



## Approach Paper

# Bolivia 2011-2015

Country Program Evaluation





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**RE-483**

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## ANNEX

## ABBREVIATIONS

BCB	Central Bank of Bolivia
CAF	Development Bank of Latin America (formerly Andean Development Corporation)
CPE	Country Program Evaluation
DGCF	Dirección General de Contabilidad Fiscal [Fiscal Accounting Bureau]
DGPGP	Dirección General de Programación y Gestión Presupuestaria [Programming and Budget Management Bureau]
ECLAC	Economic Commission for Latin America and the Caribbean
FDI	Foreign direct investment
FONPLATA	Fund for the Development of the River Plate Basin
FSO	Fund for Special Operations
GDP	Gross domestic product
IBCE	Instituto Boliviano de Comercio Exterior [Bolivian Institute of Foreign Trade]
IFAD	International Fund for Agricultural Development
IIC	Inter-American Investment Corporation
INE	National Statistics Institute
MDRI	Multilateral Debt Relief Initiative
MECOVI	Program for the Improvement of Surveys and the Measurement of Living Conditions in Latin America and the Caribbean
MEFP	Ministry of the Economy and Public Finance
NDF	Nordic Development Fund
NFPS	Nonfinancial public sector
NPISH	Nonprofit institution serving households
OECD-DAC	Development Assistance Committee of the Organization for Economic Cooperation and Development
OPEC	Organization of the Petroleum Exporting Countries
OVE	Office of Evaluation and Oversight
SIGMA	Sistema Integrado de Gestión y Modernización Administrativa [Integrated Administrative Management and Modernization System]
YPFB	Yacimientos Petrolíferos Fiscales Bolivianos (state-owned oil company)

## I. INTRODUCTION

- 1.1 **This document describes the scope and methodology for the Bank’s Country Program Evaluation (CPE) with the Government of Bolivia for the 2011-2015 period.** A multidisciplinary team will perform the evaluation under the supervision of the Director of the Office of Evaluation and Oversight (OVE), Cheryl Gray. The team consists of Verónica González Diez, Evaluation Team Leader; Oliver Azuara; Maria Elena Corrales; Alejandro Guerrero; Oscar Quintanilla; Odette Maciel; and Adriana Molina. To ensure the evaluation’s relevance and usefulness, the team established a fluid dialogue with the Bank’s Management and with the Bank’s Country Office in Bolivia in particular. The evaluation will involve two missions to Bolivia—one in October 2014 and one in March 2015. The main tasks in these missions are to: (i) identify the key facets of the Bank’s relationship with the country, (ii) gather data and validate project appraisals, (iii) visit projects to gather information on executing agencies and beneficiaries, and (iv) hold workshops and focus groups.
- 1.2 **The evaluation timetable has been designed to align with the timing of decision-making processes relating to the Bank’s new strategy with Bolivia for the 2015-2020 period.** According to the protocol for country program evaluations, the findings of a country program evaluation should be provided at a time when the government is willing to make strategic decisions about the use of external assistance. In practice, this means having a draft report available that the Bank’s Management and the country’s authorities can consider during the first months of a new administration. The proposed timeline is laid out in Table 1.

**Table 1: Timeline of Activities**

ACTIVITY	DATE
Context analysis – First mission to Bolivia	October 2014
Approach paper	January 2015
Project review – Second mission to Bolivia	March 2015
Draft shared with Management and the Bolivian government for review	May 2015
Final document delivered to the Office of the Secretary	June 2015
Presentation to the Programming Committee of the Board	July 2015

## II. CONTEXT OF THE COUNTRY PROGRAM, 2011-2014

- 2.1 **The Plurinational State of Bolivia is a lower-middle-income country with an open economy based on natural resource extraction and export.** Bolivia's territory is organized into nine departments, with 112 provinces and 339 municipios and native indigenous campesino territories. Its population of 10.8 million is concentrated geographically in urban areas (62%) and in the departments of La Paz, Santa Cruz, and Cochabamba (70%). Pursuant to its constitution, Bolivia is founded on the basis of political, economic, juridical, cultural, and linguistic pluralism, within the integrating process of the country. In economic terms, although Bolivia's per capita gross domestic product (GDP) has improved over the last 10 years, it is still among the lowest in the region (US\$2,464 in 2012-2013 in constant 2009 US\$).<sup>1</sup> Bolivia also took part in the initiative for debt reduction<sup>2</sup> and is one of four countries eligible for the Bank's concessional funds.<sup>3</sup>
- 2.2 **In recent years, Bolivia has undergone a deep political, economic, and social transformation.** Politically, the victory of the Movement Toward Socialism (MAS) party in the 2005 elections and the arrival of Evo Morales as President in 2006 marked the start of a process of redefining the role of the Bolivian State, a Plurinational State comprising autonomies as enshrined in the new constitution approved and enacted in 2009. This redefinition deepened with the passage of the 2010 Autonomies and Decentralization Framework Law, which sought to strengthen the roles and responsibilities of the subnational entities. Economically, the Bolivian State has been taking control of strategic industries through a process of nationalization. This includes strategic sectors such as oil and gas (2006), mining (2007), and electric power (2010), as well as other sectors—telephony (2008) and cement (2010). Nationalization of energy resources coincided with a sustained rise in prices, enabling the government to collect a record amount of revenue from its direct tax on hydrocarbons and use it for capital expenditure and public investment in infrastructure. On the social front, significant strides have been made toward

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<sup>1</sup> Document GN-2442-46 – Fund for Special Operations (FSO). Proposal for the Allocation of Resources 2015-2016. November 2014. Annex II.

<sup>2</sup> Bolivia took part in the Heavily Indebted Poor Countries Initiative for debt reduction and the Multilateral Debt Relief Initiative (MDRI). In 2006-2007, under the MDRI, Bolivia benefited from the forgiveness of a sizeable portion of its external debt with the IDB, the International Monetary Fund, and the World Bank (for a total of US\$3 billion—around 60% of its outstanding debt). The IDB forgave 100% of the eligible disbursed FSO debt as of December 2004, for an amount of US\$1.171 billion ([www.jubileobolivia.org.bo](http://www.jubileobolivia.org.bo)).

<sup>3</sup> Country eligibility to receive concessional financing from the FSO is determined on the basis of the enhanced performance-based allocation system, which has two components: (i) needs and economic strength, including GDP per capita (with a threshold of US\$2,579); and (ii) country performance, which includes portfolio performance and quality of the institutional and policy framework. Also considered is the level of risk of debt distress, which determines the appropriate blend of Ordinary Capital resources (document GN-2442-46).

reducing poverty rates and creating a social safety net through the implementation of nationwide social programs.

**A. Macroeconomic context**

- 2.3 **Bolivia's economy has experienced a major compositional shift<sup>4</sup> and maintained steady economic growth in recent years.** Annual GDP growth averaged 4.6% from 2006 to 2010, and 5.6% from 2011 to 2014 (Figure 1). The GDP growth rate for 2013 (6.8%) was the highest rate recorded in the country for the last 40 years.<sup>5</sup> This growth is explained largely by the growth in manufacturing and in the crude oil and gas sector (Figures 2 and 3). Although Bolivia has a diversified economic structure, and has accumulated significant international reserves ensuring its stability, the increased share of oil and gas in the economic structure could, over the long term, prove vulnerable to potential external shocks resulting from changes in global oil and gas prices (Figures 4 and 5).
- 2.4 **The increased share of internal demand in economic growth, coupled with increased food prices, gave rise to inflationary pressures.** According to the national accounts, household consumption and gross capital formation have been the largest contributors to annual GDP growth (Figure 6). In 2012, the domestic market accounted for 2.9 percentage points of the 5.2% GDP growth rate, while net exports accounted for 2.3 percentage points.<sup>6</sup> The rise in internal demand reflects increased electric power, water, and residential gas consumption and supermarket and restaurant sales and services. During the 2001-2005 period, inflation remained below 5%, but rose to 11.8% in both 2007 and 2008.<sup>7</sup> Monetary measures were implemented in 2013, bringing the rate down to 6.48%. The Central Bank of Bolivia (BCB) estimates that inflation will close out 2014 at 5.5%.
- 2.5 **Economic growth helped to lower the public debt as a percentage of GDP, and the debt reduction process made debt restructuring possible.** While external debt amounted to 52% of GDP in 2005, it stood at 18% of GDP in 2013—a ratio indicating that Bolivia remains at optimum levels of solvency (Figures 7 and 8). Broken down by creditor, 66% of the 2013 external public debt was owed to multilateral agencies, with CAF accounting for 47%, followed by the IDB (34%) and the World Bank (14%) (Figure 9). In 2005, the external debt was twice the

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<sup>4</sup> In the 1990s, manufacturing and the primary sector—agriculture, forestry, and fisheries—were the main economic activities. This changed significantly with the expansion and nationalization of the energy sector. By 2013, mining and oil and gas extraction were the activities reporting the largest share of GDP.

<sup>5</sup> Data from Bolivia's Ministry of the Economy and Public Finance (MEPF).

<sup>6</sup> Data from Bolivia's MEPF.

<sup>7</sup> Between March 2006 and March 2008, the international food price index nearly doubled in nominal terms (World Bank, 2012. "Food Price Inflation and its Effects on Latin America and the Caribbean"). In the first half of 2013, inflationary pressures reemerged due to the rise in food prices. By November of that year, this trend was reversed, driven by measures taken by the government to increase the food supply (increased imports of items in the basic shopping basket and agreement on wholesale prices with local producers) (IMF Article IV, February 2014).

internal debt, while the two amounts were similar in 2013. External public debt forgiveness brought the total down from US\$4.9 billion in 2005 to US\$2.2 billion between 2005 and 2007.

- 2.6 **In the external sector, Bolivia has run a trade surplus since 2004; foreign direct investment (FDI) is at record levels, and net international reserves are the highest in the region.** In 2013, the trade surplus was US\$2.1 billion (7% of GDP). The majority of exports are related to oil and gas extraction (54%) and manufacturing (24%), while imports were mainly raw materials and intermediate goods (47%), followed by capital goods (31%) (Figures 10 and 11). In 2013, FDI rose to US\$1.75 billion (5.7% of GDP), 65% higher than in the 2012 fiscal year and nearly nine times more than in 2003.<sup>8</sup> FDI mainly flowed toward the oil and gas sector (70%), followed by manufacturing (17%) and trade, power, mining, and other services (10%).<sup>9</sup> Net international reserves closed 2013 at US\$14.4 billion, representing 47% of GDP (among the highest levels in the region).<sup>10</sup>
- 2.7 **Public finances have been running a surplus in the nonfinancial public sector (NFPS) since 2006, but deficits are projected for 2014 and 2015.** In 2013, the surplus amounted to 0.65% of GDP, while in 2002 the deficit came to -8.8% (Figure 12). In 2014, the NFPS is projected to have a deficit, of approximately 3.2% of GDP, for the first time after eight years of surpluses.<sup>11</sup>
- a. On the revenue side, the increase in the direct tax on hydrocarbons and the price for natural gas and other commodities played a vital part in the fiscal surplus.
  - b. Government spending has also followed an upward trend in recent years. In 2014, consolidated current expenditure will hit 46% of GDP, considerably more than the 29% posted in 2005.<sup>12</sup>
  - c. Public investment also grew steadily over the last decade. While 63% of public investment came from external financing sources in 2005, in 2013 those sources accounted for just 18% of total investment. By sector, 40% of gross investment in 2013 went to infrastructure, followed by 29% for the social sector and 27% for the productive sector.<sup>13</sup>

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<sup>8</sup> Gross FDI flows went mainly to the oil and gas sector (68.9%), industry (15.1%), and mining (7.4%). Figures from the Bolivian Institute of Foreign Trade (IBCE), with BCB data.

<sup>9</sup> IBCE figures, with data from the BCB and the MEFP, February 2014.

<sup>10</sup> According to the BCB, net international reserves would cover 16 months of goods and services imports. Figures from the BCB, "Report on the Balance of Payments and International Investment Position. Fiscal Year 2013" and Latin Focus Consensus Forecast.

<sup>11</sup> The projected deficit for 2015 is 3.6%. Draft 2015 General Budget. MEFP, BCB.

<sup>12</sup> Also, capital expenditures amounted to 9% of GDP in 2005, rising to 13% by 2013. Figures from the MEFP. Office of the Deputy Minister for Budget and Fiscal Accounting (VPCF).

<sup>13</sup> Figures from the MEFP.

- 2.8 **Despite the large share of public investment focused on infrastructure, Bolivia's competitiveness indicators are significantly lagging.** The country invested the equivalent of 4.47 percentage points of GDP in infrastructure in 2012, primarily in transportation (78%) and energy (10%).<sup>14</sup> Gross fixed capital formation accounts for approximately 21% of total government spending.<sup>15</sup> Nevertheless, according to the Global Competitiveness Index, Bolivia's infrastructure ranks one hundred ninth in the world, out of 144 countries. In addition to productive infrastructure, Bolivia also has major needs in terms of coverage of basic services—water, drainage, and power.
- 2.9 **Decentralization of public expenditure faces challenges in terms of resource execution.** In 2013, under the new Autonomies and Decentralization Framework Law (Law 031) passed in July 2010, the central government channeled a total of 27.484 billion bolivianos in departmental royalties and transfers, or approximately 13% of GDP, to departmental and municipal governments and public universities (Figure 13). Despite these increases, widespread budget under-execution has been observed since 2010. The execution capacity of subnational public agencies could become a bottleneck to executing higher levels of public investment in the coming years.
- B. Social indicators**
- 2.10 **In the last few years, Bolivia has increased social spending and reduced poverty levels. Despite these gains, social lags and regional inequalities persist.** Social spending by the central government amounted to 17% of GDP in 2013, about five percentage points more than in 2005. The total population living in poverty dropped from 60% in 2007 to 43% in 2012, while extreme poverty fell from 38% to 22% over the same period (Figure 14). Inequality, as measured by the Gini coefficient, also improved somewhat in recent years, from 0.58 in 2005 to 0.46 in 2012 (World Development Indicators). Nevertheless, Bolivia's social indicators remain among the worst in the region,<sup>16</sup> with major regional disparities<sup>17</sup> (Figures 15 and 16).
- 2.11 **The government implemented cash-transfer social programs.** Three cash-transfer programs have been put in place, covering 36% of the population:

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<sup>14</sup> Economic Infrastructure Investment in Latin America and the Caribbean Database, 1980-2012, Economic Commission for Latin America and the Caribbean (ECLAC).

<sup>15</sup> Current expenditure represents 57% of total expenditure. Consolidated expenditure budget 2014-2015 (projected).

<sup>16</sup> For example, infant mortality (measured as the number of children who die before turning one per 1,000 live births) in Bolivia is 45.6, while in the region it is 21.4; life expectancy at birth is 67 years, in contrast to 75 years in the region; and primary and secondary school enrollment rates are 83% and 68%, respectively, while the regional figures are 93% and 73%. Source: ECLAC.

<sup>17</sup> For example, Santa Cruz's coverage rates are more than 90% for electric power and more than 80% for piped water, while in Pando these indicators are 72% and 42%, respectively. National Statistics Institute (INE).

- a. Bono Juancito Pinto (2006), which provides yearly subsidies of US\$29 as an education incentive, covering a little over 2 million beneficiaries;
- b. Renta Dignidad (2008), which currently gives grants of US\$344 to US\$434 to older adults 60 and over,<sup>18</sup> with more than 1 million beneficiaries; and
- c. Bono Juana Azurduy (2009), which provides a total payment of US\$263 to new mothers during the months of their pregnancy and for up to two years after the birth of their child. The payments are as based on the mothers attending four prenatal medical visits, receiving care for the birth and postpartum care by qualified professionals, and checkups for their children until age two. In 2013 Bono Juana Azurduy covered more than 1 million beneficiaries.

### III. THE BANK'S STRATEGY IN BOLIVIA

#### A. Background

3.1 **In the time since President Evo Morales took office in 2006, the Bank has had three Country Strategies with Bolivia** (2004-2007, 2008-2010, and 2011-2015). Given the changes in the political and economic environment, the first two programming documents were out of sync with the country's political cycle. OVE's evaluations of these two strategies arrived at the following conclusions:

- a. The evaluation of the strategy for 2004-2007 stressed the importance of generating high-quality knowledge regarding Bolivia's development challenges during its transition process (political, economic, and social), as well as the importance of sector-level policy dialogue enabling the IDB to play a more proactive role in the country. It also recommended reviewing the role of the Bank's policies and procedures and their impact on portfolio execution.
- b. The evaluation of the strategy for 2008-2010 found that the Bank had kept its focus on areas where it has the most experience, such as infrastructure and delivery of basic services, without becoming a more prominent player in crucial areas for the country's social development. During this period, the Bank and the country made significant efforts to enhance the efficiency of the portfolio in execution, streamlining disbursements and reducing the average age of the IDB portfolio in the country. The evaluation recommended improving the IDB's engagement with the government through its Country Office in Bolivia (i.e. personnel and resource allocation and incentives), allocating nonreimbursable resources at a programmatic level, and keeping up an ongoing program of analytical supports for strategic sectors.

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<sup>18</sup> In addition, in 2014, the government made an additional grant of US\$29 to US\$36.

**B. The Bank's Country Strategy with Bolivia (2011-2015)**

3.2 **The IDB strategy for the 2011-2015 period, approved in September 2011, is based on the 2006-2011 National Development Plan and the 2010-2014 Government Plan.** Both plans organize their strategy around four pillars: *Bolivia Democrática* [Democratic Bolivia],<sup>19</sup> *Bolivia Productiva* [Productive Bolivia], *Bolivia Digna* [Dignified Bolivia], and *Bolivia Soberana* [Sovereign Bolivia]. The objectives under these pillars are to eradicate poverty and inequity, build a plurinational and social-communitarian State, diversify the production matrix via strategic surplus-generating sectors and the development of productive infrastructure, and build a sovereign and self-determined State. The IDB's strategy with Bolivia is aligned with these strategic pillars and, in principle, assigns priority to sectors that would help achieve these aims. The Bank's strategy with Bolivia also includes actions related to crosscutting issues.

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<sup>19</sup> The 2010-2014 Government Plan describes a democratic, plurinational Bolivia that respects local autonomy.

**Table 2: Sector Priorities and Risks Identified in the 2011-2015 Strategy**

<b>Pillar of Government Plan</b>	<b>Area of Bank intervention</b>	<b>Strategic IDB and country objectives for the 2011-2015 program</b>
<i>Bolivia Digna</i>	Water, sanitation, and solid waste	<ul style="list-style-type: none"> <li>• Increase coverage of water and basic sanitation (urban and rural)</li> <li>• Increase coverage of wastewater treatment and access to proper solid waste disposal in large cities</li> </ul>
	Early childhood development (ECD)	<ul style="list-style-type: none"> <li>• Narrow the ECD services information and coverage gap</li> </ul>
	Education	<ul style="list-style-type: none"> <li>• Raise the net coverage rate and net completion rate of secondary community production-oriented education</li> <li>• Increase the percentage of young people aged 15 to 19 who complete ninth grade</li> </ul>
	Health	<ul style="list-style-type: none"> <li>• Expand overall coverage of healthcare services</li> <li>• Increase the response capability of health networks</li> <li>• Reduce mother-child mortality</li> <li>• Strengthen health sector management capacity</li> </ul>
<i>Bolivia Democrática</i>	Strengthening of public governance	<ul style="list-style-type: none"> <li>• Increase training in public governance for civil servants</li> </ul>
	Strengthening of fiscal sustainability	<ul style="list-style-type: none"> <li>• Preserve macroeconomic stability and fiscal sustainability</li> </ul>
	Strengthening of country systems	<ul style="list-style-type: none"> <li>• Strengthen public governance by implementing the public expenditure and financial accountability action plan</li> <li>• Support the development of SIGMA as a tool for development project management and administration</li> </ul>
<i>Bolivia Productiva</i>	Transportation	<ul style="list-style-type: none"> <li>• Improve coverage of paved roads</li> <li>• Improve the basic road network by applying maintenance standards</li> <li>• Expand nonroad transport modalities</li> </ul>
	Energy	<ul style="list-style-type: none"> <li>• Extend the national interconnected power grid</li> <li>• Increase energy generated from renewable sources</li> <li>• Increase rural electricity coverage</li> </ul>
Crosscutting issues	Climate change adaptation	<ul style="list-style-type: none"> <li>• To be determined at the project level</li> </ul>
	Intercultural communication and indigenous communities	
<p><b>Risks identified in the IDB strategy</b></p> <p>The strategy identified three types of risks: (i) macroeconomic, arising from volatility in international oil prices and the possibility of natural disasters; (ii) institutional, which stem basically from changes in the organizational structure of the State, resulting from implementation of the new Constitution; and (iii) risks related to changes being made in the legal and regulatory framework governing economic activity, which could impact private sector window operations.</p>		

- 3.3 During the evaluation period (2011-2015) the Bank conducted three programming exercises (2012, 2013, and 2014). The IDB successfully approved 100% of the programmed resources, 70% of the number of programmed loans (investment and policy-based loans), and 40% of programmed technical-cooperation operations.

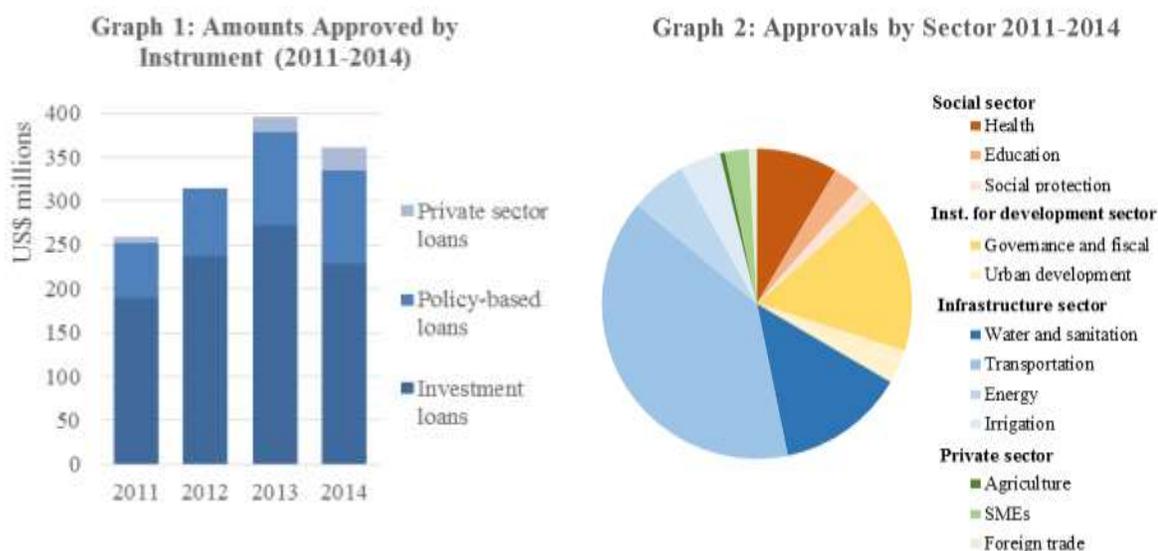
**C. The Bank's operational portfolio 2011-2015**

- 3.4 **From 2011 to 2014 (December), the Bank approved US\$1.280 billion in sovereign-guaranteed loans (equivalent to US\$320 million per year) and US\$51 million in non-sovereign guaranteed loans.**<sup>20</sup> The country strategy with Bolivia envisaged a base case scenario of US\$1.260 billion in sovereign-guaranteed lending, with annual approvals of US\$252 million. In the alternative scenario, with the blend of Ordinary Capital and concessional (FSO) funds changing from 75%-25% to 80%-20%, lending for the period would be US\$1.512 billion, with US\$315 million in annual approvals.<sup>21</sup> During the 2012 fiscal year, Bolivia was able to change its concessionality conditions to the 80%-20% scenario. This allowed for US\$315 million in approvals of sovereign-guaranteed loans for that year.
- 3.5 **The Bank-financed portfolio is made up primarily of investment loans and is concentrated both geographically and in terms of sectors.** Of the total amount approved from 2011 to 2014 (US\$1.331 billion in sovereign and non-sovereign guaranteed lending), by instrument 70% (US\$928 million) was for investment loans, concentrated in the infrastructure (US\$641 million) and social (US\$178 million) sectors. Policy-based loans accounted for 26% (US\$352 million)—two thirds for infrastructure (water and transportation) and the remainder for enhancing public expenditure efficiency and supporting political and fiscal decentralization. The remaining 4% (US\$51 million) were private sector loans (Graphs 1 and 2). Of the IDB's public investment loans, 20% went to national coverage, while 60% were concentrated in the departments of Cochobamba, La Paz, and Santa Cruz (Annex, Table 3.2).

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<sup>20</sup> These figures only include loans from the Structured and Corporate Financing Department (SCF). Between 2011 and 2014, the Inter-American Investment Corporation (IIC) approved 17 operations for US\$48 million in Bolivia, representing 6% of its total portfolio in the region for that period. The resources were highly concentrated in corporate loans for value chains in the agricultural sector in the region of Santa Cruz. This evaluation does not cover the IIC's portfolio.

<sup>21</sup> The mix in place from 2012 through 2015 has been 80% Ordinary Capital and 20% FSO resources. A new adjustment is planned for 2016, to a mix of 85% Ordinary Capital and 15% FSO resources. This would raise Bolivia's credit ceiling from US\$475.1 million in 2015 to US\$633.4 million in 2016. See Fund for Special Operations, Proposal for the Allocation of Resources 2015-2016, document GN-2442-46 (November 2014).



3.6 **The Bank also supported Bolivia with technical cooperation operations and investment grants.** Between 2011 and 2014, 66 technical cooperation operations were approved, totaling US\$24.1 million, mainly associated with the preparation of investment and policy-based loans. Two investment-grant operations were approved for a total of US\$25.4 million to supplement loans for water and electricity in rural areas.<sup>22</sup> Lastly, the Multilateral Investment Fund (MIF) approved US\$20.7 million.

3.7 **The CPE will also consider loan operations approved prior to 2011, if executed substantially during the evaluation period.**<sup>23</sup> Disbursement flows fell by US\$100 million in 2005 and dipped below US\$50 million in 2008, resulting in considerable cumulative undisbursed resources at the start of the 2011-2015 period. Because of this, along with the rapid rise in annual disbursements, many loans inherited from previous cycles were executed during the strategy period (Graph 3).<sup>24</sup> Consequently, the loan portfolio under evaluation will consist of 54 operations for an approved total of US\$2.235 billion. The portfolio comprises mainly sovereign-guaranteed loans (49 operations, US\$2.187 billion).<sup>25</sup>

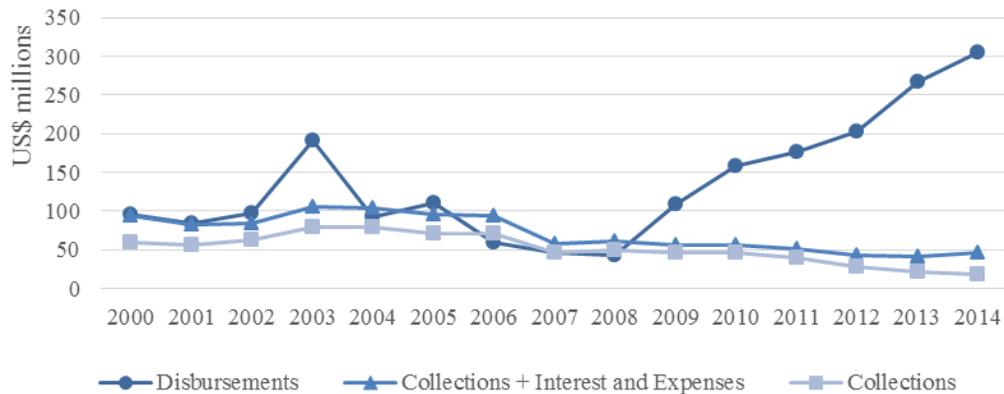
<sup>22</sup> Of the investment grants, US\$20 million corresponded to the Spanish Water Fund. This fund had approved US\$80 million in 2009 to support the sector (BO-X1004).

<sup>23</sup> The inherited portfolio includes all operations that had an undisbursed balance of more than 30% of the originally approved amount as of 1 January 2011. Operations below this cutoff will also be considered if they are necessary for completion of the sector analysis.

<sup>24</sup> These include: 14 loans (US\$270.3 million) completed during the strategy period, with more than 30% disbursed between 2011 and 2014; and 12 loans (US\$549.2 million) as yet not completed that disbursed during the strategy period (Annex).

<sup>25</sup> In terms of the Government Plan pillars, 19 operations (US\$574 million) support *Bolivia Digna*, eight operations (US\$399.3 million) support *Bolivia Democrática*, and 22 operations (US\$1.2137 billion) support *Bolivia Productiva* (Annex, Table 3.1).

Graph 3: Capital Flows with Bolivia 2000-2013



Source: <http://trendsandstatistics/TrendsAndStatistics/ByCountry/Default.html>.

## IV. EVALUATION QUESTIONS

### A. Evaluative dimensions

4.1 **This CPE will use the traditional evaluative dimensions of relevance, effectiveness, and sustainability (OECD-DAC).** These dimensions together provide a complete picture of the program, in terms not only of its significance, but also of its outcomes and the means used to achieve them. For Bolivia, OVE will emphasize the analysis of those elements that kept the Bank relevant during a period of rapid economic growth and consolidation of political, economic, and social reforms, in a context of greater access to internal and external financing.

#### Relevance

4.2 **Relevance measures how well the objectives of the Bank's program were aligned with the country's long-term needs.** Relevance must also factor in the changing nature of a country's needs. Guiding questions for the analysis of relevance will include:

- Were the Bank's objectives set forth in its strategy **relevant** to the country's long-term needs, as expressed in Bolivia's development plan and government plan? What was the IDB's technical and financial relevance in Bolivia? How well aligned was the Bank's portfolio with its strategic objectives and with the country's needs?
- How did the Bank **strategically position itself** in Bolivia's political, economic, and social landscape? How did the IDB program adapt to changes

in context, particularly as regards greater access to internal and external financing sources?

### **Implementation and effectiveness**

4.3 **This analysis combines concepts related to accomplishing the program's outcomes: project implementation and effectiveness.** *Implementation* encompasses efficiency as well as crosscutting elements, such as the use of country systems and the quality of technical and administrative support from the Bank's Country Office and from Headquarters. *Effectiveness* refers to the extent to which the program objectives agreed by the Bank and the country were achieved, as well as the effectiveness of their interventions. Guiding questions include:

- How well was the **design of Bank operations** aligned with Bolivia's execution capacity, particularly as regards the use of country systems (financial management, procurement, environmental safeguards, etc.) and the use of execution units? Have the Bank and the country evolved toward a more intensive use of country systems?
- How **efficient** was implementation of the IDB's projects? What were the **main factors affecting execution of the IDB's portfolio**? How were issues surrounding joint responsibility between national and subnational entities for project execution (e.g. subsidiary contracts for projects in urban development, urban solid waste, cadastre, rural electrification) resolved? What impact did these issues have on project approval and execution times (efficiency) and on the policy dialogue? How have issues of joint responsibility been factored into the design of new projects? What other problems relating to project implementation arose during the evaluation period? Did the Bank help the country improve its execution capacity?
- How much **progress** has been made **in achieving the strategic objectives** of the Bank's country strategy with Bolivia? How **effective** has the IDB's **portfolio** in Bolivia been? What have been the Bank's most effective interventions?
- What has been the **role and effectiveness of technical cooperation operations** in the support of institutional strengthening? What has been the **role and effectiveness of the IDB's private-sector windows** in the Bank's program with Bolivia?

### **Sustainability**

4.4 **Sustainability refers to the likelihood that the program's outcomes will continue over the long term.** Under this heading, the CPE will seek to address the following questions:

- To what extent did the Bank **anticipate sustainability challenges/risks** in the design of the program and its operations? Which mechanisms appear to

have contributed—positively or negatively—to the sustainability of the program’s outcomes?

- To what extent did the Bank’s program and operations become **institutionalized** in the country’s institutional structures? How sustainable have the implemented institutional arrangements been?

## **B. Information sources and methodology**

4.5 **The evaluation will draw on various information sources.** These include interviews with key informants: current and former government officials, project executing agencies, Bank sector specialists, international cooperation agencies (notably CAF and the World Bank), beneficiaries of IDB projects, and members of academia and civil society familiar with Bolivia’s development challenges. The Bank’s programming and loan documents, and supervision (progress monitoring report) and evaluation (project completion report) instruments will be examined. OVE will also review the impact evaluations available for IDB-financed programs in Bolivia and will complement its document review with statistical analyses of internal and external databases.

4.6 **The evaluation methodology will include quantitative analysis, based on statistical information and administrative data from projects, and qualitative analysis based on case studies.** OVE will prepare technical notes for each of the sectors (infrastructure, social, governance) that will be used as inputs for the evaluation of the IDB’s program in the country.<sup>26</sup> OVE will also prepare three specific studies on the case of Bolivia, which will also serve as inputs for the evaluation:

- a. An in-depth study of the social sector (Decentralization and Poverty Reduction: Challenges and Opportunities). This study will include an analysis of the Bank’s relevance as a development partner in Bolivia within the context of fiscal decentralization and decentralization of competencies. It will include an analysis of social indicators (basic needs) at the departmental and municipal levels, and the distributive effects of transfers. This study will be subject to a competitive bidding process will be financed with Swiss Fund resources.
- b. A comparative study of the strategic positioning and efficiency of the Bank’s portfolio vis-à-vis those of other financial institutions, such as CAF and the World Bank, in those sectors where the IDB’s actions coincide with those of

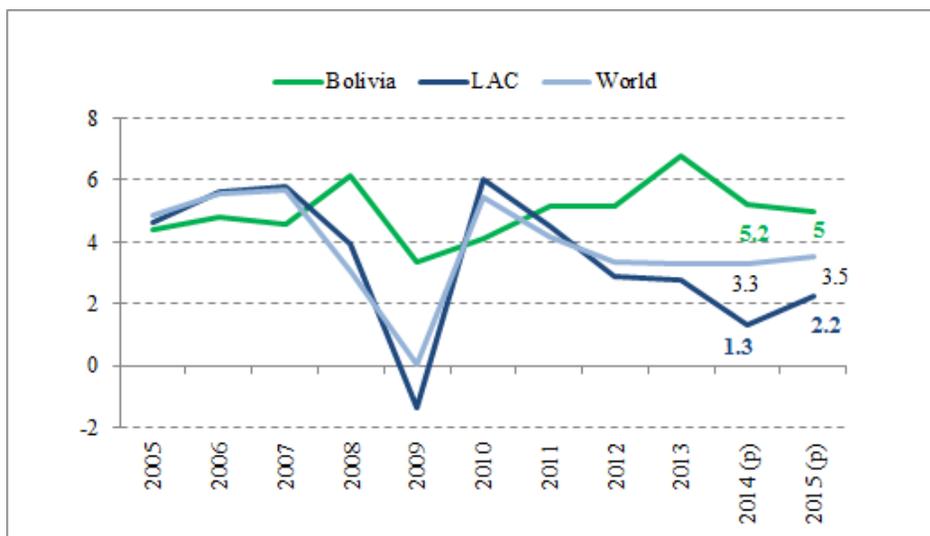
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<sup>26</sup> The technical notes will be organized in four sections: (1) **IDB strategy in the sector**, including the objectives of the IDB strategy, their progress indicators, the evaluability of the strategy, and the analysis of the strategic priorities in the sector; (2) **Evolution and challenges in the sector** during the strategy period, including changes in sector indicators and analysis of economic, political, institutional, technical, and legal challenges; (3) **Bank action in the sector**, including the analysis of the portfolio, execution efficiency, institutional arrangements for the implementation of projects, analysis of project outcomes with respect to the proposed objectives, and their sustainability; and (4) **Conclusions**.

the other institutions. Originally, comparative studies were identified in the transportation, water, and employment sectors.

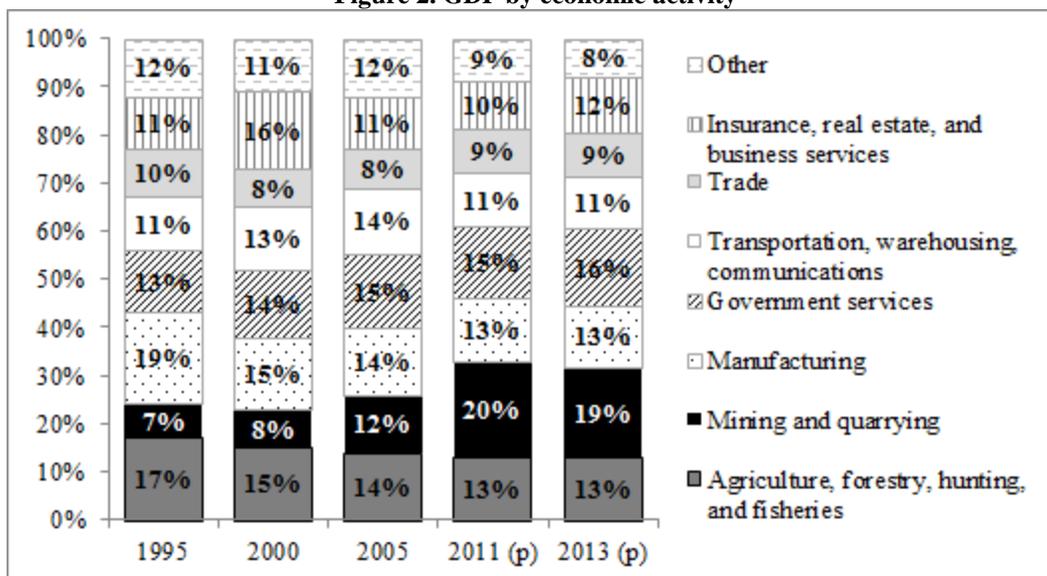
- c. An analysis of the impact of the decentralization of competencies on the execution of projects. This study will review the projects approved at the national level, but that, as a result of the deepening of the country's decentralization process, are executed at the subnational level. In principle, the plan is to conduct these studies at the departmental government level in Potosí and Santa Cruz and at the municipal level in La Paz and El Alto.

**Figure 1. Real annual growth as a percentage of GDP**



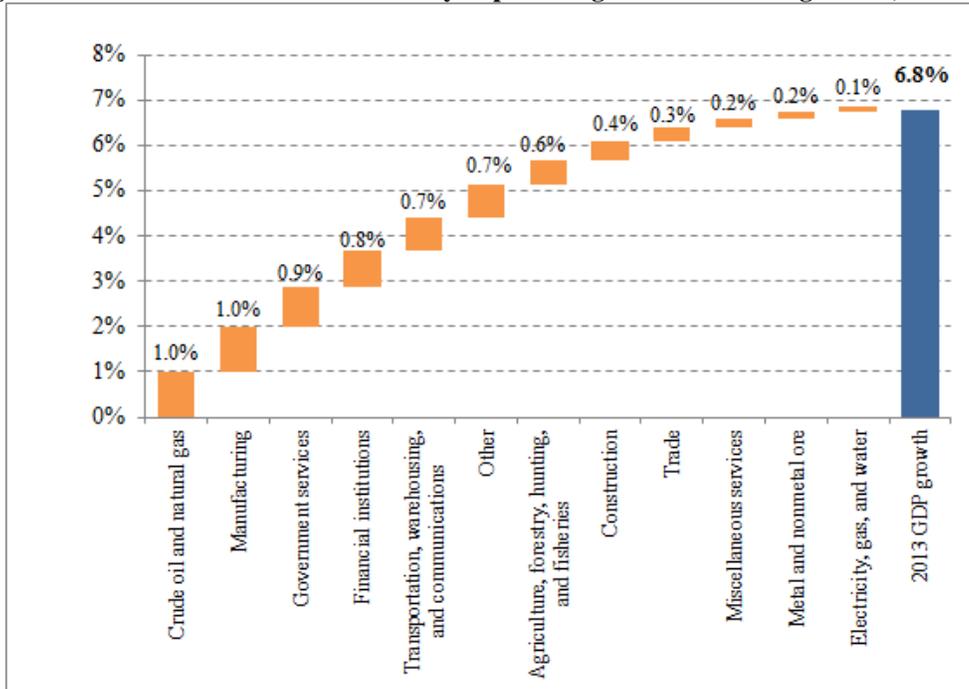
Source: Prepared on the basis of BCB, World Economic Outlook, and International Monetary Fund data. The 2014 figure is projected.

**Figure 2. GDP by economic activity**



Source: Prepared on the basis of INE data, "PIB, por actividad económica" [GDP by economic activity]. Contribution of economic activities to GDP (basic prices). Other headings include: Electricity, gas, and water; construction; community, social, personal, and domestic services; restaurants and hotels; and fee-based banking services. Not included is the category of import duties, value-added tax, the transaction tax, and other indirect taxes.

**Figure 3. Contribution of economic activity to percentage of annual GDP growth (2012-2013)**



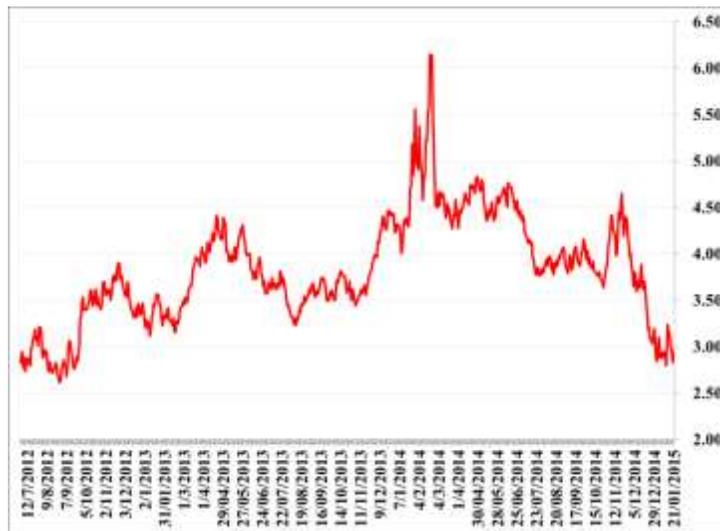
Source: Prepared on the basis of INE data. GDP at constant market prices. *Mining and quarrying* includes: Extraction of crude oil and natural gas and metal and nonmetal ores.

*Financial institutions* includes: financial services, insurance, business services, and real estate.

*Miscellaneous services* includes: community, social, personal, and domestic services, and restaurants and hotels.

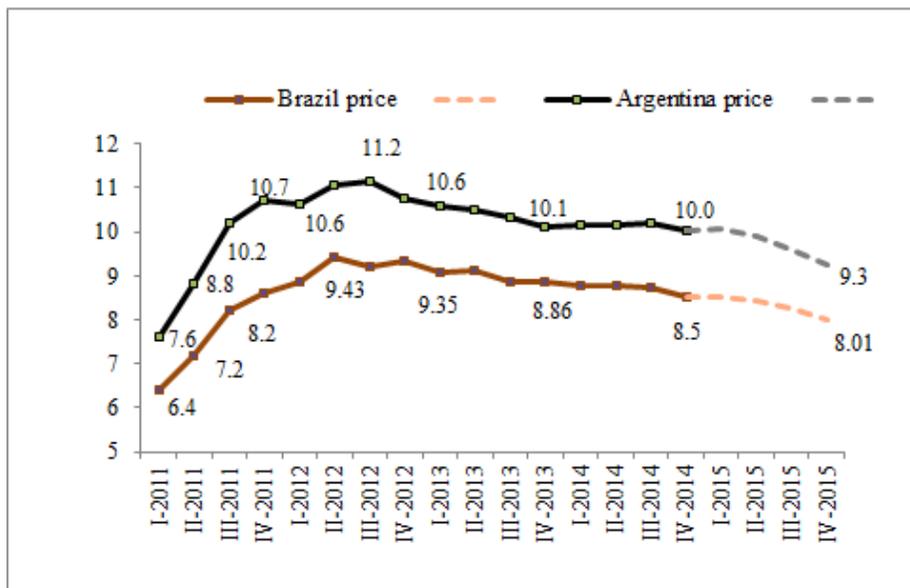
*Other* includes: import duties, value-added tax, transaction tax, and other indirect taxes, as well as fee-based banking services.

**Figure 4: Natural gas prices in the United States (2012-2014)**



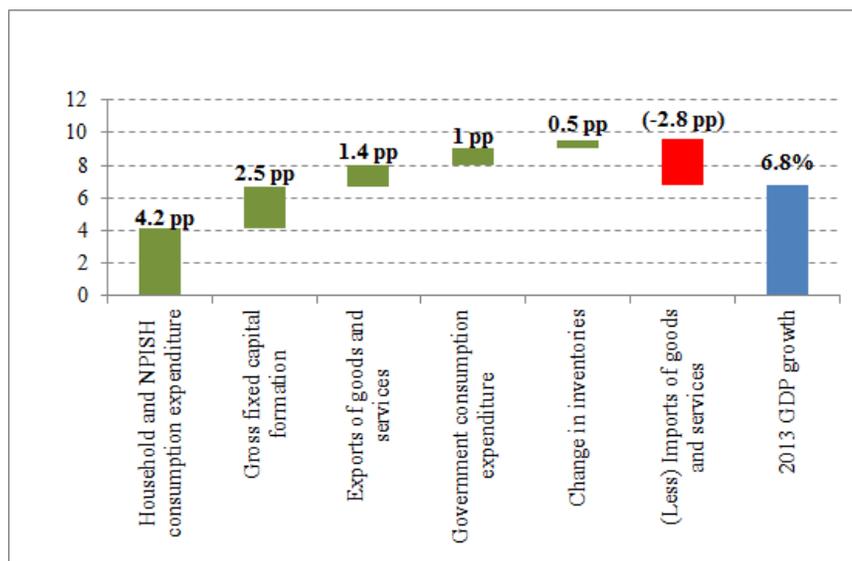
Source: Bloomberg.

**Figure 5. Natural gas export prices (US\$/million British thermal units) – contracts with Brazil and Argentina**



Source: YPF – MEFP and DGP. 2015 prices are estimates. Data taken from the “Proyecto de Presupuesto General del Estado 2015” [2015 Draft General State Budget].

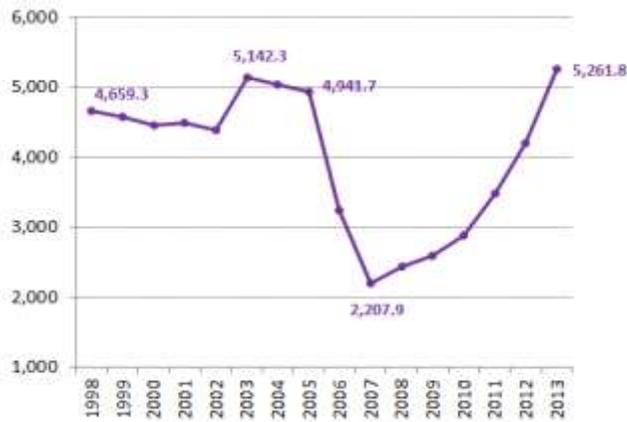
**Figure 6. Contribution of expenditure components to 2013 GDP growth**



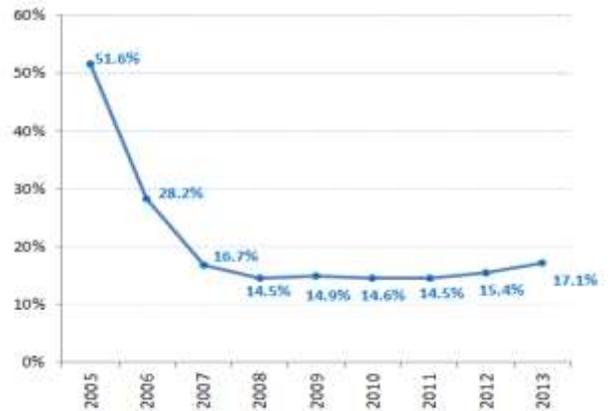
Source: INE. Preliminary data.

Note: NPISH refers to nonprofit institutions serving households.

**Figure 7. Outstanding external public debt  
(US\$ millions)**

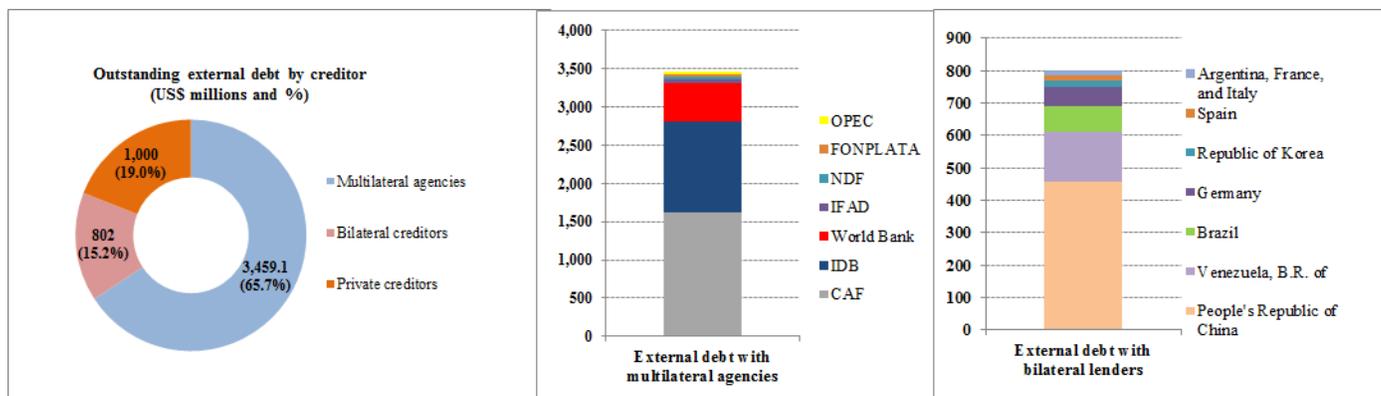


**Figure 8. Solvency ratio  
(external debt/GDP as %)**



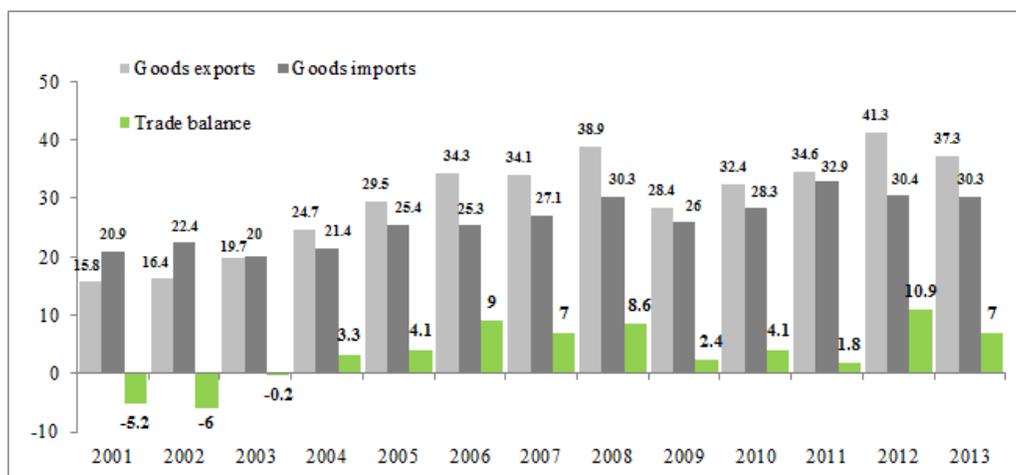
Source: Prepared on the basis of BCB data. “*Informe de la deuda externa pública*” [Report on External Public Debt]. International Operations Management Office. Preliminary data for 2013. The maximum acceptable level for the solvency ratio is 40%.

**Figure 9. Composition of outstanding external public debt (medium- and long-term) by creditor (Dec. 2013)**



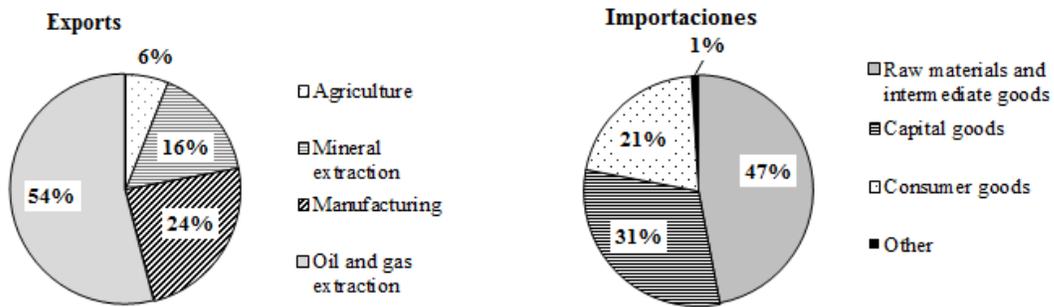
Source: Prepared on the basis of BCB data. International Operations Management Office.

**Figure 10. Trade balance (percentage of GDP)**



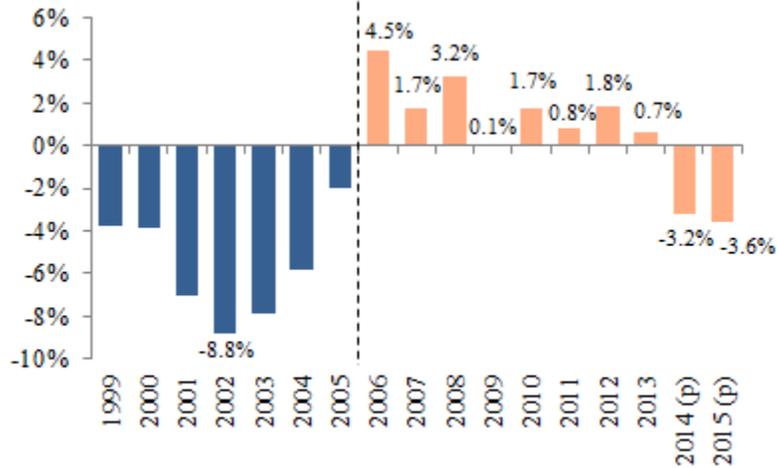
Source: BCB. "Reporte de la Balanza de Pagos y Posición de Inversión Internacional, Gestión 2013" [Report on the Balance of Payments and International Investment Position, 2013 Fiscal Year].

Figure 11. Composition of imports and exports (2013)



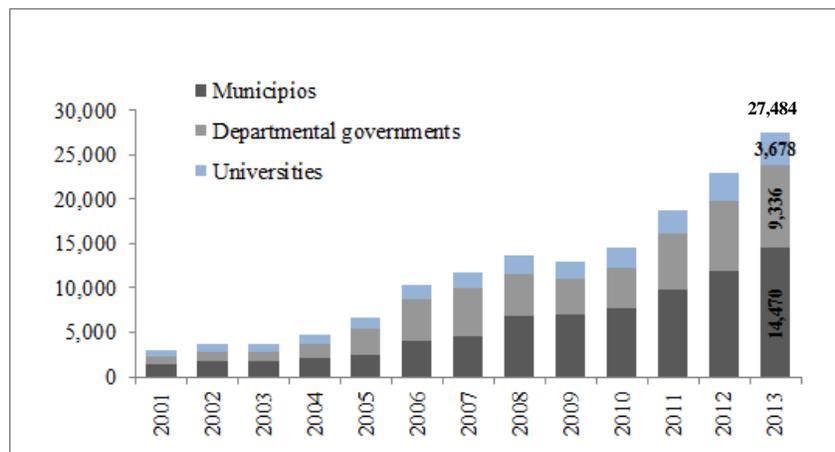
Source: Prepared on the basis of INE data and analyses by the MEFP. Preliminary data.

Figure 12. Nonfinancial public sector deficit/surplus (% of GDP)



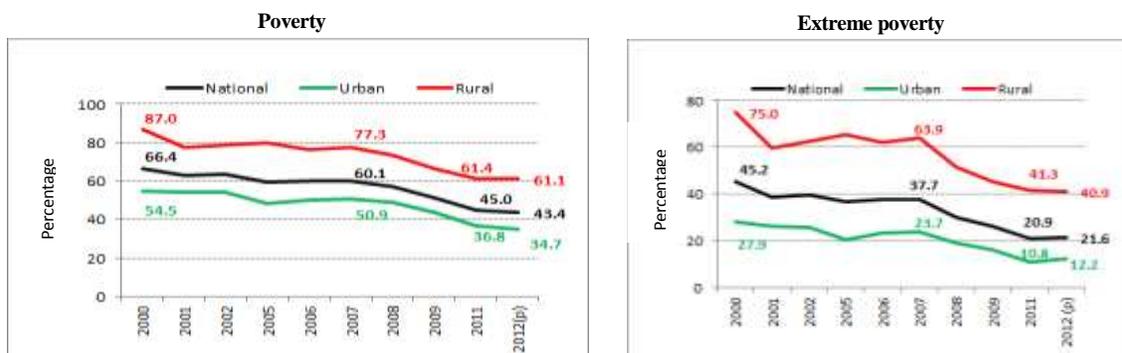
Source: MEFP and BCB.  
Budgeted figure for 2014 and projected figure for 2015.

Figure 13. National Treasury transfers and royalties (millions of bolivianos)



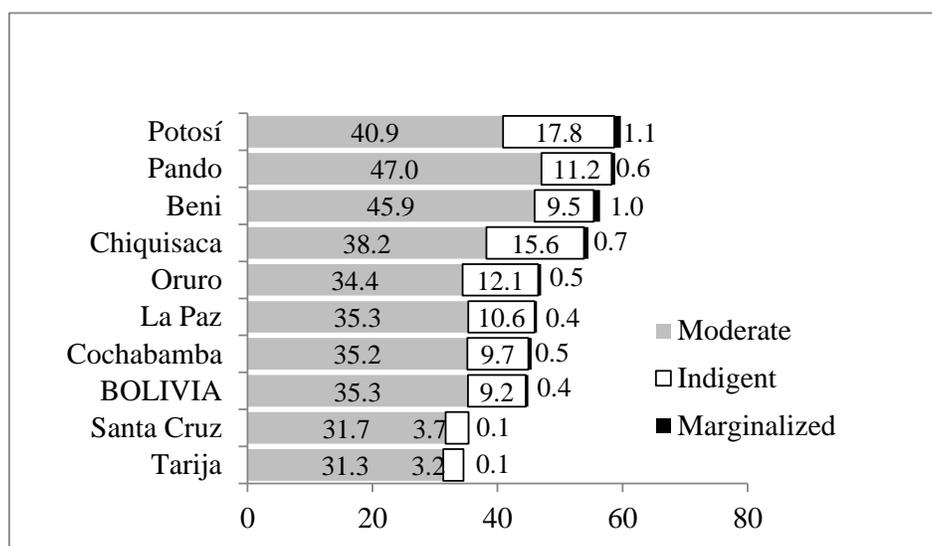
Source: Prepared on the basis of data from the MEFP, Fiscal Accounting Bureau (DGCF).

**Figure 14. Incidence of poverty and extreme poverty**



Source: INE. MECOVI 1999-2002, 2005-2011 Household Survey. The figure for 2012 is preliminary, drawn from the MEFP publication “Economía plural” [Plural Economy] (2014).

**Figure 15. Incidence of poverty, 2012**



Source: INE, 2012 Population and Housing Census. Poverty measured based on unmet basic needs.

**Figure 16. Coverage of basic services (%)**

	Piped water	Electricity <sup>1</sup>	Sewer service	Gas <sup>2</sup>
<b>Pando</b>	41.1	72.0	15.8	55.9
<b>Beni</b>	41.3	82.3	20.7	63.0
<b>Cochabamba</b>	54.6	80.8	56.0	71.8
<b>Potosí</b>	56.1	70.4	75.5	50.8
<b>Oruro</b>	64.0	78.9	85.2	70.2
<b>Chuquisaca</b>	67.7	69.1	79.4	57.4
<b>BOLIVIA</b>	<b>68.3</b>	<b>82.3</b>	<b>57.6</b>	<b>71.7</b>
<b>La Paz</b>	71.3	81.9	72.4	72.1
<b>Tarija</b>	82.4	89.9	65.2	75.0
<b>Santa Cruz</b>	83.4	91.2	40.2	84.0

Source: INE, 2012 Population and Housing Census.

<sup>1</sup> Includes own generator, solar panel, etc.

<sup>2</sup> Includes bottled as well as piped gas.

**Table 3.1 – Loans under evaluation, by strategy pillar, Bolivia CPE 2011-2015**

<i>Bolivia Digna</i>				
Sector	Operation	Name	Year	Initial amount
Water, sanitation, and solid waste	BO-L1065	Water and Sanitation Program for Small Towns and Rural Communities in Bolivia	2011	US\$20,000,000
	BO-L1073	Program for Comprehensive Solid Waste Management Implementation in Bolivia	2012	US\$20,000,000
	BO-L1074	Reform Program for the Water and Sanitation and Water Resources Sectors in Bolivia	2012	US\$78,000,000
	BO-L1087	Water and Sewerage Program in Periurban Areas Phase II	2013	US\$60,000,000
	BO0223	La Paz Storm Drainage Program	2007	US\$20,000,000
	BO-L1013	Small Community Water Program	2007	US\$21,000,000
	BO-L1034	Water and Sewerage Program in Periurban Areas Phase I	2009	US\$20,000,000
	BO-L1028	Drainage in the Municipios of La Paz and El Alto	2010	US\$30,000,000
Early childhood development	BO-L1064	“Grow Well to Live Well” Early Childhood Development Program	2012	US\$20,000,000
Education	BO-L1071	Support for Productive Community Secondary Education	2012	US\$40,000,000
Health	BO-L1067	Strengthening of Integrated Health Networks in the Department of Potosi	2011	US\$35,000,000
	BO-L1078	Improved Access to Hospital Services in Bolivia	2012	US\$35,000,000
	BO-L1082	Improved Access to Health Services in El Alto, Bolivia	2014	US\$43,000,000

<b><i>Bolivia Digna</i></b>				
<b>Sector</b>	<b>Operation</b>	<b>Name</b>	<b>Year</b>	<b>Initial amount</b>
Other	BO-L1070	Master Registry of Beneficiaries Program	2011	US\$5,000,000
	BO-L1079	Multiphase Program for the Urban Restructuring of La Ceja, Phase I	2013	US\$47,000,000
	BO-L1038	Neighborhood Improvement Multiphase Program, Phase I	2008	US\$30,000,000
	BO-L1012	Support for the Social Safety Net and Integral Community Development Program	2007	US\$10,000,000
	BO-L1032	Multiphase Program in Support of the Plan to Eradicate Extreme Poverty – Phase I	2009	US\$20,000,000
	BO-L1051	Program to Support Employment	2010	US\$20,000,000

<b><i>Bolivia Democrática</i></b>				
<b>Sector</b>	<b>Operation</b>	<b>Name</b>	<b>Year</b>	<b>Amount</b>
Public governance	BO-L1063	Municipal Management Improvement Program	2011	US\$52,000,000
	BO-L1047	Transparency and Anticorruption Program	2009	US\$5,000,000
Fiscal Sustainability	BO-L1062	Fiscal Policy and Decentralization Support Program (Second Programmatic Operation)	2011	US\$62,000,000
	BO-L1081	Effectiveness in Public Expenditure Support Program III	2013	US\$106,000,000
	BO0180	Local Development and Fiscal Accountability Program	2001	US\$119,300,000
	BO-L1007	Program to Consolidate Reforms in the Government Revenues Area	2006	US\$15,000,000
Country systems	BO-L1006	Program of Support for the National Public Investment System	2005	US\$13,000,000

<b><i>Bolivia Productiva</i></b>				
<b>Sector</b>	<b>Operation</b>	<b>Name</b>	<b>Year</b>	<b>Amount</b>
Transportation	BO-L1075	Montero-Yapacaní Two-lane Segment of the Santa Cruz-Cochabamba Highway	2012	US\$122,000,000
	BO-L1076	Airport Infrastructure Program. Stage I	2013	US\$73,500,000
	BO-L1093	Rehabilitation of the La Paz - El Alto Highway	2013	US\$35,000,000
	BO-L1089	Transportation Sector Policy Reform Program	2014	US\$106,000,000
	BO-L1095	Road Infrastructure Program to Support Development and Management of the Primary Road Network I	2014*	US\$185,500,000
	BO0033	Environmental and Social Protection in the Santa Cruz - Puerto Suárez Corridor	2002	US\$21,000,000
	BO0200	Northern Corridor Highway Program: La Paz - Caranavi Segment, IIRSA Rio Branco-La Paz Hub	2004	US\$33,148,000
	BO-L1011	Northern Corridor Highway Improvement Program, Santa Bárbara-Rurrenabaque Section	2006	US\$120,000,000
	BO-L1015	Performance-based Road Maintenance	2007	US\$21,000,000
	BO-L1031	Road Conservation in the East-West Corridor	2009	US\$25,000,000
	BO-L1056	Preinvestment Program for Strategic Transportation Projects	2010	US\$15,800,000
Energy	BO-L1072	Cochabamba-La Paz Electric Power Transmission Line	2011	US\$78,000,000
	BO-L1043	Misicuni Renewable Energy Hydroelectric Project	2009	US\$101,000,000
	BO-L1053	Misicuni Watershed Environmental Management Project	2010	US\$5,000,000
	BO-L1050	Rural Electrification Program	2010	US\$60,000,000
Other (agriculture, irrigation, tourism, and small and medium-sized enterprise)	BO-L1084	National Irrigation Program with a Watershed Approach II	2013	US\$57,000,000
	BO-L1021	National Irrigation Program with a Watershed Approach	2008	US\$34,300,000
	BO-L1037	Agricultural Health and Food Safety Program	2008	US\$10,000,000
	BO-L1040	Direct Supports for the Creation of Rural Agrifood Initiatives	2009	US\$20,000,000
	BO-L1039	National Community Tourism Program	2010	US\$20,000,000
	BO-L1001	Program to Create a Business Support Fund	2006	US\$10,000,000
	BO-L1001	Program to Create a Business Support Fund	2006	US\$10,000,000

<b>Private sector</b>				
<b>Sector</b>	<b>Operation</b>	<b>Name</b>	<b>Year</b>	<b>Amount</b>
Small and medium-sized enterprises	BO-L1094	Banco Económico MSME Financing Partnership	2013	US\$18,000,000
	BO-L1097	Banco Ganadero SME Financing Partnership	2014	US\$15,000,000
	BO-L1103	Banco de Crédito de Bolivia - TFFP A Loan	2014	US\$8,000,000
Agriculture	BO-L1066	Creating Opportunities for Small Sesame Producers in Bolivia	2011	US\$2,100,000
	BO-L1069	Strengthening of Value Chains at the Base of the Pyramid	2011	US\$5,000,000

Source: OVE. Corporate database.

Note: Shaded areas indicate project approved during the strategy period (2011-2015).

**Table 3.2 – Public Investment Projects with IDB Financing Active at 30 June 2014, in US\$ millions**

<b>Department</b>	<b>TOTAL</b>	Water	Urban development	Social safety net	Health	Education	Public governance	Transportation	Energy	Agriculture	Tourism	Natural resources
<b>Chuquisaca</b>	<b>36.56</b>	1.64	0.68	7.44	7.60	-	-	0.31	16.73	2.15	-	-
<b>Cochabamba</b>	<b>221.58</b>	25.47	1.26	-	-	-	-	17.14	175.59	2.13	-	-
<b>El Beni</b>	<b>109.64</b>	2.03	-	-	-	-	-	107.60	-	-	-	-
<b>La Paz</b>	<b>139.72</b>	20.67	29.45	-	10.55	-	-	17.52	54.13	4.67	2.73	-
<b>Oruro</b>	<b>28.58</b>	3.08	3.10	-	8.58	-	-	4.63	3.89	2.06	-	3.24
<b>Pando</b>	<b>0.27</b>	-	-	-	-	-	-	0.27	-	-	-	-
<b>Potosí</b>	<b>33.66</b>	5.22	6.18	7.44	9.26	-	-	0.85	-	1.46	-	3.24
<b>Santa Cruz</b>	<b>159.57</b>	24.80	1.36	-	-	-	-	129.75	-	3.66	-	-
<b>Tarija</b>	<b>5.86</b>	2.98	1.26	-	-	-	-	1.61	-	0.01	-	-
<b>National coverage</b>	<b>168.05</b>	12.91	53.00	26.31	-	25.08	0.59	6.79	5.00	27.71	10.66	-
<b>TOTAL</b>	<b>903.50</b>	<b>98.80</b>	<b>96.29</b>	<b>41.20</b>	<b>36.00</b>	<b>25.08</b>	<b>0.59</b>	<b>286.48</b>	<b>255.34</b>	<b>43.85</b>	<b>13.39</b>	<b>6.48</b>

Source: Prepared based on a public investment map from the Office of the Deputy Minister for Public Investment and External Financing (VIPFE).