

# DIRECTIONS IN URBAN DEVELOPMENT

JUNE 2017

## Intermediate Cities in Bolivia: A priority agenda

### *Why are intermediate cities in Bolivia important?*

**Bolivia faces a unique opportunity to harness the benefits of urbanization and avoid the pitfalls that other countries have made in the past.** The urbanization process in Bolivia is one of the last to occur in the region of Latin America and the Caribbean, while its rapid pace requires expeditious action in addressing the challenges associated with this transformation.

**To achieve the goals of sustainable urban development in a global context, it is critical to focus on smaller cities whose populations are growing the fastest.** While intermediate cities are the fastest growing with limited financial resources and capacity, they still have a manageable size. Their population sizes provide a window of opportunity to take strategic action now. Strengthening the role and management of intermediate cities will be key to achieving the country's national development goals, such as reducing the gap in the provision of basic services or contributing to better living conditions and avoiding possible negative effects of unplanned urbanization.

**This note analyzes the urbanization process in Bolivia, proposes a new definition of intermediate cities, evaluates challenges and opportunities common to intermediate cities, and provides recommendations for action.**

### *The urbanization process in Bolivia*

**Although the urbanization process in Bolivia started relatively late, the country has rapidly approached**

**urbanization levels seen in other Latin American countries.** Between 1950 and 2012, the urban population grew at an annual rate of 3.7 percent; today, nearly two thirds of the Bolivians live in urban areas<sup>1</sup>. According to United Nations (UN) estimates, nearly 75 percent of the population will be urban by 2025 (UN, 2012). Within a favorable macroeconomic context, cities can offer a number of opportunities for reaching higher per capita incomes and a better quality of life through improved access to public services and economic opportunities for all.

**Now that more than 7 million people live in urban areas, they will play a central role in contributing to the national agenda of poverty reduction and sustained growth in Bolivia.** Due to the rapid pace of the urbanization process, there is an urgent need to implement policy actions in order to achieve the benefits



Oruro, Bolivia

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**Table 1. System of cities in Bolivia (cities with more than 10,000 inhabitants)**

City classification by population size	No.	Population 2012	Average Annual Population Growth — 2012	Urban Population 2012
Cities with more than 500,000	4	3,671,555	1.6%	99.4%
Cities between 100 thousand and 500 thousand	9	1,582,889	2.7%	91.6%
Cities between 50 thousand and 100 thousand	6	418,230	5.0%	83.9%
Cities between 10 thousand and 50 thousand	41	863,049	3.6%	63.3%
<b>Total</b>	<b>60</b>	<b>6,535,723</b>	<b>2.3%</b>	<b>89.7%</b>

Source: National Population and Housing Census, National Statistics Institute (2012).

offered by cities. At the same time, potential costs and negative effects of urbanization need to be avoided, such as pollution, congestion, or the rapid growth of informal settlements in hazard prone areas that would put the population living there at risk.

The national government, through the PDES 2016-2020 and the national urban development vision set out under Habitat III, recognizes that the urbanization process is advancing rapidly and that the government must take action to make sure its cities grow in a sustainable way. The national vision launched in Habitat III is to build "Urban Communities to Live Well". That is to say, to offer a better quality of life by extrapolating the tradition of community life found in rural areas and applying it to the urban environment by preserving common spaces, respecting cultural traditions, and the environment.

### *The system of cities*

Currently, the system of cities comprises about 60 Bolivian urban areas<sup>2</sup> that are mainly small and medium in size, with a rapidly growing population. Together, these 60 cities are home to more than three-fifths of the approximately ten million people nationwide. Of these, small and medium-sized cities are the fastest growing, especially those located around metropolitan areas and border cities, which are recipients of migration from other areas of the country and offer more dynamic economic opportunities.

### *Proposing a new definition of intermediate cities*

Intermediate cities in Bolivia, as proposed by this study, are classified as those with a population between 50,000 and 500,000 inhabitants<sup>3</sup> and economies typically specialized in tertiary services or industry. Using this classification, 15 intermediate cities have been identified: Oruro, Sucre, Tarija, Potosí, Sacaba,

**Figure A. Intermediate cities in Bolivia according to their primary function**

Source: own elaboration.

Quillacollo, Montero, Cobija, Trinidad, Warnes, La Guardia, Riberalta, Yacuiba, Viacha and Colcapirhua.

As a next step, following the methodology of Roberts (2015)<sup>4</sup>, these 15 intermediate cities could be classified into three groups according to their primary function within the system of cities. These groups are: (1) strategic intermediate cities; (2) intermediate cities in metropolitan agglomerations; and (3) intermediate cities in corridors or border cities. Figure A shows the list of 15 intermediate cities, classified by group according to their strategic role.

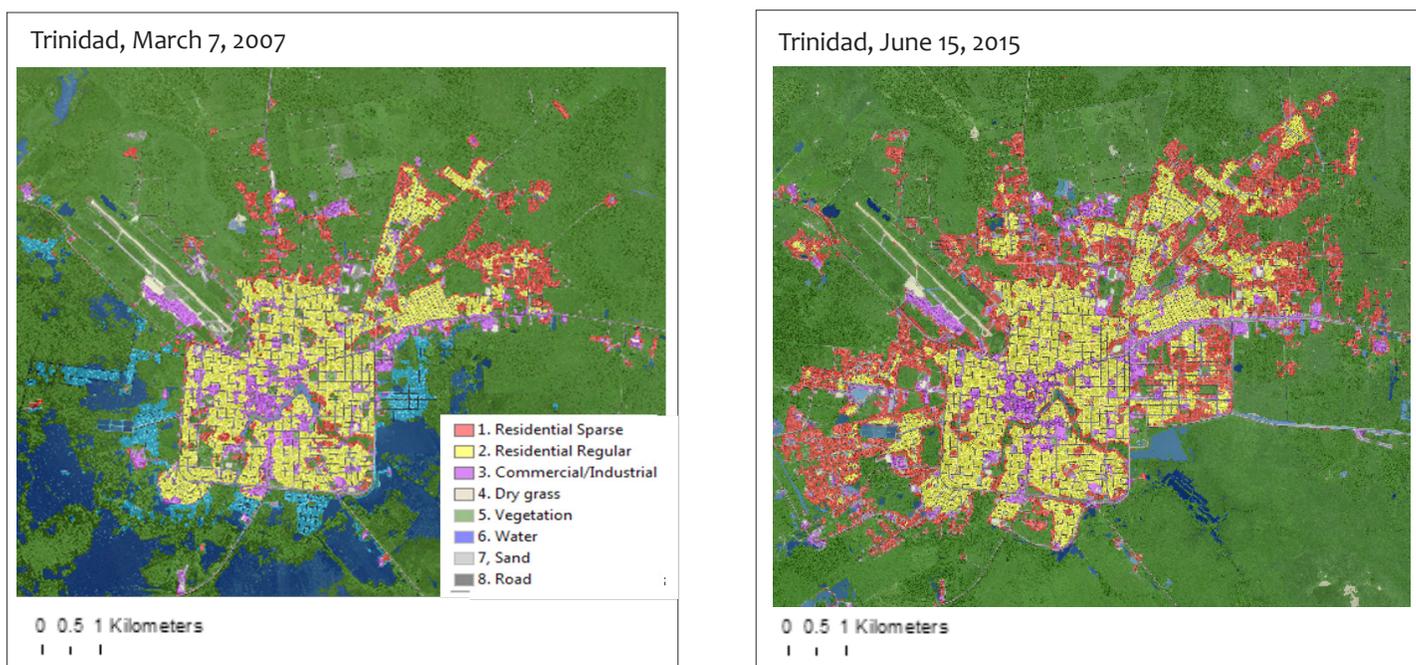
1. **Strategic intermediate cities (administrative, manufacturing, agricultural or resource development centers):** are cities that serve as services, manufacturing or marketing centers for trading local goods and products.
2. **Intermediate cities in metropolitan agglomerations:** in Bolivia, as in many other countries of the world, most intermediate cities grow around large metropolitan agglomerations. These cities fulfill an important role for connecting workers and producers located in the urban periphery with the economic city center.
3. **Intermediate cities located in corridors or along national borders:** typically specialized in logistics, they exhibit competitive advantages due to their geographical location and are often integrated into regional or international value chains.

### Challenges and opportunities of intermediate cities

**Urban planning and land management:** Intermediate cities in Bolivia have expanded over time resulting in urban sprawl and low population densities. According to the World Bank (2014)<sup>5</sup>, this rapid growth was experienced especially in cities located in suburban areas and in border cities, has occurred in a disorderly and has resulted in low-density patterns. One example is the city of Trinidad's pattern, where the urban footprint expanded at a rate of 4.9 percent annually, faster than the national urban average of 4.4 percent (see Figure B).

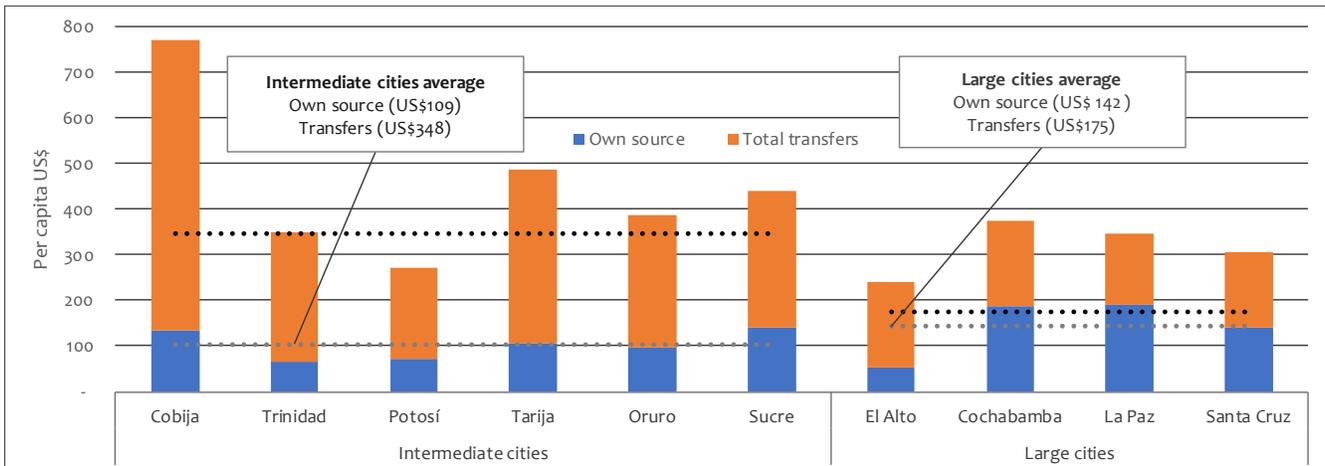
**Provision of basic services and housing:** Rapid urban growth often leads to higher costs associated with the provision of infrastructure and basic services. In Bolivia, one out of three families living in intermediate cities lack access to sanitation, while large cities offer better conditions, with an average access rate of 76 percent. The lack of affordable, high quality and well-located housing also adds to the challenges that intermediate cities face in the midst of urban growth. Rapid urbanization has amplified the challenges that are concentrated in cities (Maria, Acero, Aguilera, & Garcia Lozano, 2017). In intermediate cities such as Trinidad, more than 40 percent of families live in informal settlements located in the urban periphery, which typically lack access to basic services and have precarious housing conditions. Inadequate housing conditions are associated with greater vulnerability to risks of natural disasters. At the same time, low-cost housing provided in remote areas results in the average

Figure B. Evolution of the urban footprint in Trinidad (2007-2015)



Source: Own elaboration with data derived from satellite images.

Figure C. Own-source revenue vs. intergovernmental transfers in 2015 for select municipalities



Source: Jubilee Foundation based on data from the Ministry of Economy and Public Finance (MEFP).

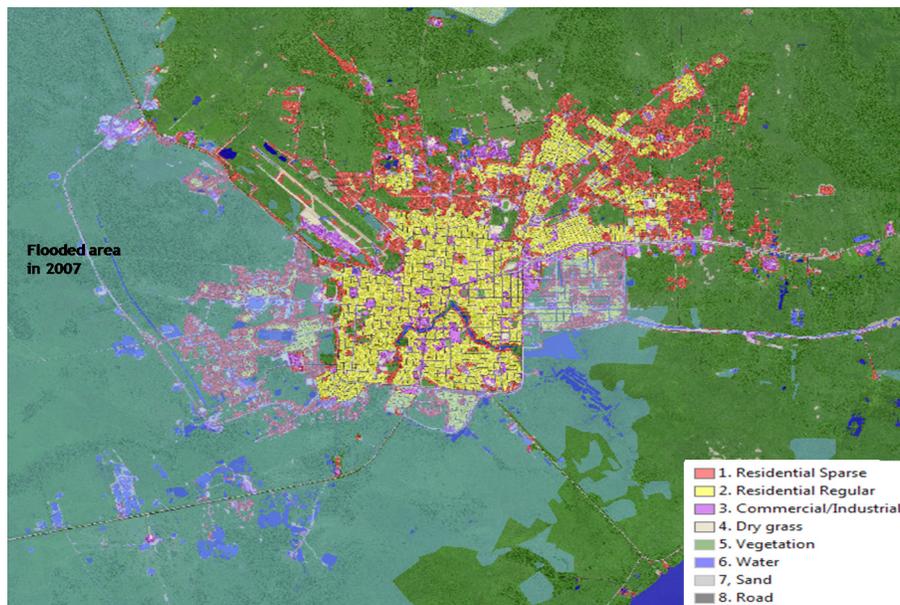
Latin American family spending between 26 and 53 percent of its budget to cover the costs associated with housing and transportation (World Bank, 2017)<sup>6</sup>.

**Municipal management:** Intermediate cities have limited financial resources to deal with growing pressures to provide services and infrastructure. The capacity of a municipality to collect property taxes is directly linked to the efficiency of its cadastral system. Large municipalities such as La Paz and Santa Cruz have more complete and accurate cadasters, which allow to raise more own-source revenue (see Figure C). However, most intermediate cities in Bolivia are highly dependent on intergovernmental transfers. Therefore, one of the great opportunities to better equip intermediate cities

is to strengthen municipal collection, planning and management systems in order to meet the challenges of providing services and infrastructure.

**Natural hazards and climate change:** It is estimated that 43 percent of Bolivia's population lives in areas exposed to a high risk of flooding. If urban sprawl and disaster risk reduction are not adequately managed, these trends could result in significant economic losses. In addition, forecasts indicate that climate change will result in longer dry periods and glacier retreat. Since, in combination with watershed degradation, this will lead to a reduction of available water resources, it is an important aspect to be considered in urban planning and infrastructure design.

Figure D. Area flooded in 2007 superimposed with residential growth in vulnerable zones in 2015



Source: own elaboration with data derived from satellite images.

The city of Trinidad is a good example of how these risks affect intermediate cities in Bolivia. The expansion of informal settlements has been more pronounced in peripheral areas, especially in the low-lying areas southwest of the urban center, which have traditionally been vulnerable to disaster risks. Figure D shows that from 2007 to 2015, the construction of informal settlements (as well as some planned residential developments) has taken place in areas susceptible to flooding.

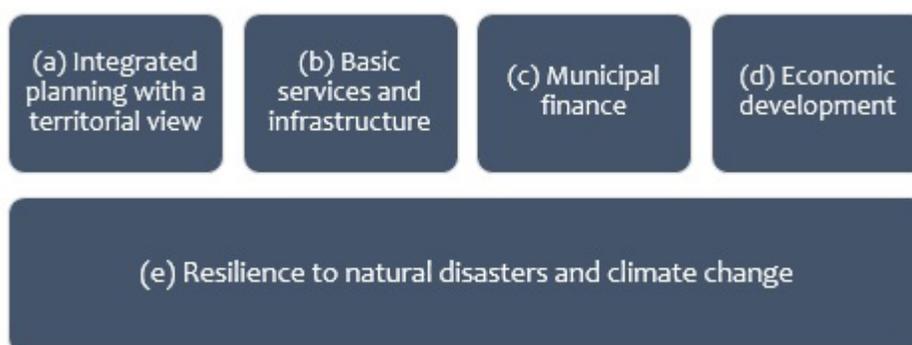
### Recommendations

To maximize the benefits of urbanization, a key issue that the Government of Bolivia could prioritize over the long term is the development of a national urban policy. With the country's vision for urban development launched at Habitat III and the objectives outlined in the PDES 2016-2020, the national government has a basis for starting the dialogue, establishing a national urban policy and reviewing institutional and financial arrangements to support cities the implementation of this policy.

A strategy for intermediate cities could focus on five priority areas: (a) enhance the integrated territorial planning system with a view to improve urban management; (b) focus investments on improving coverage and quality of basic services and infrastructure to strengthen local economies and improve living conditions; (c) strengthen municipal management and diversifying financing mechanisms for municipal autonomous governments, encouraging greater collection of own resources and improvements in the administrative and financial management of these resources; (d) design strategies to promote local economic development by taking advantage of economic potential; and (e) as a cross-cutting theme and foundation for sustainable development, integrate urban resilience to protect population and assets against climate change and disasters (see Figure E and the descriptions):

- a. **Although there is a wealth of tools for urban planning available, they are being underutilized at the local level.** Even though large cities use up-to-date territorial development plans that govern urban growth, intermediate cities such as Cobija or Trinidad have yet to reach their full potential in the use of such tools. It is also important to ensure that disaster risk management data and information is included as key elements in the formulation and implementation of these plans.
- b. **Lessons learned from the case studies of Trinidad, Sucre and Cobija point to the need to focus investments on the provision of basic services and infrastructure.** In many cases, urban growth has been unplanned with limited coordination with municipal authorities to guarantee access to water and electricity networks for housing. To respond to these challenges, a strategy focused on intermediate cities can prioritize investments in three key sectors: (i) water, sanitation and drainage; (ii) urban infrastructure, including urban mobility and public spaces; and (iii) solid waste management.
- c. **The growing demand for urban services will require new investments in intermediate cities and greater capacity for own source revenue generation and management.** Today, cities are highly dependent on fiscal transfers, which limits their ability to execute their own budgets. In this sense, three tools can be prioritized to strengthen the financing mechanisms needed to address the growth of intermediate cities: (i) territorial assessments of land use and the local housing market; (ii) modernization of municipal cadasters; and (iii) strengthening local capacities to increase revenue collection.
- d. **A national strategy for intermediate cities should strengthen emerging sectors that are a source of employment and improve the connectivity of these cities to regional markets.** Efforts to energize local economies have repercussions on the supply of jobs and opportunities, as well as can increase local

Figure E. Priorities for a strategy of intermediate cities in Bolivia



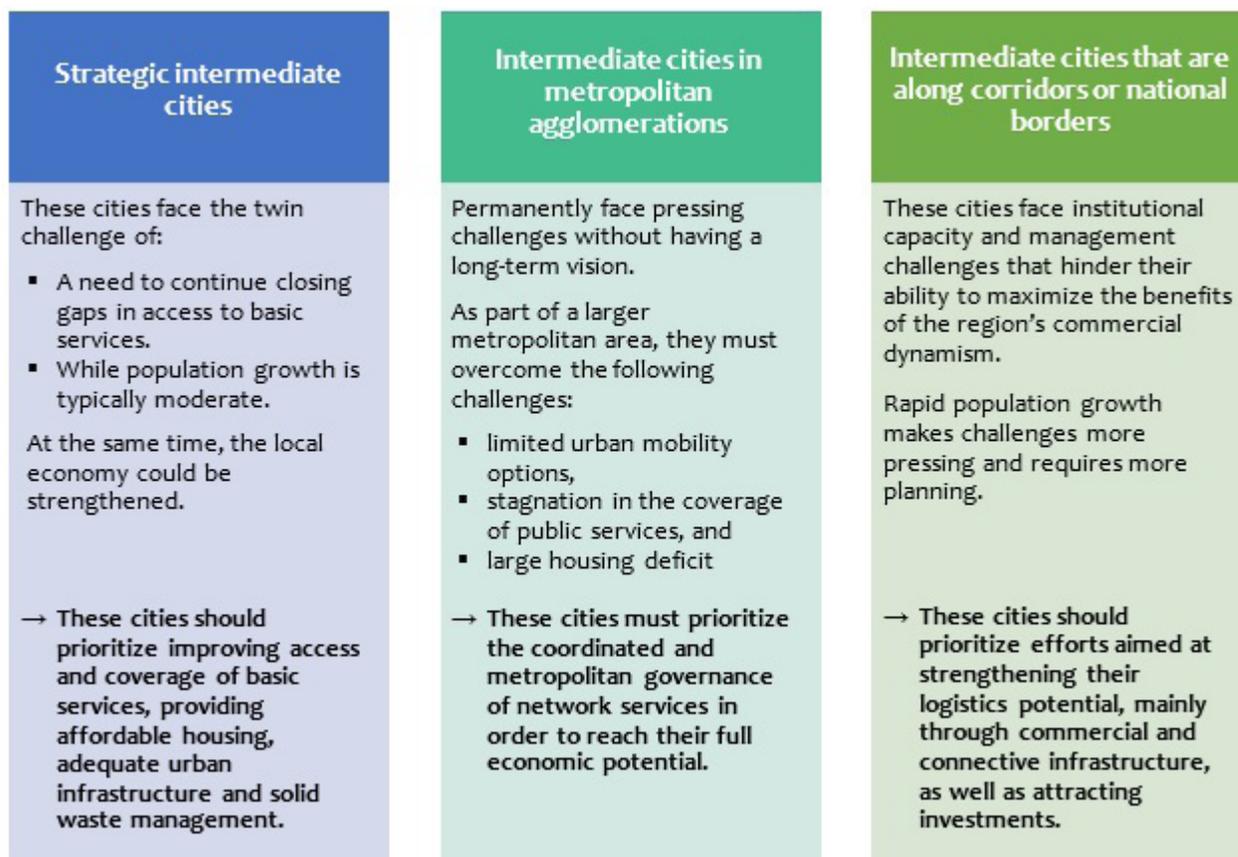
revenues. For example, in the case of Trinidad, the city exhibits comparative advantages that favor the manufacturing industry and the services sector. From an analytical exercise that consisted of the classification of 50 economic activities, it was found that 30 activities are growth promoters and absorb 65% of the employed population of the city.

- e. **To prepare intermediate cities to deal with the potential impacts of natural disasters and climate change, it will be important to develop a suite of diagnostic and training tools.** Three categories could be used to group these activities: (i) development of information and data systems; (ii) evaluation of risk management tools; and (iii) identification of funding opportunities. This support would result in improvements in urban management capacity and availability of geospatial data for better asset management, flood and disaster management,

early warning systems, and so on. This analysis could be adapted based on the current situation of each intermediate city, according to its exposure to disasters and its vulnerability.

**Finally, a strategy for intermediate cities must recognize the particularities of each city typology.** Although there are common elements and challenges, the dynamics that take place in cities vary across the country. With high variability from population size to local economic size and geographic context, each of these cities has its own realities that require particular policies and development management that must be designed and implemented by local governments. See Figure F for a summary of the categories of intermediate cities and their unique characteristics that could be areas of focus within a particular strategy ([Main report](#), [Trinidad case study](#)).

Figure F. Guidelines for a strategy of intermediate cities in Bolivia



## End Notes

<sup>1</sup> The National Statistics Institute (INE) defines urban areas as jurisdictions with more than 2,000 inhabitants.

<sup>2</sup> In this report, “cities” are considered all those urban areas with more than 10,000 inhabitants, sorted by size categories as described in Table 1.

<sup>3</sup> The use of these population thresholds based on the categorization of cities by population ranges published in the report Technical Assistance Urban Development (World Bank, 2016) and a review of international literature.

<sup>4</sup> Roberts, B. (2015). *Gestionando Sistemas de Ciudades Secundarias*. Brussels, Belgium. Washington, D.C.: BID, Cities Alliance.

<sup>5</sup> Banco Mundial. (2014). *Estudio de Urbanización en Bolivia*. Washington, D.C.: Banco Mundial.

<sup>6</sup> It is estimated that an average family spends between 14 and 27 percent of its budget to cover costs associated with the purchase or rental of housing, and between 12 and 24 percent to cover transport costs (World Bank, 2017).

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