%	44	45	102%	55	56	102%
	Sustainability index	2.2		0.07		0.15	0.165	110%	0.3	0.315	105%	0.45	0.45	100%	0.6	0.6	100%
	Investment Efficiency index	2.3							1	1	100%	1	1	100%	1	1	100%
3. Risk management	N° of municipalities with access to early warning system	3.1		32		16	35	219%	38	38	100%	44	44	100%	49	50	102%
	Area reforested	3.2				500	657	131%	1500	2107	140%	4000	4675	117%	7500	8111	108%
4. Water quality management	N° of monitoring systems	4				4	4	100%	8	8	100%	16	18	113%	20	22	110%
5. Pedagogic watersheds	N° of pedagogic watersheds	5	5	5	100%	6	6	100%	7	7	100%	8	8	100%	9	11	122%
6. Information and communication	N° of strategic watersheds with information system	6.1				1	1	100%	3	4	133%	6	7	117%	8	10	125%
	Visibility index	6.2		0.6		0.66	0.7	106%	0.72	0.73	101%	0.78	0.8	103%	0.9	0.93	103%
7. Institutional development	N° of municipalities with capacity index > 0.65	7	16	16	100%	24	26	108%	32	32	100%	40	41	103%	50	53	106%

*) Targets for 2016 were adjusted from original targets in the multiannual plan for 2013-2017, in order to adjust to higher rates of progress in some indicators in earlier years than foreseen. Higher targets were set for indicators 1 (water governance index), 2.1 (N° of watershed management projects), 3.2 (reforested area) and 6.1 (number of strategic watersheds with an information system).

Source: Elaboration based on PNC performance indicators year reports 2016 and 2017, MMAyA, 2017c; MMAyA, 2018b.

Extent to which the outputs have been achieved

As can be seen from Table 1, all targets for the period 2013-2017 were either reached or exceeded, in certain cases with over 200% (reforestation and N° of watershed management projects in 2014). Also 2015 results were showing a general over-performance in comparison to planned results, which is why between 2015 and 2016 an addendum was signed to the SBS agreement between the DEU and the GoB to increase the targets on some indicators for the remaining two years 2016 and 2017.

Figure 9. N° of projects implemented since 1-1-2013

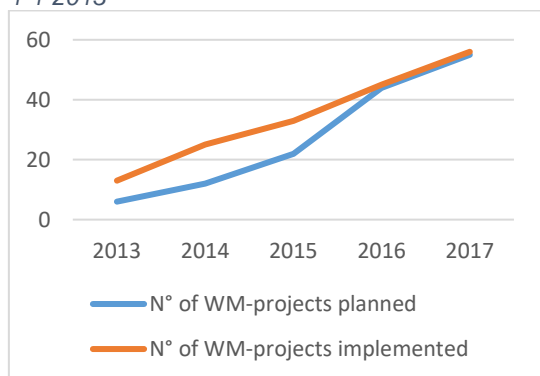


Figure 8. Reforested area by the PNC (hectares)

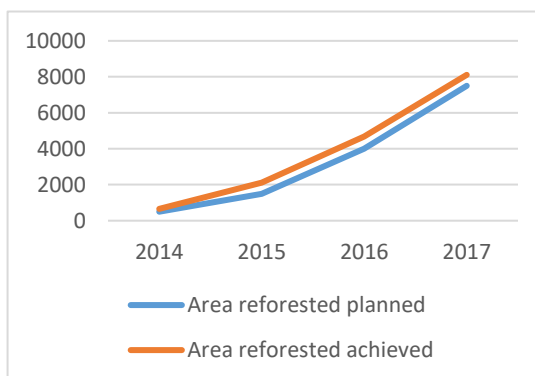


Figure 11. N° of water quality monitoring systems installed

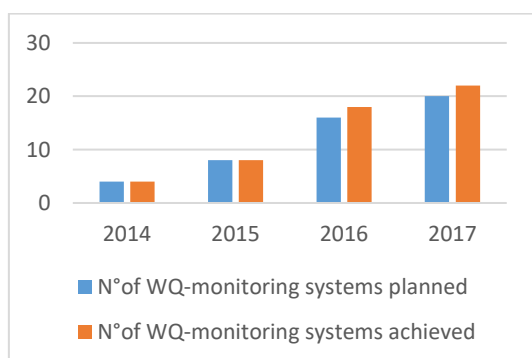


Figure 10. N° of pedagogic watersheds implemented

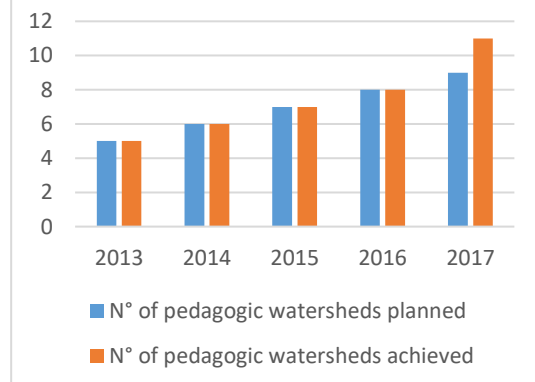


Figure 13. N° of strategic watersheds with information system

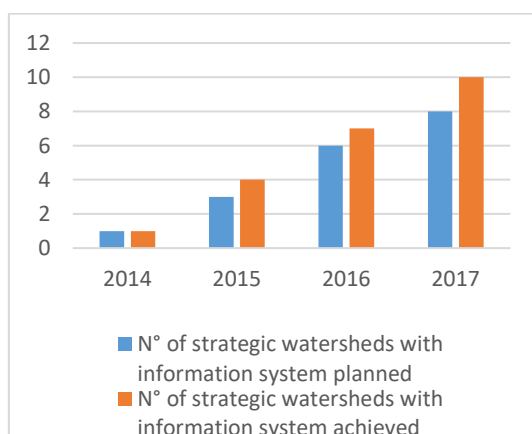
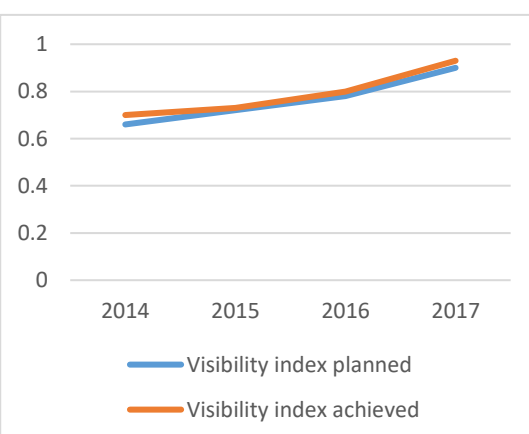


Figure 12. Visibility index



Source figures 8-12: Elaboration based on PNC performance indicators year reports 2016 and 2017, MMAyA, 2017c; MMAyA, 2018b

Of the eleven PAF indicators, six are considered output indicators, as they measure the products being generated through PNC investment: 2.1 (N° of projects implemented in micro-catchments), 3.2 (Area reforested), 4 (N° of water quality monitoring systems), 5 (N° of pedagogic watersheds implemented), 6.1 (N° of strategic watersheds with a geoinformation system), and 6.2 (Visibility index). The latter, 6.2, is output indicator because the visibility index measures the communication effort by the MMAyA, not the impact on target groups. Progress made on these six indicators is shown in figures 8-12.

On each output indicator, steady progress was achieved according to planning, demonstrating the technical-administrative capacity put in place by the MMAyA through increase of staff in recent years. The results also reflect the development of guidelines and improved capabilities at different levels in the implementation chain obtained by the combined efforts of VRHR and the different TA programas developed in earlier years. Without doubt, the 100% achievement of targets is also attributable to the pressure to perform exercised by the payment for performance logic of the EU SBS.

On the demand side, municipalities may have progressed somewhat quicker than foreseen in their role of articulating demand for resource management investments from communities into viable projects, as for example in the case of the reforestation agreement between the MMAyA and municipalities being signed at a rapid pace (see Figure 14).

Figure 14. Municipalities with which reforestation agreements have been signed



Source: Booklet PNC, MMAyA, 2018a (<http://publico.sirh.gob.bo/biblioteca/386>)

Table 2. Levels of execution of planned expenses of PNC-2, 2013-2016

Financial source	Contributions in millions of US\$ *)					
	programmed	Reprogrammed/ received 2017	Executed 2013-2016	Executed 2017	Executed 2013-2017	level of execution
Internal	70.0	54.9	18.2	5.4	23.6	
Subnational government contributions	30	18	4.8		4.8	27%
National treasury	3	3	1		1.0	33%
National treasury EU-BS	13	27.2	12.4	4.7	17.1	63%
PPCR loan (WB/IADB)	24	6				
Other sources		0.7		0.7	0.7	100%
External	45.8	60.9	35.8	10.0	45.8	
TA GIZ	1.3	1.3				
TA Helvetas	2.5	1.2	1		1.0	83%
KfW	13	9.7	9.7	-	9.7	100%
Basket fund	1.5	21.1	8.5	10.0	18.5	88%
Sweden	3.5	2.6	2.6	-	2.6	100%
Saldo PNC-I	1.5	14	14	-	14.0	100%
Other sources **)	22.5	11				
Total	115.8	115.8	54.0	15.4	69.4	60%
percentage internal	60%	47%	34%	35%	34%	

*) Sources: *Programmed* based on multiannual plan PNC 2013-2017; *Reprogrammed/received (2017)* based on Narrative year reports PNC 2016 and 2017 (MMAyA, 2017c and 2018b); *Executed 2013-2016* based on Narrative report PNC 2016; *Executed 2017* based on Narrative report PNC 2017. Cells without information reflect lack of data in cited reports.

**) To be negotiated and under negotiation

Table 2 shows the financial execution of the PNC 2013-2017 multiannual program, based on extracted data from the 2016 and 2017 narrative year reports presented to the donor table by MMAyA. Unfortunately, the information presented, especially in the 2017 report, doesn't cover all the sources that are relevant for the general outlook, as for example the contributions of subnational governments, national treasury and the PPCR loan.

Not considering those missing data, the general level of execution of the program is 60%, a level that may be higher if contributions of local governments, national treasury and international loans for river protection were considered⁸. The main reasons for the lower than predicted level of investment are, according to the PNC year reports, the slow start of the program, because in 2013 negotiations over finance agreements were still under way.

Another important source of delay was the sharp reduction in general income of the government through falling prices of export commodities in 2015 (specially oil/gas), causing budget cuts for department and municipal governments that reduced their capacity to pay their share (30%) in the investments. Although details on local and national government contributions for 2017 are lacking, the lagging behind of their contributions to the total investment appears to be the main cause responsible for the generally lower share of government participation in the PNC investment than foreseen (34% instead of 60%).

⁸ Both CAF and FONPLATA have been investing in river protection in the lower reaches of some main rivers.

Basket fund resources have been executed by 31/12/2017 for about 88%, remaining funds being left for the implementation of the extension phase of PNC-2 till 2020.

Extent to which the outcome has been achieved

Outcome indicators are included in the PAF to assess the level of institutional capacity development and sustainability of the investments. Relevant outcome indicators to be revised here are 1 (Governance index), 2.2 (sustainability of investment projects) and 7 (municipal capacity index), starting with a short explanation of these indexes.

Water Governance Index (IGH)

The IGH was devised by the VRHR in order to measure results of the first component of the PNC, “*development and consolidation of hydro-environmental governance and sustainable management of life zones*”, on a scale from 0 to 1. Elements of the index are, i) establishment of a technical entity responsible of the management of strategic watersheds; ii) information management and knowledge development; iii) functioning of platforms at the strategic watershed level; iv) investment plans for sustainable management of watersheds; v) involvement of more sectors and subsectors; and vi) accomplishment of the investments of the WDP. The national level IGH is a weighted average (by population) of the IGH of all major watersheds in the country.

Sustainability index of micro-watershed projects (IS)

The IS is a measure between 0 and 1 of the level of sustainability of investments projects of the PNC. It is a function of four subindices, i) existence and formal state of a local catchment organization (OGC); ii) existence of a catchment management plan; iii) functioning of the OGC and iv) continuity of the management measures implemented by the project (maintenance and replication). The national level IS is a weighted average (by population) of the IS of all catchments intervened through PNC projects.

Municipal capacity index of hydro-environmental management (IC)

The IC, designed and tested in 2010, was the first of a set of performance indicators developed for the PNC, in order to assess the capacities of municipalities in their new role in watershed management implicated by the PNC policy, and particularly as executing entities of PNC investments. The index evaluates on a scale from 0 to 1, three fields of municipal capacity, i) strategic management; ii) operational management; and iii) horizontal and vertical coordination, each assessed through a combination of observable factors. Municipal capacity is considered sufficient when a score of 0,65 is reached.

The development of the three capacity indicators is associated with the implementation of respectively component 1 (development of water directory plans), 2 (investment projects in micro catchments) and 7 (development of institutional capacity). The results of the three outcome indicators is presented in figures 15-17. Development of institutional capacity as expressed by these indices is considered a slow process, not largely within the range of control of the PNC. Though some elements of the indices may be improved through PNC activities, such as for example through investigations in strategic watersheds as a means to raise the score on IGH co-index ii) on information and knowledge, the general path of capacity development is highly dependent on the attitudes and institutional processes that can only be influenced indirectly. As

an example, the legal development that needed to make more explicit institutional roles in water and environmental management at distinct levels would be very helpful in supporting the capacity development and sustainability of investments, but has till now been impossible to achieve.

Figure 16. Governance index 2013-2017

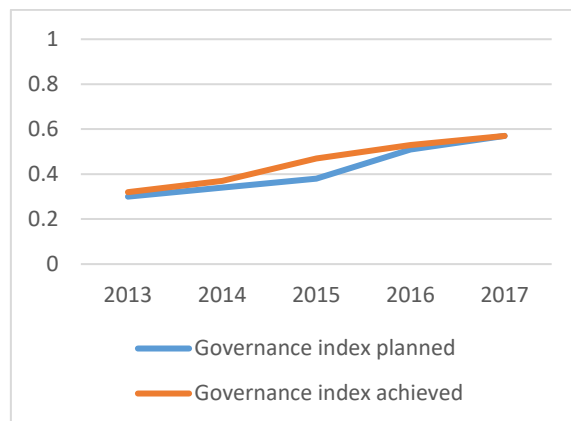


Figure 15. Sustainability index of investment projects 2014-2017

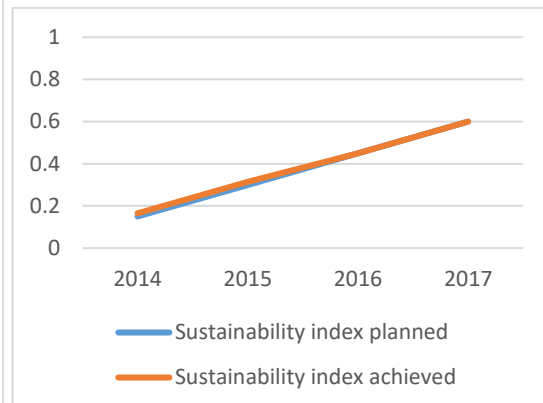
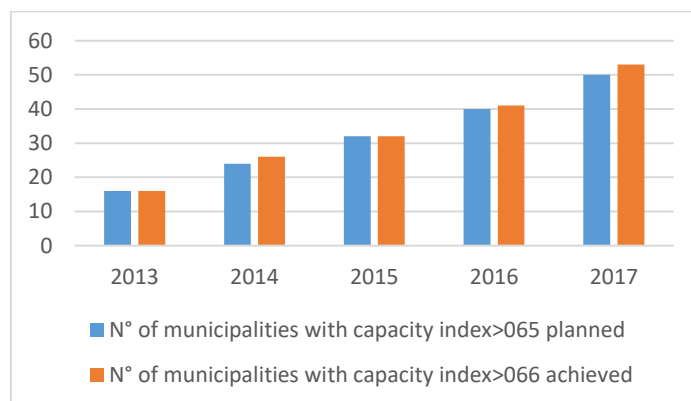


Figure 17. Number of municipalities with IC>0,65



At the level of municipalities, a change in attitudes and adoption of water management roles is becoming visible through the increase in demands towards the VRHR for watershed projects and other sorts of support such as pre-investments, water quality control and professional training. Department governments follow a similar path, though showing much diversity in their attitudes towards the nacional PNC policy. While some departments are adopting the national strategies for water resources management, such as Cochabamba, Chuquisaca and Tarija, other departments seem to be pursuing their own “water management identity” through their choices (Santa Cruz, La Paz) or not to be prepared to assume new competencies in water resource management.

The transversalization of integrated water resources management policies in other sectors and subsectors is only recently beginning to take shape, especially in other subsectors within the MMAyA. Already since 2009, a major irrigation investment program (PRONAREC) incorporated a watershed approach, and has since taken small steps towards implementing that approach, amongst others by reserving 10% of total investments to improvements and conservation of watersheds feeding the hydraulic infrastructure and through planning of irrigation investments at watershed level. Another example of a program that incorporated watershed management in irrigation development is the PARC of CTB/Enabel. In other sector and subsector policies,

watersheds and water resources management only make their entrance at the discursive plane, but didn't yet show up as consistent steps in the planning, implementation and evaluation of the sector performance, with the exception of the drinking water and sanitation, where water directory plans have recently become part of investment planning⁹.

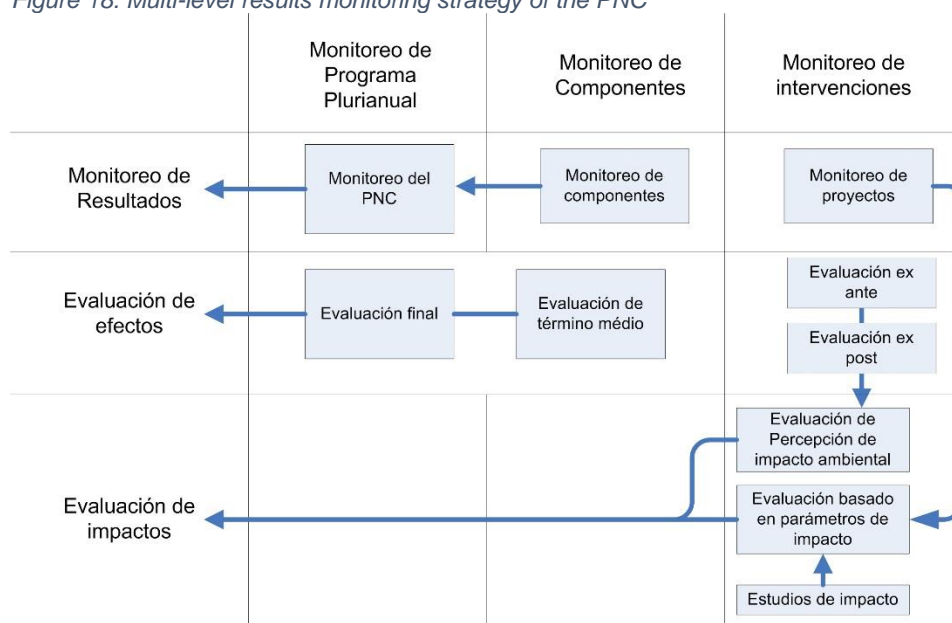
At the level of donor coordination, a development is seen where under the changing context with changing roles on either side of the table, a policy dialogue was maintained. As a result, the leader and coleadership had to be redefined on several occasions, without affecting the quality of the dialogue. Recently, both Sweden, Germany and Switzerland have reaffirmed their commitment to the JFA and have included new contributions to the basket fund and/or the PNC in their country programs.

Extent to which the intervention has contributed to impact

Impact indicators were not included in the PAF during the PNC phase 2013-2017. In general terms, impacts are hard to be quantified in water resources management, as watershed characteristics and watersystems parameters data collection is technically difficult and expensive. Routine monitoring of such parameters is often absent in lower income countries like Bolivia, where even the maintenance of a minimal meteorologic and hydrographic monitoring network has been difficult to achieve.

The problem of impact measurement is addressed in the PNC 2013-2017 multiannual plan through a monitoring and evaluation strategy in which impacts are evaluated indirectly, by using science-based relationships between outputs (for example area reforested) and impact (for example erosion reduced or water sources increased). Another, complementing part of the strategy is by evaluating the perception of resource-users of the impacts of investments (see Figure 18).

Figure 18. Multi-level results monitoring strategy of the PNC



Source: PNC, multiannual program 2013-2017.

⁹ As an example, a major investment in the drinking water and sanitation subsector in solid waste management and waste water treatment was programmed to support the restoration of the Río Katari-Minor Lake Titikaka strategic watershed, as part of the WDP of that watershed.

While some work was done to implement the ideas on impact evaluation as pointed out, especially by Helvetas, the impact monitoring strategy remains a challenge for the future, a key problem being the reluctance of most agencies and specialized institutes to spread out over a longer time period, monitoring efforts needed to detect environmental change. In an attempt to make a step forward, investigation on impact was explicitly made part of the multiannual plan 2017-2020 as an outcome of the pedagogic watersheds program (component 5), by way of development and methodological try out in pilot catchments.

Progress in the assessment of impacts is also made by including two new impact indicators in the PAF for the extension phase of PNC-2, 2017-2020, namely a): actual water quality in relation to desired quality of contaminated water bodies; and b): area of urban and rural land protected against floods. Performance on these indicators will affect EU SBS disbursements and will conceivably lead in the future to regular reporting on impacts in the field of water quality and flood risk.

In the absence of hard data on impact, several reports and field observations on perceptions of stakeholders point at an increased water availability in wells and aquifers, and reduced rates of land degradation as a result of increased environmental conscience and collective action among citizens and resource use organizations. The well documented increase in reforested areas and closures against overgrazing have had observable effects on land restauration and have created new economic opportunities for farmer families.

A weakness towards impact assessment is expected to remain the absence of a fully competent M&E unit, with the necessary resources to direct the different aspects of the monitoring strategy.

Assessment of the integration of transversal themes in the intervention strategy

Of six transversal themes considered in the PNC policy¹⁰, two were specifically considered in the Belgian-Bolivian cooperation program, gender equality and interculturality. The other transversal theme of the bilateral program, environmental protection, is assessed here with a look at the PNC transversal theme, climate change adaptation.

Gender equality and interculturality

Different evaluations of the PNC coincide in the poor performance of the PNC in transversalizing gender equality in its operations, methodologies and indicators. While explicated as a transversal theme in the PNC strategy, no significant steps were taken, apart from some studies commissioned by donors and MMAyA to devise a PNC gender strategy.

First documented testimonies of the lack of an effective gender practice in the PNC were the systematization of the first EU SBS (Pando et al, 2012), and the final evaluation of the PNC-1 phase (Vuurmans et al, 2012). A next, mid-term evaluation of the PNC-2 phase, confirms the findings of earlier evaluations, stating that in the sample of PNC projects analyzed, no systematic actions were seen that could have supported women participation and gender equality in decision making on the project interventions and benefits, in spite of the evident impacts of masculine migration that is a common feature in most intervention areas (Dockweiler and Alencastre, 2017).

¹⁰ Poverty, climate change, interculturality, gender, water governance and transboundary river management.

Underlying causes of the difficulty to include gender equality and interculturality in project design and implementation are, in the view of the Enabel-TA, the general lack of participatory practices, due to several factors, including: 1) short time period for interventions (2-3 years), not allowing social processes to be developed as a leading element; 2) absence of a strong social organizational base to support the watershed management interventions; 3) weak professional skills and absence of knowledge of participatory and gender methodologies at the level of executing agencies at the local government level.

As a result of these difficulties, not only gender and interculturality approaches are difficult to integrate in projects, but they can also be seen as the underlying causes of the low level of sustainability as indicated by the sustainability index (IS, see Figure 15, on page 26).

Aware of these threats to the effectiveness of the PNC investments, MMAyA has made a concrete step towards the aim of integrating gender in its strategies, through incorporating two subindicators on gender in the PAF, both part the indicator on the implementation of pedagogic watersheds (component 5), with the idea of developing in the pedagogic pilot watersheds, methodological tools and investment options to be incorporated in a later stage (probably the next multiannual plan) in the intervention guidelines for component 2 (watershed investment projects).

Climate Change adaptation

The focus of the PNC on climate change adaptation has become stronger since the first version, PNC-1 (2008-2012), not as much in the sense of including CC considerations in the design of interventions (by way of safeguards), as well as a growing stress on the idea that watershed management is among the key strategies for Bolivia to address climate resilience, as demonstrated for example through the launch of the Strategic Program on Climate Resilience (SPCR, an initiative of Climate Investment Funds CIF) in Bolivia with the Climate Resilience Pilot Project PPCR based on the PNC strategy of Water Directory Plans (component 1), in three strategic watersheds (of the total of 14 to be implemented till 2020).

Another sign in this regard is the fact that four project proposals developed by the bolvian government in order to attract finance through the Green Climate Fund (GCF), are also based on the PNC WDP-strategic component.

Another component of the PNC targeting climate risks is component 3 (hydrological risk management), mainly involved in two types of interventions, 1) implementation of flood protection measures (gabions, dikes, riverbed channeling and protection, etc.), and 2) implementation of flood and drought early warning systems. Stated impact of the first is that around two million hectares of agricultural lands, mainly in the lowlands of Santa Cruz and Cochabamba, have improved flood protection through PNC investments (financed with CAF loans). Achievement of the second risk mitigation measure, with financial support of Belgium (EUR 1,5 million¹¹) to the *Vivir con el Agua* project, is the implementation and functioning of a Flood Early Warning System (FEWS), for the Mamore river basin, and is currently being extended to the Beni and Madre de Dios basins, including an agreement with Peru for coverage with data from the upper Madre de Dios.

¹¹ Through delegated cooperation with the Netherlands.

Assessment of the unexpected results, negative and positive ones

An often-heard comment on the intervention strategy of the PNC through microwatershed investment projects is that local catchment organization promoted through these interventions, OGCs, constitute parallel social organization interfering with the existing base organizations (mainly *sindicatos comunales*). Though the critique has been taken seriously by the PNC staff responsible for the implementation and monitoring of catchment projects, a clear view on the effects on socio-cultural and organizational dynamics in rural communities and consequent guidelines weren't yet obtained. A recent systematization though, of the experiences of Helvetas conducting post-intervention organizational support activities directed at 15 OGCs gives a rather positive picture of the impact of the promotion of OGCs by PNC on communal and intercommunal organization (Ministerio de Medio Ambiente y Agua, 2018c).

Although expected initially when the Belgian SBS was conceived, the development of the Integral Plan as the basis for a SWAP was detained at the start of the SBS/AT operation in 2016. In the course of the implementation however, integrating elements at the sector level appeared as opportunities for the Enabel AT to work towards strategic integration at the sector level. The most calling example is the support provided to the irrigation subsector (Directorate General of Irrigation DGR), to draw the subsector strategy and multiannual operational plan, including a PAF in line with the PNC-PAF (Ministerio de Medio Ambiente y Agua, 2017c). Other subsectors were supported the same way, in developing their PAFs, in a manner to homogenize the planning and monitoring tools and formats sector wide (specifically, the biodiversity and forestry management subsectors of the viceministry of environment and the drinking water and sanitation subsector). Also, inter-subsector linkages were enhanced through participation in subsector working groups in charge of the development of cross-subsectoral strategies (for example watershed&irrigation).

A not foreseen result of the combined PNC and PAERE TA has been, the establishment by MMAyA of a second decentralized unit in Cochabamba, to support lower level governments of two departments (Santa Cruz and Cochabamba), with the implementation of sector policies including PNC. Though circumstantial, the step could have far reaching effects on the course of water governance development in these two departments, as closer ties with local governments was shown in the case of the UDCH in Chuquisaca to have strong positive impact on the articulation of local demands to the sector programs.

Assessment of the most important influencing factors, major issues encountered and how they were addressed by the intervention

Sectoral financial management: multi annual planning and program-based budgeting

The PFM at the national level causes a difficulty when controlling a sector program with budget support such as PNC. Public institutions use the integrated financial management system SIGEP, including a general expenses classification, without room for programmatic lines. Further compounding the complexity, sources of finance for PNC include different external (donor), domestic (government), project and budget support modalities, making it still harder to monitor the multi-year budget, requiring reports to be prepared manually. Enabel proposed a software solution to generate budget monitoring reports, taking into account the principle of SBS that parallel systems need to be avoided. Several options for a program-based budgeting process were explored, showing that short-term solutions were unrealistic.

In 2018, the IT unit within MEFP developed a new module in SIGEP to administer transactions of externally-financed projects and programs. This new module allows news codes and expenses to be introduced and to create reports that follow donors' needs. The IADB is implementing this new module in all of its programs. A next functionality to be developed would be to include different government levels. While the MEFP-team agreed to test such a new module on the PNC, the MMAyA is reluctant submit to that trial.

Strengthening capacity of sub-national governments

Capacity development in multiple dimensions, of subnational governments has remained a key factor during all of the PNC trajectory. A first aspect, financial management, is that financial transfers to municipalities, from the MMAyA, including basket funds, according to norm couldn't be supervised by the MMAyA. Measures taken by the MMAyA to improve control are, 1) improvement of the internal project information system and an early warning mechanism on project delays; 2) development of an improved project closure procedure; 3) improvement of intergovernmental agreements (*convenios*) and 4) support of municipalities through various mechanisms.

An impediment to institutional strengthening is the tendency to address, through programs and action lines, either the material base (computers, vehicles etc.) or professional capacities (trainings, courses, etc.). Experiences with a wider approach to institutional development including elements such as strategic positioning, culture, structure, processes, communications and resistance to change, etc., are scarce. Most experiences are based on incidental capacitation events, often measuring results in terms of numbers of trainees, and no coherent strategy within the framework of PNC has yet been formulated.

A recent decree on public preinvestment has opened a new investment type for public investments: institutional strengthening, and may be seen as an opportunity for MMAyA to develop a line of investment under that type, within the frame of component 7, based on experiences such as PAERE/FC and others.

Legal framework

The laws on authonomy and decentralization and on development planning give little room for strategic articulation among territorial scales for water and resources management between central government, departments and municipalities. A legal base for the exercise by the MMAyA of some kind of formal tuition on subnational governments in water and environmental management roles and performance is missing, as well as well defined definitions of these roles. At the local level institutional water resource management structures are either absent or weak, thus the starting point for institutional development at these levels is particularly difficult.

As water dependent sectors have developed during decades, their own sectoral and water management procedures best fitting that specific sector or subsector, grown practices are hard to change and new legislation on integrated water management doesn't seem to be within reach in the short term.

Extent to which M&E, backstopping activities and audits have contributed to the attainment of results, and how recommendations were dealt with

A continuous effort to improve the M&E system and performance indicators and measurement was made through Enabel support to the MMAyA, both at subsector and sector level. As a result, a sector wide M&E system has been developed within the framework of European SBS based on payment for performance. The result is a stronger results-based management culture established within the MMAyA, with subsequent effects on policy improvements, and strategy choices to improve efficiency and efficacy of the policy. Meanwhile impact measurement remains the weak link in the result chain and may prove an essential element in order to attract new sources of finance for the PNC with a stronger emphasis on hard results.

At the level of government management (ministry of development planning, ministry of public finance), the implementation of result-based performance indicators is still in an initial stage, and in that sense, developments within the MMAyA may be considered a pilot. The risk however is that the progress made within MMAyA may later be erased by higher level decisions or systems, that do not take into account the progress made with PNC and other subsectors of MMAyA.

The fact that results-based performance monitoring is a hard way forward, because of the difficulties of measuring indicators in an institutional culture not used to report hard results, and the stress that produces within the organization, and even resistance, means that strong and permanent high-level support is needed, otherwise the organization easily may fall back in the old mode.

2.3 Sustainability

This paragraph describes how results will be sustained and what exit-strategies have been developed to guarantee this.

Level of policy support provided and degree of interaction between the intervention and the policy level, potential risks and measures taken

The modality of SBS is motivated on the idea that bringing the funding into the governmental budget, ownership is the result, and through that, a higher level of sustainability. In the case of the PNC SBS and basket fund support, no doubt exists about the governments' ownership, and its contribution to the development of a policy that is fully anchored in national institutions and decisions. Investments in IWRM have been instrumentalized and protocolized into a (new) field of public investments, and demand for such projects has been increasing in recent years.

Interaction at the policy level was fluent, as result of CTB/Enabel's long lasting commitment to the sector and subsectors (including irrigation). The level of support was even strengthened at the highest ministerial level, when a former vice minister with whom the Enabel sector support programs had been developed, became minister in 2017. While a new change of minister is always a threat to the consistent development of a policy in the future, in the case of the PNC it seems that the support base for the PNC at distinct institutional and professional levels was strengthened enough to minimize that risk. Political support for the PNC is also driven by the subnational levels of decision making, the municipal level and by community demand, another reason to expect that the policy will be sustained in the future.

Economic and financial viability of the results of the intervention, potential risks and measures taken

As was shown in Table 2 on page 25, the financial contribution to the total program cost by international donations was initially expected to be 40%, the rest being local and national contributions, including international loans. During implementation, the relation was inversed, with more than 60% of the total investment being covered with basket fund and other donations, while the total amount of planned investments was also reduced¹². This development was to a great extent caused by the reduction in government income through reduced oil prices in 2015, directly affecting the national and lower governmental budgets, showing the economic vulnerability of Bolivia as a commodity exporting country, inevitably affecting the capacity for public investment in policies like PNC.

It has often been suggested that in order to assure financial sustainability of the water resources and watershed management policy, other sectors that are the causing the degradation (or contamination) and/or that share the benefits of improved environmental services, should pay the bill. Fact is however that those sectors, such as the contaminating mining sector, suffer from structural uncompetitiveness and poor technological performance, and are competing on the world market for these commodities through low social, laboral and environmental standards. Which is why a significant contribution of such sectors to preserve the water system is to a great extent, illusionary. Even so, PNC has been able to involve at the local level, if only through participation in the search for solutions, different actors such as mining cooperatives and irrigation committees.

As a consequence, financial sustainability of the PNC at its current level of investment will in the coming years be heavily dependent on external sources. In the short run, new basket fund contributions and TA by the traditional and new donors seem to be secured. New sources of finance appear to be the extension of international credits and grants for key development sectors depending on secure water sources such as irrigation, drinking water and hydroenergy, to include in their programs an IWRM component. International environmental sources of funding such as GEF and GCF, may encounter in the PNC policy and institutional buildup, a strong case for investment in support of international environmental goals.

In order to catch such new funding opportunities, a weakness encountered in the implementing institutions is that they were strengthened to implement interventions, but are badly prepared to mold their activities into financeable projects. Strengthening that capacity is a key factor for financial sustainability of the PNC, was contributed to by Enabel through AT, and should be considered in future AT initiatives. Part of that capacity is also to be better prepared to demonstrate results, especially impacts, as a particularly hard issue to tackle in watershed management.

Continuation of PNC activities, only through local level (municipal, communal) investments is expected to be possible but at a far lower level of investment, bringing it back to smaller scale reforestation activities and other means to improve the condition of catchments, such as the closure of overgrazed lands. Some municipalities have also seen possibilities in taxing resource

¹² EU SBS is included in Table 2 as domestic finance, as the explicit purpose of the EU it to make BS funds part of national budgets.

uses such as gravel mining, in order to raise some funds for municipal management of water related resources.

Degree to which the intervention contributed to institutional and management capacity, potential risks and measures taken

Through combined and coordinated (in SUBAT) efforts of international TA and the VRHR, institutional capacity was strengthened and guidelines for investments were made known to many actors in the field, such as municipal technicians, local authorities and leaders and hired professionals. At the national level, information management on water resources was greatly improved, covering and integrating more information types and sources every year in a national information base on water and environmental resources (SIRH, including a library and a geoinformation system).

A well-prepared unit of hydrological and water infrastructure experts (unidad nacional de presas) is functioning since a few years under direct tuition of the ministerial office, greatly increasing the capacity to direct more complex processes of water resource management within the country. Through the PNC, a number of strategic work fields that had been working in isolation (for example, development of expertise on dam construction for drinking water and irrigation respectively), now share a common source of institutional capacity, improving performance and combining synergies (such as-multi use infrastructure). The most significant change described here is that the expertise now established within the ministry, formerly had been available only through donor-dependent programs or hiring in specialized bureaus, while an internal dynamic is seen within the ministry of proper service delivery, increasing experience and knowledge, development of information systems and databases and greater ease to attract qualified staff.

A next challenge will be, the connection and involvement of lower level institutes in this capacity development, as a threat brought about with this process is the enforcement of centralism. Both component 6 (information management) and 7 (institutional strengthening) play a role in this aspect, but a well-established strategy or practice still remain to be generated. One of the efforts in this respect is the new PROCUENCAS programa by GIZ, that will try to make operational in two pilot strategic watersheds (Azero in Chuquisaca and Guadalquivir in Tarija) the idea of “subnational nodes”, connected to the national information system SIRH through a combination of rules, roles and agreements with the national level administrators of the system in order to allow a better use and feedback on the information system through subnational level users and new modalities of national-subnational articulation.

Level of ownership of the intervention by target groups and will it continue after the end of external support, potential risks and measures taken

Ownership at the local (community) level is organized through OGCs. A number of around 30 OGCs appear to have a level of functioning that would allow a gradual buildup of capacity and competency for micro-catchment management. An existing database on OGCs, whose functioning is part of the PAF indicator on sustainability of investments, was until recently missing. With support of an Enabel junior expert, the VRHR developed an OGC database and data collection guidelines in order to improve the knowledge of the real state of functioning of OGCs, and is expected to allow further local capacity and organizational strengthening strategies to be

developed by the VRHR. For that, a toolbox of OGC strengthening methodologies was prepared with support of Helvetas, ready to be applied and validated at the national scale.

3 Learning and capitalisation

3.1 Lessons learned and key findings of the programme

This chapter captures important lessons learned from the BS experience and insights that should remain in the institutional memory of Enabel and partners.

- Belgian SBS to the PNC basket fund has helped to create the financial space necessary in the specific phase of rolling out of the policy in which the support took place. The support has been essential to be able to keep the impetus reached when the PNC-2 phase had started, with higher targets than in earlier phases in order to settle the PNC as leading and convergent in national water resource management policy.
- The estimate made during program preparation that macro economic performance and PFM were acceptable risks to be taken by the choice for a SBS to the PNC, turned out to be correct, as mentioned risk to the proper functioning of the program didn't materialize, thanks to a steady economical growth of 3,5 to 5 % during the whole period of the PNC 2013-2017 multiannual program, even facing the problem of declining prices in main export products.
- Although part of the Belgian SBS modality, political disposition to implement PFM reforms was not evident. Once the Enabel TA on PFM was started, a lack of staff hindered the making of a plan of action at the level of the PNC-financial management, and at the MMAyA level, administrative capacity to play the role of counterpart and look into PFM improvements was insufficient (a small staff must take care of the whole ministry with many programs and projects, just following existing rules and not seeking to improve). On the other hand, interest from the MEFP was weak, among others because earlier plans were made with a lot of effort, but the final plan and budget for improvements were not covered. In future negotiations on SBS, more explicit attention could be given to assure the willingness to improve the PFM, either at the sector or national level or both.
- The variety of donors and support modalities within one coordinated effort for policy developments has shown to bring many advantages, as often one partner can offer support when and how others can't. In the case of PNC, many examples exist how the complementarity in modalities and visions have helped shape the program.
- Through the SBS and its role in the donor table, Belgium was able to play a relatively strong role in the policy dialogue and development, in spite of the relatively short period given. The possibility to reach results was among other circumstances, owing to longer term involvement of Belgian cooperation in the water and environment sector through different phases of CTB/Enabel support programs at the subnational level, and familiarity with the institutional environment.
- Policy dialogue has shown to be effective through participation of Enabel in the combined mechanisms of the basket fund and donor table. Raising issues collectively regarding the

quality of the implementation process, reporting or the policy itself, increases the scope for improvement, as was demonstrated in the case made on the quality of year reports and improvement of information about implementation at the subnational level. Currently, the continuity of the dialogue mechanism is guaranteed, but in the mid term, adaptations must be foreseen in order to adjust to the changing circumstances of international cooperation and finance.

- It should also be taken in mind that the room for influencing and changing the policy and policy implementation is limited, not only for donors but also for the receiving partner. Even at the highest (minister) level, room for adjustment is limited by many aspects of the development context, such as financial, institutional and socio-economical conditions. Thus, many good ideas such as more decentralization, participation or transparency, while shared between partners, do not always fall within the range of possible change. The experience of the PNC policy development shows that small gradual changes within a longer-term perspective is the best possible route to achieve results and therefore is continuity in policy dialogue an important aspect.
- As international cooperation in policy development often comes with a mix of financial and technical assistance, coordination/harmonization of both financial support and technical support is important. The experience of SUBAT is an example of how the TA can be coordinated and be made more effective.
- While donor harmonization and coordination help to achieve higher efficiency and efficacy, it must be warned against a too limited (human resource) capacity within donor representations to exercise the role in policy dialogue. Complex programs such as PNC need for a constructive input in donor coordination, sufficiently prepared staff. On the other hand, SBS does bring back the cost of expensive implementation structures as in the case of program support. In the case of the Belgian SBS to the PNC, less than 10% of the total amount was destined to TA, which seems to have been a good balance between SBS and TA.
- As shown in the PNC donor group, donors often still follow their own strategic line of action, as in the case of the DEU who unilaterally agreed with the ministry to start a sector wide program wherein the PNC SBS and TA would have to be merged. At the level of the PNC this move created a disturbance of the policy development that finally had to be adjusted to, but without the desired input from other donor group participants. In the end, the decision turned out unpractical, because of the difficulty of the subsectors within the MMAyA to adjust their practices to a sector approach. It was found that even within one ministry, and even viceministries, the departments operate as organizational islands, and that sector wide collaboration and strategy development shouldn't be taken lightly

3.2 Recommendations

In order to improve the control and quality of PNC projects, it is recommended that the content of intergovernmental agreements between the ministry/PNC and subnational executing institutions, is closely looked into as a means to change the distribution of responsibilities and monitoring of performance. Clear points of control should be established where information has to be

exchanged between the parties, as well as procedures and formats of the information to be shared. Easy to perform reporting on performance indicators, both financial, actions and results should be devised gradually to make the implementing agencies fully responsible for the attainment of national level performance indicators. In order to achieve these reforms, a strong effort should be done between AT projects such as PROCUENCAS, AT-EU, GIA-Helvetas and PAERE/FC and the MMAyA, to integrate such procedures and other structuring arrangements into the PNC strategy for institutional strengthening (C7).

It is recommended that support of SBS with PFM improvements be completed with a budget to implement PFM improvement measures, either at the sector level or ministry of finance level or both. In absence of such financial support, improvements have proven to be hard to implement and the incentive of a ministry of finance insufficient. Such additional resources could well be found within a group of donors with different modalities and portfolios.

If in the future, if Enabel would continue implementing budget support operations, a new model to provide PFM TA should be followed. Multilateral organizations such as the World Bank and the Inter-American Development Bank have opted to centralize their PFM interventions from their headquarters with the assistance of local technical experts in the field. In practice, the PFM expert at the headquarters plays a supervising, monitoring and coordinating role while, financial officers are the link with local government partners.

Annex: Documentation

1. Documents produced by, or with an important input from, Enabel technical assistance or finance:

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