



Country Program Evaluation

# **Bolivia**

## **2016-2020**

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Office of Evaluation and Oversight  
1350 New York Avenue, N.W.  
Washington, D.C. 20577  
[www.iadb.org/evaluation](http://www.iadb.org/evaluation)

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# Contents

<b>Preface</b> .....	<b>vi</b>
<b>Acknowledgements</b> .....	<b>viii</b>
<b>Acronyms and Abbreviations</b> .....	<b>viii</b>
<b>Executive Summary</b> .....	<b>x</b>
<b>Context of the Country Program 2016-2020</b> .....	<b>01</b>
A. Development challenges .....	01
<b>IDB Group Country Program with Bolivia, 2016-2020</b> .....	<b>06</b>
A. Relevance of the IDB Country Strategy with Bolivia for 2016-2020 .....	07
B. Relevance of the Approved Program .....	09
C. Financial Contribution.....	15
D. Implementation of the Country Program .....	17
<b>Program Outcomes by Priority Areas</b> .....	<b>22</b>
A. Increasing Productivity and Diversification in the Economy .....	23
B. Closing social gaps .....	32
C. Improving the Effectiveness of Public Governance .....	40
<b>Conclusions and Recommendations</b> .....	<b>42</b>
<b>References</b> .....	<b>46</b>

<b>Annex I:</b>	<a href="#">IDB Evaluation Recommendation Tracking System (ReTS)</a>
<b>Annex II:</b>	<a href="#">Tables and figures</a>
<b>Annex III:</b>	<a href="#">Loan and technical-Cooperation operation portfolio</a>
<b>Annex IV:</b>	<a href="#">Priority area - Productivity</a>
<b>Annex V:</b>	<a href="#">Priority area - Social gaps</a>

# Preface

This document presents the Country Program Evaluation (CPE) conducted by the Office of Evaluation and Oversight (OVE) for the IDB Group Country Strategy with the Plurinational State of Bolivia (Bolivia) for the period 2016-2020.<sup>1</sup> This is OVE's fifth independent evaluation of the IDB Group country program with Bolivia. The previous CPEs covered the periods of 1990-2002 (document RE-297), 2004-2007 (document RE-340), 2008-2010 (document RE 391), and 2011-2015 (document RE 483 1). The recommendations made by OVE in the most recent CPE were incorporated into the IDB's Evaluation Recommendation Tracking System (ReTS), and the degree of implementation thereof will be one of the elements evaluated in this CPE (Annex I).

According to the Protocol for Country Program Evaluations (document RE 348 3), the main goal of a CPE is "to provide information on Bank performance at the country level that is credible and useful, and that enables the incorporation of lessons and recommendations that can be used to improve the development effectiveness of the Bank's overall strategy and program of country assistance." To this end, the CPE will analyze the IDB Group's relationship with the country from an independent and holistic perspective, serving the dual purpose of strengthening accountability and sharing lessons learned with a view to future support and, particularly, in preparation for the Bank's new country strategy with Bolivia for 2021-2025. The CPE 2016 2020 is the first independent evaluation of the IDB Group's program with Bolivia to encompass the work of both the IDB and IDB Invest (formerly known as the Inter American Investment Corporation (IIC)).

This CPE carefully examines the design, implementation, and outcomes of operations approved or active between 2016 and December 2020, taking the national context and the applicable strategic documents into account.

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<sup>1</sup> The Bank's country strategy formally expired on 31 January 2020. However, since the planning period used by the Bank ran from 1 January 2016 to 31 December 2020, the CPE will use the same period.

In preparing this document, OVE analyzed the country's economic and social indicators, reviewed project documents, and conducted interviews with Bolivian authorities, project execution units, members of civil society and the private sector, Bank managers who supervise the program with Bolivia, and IDB Group staff in the Country Office and at Headquarters. In addition, the team visited several projects supported by the IDB Group to evaluate the challenges and progress in implementing them. OVE conducted the evaluation from July 2019 to April 2020.

# Acknowledgements

This evaluation was led by Jonathan Rose under the supervision of Ivory Yong Prötzel, OVE Director. The team consisted of Horst Wattenbach, Roni Szwedzki, Odette Maciel, Galia Rabchinsky, Lina Pedraza, Federico Fraga, Viola Belohrad, Michelle Infanzón, and Melanie Putic. OVE would like to thank the Bolivian authorities, the Bank staff in the Bolivia Country Office and at Headquarters, and representatives of Bolivia's private sector and civil society for their time and assistance in providing information.

# Acronyms and Abbreviations

<b>CAF</b>	Andean Development Corporation
<b>CDC</b>	Country Development Challenges
<b>CEPB</b>	Confederación de Empresarios Privados de Bolivia [Bolivian Business Confederation]
<b>CPD</b>	Country Program Document
<b>CPE</b>	Country Program Evaluation
<b>DESCOM</b>	Social Community Development Regulations
<b>ECLAC</b>	Economic Commission for Latin America and the Caribbean
<b>EMAGUA</b>	Entidad Ejecutora de Medio Ambiente y Agua [Environment and Water Executing Agency]
<b>ENDE</b>	Empresa Nacional de Electricidad [National electricity company]
<b>EPSA</b>	Entidades Prestadoras de Servicios de Agua Potable y Alcantarillado [Water and sanitation providers]
<b>GAD</b>	Gobierno Autónomo Departamental [Autonomous departmental government]
<b>GAM</b>	Gobierno Autónomo Municipal [Autonomous municipal government]
<b>GDP</b>	Gross domestic product
<b>GrUS</b>	Grupo de Socios para el Desarrollo de Bolivia [Bolivia Development Partners Group]
<b>IFIs</b>	International financial institutions



<b>iGOPP</b>	Index of Governance and Public Policy for Disaster Risk Management
<b>IGR</b>	Investment grant
<b>IIC</b>	Inter-American Investment Corporation (now IDB Invest)
<b>ILO</b>	International Labour Organization
<b>IMF</b>	International Monetary Fund
<b>INE</b>	National Statistics Institute
<b>INV</b>	Investment loan
<b>LAC</b>	Latin America and the Caribbean
<b>MEDUCA</b>	Ministry of Education
<b>MEFP</b>	Ministry of Economy and Public Finance
<b>MEPER</b>	Rural Electrification Project Preparation Manual
<b>MINSA</b>	Ministry of Health
<b>MMAyA</b>	Ministry of Environment and Water
<b>MTP</b>	Módulo Tecnológico Productivo [Productive technical module]
<b>OVE</b>	Office of Evaluation and Oversight
<b>PBL</b>	Policy-based loan
<b>PBP</b>	Programmatic policy-based loan
<b>PCR</b>	Project completion report
<b>PDES</b>	Plan de Desarrollo Económico y Social en el Marco del Desarrollo Integral para Vivir Bien [Economic and Social Development Plan in the Framework of the Comprehensive Development for Living Well Agenda]
<b>PPP</b>	Public-private partnership
<b>ReTS</b>	Evaluation Recommendation Tracking System
<b>RVF</b>	Red Fundamental Vial [Primary road network]
<b>SIGEP</b>	Sistema de Gestión Pública [Public management system]
<b>SIN</b>	Sistema Integrado Nacional [National Interconnected System]
<b>SMEs</b>	Small and medium-sized enterprises
<b>SPE</b>	Servicio Público de Empleo [Public Employment Service]
<b>TFFP</b>	Trade Finance Facilitation Program
<b>TTP</b>	Taller Tecnológico Productivo [Productive technical workshop]
<b>UDAPE</b>	Unidad de Análisis de Políticas Sociales y Económicas [Social and Economic Policy Analysis Unit]
<b>UNDP</b>	United Nations Development Programme
<b>VIDECI</b>	Office of the Deputy Minister for Civil Defense
<b>XSR</b>	Expanded supervision report

# Executive Summary

Bolivia is a lower-middle-income country. With nearly 11.5 million inhabitants, its economy has grown an average of 4% per year since 2000, and its GDP per capita has risen by 60% in real terms over that period. Its economy is heavily dependent on the extractive industries, particularly hydrocarbons. After reaching a record 6.8% in 2013, growth slowed somewhat, in line with the decline in hydrocarbon prices, returning to around 4% per year, which is still well above the regional average of 1.1%.

This economic growth has helped reduce poverty. Between 2000 and 2018, the poverty and extreme poverty rates declined from 66% to 34.6% and from 45% to 15%, respectively. During the same period, inequality also declined: the Gini coefficient went from 62 to 43, ending below the Latin American average of 46. However, challenges remain due to differences between rural and urban areas and between ethnic groups, and Bolivia continues to have the lowest GDP per capita in the Andean Community.

Despite progress in closing gaps over the last two decades, social and productivity challenges persist. For example, the maternal mortality rate remains comparative high for the region, the labor market has a high degree of informality, and there are persistent challenges in terms of equity and gender violence. In addition, access to basic services, such as water and sanitation and electricity, continues to be limited, especially in rural areas. Moreover, economic activity is concentrated in low productivity sectors such as agriculture and natural resources, and small, informal businesses with limited growth potential predominate. Furthermore, Bolivia continues to have high logistics costs, lags in spending in investment and development, and a problematic business climate, while being among the region's countries most vulnerable to climate change. Lastly, weaknesses in public governance at the central and subnational levels impair Bolivia's ability to face these challenges.

At present, the country is in a transition period marked by great uncertainty. After 14 years in power, the Movimiento al Socialismo [Movement to Socialism] (MAS) government left office in November 2019 following elections in October of that year. During the MAS administration, the country's production model was characterized by an expanding public sector role in the economy and by a new constitution. The next elections will be held in the second half of

2020. The differences in sociopolitical preferences among the various parties competing for power, coupled with the inevitability of a change in leadership in the aftermath of the elections, create uncertainty as to what the policy priorities will be after 2020. This is compounded by the global COVID-19 pandemic, which has already had adverse effects on the global economy and adds yet another layer of uncertainty.

The priority areas and strategic objectives of the Bank's country strategy with Bolivia for the period 2016-2020 were aligned with the Economic and Social Development Plan 2016-2020 (PDES) and with the country development challenges. However, three of the strategic objectives and their associated expected outcomes were too broad or it was unrealistic to attribute them to the Bank's program. The strategy focused on three priority areas aligned with the PDES: (1) *increasing productivity and diversification in the economy*, (2) *closing social gaps*, and (3) *improving the effectiveness of public governance*. In general, the priority areas and their strategic objectives provided continuity with respect to the priority sectors in the preceding country strategy. However, some objectives, such as creating an enabling environment for business formalization and growth and improving the effectiveness of public governance, did not have sufficiently targeted expected outcomes. At the same time, it was unrealistic to attribute the strategic objective of reducing extreme poverty to the Bank's program. Furthermore, while the country strategy for 2016-2020 considered the IDB Invest 2016-2020 Business Plan and the Renewed Vision for IDB Group Activities with the Private Sector, it did not propose specific objectives for the IDB Group's private window.

During this period, Bolivia graduated from concessional funds, ending up in 2020 with a higher volume of approvals than in the preceding period. Since 2016, the Bank approved 23 sovereign-guaranteed loan operations for US\$1.944 billion and 65 technical cooperation operations for US\$21 million. Sixty-three percent of the sovereign guaranteed loan approvals were channeled through investment loans, while the balance was comprised of programmatic policy-based loans (PBPs). Sovereign-guaranteed loan approvals increased by 11% with respect to the previous 5 year period but decreased in number from 25 to 23, resulting in a higher average amount per operation (US\$84.5 million). With regard to the non sovereign guaranteed portfolio, the business climate was not conducive to private sector participation and thus the IDB Group approved only two non-sovereign guaranteed operations for a total of US\$50 million.

The IDB Group program was thematically aligned with the country development challenges, the PDES, and the strategic objectives of the country strategy; however, it was not sufficiently aligned with some

of the objectives to make a contribution to the expected outcomes. All loans in the portfolio were thematically aligned with at least one strategic objective of the country strategy. Most of the amounts approved during the period were used to increase productivity and diversification in the economy as well as to close social gaps. Operations were redirected toward investments in the water and sanitation and environment and natural disaster sectors, which went from 26% of the total portfolio amount in the 2011-2015 period to 56% of the total amount in the period under evaluation. However, with respect to some objectives, the program was not sufficiently aligned to contribute to their expected outcomes. For example, there was only one new loan operation under the objectives of *promoting innovation and improving the effectiveness of public governance*. In addition, the portfolio included only four technical cooperation operations contributing to the outcome of *reducing violence against women*. Furthermore, the portfolio of new water and sanitation loans ended up targeting urban areas, while the objective and the expected outcomes were initially focused on rural areas.

The blend of instruments used was relevant to the strategic objectives. In this regard, the program provided continuity and depth to some reforms initiated under the preceding strategy through PBPs, while the investment loans were aimed at implementing actions in priority sectors, reducing infrastructure gaps, and supporting the implementation of the PBPs. For example, the PBPs supported priority government reforms (some of them arising from, and lending continuity to, the dialogue initiated in the previous strategy), assisting in reform processes to strengthen environmental governance and disaster risk management in view of the country's vulnerability to climate change. Other PBPs supported programs aimed at reinforcing the capacity of ministries and subnational entities in transportation, energy, and water and sanitation. Furthermore, the 65 technical cooperation operations approved by the Bank were important in facilitating the implementation of loans and supporting technical studies for the government. It is also worth noting that PBPs were in several cases accompanied by investment loans and technical cooperation operations to complement the supported reforms.

During this period, the IDB Group became the international financial institution with the largest volume of sovereign-guaranteed approvals. While the Andean Development Corporation and the World Bank scaled back the number and amount of approved loans in comparison with the previous cycle, IDB approvals increased. As a result, the Bank is now Bolivia's main foreign lender with US\$3,354,900,000, accounting for 45% of the country's external debt to multilateral institutions. In recent years, the IDB Group contributed significantly to public investment in various sectors. For example, the IDB Group's financial contribution in water and sanitation between 2010 and 2017 accounted for 13% of public investment in the sector.

The times for preparation and execution of investment operations in Bolivia are longer than the average for the Bank and for comparable countries. The slow pace of portfolio execution was associated with various implementation challenges, many of which are holdovers from the preceding period, pointing to a failure to adapt the design of operations to the local context. Nearly 90% of the investment loans executed during the period faced some type of implementation challenge. The most common issues included insufficient capacity in the execution units, project design and procurement problems, and administrative or government policy changes. However, the technical and operational support provided by the Bank specialists and by the technical cooperation operations has been important in overcoming the challenges in project execution. According to the executing agencies interviewed by OVE, the technical expertise of the Bank specialists has proven essential in launching, executing, and supervising projects, particularly in the case of executing agencies with limited experience in international finance. Despite these implementation challenges, operating costs improved during the country strategy period, partly due to the larger average approved amount.

With regard to the priority area of increasing productivity and diversification in the country's economy, the contribution of the IDB Group had mixed results and focused on supporting infrastructure projects in energy, transportation, and irrigation, and reforms to improve risk management. The support for reforms mostly took the form of PBPs, which helped to: improve the country's capacity to manage natural disaster and climate change risks; design guidelines for diversifying the energy matrix; and consolidate actions to modernize the Transportation Law. In terms of investment projects, the IDB Group financed operations to improve access to public infrastructure services, specifically by supporting renewable energy generation, energy transmission, rural electrification, improvement of the primary road network (RVF), and expansion of land under irrigation. Despite advances in outputs, many of the operations failed to achieve their outcome targets. Lastly, with respect to the objectives of support for the private sector and innovation, the IDB Group's contribution was more limited. The business environment hindered any potential private-sector contribution to business growth and promotion of innovation. The sustainability of the achievements will to a large extent depend on the capacity of the relevant agencies to operate and maintain the infrastructure works and to institutionalize the supported reforms following the change in the macroeconomic and political context.

In the priority area of closing social gaps, the program made moderate progress, contributing to reforms and investments to expand water and sanitation coverage and investments to improve access to services through the construction of hospitals and health centers, although specialized physicians are still required. The program also

helped to build newly operating technical secondary schools. In the labor market sector, the program's contribution was positive but limited (while the program supported women, the interventions did not sufficiently target this group or indigenous people and Afro descendants, considering the strategic objective of increasing their workforce integration), and the actions aimed at reducing violence against women consisted only of four technical cooperation operations. The water and sanitation PBPs helped the government in instituting measures to improve its capacity to sustain investments in support of this objective. The sustainability of the outcomes will depend on whether the responsibilities for the maintenance of goods and services are transferred to the subnational governments and on whether they have qualified human resources and sufficient budget resources are available to cover the associated costs. In addition, the responsible agencies require an adequate amount of qualified staff to provide and maintain the goods and services.

With regard to the priority area of improving the effectiveness of public governance, the program continued to support the priorities of the previous country strategy, with a focus on strengthening public governance at the central and subnational levels and public investment; however, progress was limited, especially in terms of preinvestment support. The Municipal Management Improvement Program, the only loan operation to have made significant progress, has either achieved or surpassed all targets associated with strengthening the municipal public spending management systems. However, it has not yet achieved most targets associated with property registry management in 11 municipios or its interconnection with the tax administration. The two other loan operations in this area are aimed at addressing the country challenges related to the lack of public investment capacities, but they have made limited progress. Lastly, the portfolio included technical cooperation operations that supported specific aspects of public governance, such as strengthening the Attorney General's Office, implementing the digital signature, and implementing the electronic invoice.

OVE concludes that the IDB Group provided value added during the period along several dimensions. First, the IDB Group has been a long term partner in many sectors, acquiring knowledge and promoting a policy dialogue. Second, the presence of sector and fiduciary specialists has facilitated the implementation of projects, especially for execution units with more limited capacity or experience with multilateral agencies. Lastly, the IDB Group's ability to offer technical cooperation operations is a comparative advantage which, together with the presence of the specialists, has influenced the Bolivian government's decision to select it to finance projects that require greater execution support, such as operations with environmental and social risks. These findings suggest that the IDB Group is well positioned to continue to help Bolivia to address its challenges,

particularly in sectors in which it has been a long-term partner. However, the COVID 19 pandemic has created an unprecedented level of uncertainty, with health, social, and economic effects that are still difficult to estimate. This indicates that the IDB Group's response in the short term will require flexibility in helping Bolivia to address the crisis.

Based on the findings of the evaluation and the uncertainty surrounding the COVID 19 pandemic, OVE puts forth the following recommendations:

- 1. Delay the approval of a new country strategy until the effects of the COVID 19 pandemic are better understood.** Given that the magnitude of the health, social, and economic impacts of the COVID-19 pandemic are still unknown in Bolivia, OVE recommends that the IDB Group refrain from agreeing with the government on a new country strategy until the magnitude of the pandemic's impact becomes clearer. Instead, OVE recommends that the IDB Group extend the term of the current country strategy and include in its request for an extension a one-year roadmap summarizing its short-term response to provide support for the crisis, thus enabling the IDB Group to define a multiyear strategy in an environment of greater certainty at the end of this extension period.
- 2. During the next country strategy period, continue to support key areas that address long-term development challenges and in which the IDB Group has proven to be a key partner.** Infrastructure bottlenecks continue to pose development challenges in Bolivia. Through its ongoing assistance in this area, the IDB Group is well positioned to continue to support the Government of Bolivia in the water and sanitation, energy, and transportation sectors.
- 3. Through a dialogue with the Government of Bolivia and the other multilateral partners, identify and implement new ways of strengthening institutional capacities at the national and subnational levels, including capacities to ensure infrastructure maintenance.** While this was a recommendation of the previous CPE, in this CPE we identify the persistence of challenges in this regard (see Annex I - Rec. 1 in the previous CPE).
- 4. Design projects that fit into the local institutional context and are mutually reinforcing.** To avoid the recurrent issues that have adversely affected execution, the design of projects should take into account the relatively limited technical capacity of most executing agencies and the experience acquired in previous projects.

5. **Jointly (IDB and IDB Invest) consider new ways of deepening support for the private sector, seeking new niches and consolidating those that have already been identified (see Annex I - Rec. 4 in the previous CPE).** With a view to creating more opportunities to support private businesses, IDB and IDB Invest should work together and in collaboration with the Government of Bolivia to identify the challenges faced by the private sector and how each part of the IDB Group can help to overcome them, for example by addressing structural reforms to improve the business climate and encourage private investment.







# 01

Context of the  
Country Program  
2016-2020

1.1 Bolivia is a lower-middle-income country with nearly 11.5 million inhabitants and is heavily dependent on hydrocarbon production and export. Economic activity has grown an average of 4% per year since 2000 and its GDP per capita has risen by 60% in real terms over that period. After reaching a record 6.8% in 2013, growth slowed somewhat, in line with the decline in hydrocarbon prices, returning to around 4% per year. The country's exports of goods and services (almost 80% of which are hydrocarbons and extractive industry products) went from an annual average of 42% of GDP between 2011 and 2014 to an annual average of 25% of GDP between 2015 and 2019.<sup>2</sup> Expansion of public spending has been one of the engines of growth for the Bolivian economy since 2005. However, the decline in hydrocarbon revenue has led to a rise in the nonfinancial public sector deficit, which in 2018 reached 8.1% of GDP, the highest negative balance since 2002 and the fifth consecutive annual deficit.<sup>3</sup>

## A. Development challenges

1.2 Economic growth has helped to reduce the poverty rate (from 66% in 2000 to 34.6% in 2018) and the extreme poverty rate (from 45% in 2000 to 15% in 2018).<sup>4</sup> Despite these improvements, Bolivia continues to have the lowest GDP per capita in the Andean Community.<sup>5</sup> Inequality also decreased during this period: the Gini coefficient went from 62 to 43,<sup>6</sup> which is lower than the Latin American average of 46.<sup>7</sup> However, challenges remain due to differences between rural and urban areas and between ethnic groups. Among the indigenous groups and the rural population, more than 60% continue to live below the poverty line and 40% below the extreme poverty line, and both percentages are well above the national average.<sup>8</sup>

1.3 Despite the increase in public expenditure and the strides made in the social indicators of health, education, and social welfare, challenges persist. General government social spending accounted for 22% of GDP in 2016 and was allocated primarily to education, health, and the social safety net,<sup>9</sup> supporting poverty reduction. In the past 15 years, education supply and demand have substantially risen in rural areas, leading to

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2 (INE, undated).

3 (BCB, undated).

4 (INE, undated). Household survey 2005-2018.

5 (ECLAC, 2019a). Considering the member countries: Bolivia, Colombia, Ecuador, and Peru.

6 (INE, undated).

7 (ECLAC, 2019a). A Gini coefficient of 1 (or 100%) represents maximum inequality.

8 (UDAPE, undated).

9 (UDAPE, undated).

progress in primary and secondary school enrollment, even for indigenous children, and in closing gender gaps.<sup>10</sup> In health, the under-five mortality rate was cut by 54% between 2008 and 2016, and progress was made in reducing the prevalence of children who are small for their age.<sup>11</sup> However, the maternal mortality rate is 155 per 100,000 births, the third highest rate in Latin America and the Caribbean.<sup>12</sup> The economy remains highly informal, and just 28% of private sector employees have contributory social security coverage. This is the lowest rate in Latin America.<sup>13</sup> Moreover, Bolivia is ranked 102<sup>nd</sup> (out of 160 countries) on inequality between men and women.<sup>14</sup> In addition, in 2016, 75% of women (married or partnered and over 15) reported having suffered some type of violence over the course of their relationship.<sup>15</sup>

- 1.4 Access to basic services continues to be limited, particularly in rural areas. In 2018, more than 17% and 31% of the country's population still lacked access to improved water sources and sanitation, respectively; in rural areas, these figures were 29% and 59%.<sup>16</sup> Difficulties in accessing electricity also disproportionately impact rural areas, where more than one fifth of the households lack access to electricity, compared to the near-100% coverage in urban areas.<sup>17</sup>
- 1.5 For several reasons, the country faces challenges in terms of productivity, which has stagnated since the 1960s. Economic activity is concentrated in low productivity sectors such as agriculture and natural resources. In addition, small, informal companies with limited growth potential are predominant.<sup>18</sup> Moreover, Bolivia continues to have high logistics costs and an underdeveloped infrastructure, which impact its commercial development.<sup>19</sup> Spending on research and development

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10 (IDB, 2015).

11 (INE, 2016).

12 (ECLAC, undated). According to data from INE and MINSa, the maternal mortality rate in 2011 was 160 per 100,000 live births.

13 (ILO, 2018).

14 (UNDP, 2018).

15 (INE, 2017).

16 (INE) Household survey. Coverage estimates vary depending on the source.

17 (INE, undated).

18 (CEPB, 2016). Around 95% of businesses in the country are SMEs.

19 A 2016 study by the Latin American Integration Association found that transportation costs in Bolivia are equivalent to 8.4% of the value of traded goods, which is higher than the regional average of 6.3%.

accounted for 0.16% of GDP (2009),<sup>20</sup> compared to 0.71% in Latin America and the Caribbean overall, impairing the country's capacity for innovation.<sup>21</sup>

- 1.6 The climate for doing business in the country is not favorable for private investment.<sup>22</sup> Since 2006, Bolivia has prioritized public investment and domestic demand as the main drivers of economic growth. This has led to a decline in private investment, which went from US\$586 million in 2005 to US\$3 million in 2018. During the same period, public investment went from US\$629 million to US\$4.458 billion.<sup>23</sup> In addition, net foreign direct investment has fallen in recent years, from an average of 2.7% of GDP between 2005 and 2014 to an average of 1.3% of GDP between 2015 and 2018. The factors affecting private investment include market restrictions, a costly and unequal regulatory environment for business, and labor policies.<sup>24</sup>
- 1.7 Bolivia is one of the Latin American countries with the greatest vulnerability to climate change, including extreme weather events such as floods, droughts, frost, and landslides.<sup>25</sup> However, according to the Notre Dame Global Adaptation Initiative Country Index, out of 191 countries worldwide it ranks 161st in preparedness to face these disasters. For example, the intense rains in 2019 left 94 municipalities in a “state of disaster” and 28 in a “state of emergency.” A total of 33,365 families sustained damages.<sup>26</sup> Another significant factor in terms of vulnerability to climate change is the disappearance of glaciers in Bolivia, which will lead to serious water shortages, risks of drought, and environmental degradation.<sup>27</sup>
- 1.8 While the country's institutions have improved, public governance challenges persist at the central and subnational levels. In 2014, Bolivia had climbed to 90th place (out of 144 countries) in the institutions pillar of the World Economic Forum Global Competitiveness Index.<sup>28</sup> However, the country's position on the index worsened during the period under

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20 Most recent available data (World Bank, 2019).

21 The World Economic Forum Global Competitiveness Report ranks Bolivia 124th (of 190 countries) in innovation capacity.

22 The World Bank's 2019 Doing Business index ranks Bolivia 156th out of 190 economies, higher than only Suriname, Haiti, and Venezuela in Latin America and the Caribbean.

23 Ministry of Economy and Public Finance, undated.

24 Such as centralized salary increases and bonuses, which are negotiated without the participation of employers, and obstacles to dismissal. In addition, the Social Businesses Law, adopted in 2018, allows employees to acquire “distressed” businesses, which has heightened concerns regarding the security of investments in the country.

25 (Eckstein, Hutfils, and Wings, 2019).

26 (VIDECI, 2019).

27 (UNFCCC, 2007).

28 In 2010, Bolivia was ranked in 136th place out of 139 countries.

evaluation, slipping in 2019 to 134th of 141. Aside from the central government, the level of civil service in the subnational governments is low.<sup>29</sup> Furthermore, the World Justice Project Rule of Law Index (2018) ranks Bolivia in 106th place out of 113 countries, and only 23% of Bolivians have trust in the judicial system.<sup>30</sup>

- 1.9 Lastly, Bolivia faces an urbanization process that poses challenges in terms of services for the new migrants and their integration. While the urban population accounted for 56% of the total in 1990, that proportion rose to 70% in 2018 (the average in Latin America being 81%). The projections suggest that this trend will consolidate in the coming decades and gradually converge toward the regional average (around 90%)<sup>31</sup> approximately at the end of the century. This growing urbanization entails multiple challenges, including a rise in demand for housing and for the delivery of public goods and services such as water and sanitation, public transportation, health, and education. If these challenges are not met early on and comprehensively, they could become a constraint on economic growth and social progress in the medium and long term.
- 1.10 The country is currently in a transition period marked by great uncertainty. After 14 years in power, the Movimiento al Socialismo [Movement to Socialism] (MAS) government left office in November 2019 following controversial elections held in October of that year. During the MAS administration, the country's production model was characterized by an expanding public sector role in the economy and by a new constitution.<sup>32</sup> The next elections will be held in the second half of 2020.<sup>33</sup> The differences in sociopolitical preferences among the various parties competing for power, coupled with the inevitability of a change in leadership in the aftermath of the elections, create uncertainty as to what the policy priorities will be after 2020. This is compounded by the global COVID-19 pandemic, which has already had adverse effects on the global economy and adds yet another layer of uncertainty.

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29 An important factor to consider is that 80% of the fiscal resources of municipios are derived from central government transfers, which affects tax collection and expenditures by the municipios.

30 Latinobarómetro (2015 and 2018).

31 (ECLAC, 2019b).

32 A new Constitution was promulgated in 2009, identifying Bolivia as a plurinational State. In 2010, the Framework Law on Autonomy and Decentralization distributed authority at the central level and among departmental, municipal, regional, and indigenous native campesino governments.

33 No date has yet been set.





# 02

IDB Group  
Country Program  
with Bolivia,  
2016-2020



## A. Relevance of the IDB Country Strategy with Bolivia for 2016-2020

- 2.1 The Government of Bolivia spelled out its development priorities in the Economic and Social Development Plan (PDES) 2016-2020. The PDES is part of the Patriotic Agenda 2025, which the government developed in the context of declining hydrocarbon prices that resulted in a less favorable macroeconomic scenario than in the past. In this context, the PDES established eight main objectives (see Table 2.1) and proposed 68 targets and 340 results to be achieved by 2020.
- 2.2 The priority areas and strategic objectives of the Bank's country strategy with Bolivia for 2016-2020 were aligned with the objectives of the PDES and the development challenges. However, three of the strategic objectives and their associated expected outcomes were too broad or it was unrealistic to attribute them to the program. Based on a diagnostic assessment of the 2015 Country Development Challenges (CDC) document and in dialogue with the Government of Bolivia, the country strategy proposed three priority areas and associated strategic objectives: (1) *increasing productivity and diversification in the economy*, (2) *closing social gaps*, and (3) *improving the effectiveness of public governance*. These priority areas were broadly aligned with the PDES 2016-2020 (Table 2.1).<sup>34</sup> In general, the priority areas and their strategic objectives provided continuity with respect to the priority sectors in the preceding country strategy.<sup>35</sup> However, some objectives, such as *creating an enabling environment for business formalization and growth and improving the effectiveness of public governance*, did not have sufficiently targeted expected outcomes.<sup>36</sup> At the same time, it was unrealistic to attribute the strategic objective of reducing extreme poverty to the program. Lastly, while the country strategy for 2016-2020 considered the IDB Invest 2016-2020 Business Plan and the Renewed Vision for IDB Group Activities with the Private Sector,<sup>37</sup> it did not propose specific objectives for the IDB Group's private window.

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34 In contrast with previous country strategies, it did not include crosscutting or dialogue areas.

35 The seven priority sectors were: (i) transportation, (ii) water and sanitation, (iii) energy, (iv) early childhood development, (v) health, (vi) education, and (vii) strengthening of public governance.

36 For example, improve the business climate, increase formality in the economy, and improve the effectiveness of public governance.

37 The IIC Business Plan proposed five areas of support: (i) infrastructure (energy and transportation); (ii) partnership with financial intermediaries; (iii) MSME access to financing; (iv) development of capacities and experience in corporate sectors; and (v) additional leveraging of products, services, and solutions.

**Table 2.1. Sector priorities of the Bank’s country strategy for 2016-2020**

Priority areas of the country strategy	Strategic objectives of the country strategy	Government objectives (PDES 2016-2020)
<p><b>1. Increasing productivity and diversification in the economy</b></p>	<ul style="list-style-type: none"> <li>• Improve the delivery of public goods and services.</li> <li>• Promote innovation.</li> <li>• Create an enabling environment for business formalization and growth (primarily for small and medium-sized enterprises).</li> <li>• Reduce vulnerability to natural disasters and climate change.</li> </ul>	<ul style="list-style-type: none"> <li>• Positioning of Bolivia as an energy and road integration hub.</li> <li>• Change of the productive matrix.</li> <li>• Technological, scientific, environmental, and food sovereignty.</li> </ul>
<p><b>2. Closing social gaps</b></p>	<ul style="list-style-type: none"> <li>• Reduce extreme poverty, with an emphasis on rural areas, indigenous groups, and the under 15 age group.</li> <li>• Expand water and sanitation coverage, principally in periurban and rural areas.</li> <li>• Improve access and quality of social services, with an emphasis on health and social welfare and with a gender and crosscultural perspective.</li> <li>• Increase workforce integration of women and of indigenous peoples and Afro-descendants.</li> </ul>	<ul style="list-style-type: none"> <li>• Eradication of extreme poverty.</li> <li>• Universalization of basic services, expanding coverage of drinking water, basic sanitation, residential natural gas, electric power, and telecommunications services.</li> <li>• Access to housing for a decent standard of living.</li> <li>• Implementation of universal health service and construction, expansion, and equipment for fourth-, third-, and second- level health care institutions.</li> <li>• Universal access to education and strengthening of the education system.</li> </ul>
<p><b>3. Improving public governance</b></p>	<ul style="list-style-type: none"> <li>• Improve the effectiveness of public governance.</li> </ul>	<ul style="list-style-type: none"> <li>• Sovereignty and transparency in public governance.</li> </ul>

Source: IDB Country Strategy with Bolivia 2016-2020.

2.3 In the country strategy 2016-2020, the Bank proposed a very ambitious financing framework given the previously approved amounts and the public governance challenges affecting the capacity to execute loan operations. The country strategy proposed US\$3.167 billion in sovereign-guaranteed loan approvals, almost three times the prior period’s approvals (US\$1.280 billion). In addition to the increase in approvals, it was estimated that annual disbursements would accelerate to US\$557.8 million in 2020. The projections assumed an 85%/15% blend of Ordinary Capital and concessional resources.<sup>38</sup>

<sup>38</sup> The country strategy pointed out that the ability to achieve the projected approval and disbursement amounts depended on the sustainability of the debt, economic performance, and the execution capacity of the national counterparts.

2.4 The country strategy also highlighted three potential risk factors in implementing the Bank program: the economic cycle,<sup>39</sup> the institutional challenges,<sup>40</sup> and the business climate. However, the proposed measures for mitigating them were insufficient. To minimize these risks, the Bank proposed very general measures: improve the productivity levels of the economy; strengthen the capacity to manage natural disaster risks; support capacity-building; and encourage coordination among the national and subnational agencies on which the Bank relies for the execution of many projects. In addition, the Bank proposed tracking and monitoring legislative initiatives aimed at updating the regulatory framework in various sectors of the economy and fostering investment. These risks are persistent and were also acknowledged in the previous CPE (see Annex I).

## B. Relevance of the Approved Program

2.5 During this period, Bolivia graduated from concessional resources,<sup>41</sup> ending up in 2020 with a volume of approvals that was higher than the preceding period's but lower than proposed in the country strategy. Since 2016, the Bank approved 23 sovereign-guaranteed loan operations for US\$1.944 billion and 65 technical cooperation operations for US\$21 million (Table 2.2). Sixty three percent of the sovereign-guaranteed loan approvals took the form of investment loans, while the balance was comprised of programmatic policy-based loans (PBPs). Approvals for the remainder of 2020 are projected to total US\$635 million.<sup>42</sup> Sovereign guaranteed loan approvals increased by 11% in volume with respect to the previous 5 year period but decreased in number from 25 to 23, resulting in a higher average amount per operation (US\$84.5 million). The program also included a legacy portfolio<sup>43</sup> of 27 approved sovereign-guaranteed loans for a total of US\$1.528 billion, US\$1.037 billion of which were undisbursed at the start of 2016 (see Table II.1 in Annex II). In addition, six nonreimbursable investment financing operations were active at the start of the

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39 The country's heavy dependence on hydrocarbon revenues and the persistently low commodity prices could lead to a slowdown of the economy and to fiscal and external challenges.

40 The active inclusion of subnational governments in the execution of Bank operations leads to complex interagency negotiation processes that can cause delays in the execution of operations.

41 Between 2016 and 2018, the blend of ordinary capital and concessional resources was 85%/15%, in line with the financing framework projections. In 2019, Bolivia graduated from concessional resources; accordingly, since then, approved loans are 100% financed with Ordinary Capital funds.

42 IDB. Enterprise Data Warehouse. Post-confirmation estimate of COVID-19 cases in Bolivia.

43 Defined as operations approved prior to the evaluation period but active during the period.

period, with US\$83 million in undisbursed resources, as well as 48 technical cooperation operations with US\$6.3 million in undisbursed resources.

**Table 2.2. Sovereign-guaranteed operations approved in 2016-2020 by strategic objective**

Priority area	Strategic objectives	Programmatic loans			Investment loans			Technical cooperation operations		
		Nº	Amount		Nº	Amount		Nº	Amount	
			US\$M	%		US\$M	%		US\$M	%
Increasing productivity and diversification in the economy	Improve the delivery of quality public goods and services.	2	\$172	24%	6	\$485	39%	18	\$5	24%
	Create an enabling environment for business formalization and growth.	0	\$0	0%	1	\$26	2%	2	\$0,4	2%
	Promote innovation.	0	\$0	0%	0	\$0	0%	2	\$1	7%
	Reduce vulnerability to natural disasters and climate change.	3	\$340	48%	2	\$70	6%	6	\$2	9%
	Subtotal			73%			47%			43%
Closing social gaps	Reduce extreme poverty, with an emphasis on rural areas, indigenous groups, and the under-15 age group.	0	\$0	0%	0	\$0	0%	1	\$1	2%
	Expand water and sanitation coverage, principally in rural areas.	2	\$190	27%	4	\$331	27%	9	\$3	13%
	Improve access and quality of social services.	0	\$0	0%	1	\$275	22%	13	\$4	20%
	Increase workforce integration of women and indigenous peoples.	0	\$0	0%	1	\$40	3%	3	\$1	4%
	Subtotal			27%			52%			40%
Improving the effectiveness of public governance	Improve the effectiveness of public governance.	0	\$0	0%	1	\$15	1%	11	\$4	18%
	Subtotal			0%			1%			18%
<b>Total</b>		<b>7</b>	<b>702</b>	<b>100%</b>	<b>16</b>	<b>\$1,243</b>	<b>100%</b>	<b>65</b>	<b>\$21</b>	<b>100%</b>

Source: OVE with Data Warehouse data, with a cutoff date of 31 January 2020. The totals may not be exact due to the rounding of decimals.

2.6 With regard to the non-sovereign guaranteed portfolio, the business climate did not favor private participation, thus making it difficult to have a significant non-sovereign guaranteed portfolio. During the evaluation period, the IDB Group<sup>44</sup> approved just two non-sovereign guaranteed operations (telecommunications and corporate) for US\$50 million. In addition, it approved six facilities under the Trade Finance Facilitation Program (TFFP), three of which are loans for US\$25 million and three of which are

44 In 2016, the IDB Group consolidated all its private-sector windows under the Inter-American Investment Corporation (IIC, now IDB Invest), which inherited the Structured and Corporate Financing Department (SCF) and Opportunities for the Majority Sector (OMJ) operations. The data for non-sovereign guaranteed operations are from Analitika.

guarantees for US\$24.7 million. The non-sovereign guaranteed portfolio also included eight legacy operations<sup>45</sup> in the amount of US\$21.5 million, which primarily consisted of corporate operations.

- 2.7 The IDB Group program was thematically aligned with the country development challenges, the PDES, and the country strategy, but was not sufficiently aligned with some of the objectives to make a contribution to the expected outcomes. All of the loans in the portfolio (both new and legacy) were thematically aligned with at least one strategic objective of the country strategy 2016-2020 (see Table III.1 in Annex III). The largest share of the approved amounts over the period (US\$1.102 billion) was allocated to *increasing productivity and diversification in the economy, followed by closing social gaps (US\$844 million) and improving the effectiveness of public governance* (only US\$19 million) (Table 2.2). Similarly, the largest percentage of undisbursed resources from the legacy portfolio was aligned with the strategic area of productivity and diversification in the economy (55%), followed by social gaps (35%) and public governance (10%). However, with respect to some objectives, the program was not aligned with the expected outcomes. For example, there was only one new loan operation under the objectives of *promoting innovation and improving the effectiveness of public governance*. In addition, the portfolio included only four technical cooperation operations contributing to the outcome of *reducing violence against women*, although there were crosscutting actions on gender and diversity in some operations (see Box III.1 in Annex III). Furthermore, the portfolio of new water and sanitation loans ended up targeting urban areas, while the objective and the expected outcomes were focused on rural areas.
- 2.8 Compared with the preceding period, sovereign-guaranteed approvals changed their composition in terms of sectors and focused on expanding water and sanitation coverage and reducing the country's vulnerability to natural disasters and climate change, addressing significant development challenges (Figure 2.1). Operations were redirected toward investments in the water and sanitation and environment and natural disaster sectors, which went from 26% of the total portfolio amount in the 2011-2015 period to 56% of the total amount in the period under evaluation. The environment and natural disaster portfolio, as a proportion of the total investment loan amount approved in Bolivia, is the Bank's largest and is aligned with the country's growing vulnerability to extreme climate events. In water and sanitation, even though the

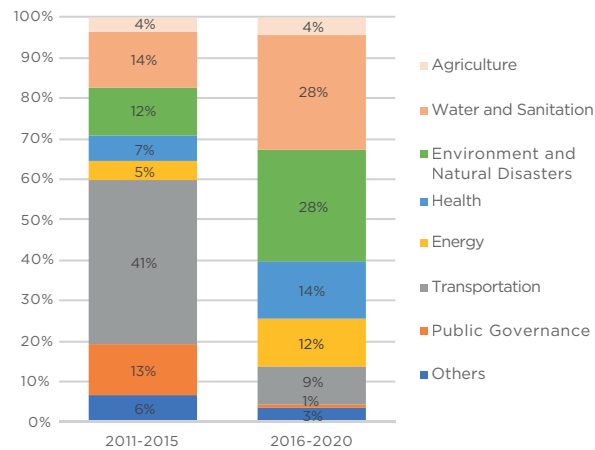
45 Operations that had been approved prior to the evaluation period and had disbursements during this CPE period or for which an expanded supervision report (XSR) was or should have been prepared during the evaluation period.

country strategy proposed an approach targeting rural areas, the new operations in the sector have been primarily focused on expanding service in urban and periurban areas, partly in response to the drought faced by the country in 2016 and the growing rate of urbanization. In contrast, loans to the transportation sector decreased from 41% to 9% with respect to the preceding strategy period. At the same time, however, transportation was also the sector with the largest undisbursed balance at the start of the period (47% of the total).

**Figure 2.1**

**Composition of approvals by sector**

Source: OVE with Data Warehouse data.



Note: The category “Other” includes the education, development and urban housing, social investments, and sustainable tourism sectors.

2.9 The blend of instruments was relevant to the strategic objectives. In this regard, through PBPs, the program provided continuity and depth to some of the reforms initiated under the preceding strategy, while the investment loans were aimed at implementing actions in priority sectors, reducing infrastructure gaps, and supporting the implementation of the PBPs.<sup>46</sup> The Bank’s portfolio in Bolivia consists primarily of investment loans and includes a growing share of PBPs that have supported priority government reforms and were characterized by increased depth as they moved from the first to the second operation of the series.<sup>47</sup> For example, two series of PBPs supported significant reform processes, such

46 Between 2011 and 2014, the IDB portfolio in Bolivia consisted primarily of investment loans (US\$928 million, 69% of the approved sovereign-guaranteed and non-sovereign guaranteed amounts) concentrated in the infrastructure and social sectors. Twenty-six percent of the portfolio was comprised of PBPs (half in water and sanitation and half in effectiveness of public spending and decentralization). The remaining 4% was made up of loans to the private sector.

47 OVE determined the depth of the PBP conditions using the methodology described in its 2015 Annual Report (document RE-485-8). The “depth analysis” seeks to capture how critical a reform is. *High*: if the measure is structural and can create long-term changes in the institutional and public policy context. *Medium*: if the measure has immediate (but not lasting) effects and these effects are important. *Low*: if the

as strengthening environmental governance and disaster risk management in view of the country's vulnerability to climate change. Other PBPs, in transportation and in water and sanitation, lent continuity to reforms supported in the previous strategy period. In energy, the PBP supported diversification of the energy matrix. Overall, the PBPs supported priority reforms associated with three of the nine strategic objectives of the country strategy.<sup>48</sup> In addition, all series provided for an increase in the depth of the reforms between the first and the second operations. An environment-related series (BO-L1104 and BO-L1107), the first operation of which had a high percentage of medium- and high depth conditions, was an exception to this pattern (see Table 2.3). It is also worth noting that PBPs were in several cases accompanied by investment loans and technical cooperation operations.

**Table 2.3. Percentage of PBP conditions of high or medium structural depth**

Sector	Percentage of PBP conditions of high or medium structural depth	
	Operation 1	Operation 2
Transportation	BO-L1089 (2014)	BO-L1112 (2017)
	23%	63%
Energy	BO-L1189 (2018)	Operation 2*
	33%	100%
Natural disasters and climate change	BO-L1104 (2015)	BO-L1107 (2016)
	74%	59%
	BO-L1183 (2017)	BO-L1199 (2019)
	55%	89%
Water and sanitation	BO-L1074 (2012)	BO-L1100 (2016)
	8%	48%
	BO-L1200 (2019)	Operation 2*
	27%	67%

\*Shaded programs indicate operations pending approval.

Source: OVE analysis of the conditions matrices of the PBPs.

2.10 While the average annual approved amount decreased with respect to the previous period from US\$6 million to US\$5 million, the 65 technical cooperation operations approved by the Bank were important in facilitating the design and implementation of projects. Most of the funds in this period were for technical

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measure cannot in itself generate a significant change but can serve as a preliminary step for bringing about such change. The depth of a condition does not necessarily denote its importance for achieving the objectives of the program.

48 The objectives were: *improve the delivery of quality public goods and services, reduce vulnerability to natural disasters and climate change, and expand water and sanitation coverage, principally in rural areas.*

cooperation operations in support of the client (US\$11 million),<sup>49</sup> followed by technical cooperation operations for operational support (US\$8.4 million) and for research and dissemination (US\$700,000). The technical cooperation operations for operational support and a large part of the funds from the Action Plan for Group C and D Countries were allocated to strengthening the capacity of the government to execute the loans and implement reforms associated with the PBPs. The technical cooperation operations in support of the client provided support to central and decentralized public agencies, including technical studies and preparation of sectoral strategic plans (examples are provided in Annexes IV and V). In addition, the technical cooperation operations offered by the Bank were recognized as a comparative advantage with respect to other multilateral banks, which do not have the same volume of nonreimbursable resources. For example, CAF approved US\$7 million in technical cooperation operations between 2016 and 2018;<sup>50</sup> FONPLATA approved three technical cooperation operations for US\$198,000 between 2016 and 2019; and the World Bank had only one technical cooperation operation, for US\$300,000 between 2016 and 2019. In the judgment of the government, the technical cooperation operations and the assistance provided by the specialists are factors that favor the Bank as a partner with respect to other multilateral institutions when the operation requires greater support, as is the case with operations entailing environmental and social risks.

- 2.11 During the evaluation period, the IDB Group actively participated in coordinating support with other international partners and performed an important role in mobilizing financial resources. Together with 23 other multilateral and bilateral development institutions, the IDB Group is a member of the Bolivia Development Partners Group (GruS), which supports the Government of Bolivia in coordinating and harmonizing international cooperation. The IDB Group actively participates with the other development institutions in GruS subgroups designed to facilitate the coordination of support at the sector

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49 The technical cooperation operations in support of the client included funds from the Action Plan for Group C and D Countries, which were used primarily to prepare or execute projects or capacity building activities. In the evaluation period, Bolivia received US\$2.2 million under this plan. The funds were for the most part (66%) used to contract consulting services for project preparation or execution, including launch workshops with executing agencies, advisory services for executing agencies on various issues, and project supervision support (see Figure II.2 in Annex II for the distribution of the use of funds).

50 There are no public data for the 2019 figures.



and thematic levels.<sup>51</sup> In addition, the IDB Group has helped to mobilize resources from other partners, for nearly US\$20 million technical cooperation operations.

## C. Financial Contribution

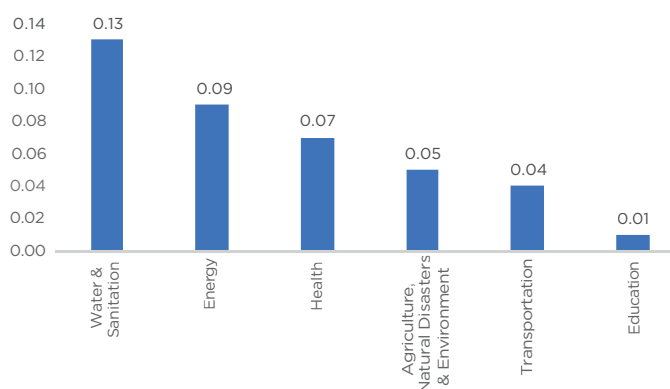
2.12 In recent years, the IDB Group has financed a significant proportion of public investment in several sectors (Figure 2.2). The disbursements of IDB Group investment loans have been equivalent to significant percentages of public expenditure on investment in the water and sanitation and energy sectors. For example, in water and sanitation, the IDB Group's contributions were equivalent to 13% of the public investment in the sector. In 2019 the IDB Group financed 29% of the budget of the Environment and Water Executing Agency (EMAGUA) (the executing agency of various projects with the Ministry of Environment and Water (MMAyA)). As such, it was the second most important source of external funds for the institution (after CAF, which accounted for 34% of its budget).<sup>52</sup>

**Figure 2.2**

**Ratio of IDB disbursements to public investment**

Source: Office of the Deputy Minister of Public Investment and External Financing and OVE, based on the IDB Group Data Warehouse.

Note: executed budget. The IDB disbursements include investment loans and investment grant operations.



Note: Office of the Deputy Minister of Public Investment and External Financing and OVE, based on the IDB Group Data Warehouse. Note: executed budget. The IDB disbursements include investment loans and investment grant operations.

2.13 During the evaluation period, the Bank increased the annual average amount disbursed and reduced the age of the portfolio. The average annual amount disbursed was about US\$437 million, compared to an annual average of US\$257 million during the period 2011-2015. Investment loans continue to account for a larger share of disbursements, although that share declined over the period. The largest portion of the

51 At present there are eight subgroups: health; education; gender; infrastructure; energy; water, watersheds, and risks; productive development; and urban.

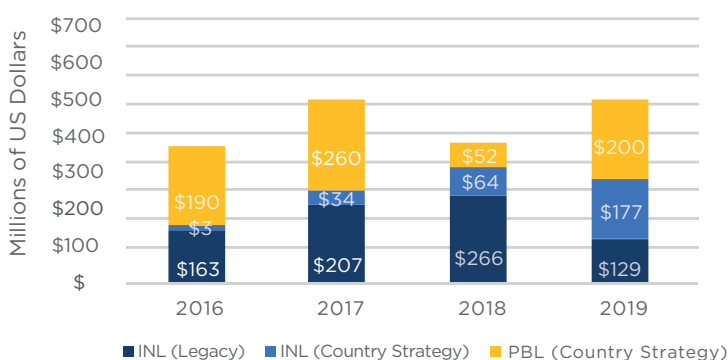
52 Source: EMAGUA. 2019. Budget execution. [http://www.emagua.gob.bo/sites/default/files/doc2018/Fuentes\\_de\\_financiamiento\\_vigentes.pdf](http://www.emagua.gob.bo/sites/default/files/doc2018/Fuentes_de_financiamiento_vigentes.pdf).

resources disbursed during the period was in legacy investment loan operations, which at the start of the period still had high undisbursed balances,<sup>53</sup> and in PBPs, which reduced the age of the portfolio. The growing share of programmatic loans also helped to boost disbursements (Table 2.3).

**Figure 2.3**

2016-2019  
disbursements by  
instrument type

Source: OVE with  
Data Warehouse  
data.



2.14 During the evaluation period, the IDB Group became the international financial institution with the highest volume of sovereign-guaranteed loan approvals. At year end 2015, the Andean Development Corporation (CAF) was the country's largest external lender (30% of total external debt), followed by the IDB (28%) and the World Bank (12%).<sup>54</sup> Both CAF and the World Bank reduced the number and volume of approved loans in comparison to the previous cycle, while the Bank's approvals grew (Figure 2.4). As a result, the Bank has now become Bolivia's main external lender, with US\$3,354,900,000 (30% of the total debt). It is followed by CAF (23.1%), the People's Republic of China (9.3%), the World Bank (8.4%), and FONPLATA (2.5%).<sup>55</sup> Direct support to the private sector from international financial institutions (IFIs) continues to be limited. This is partly due to the limited demand for loans in foreign currency and to Central Bank of Bolivia (BCB) regulations during the evaluation period levying fees on funds transfers abroad.<sup>56</sup> IDB Invest accounted for most of the volume (Figure 2.5), although it was lower than in the previous period.<sup>57</sup>

53 All 21 investment loan operations approved during the preceding period (2011-2015) became part of the legacy portfolio in the current period. Similarly, six investment loan operations approved prior to 2011 also became part of the legacy portfolio.

54 Informe de la Deuda Externa, December 2015. BCB.

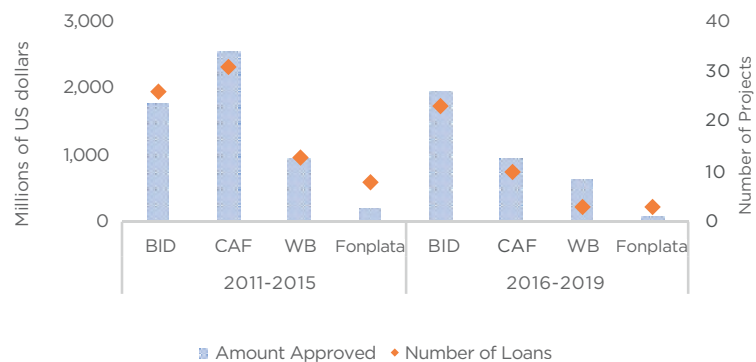
55 Debt instruments issued by the government are 18%. Figures as of December 2019. Informe de la Deuda Externa Pública, BCB.

56 In March 2017, the BCB increased the fee for transferring funds abroad from 1.6% to 2% with a view to preventing capital outflows and leaving headroom for monetary policy to remain expansionary. This measure was withdrawn on 1 January 2020.

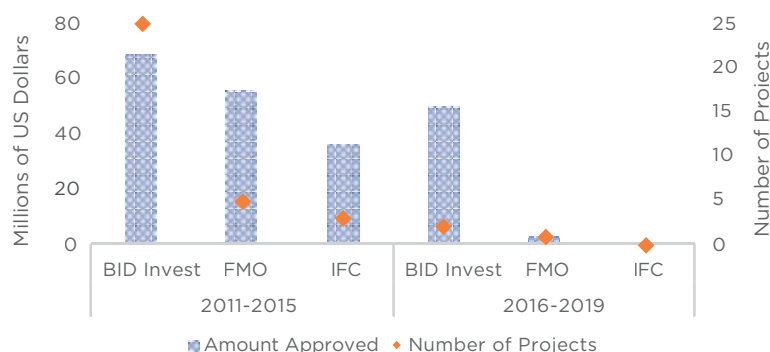
57 In the previous period, IDB Invest was continuing to provide direct support to SMEs, primarily through the Finpyme program. This support has been discontinued throughout the region, as the Bank lacks a comparative advantage for serving this type of beneficiary.

**Figure 2.4****Sovereign-guaranteed approvals other IFIs**

Source: Prepared by the authors using databases of IFIs. Figures as of 31 December 2019.

**Figure 2.5****Non-sovereign-guaranteed approvals other IFIs**

Source: Prepared by the authors using databases of IFIs. Figures as of 31 December 2019.



## D. Implementation of the Country Program

2.15 The times for preparing<sup>58</sup> and executing investment operations in Bolivia are longer than the average for the Bank overall, for countries with concessional financing, and for comparable countries.<sup>59</sup> The average preparation time for an investment operation in Bolivia is 15 months, while the average for the Bank overall and for comparable countries is 11 months, and the average for countries with concessional financing is 13 months<sup>60</sup> (see Figure II.5 in Annex II). With regard to the time for ratification, Bolivia takes less time than the average in countries that require parliamentary ratification of loans.<sup>61</sup> With respect to the previous period (2011-2015), the average preparation time of an investment loan during the current

58 From the time of registration until approval.

59 The group of comparable countries includes those with gross national income of (purchasing power parity) US\$50 billion to US\$100 billion: Costa Rica, Panama, Paraguay, and Uruguay.

60 The times for preparing PBP in Bolivia (14 months) are slightly shorter than for investment loan operations but continue to be longer than the Bank average (11 months) and the average in similar countries (12 months).

61 Bolivia takes close to four months from approval to ratification, compared to nine months on average in the case of countries such as Costa Rica, El Salvador, Haiti, Honduras, Nicaragua, Paraguay, and Dominican Republic.

country strategy period increased by 11%. This is partly because, since 2014, countries with concessional funds conduct their biannual programming and register their operations before formally starting their preparation.<sup>62</sup> In terms of execution, the loans approved in Bolivia during the evaluation period are taking more months to disburse the first 50% of their proceeds than the three above-mentioned groups (see Figure II.5 in Annex II). This is reflected in a larger share of loans requiring extensions.<sup>63</sup> However, in comparison with the preceding period, the first 25% was disbursed faster while it took longer to execute the next 25% (one month longer on average).

2.16 In contrast, operating costs<sup>64</sup> improved during the country strategy period, partly due to the higher average approved amount. During the evaluation period, the preparation cost of investment operations per million approved reached US\$3,670, below the level for the group of similar countries (US\$6,101), countries with concessional financing (US\$4,707), and the Bank (US\$4,835). In addition, operating costs were reduced by 29% with respect to the preceding period, partly due to the increase in the average approval amount. Execution costs were also lower than for the three comparison groups (see Figure II.3 in Annex II).<sup>65</sup>

2.17 The slow pace of portfolio execution was associated with various implementation challenges, many of which are holdovers from the preceding period. Close to 90% of the investment loans executed during the country strategy period faced some type of implementation challenge (see Table II.2 in Annex II). The most common issues included the capacity of the execution unit (64% of projects), project design problems (41%), procurement difficulties (49%), and administrative or policy changes (36%). Other difficulties were related to the limited coordination among agencies and the limited capacity of local contractors or providers (Box 2.1 provides some examples).<sup>66</sup> Many of these challenges are holdovers from the previous period. Such is the case of preinvestment quality, institutional coordination, and management of environmental

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62 An example of this is the only investment loan in the State reform and modernization sector (BO L1111) approved during the period, which took close to four years to go through registration and approval. Another sector with long preparation times is energy, with an average of one and a half years.

63 Close to 65% of the legacy investment loans that completed their disbursements during the period required extensions of close to one year.

64 Operating cost refers to all costs allocated to a given project recorded in the Bank systems (including both preparation and execution). The analysis includes the projects approved between 2016 and 2020. OVE makes a distinction between preparation and execution costs based on the approval date.

65 Execution cost was US\$25,574 in Bolivia in 2016-2020; US\$35,158 for the Bank overall, US\$36,696 in countries with concessional financing; and US\$42,101 in similar countries.

66 The priority area annexes include a detailed analysis of the implementation problems.

and social issues.<sup>67</sup> The fact that the operations continue to experience the same execution challenges points to a failure to adapt their design to the local context.

2.18 In view of these challenges, the technical and operational support provided by the Bank specialists and by the technical cooperation operations has been important in overcoming them in legacy projects. According to the executing agencies interviewed by OVE, the technical expertise of Bank specialists has proven essential in launching, executing, and supervising projects, particularly in the case of executing agencies with limited experience in international finance. In addition, through technical cooperation operations, the Bank financed consultants, organizational planning and development tools, and preinvestment studies for future loan operations, social and environmental studies, and institutional development and monitoring and evaluation plans. However, sufficient evidence is not yet available to determine whether these efforts have helped to better execute the projects approved during the period. Furthermore, since the execution units were the focus of the support, it is questionable that it significantly helped to strengthen the ministries (although, in some cases, the members of the execution units supported by the technical cooperation operations joined the staff at the ministries).

*Box 2.1. Main factors affecting implementation of the portfolio during the period*

- **Capacity of human resources at the execution units.** The high turnover of staff (at the managerial and technical levels) affected the effectiveness of the execution units in some environment and natural disaster, water and sanitation, labor market, and health projects. In addition, the inexperience of the execution units (and of the country in general) in projects such as those related to hospital infrastructure (especially second and third-level hospitals) led to delays in the initial phase of operations in the health sector.
- **Difficulty in managing environmental and social issues.** Shortcomings have been identified in managing the environmental and social aspects of some environment and natural disaster and water and sanitation programs, as well as in complying with the Bank's safeguards policies. In one such case, this problem led to a conflict that was submitted to the Independent Consultation and Investigation Mechanism.
- **Design problems.** Projects were identified as being affected by cost underestimation, failure to identify risks, and technical designs that were deficient, obsolete, or not in line with the reality of the country. In some cases, these problems led to the redesign of the scope of the works (and the beneficiary population) and/or cost overruns that had to be covered with counterpart funds or resources from other loans.

67 Country Program Evaluation: Bolivia 2011-2015, OVE.

- **Quality or misalignment of project preinvestment.** Weakness in the quality of the designs primarily affected projects in the water and sanitation and energy sectors. In water and sanitation, deficient or outdated preinvestment prevented a quick start of some operations and necessitated additional time for adjustments as well as amendment contracts and additional counterpart funds. In energy, both rural electrification loan operations have suffered delays due to a weak preinvestment presented by the autonomous departmental governments (GADs), which needed to be made viable by the Office of the Deputy Minister of Electricity and Alternative Energy. In addition, not having preidentified investment projects at the time of approval of the operation led to delays and increased execution costs of some health works (which had to expand their scope with respect to the original design), as well as works in energy and water and sanitation.
- **Difficulties in the procurement and bidding processes.** Several projects executed during the period faced a limited universe of bidders for the procurement of goods and services, resulting in multiple bidding processes being declared void. There was a lack of specialized bidders, works that posed technical difficulties or were located in hard-to-reach places, and reference prices or procurement arrangements that were inconsistent with the needs of the projects.
- **Institutional challenges and administrative or political changes.** In education, water and sanitation, and transportation, some operations suffered implementation delays due to the reformulation of components as a result of a change in government priorities or institutional instability of the government. In employment, energy, and health, administrative changes and changes in authorities at the relevant ministries also hindered the operations and delayed processes and decisions. In addition, the political cycle has affected the transfer of equipment and execution. Despite including institutional risk in the country strategy, the Bank's operations generally failed to anticipate it sufficiently in their design. Specifically, interagency coordination among the various levels of government (GAD, autonomous municipal government (GAM), and central government) has required complex interagency negotiation processes, signing of subsidiary agreements, and delineating areas of authority, thus hindering and delaying the execution of operations.





# 03

Program  
Outcomes by  
Priority Areas



3.1 The analysis in this chapter is structured around the three priority areas of the country strategy and the IDB Group’s contribution to the strategic objectives.<sup>68</sup> The analysis focuses on the outcomes of the implemented portfolio, the value added provided by the IDB Group, and the sustainability of the outcomes. Given the execution times, the vast majority of the investment loan outcomes came from the legacy portfolio. This chapter examines the program’s contribution to the expected outcomes of the country strategy and the factors that have affected its progress. For the PBPs, this analysis examines the outcomes of the reforms associated with the supported conditions. Since the expected outcomes of the country strategy are overall outcomes, their trajectory cannot be attributed solely to the support of the IDB Group. However, it can serve to analyze country-level trends to which the IDB Group expected to contribute. In “increasing productivity and diversification in the economy,” 6 (of 9) expected outcome indicators improved; in “closing social gaps,” 7 (of 14) such indicators improved; and in “improving the effectiveness of public governance,” the only existing indicator worsened (Table III.3. in Annex III).

## A. Increasing Productivity and Diversification in the Economy

<b>Strategic objectives of the country strategy:</b>	<ul style="list-style-type: none"> <li>1.1 Improve the delivery of quality public goods and services.</li> <li>1.2 Create an enabling environment for business formalization and growth.</li> <li>1.3 Promote innovation.</li> <li>1.4 Reduce vulnerability to natural disasters and climate change.</li> </ul>
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Source: Country strategy 2016-2020.

3.2 The contribution of the IDB Group in this area focused on support for infrastructure projects (in energy, transportation, and irrigation) and on reforms to improve risk management, as well as on the transportation and energy sectors. The support for reforms mostly took the form of PBPs approved during the period, which helped to improve the country’s capacity to manage natural disaster and climate change risks; design guidelines for diversifying the energy matrix; and consolidate actions to modernize the Transportation Law. In terms of investment loans, the outcomes correspond to the significant legacy portfolio in infrastructure in view of the limited progress in implementing the loans approved during this period. In general, the IDB Group has helped to improve access to public infrastructure services, specifically by supporting renewable energy generation, energy transmission, rural electrification, improvement of the primary road network (RVF), and expansion of land under irrigation.

68 OVE recognizes that several operations contribute to more than one strategic objective of the country strategy (see Table III.1 in Annex III).

Lastly, with respect to the objectives of support for the private sector and innovation, the IDB Group's contribution was very limited. The business environment hindered any potential private-sector contribution to business growth and promotion of innovation. The sustainability of the achievements will to a large extent depend on the capacity of the relevant agencies to operate and maintain the infrastructure works and to institutionalize the supported reforms following the change in the macroeconomic and political context. Annex IV provides a detailed analysis.

## 1. Improve the delivery of quality public goods and services

Project number	Name	Type*	Approved		Disburs. (%)
			Year	Millions	
<b>Energy</b>					
Expected Outcomes:	Increase the percentage of power generation from renewable sources in the SIN and in isolated systems (unchanged). Increase the length of the SIN transmission lines (improved). Expand rural electrification coverage (improved).				
BO-L1189	Program to Strengthen the Electricity Sector	PBP	2018	US\$51.6	100
BO-L1190	Electricity Infrastructure Expansion Program	INV	2018	US\$78	0
BO-L1117	Rural Electrification Program II (PER II)	INV	2016	US\$100	25
BO-X1013**	Program for Rural Electrification with Renewable Energy (PERER)	IGR	2013	US\$5.4	100
BO-L1072	Cochabamba-La Paz Transmission Line	INV	2011	US\$78	100
BO-L1050	Rural Electrification Program (PER I)	INV	2010	US\$60	100
BO-L1043	Misicuni Renewable Energy Hydroelectric Project (PHM)	INV	2009	US\$101	100
<b>Transportation</b>					
Expected outcome: Improve the transportation infrastructure to facilitate logistics (improved).					
BO-L1186	Mairana-Bermejo Segment Reconstruction Project	INV	2017	US\$64	23
BO-L1112	Transportation Sector Policy Reform Program II	PBP	2017	US\$120	100
BO-L1102	Road Infrastructure Development and Management Program for the Basic Road Network II	INV	2015	US\$179	55
BO-L1095	Road Infrastructure Development and Management Program for the Basic Road Network	INV	2014	US\$186	73
BO-L1093	La Paz - El Alto Highway Rehabilitation	INV	2013	US\$35	100
BO-L1079	Multiphase Program for the Urban Restructuring of La Ceja	INV	2013	US\$47	94
BO-L1076	Airport Infrastructure Program - Stage I	INV	2013	US\$74	69
BO-L1075	Montero-Yapacaní Two-Lane Segment of the Santa Cruz-Cochabamba Highway	INV	2012	US\$122	92
<b>Rural Development</b>					
Expected outcome: Increase agricultural productivity (improved).					
BO-L1179	Agricultural Health and Food Safety Program II	INV	2016	US\$25	19
BO-L1113	Rural Land Regularization and Titling Program	INV	2016	US\$60	54
BO-L1106	National Irrigation Program with a Watershed Approach III	INV	2016	US\$158,4	49
BO-L1084	Irrigation Program with a Watersheds Approach II	INV	2013	US\$57	100
In addition, 18 technical cooperation operations were approved for US\$5 million. * Instrument type: IGR = Investment grant operation; INV = Investment loan; PBP = Programmatic policy based loan; SP = Private-sector loan. ** Operations financed with resources from the Nordic Development Fund.					

Source: EBP and OVE with Data Warehouse data.

- 3.3 The portfolio's emphasis under this objective was on improving the electricity and transportation infrastructure. In electricity infrastructure, support was provided for generation from renewable sources and transmission as well as for rural electrification. In transportation, support was concentrated on the RVF (to facilitate logistics) and on urban transportation. Support for rural development was provided through investments in irrigation and assistance in land titling and in agricultural health and food safety.
- 3.4 In the energy sector, the program supported the country's installed capacity for renewable energy, the expansion of transmission networks, and an increase in rural electricity coverage, although the legacy projects partially achieved their targets. Two operations helped to boost generation from renewable energy sources in the National Interconnected System (SIN) and in isolated systems. The Misicuni Renewable Energy Hydroelectric Project (BO-L1043) exceeded the installed capacity target through the procurement and installation of an additional turbine for an extra 40 MW (reaching a total of 120 MW), but whose power plant, as a function of demand for the turbine released water, is operating at a lower capacity than expected.<sup>69</sup> The Program for Rural Electrification with Renewable Energy (PERER) (BO X1013) built two hybrid systems in the department of Beni. However, as a result of underestimating the cost of the hybrid systems, one of the other three envisaged systems was never built. The PERER managed to connect 1,200 users of isolated systems in Beni, but only partially achieved its targets in terms of the installation of solar systems since some of the initially identified beneficiaries were going to be connected to the SIN under another program. With regard to the expansion of networks, the implemented program (BO L1050 and BO L1072) made it possible to incorporate 56,000 isolated-system users to the SIN and improved the capacity for transmission between the central and north areas of the SIN (from 130 MW to 430 MW). It also provided greater supply reliability to more than 660,000 users by building three transmission lines. With regard to the objective of increasing rural electricity coverage, the operations produced partial outcomes, connecting a number of households equivalent to 40% of the projected target (BO L1050). This was due to an overestimation of the number of beneficiaries and a lack of coordination among actors. The PERER also contributed by installing peak photovoltaic generation in Santa Cruz.

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69 The power plant is operating so as to ensure that the turbine-released water is equivalent to the daily drinking and irrigation water processing capacity. According to the PCR, there is still no adequate buffer or conveyance for the water coming from the hydroelectric power plant. As a result, electricity generation is contingent on the use of the water once it leaves the power plant.

- 3.5 These energy loan operations, together with various technical cooperation operations, supported institutional strengthening in the sector through studies, manuals, and training. PER I developed a Rural Electrification Project Preparation Manual (MEPER), which was transferred to subnational entities and is being used in structuring projects for the second phase of the PER. In addition, it developed a database of unit prices for preparing rural electrification projects and updated the standard for rural networks. The first phase of the program also provided training in the use of the MEPER and supported the institutional, operational, and financial structuring of the Programa de Electricidad para Vivir con Dignidad [Living with Dignity Electricity Program]. The Misicuni project developed a set of dam safety/contingency regulations that did not exist in Bolivia, while the PERER provided workshops on the use of renewable energy that may facilitate the design of potential future investments in renewables.
- 3.6 The Bank's program also contributed in the energy policy area, especially in view of the relevant conditions in the first PBP. These conditions focused on the design of guidelines for diversification of the energy matrix and efficient management of energy demand, as well as on institutional strengthening of the sector for better planning, management, and control through legislative proposals, strategic plans, and action plans. This first series separated the roles regarding hydrocarbons and electric energy through the creation of the Ministry of Energy (MEN) as the sector's lead entity. The expected outcomes of the PBP are projected for 2022. However, substantial progress has been observed in the indicators, including an increase in national electricity coverage (from 90% in 2016 to 92.8% in 2018) and an increase in installed capacity for generation of renewable energy and nonconventional renewable energy in the electric matrix (from 27% in 2016 to 36% in 2018).
- 3.7 In the transportation sector (mainly through the legacy portfolio), the program helped to improve the infrastructure, especially at the RVF level, and urban mobility. The Bank's interventions included construction and rehabilitation works on 84 kilometers of the RVF. However, most of the works included in the portfolio's operations are still in execution, and thus it is too early to observe their outcomes.<sup>70</sup> The Bank also supported the government through preinvestment tools (BO-L1056) for decision-making on logistics infrastructure projects,

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70 With the operations currently in execution, the Bank's interventions are expected to cover approximately an additional 500 km.

financing feasibility studies on railroad interconnection<sup>71</sup> and the Bioceanic Corridor. At the same time, the Bank program contributed in terms of urban transportation infrastructure, reinforcing social and environmental safeguards. Specifically, following a partial reformulation, the Multiphase Program for the Urban Restructuring of La Ceja (BO-L1079) succeeded in completing the Silver Line portion of the cable-car system in timely fashion, helping to close the cable transportation circuit between La Paz and El Alto and supporting mobility in the area. In addition, the completion of the La Paz El Alto highway (BO-L1093) shortened travel times by an average of two minutes and reduced the accident rate on this section.

- 3.8 The program also helped to consolidate actions to modernize the Transportation Law by supporting various targets under the second phase of the PBP (BO-L1112). Most of the policy conditions consisted of ministerial approvals of regulatory provisions for the various modes of transportation (ground, rail, water, and air). They also included sending several bills to the Legislative Assembly to improve vehicle inspection, right-of-way, and road safety regulations.<sup>72</sup> The expected outcomes of the PBP are projected for 2020. However, substantial progress has already been observed, including an increase in the freight transported under all modes of transportation and a decline in road accident deaths (Table III.4, Annex III).
- 3.9 In rural development, the program achieved significant progress in expanding the area under irrigation. PRONAREC II (BO-L1084) achieved an effective increase of the agricultural area under irrigation, with 76 public irrigation infrastructure projects completed and transferred as of year-end 2019. This resulted in a 17,144 hectare expansion of the area under irrigation (nearly 4,442 hectares of which have technified irrigation) and 14,357 beneficiary families. There are no data yet on its impacts. However, the PRONAREC I evaluation showed that, in similar interventions, the program was effective in expanding the irrigated area and increasing household income.
- 3.10 In terms of sustainability, the energy operations are secure at the technical, financial, and institutional levels. However, the challenges are greater with regard to transportation and rural development operations. In the case of the Misicuni hydroelectric power plant, the operation is managed by an ENDE subsidiary with relevant experience. In addition, its generation potential is timely in view of the growth in demand. The other projects are

71 The studies included: (i) commercial prospects, market, and logistics alternatives study; (ii) environmental assessment study; (iii) strategic study and resulting corridor; and (iv) supplementary study of layout and alignment alternatives.

72 The implementation of the regulations prepared for the various means of transportation is expected to be part of the conditions for the final tranche of the programmatic series.

also managed by entities that are well suited to operate them. In transportation, however, the ABC road works pose medium and long-term sustainability risks, since the large increase in highway investments has still not been matched by changes to enable proper means of routine and periodic maintenance.<sup>73</sup> In addition, in the rural development area, sustainability challenges exist in some PRONAREC interventions in terms of incorporating a watershed approach into the investments, the financial capacity of producers, and potential safeguard problems.<sup>74</sup>

## 2. Create an enabling environment for business formalization and growth

Expected outcomes: Improve the business climate (improved). Increase formality in the economy (unchanged)					
Project number	Name	Type*	Approved		Disburs. (%)
			Year	Millions	
12523-01	PTI Bolivia	SP	2018	US\$45	
12379-02	Companex	SP	2018	US\$5	
BO3627A-01	Banco Ganadero	SP	2015	US\$3	
BO3632A-01	Montecristo	SP	2014	US\$0,25	
BO-L1097	Banco Ganadero SME Financing Partnership	SP	2014	US\$10	
BO-L1066	Creating Opportunities for Small Sesame Producers in Bolivia	SP	2011	US\$2,1	
BO-L1039	National Community Tourism Program	INV	2010	US\$ 20	100
BO-L1182	Cultural Heritage Tourism Management Program	INV	2018	US\$ 26	40

In addition, four FINPYME operations were approved for a total of US\$1.24 million, as well as two technical cooperation operations associated with BO-L1182 for US\$570,000.

Source: EBP and OVE with Data Warehouse data.

3.11 The size of the non-sovereign guaranteed portfolio was small and therefore the contribution to the objective was limited. The two operations with Banco Ganadero produced mixed outcomes. One of these operations was an equity investment, and the other an investment loan to expand the portfolio of small and medium-sized enterprises (SMEs). The Bank succeeded in expanding its SME portfolio during the period and exceeded

73 Interviews with experts indicate that the capacity to generate net toll revenue is not clear if one considers the maintenance costs to be faced in the next 5 10 years.

74 Incorporating a watershed approach is essential to guarantee protection of the water sources and thus a supply of drinking and irrigation water. Also, producers occasionally lack the financial capacity required to make supplementary investments at the farm level to enable use of the community infrastructure. Lastly, performance in terms of compliance with environmental and social safeguards was rated unsatisfactory in the ESG supervision report in May 2019. However, during the last supervision mission (13-20 May 2020), the Bank confirmed the performance of a series of corrective actions, and this rating was improved in the respective ESG supervision report to partially unsatisfactory in PRONAREC II, and partially satisfactory in PRONAREC III. It should be noted that PRONAREC III has strengthened the actions to address the shortcomings noted in PRONAREC II by establishing as an eligibility criterion no financing of interventions in protected areas and strengthening supervision not to allow reforestation plans with non-native species.

the target for expanding credit to agribusiness enterprises. However, it did not achieve the target for expansion into the country's western area or the target for improvement of the terms of the dollar-denominated SME portfolio. The other non-sovereign guaranteed operations approved during the country strategy period have only recently been disbursed and it is therefore too early to observe any outcomes.

- 3.12 In general, the IDB Group has had limited involvement in issues of improving the business climate and productivity in the private sector. In view of the conditions for dollar denominated loans, such as the fee on transfers of funds abroad,<sup>75</sup> and the high market liquidity, it is not surprising that there is limited demand for IDB Invest loans. However, it is important to create, maintain, and strengthen relationships with clients that can help to achieve a demonstration effect in the country. At the same time, due largely to the legal and regulatory framework during most of the period, the IDB Group did not have loans or technical cooperation operations on issues of business climate improvement, such as labor reform, investment policies, anticorruption initiatives, or simplification of administrative processes. Nonetheless, it worked recently with the BCB to eliminate the 2% fee on transfers of funds abroad.

### 3. Promote innovation

Expected outcomes: Increase total (public and private) investment in research and development (no data)					
Project number	Name	Type*	Approved		Disburs. (%)
			Year	Millions	
BO-L1096	Direct Support for the Creation of Rural Agrifood Initiatives II	INV	2015	US\$62	65
In addition, two technical cooperation operations were approved for US\$1.4 million.					

Source: EBP and OVE with Data Warehouse data.

- 3.13 With only a single loan, the program was unable to make a significant contribution to the objective. However, the only loan under this objective (the CRIAR II direct support program for agricultural producers (BO-L1096)) has been effective in promoting and adopting technologies at the individual farm level. The program envisaged the installation of small-farm production technologies that are new to the beneficiaries, and included technical assistance for their use and maintenance as well as technical assistance in agricultural processes and partnership management. For the moment, the main achievement is the transfer of 27,773 production technologies to small producers who have access to markets and limited services. By way of

<sup>75</sup> In March 2017, the BEB increased the fee on transfers of funds abroad from 1.6% to 2% in order to prevent capital outflows, which led to financing conditions being uncompetitive.

reference, the CRIAR I impact assessment showed that, in similar interventions, the program had a positive impact on the agricultural productivity of beneficiaries. With regard to the effectiveness and sustainability of CRIAR II, the main challenges are ensuring that the acquired technologies are used and maintained and their use is, to the extent possible, disseminated and supplemented with other inputs. In addition, producers need to be able to remain in contact with their suppliers and have access to technical assistance to ensure that the technologies have the required support throughout their useful life.

Expected outcome: Strengthen the capacity for disaster risk management (improved)					
Project number	Name	Type*	Approved		Disburs. (%)
			Year	Millions	
BO-L1199	Program for the Strengthening of Environmental and Natural Resource Management II	PBP	2019	US\$100	100
BO-L1188	Bolivia Resilient to Climate Risks	INV	2017	US\$40	22
BO-L1183	Program for the Strengthening of Environmental and Natural Resource Management I	PBP	2017	US\$140	100
BO-L1107	Disaster Risk Management Program II	PBP	2016	US\$100	100
BO-L1114	Storm Drainage for the Cities of La Paz and El Alto III	INV	2016	US\$30	40
BO-L1104	Disaster Risk Management Program I	PBP	2015	US\$142.5	100
BO-G1004	Multipurpose Water Supply and Irrigation Program for the Municipios of Batallas, Pucarani, and El Alto	IGR	2015	US\$42.5	58
BO-X1012	Pilot Action Plan for Adaptation to Climate Change in Highland Areas	IGR	2015	US\$4.2	20
BO-L1028	Drainage in the Municipios of La Paz and El Alto II	INV	2010	US\$30	100
BO-X1001	Sustainable Management Highland Ecosystems, North Potosi	INV	2010	US\$ 6	100

In addition, six technical cooperation operations were approved for US\$1.9 million.

Source: EBP and OVE with Data Warehouse data.

#### 4. Reduce vulnerability to natural disasters and climate change

3.14 The Bank contributed to this strategic objective through two PBP series and investment loans aimed at disaster risk, environmental, and natural resource management. The four PBPs accounted for the vast majority of disbursements during the evaluation period, with a total of US\$382.5 million. The first programmatic series (BO 1104 and BO-1107) was aimed at supporting governance reform and financial protection for disaster risk management. The programmatic series (BO 1183 and BO-1199) supported strengthening and modernization of the regulatory, institutional, and budgetary framework of environmental management, including multiple management actions to control pollution and comprehensive management of forests and biodiversity.



- 3.15 The first programmatic series in support of disaster risk management (BO-L1104 and BO-L1107) consolidated a legal reform by effectively implementing its components and obtaining positive outcomes, and it was accompanied by an investment loan. Through these means, the Bank made a direct contribution to instituting a legal framework to improve disaster risk management (Law 602 of 2014). Furthermore, the Bank provided additional support by approving an investment loan operation (BO-L1188) aimed at implementing in practice the prospective risk approach proposed in that new legal framework (for example, through infrastructure works). According to the project completion report (PCR), the Index of Governance and Public Policy for Disaster Risk Management (iGOPP) improved substantially (by 18 percentage points).<sup>76</sup> The main sustainability challenge is the high turnover of staff in a potential scenario of reduced support following the end of the program. With regard to the second programmatic series (BO-L1183 and BO-L1199), while it has supported environmental and natural resource management, it is still too early to assess outcomes.
- 3.16 In addition, these reforms were supplemented in crosscutting fashion by projects in other portfolio sectors. Worth noting among the operations that contributed to the reforms' objectives are two programmatic series in water and sanitation (BO-L1100, BO-L1200), which included several relevant outcomes for reducing vulnerability to climate change, such as incorporating the risk management strategy and climate change adaptation measures into the plans, programs, and technical standards of the Office of the Deputy Minister of Water Resources and Irrigation.<sup>77</sup> Also worth noting are two drainage projects in the municipios of La Paz and El Alto (BO-L1028 and BO-L1114). The former exceeded the planned targets, reducing damage by US\$362,974 in El Alto and by US\$1,413,876 in La Paz. In addition, the Multipurpose Water Supply and Irrigation Program (BO-G1004, BO-X1012),<sup>78</sup> highly important for water security in La Paz and El Alto, continues to be affected by significant social problems. Another example of a (smaller scale) contribution to the achievement of the reforms' objectives is the investment grant BO-X1001, which succeeded in establishing 93 comprehensive management demonstration parcels, managed by the Ayllus settlements.

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76 The iGOPP reached 53% with respect to the base figure in terms of governance conditions for disaster risk management.

77 The relevant analysis is presented in the section on *Closing social gaps*.

78 The multipurpose water supply and irrigation program consists of three components and loans. The water and sanitation component (BO-L1080) is analyzed in the note on social gaps.

## B. Closing social gaps

<b>Strategic objectives of the country strategy:</b>	<p>2.1 Reduce extreme poverty, with an emphasis on rural areas, indigenous groups, and the under-15 group.</p> <p>2.2 Expand water and sanitation coverage, principally in rural areas.</p> <p>2.3 Improve access and quality of social services.</p> <p>2.4 Increase workforce integration of women, indigenous peoples, and Afro-descendants.</p>
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Source: Country strategy 2016-2020.

3.17 In this priority area, the program made moderate progress. Despite execution challenges, it contributed to reforms and investments to expand water and sanitation coverage as well as investments to improve access to services through the construction of hospitals and health centers. Other sectors that contributed to this priority area include education (construction of technical secondary schools), labor market (training and job placement actions), and technical cooperation operations in support of actions to reduce violence against women. In general, these operations helped to expand access to services, although to a lesser extent than expected. However, there is no evidence that they directly helped to reduce extreme poverty, an overly ambitious strategic objective in view of the Bank's program.<sup>79</sup> Annex V provides a detailed analysis.

### 1. Expand water and sanitation coverage, principally in rural areas

Expected outcomes: Expand drinking water coverage in rural areas (worsened). Expand basic sanitation coverage in rural areas (improved). Expand drinking water coverage in urban areas (worsened) <sup>(a)</sup> . Expand basic sanitation coverage in urban areas (improved) <sup>(a)</sup> .					
Project number	Name	Type*	Approved		Disbur. (%)
			Year	Millions	
BO-L1200 <sup>(b)</sup>	Policy Reform Program for the Water, Sanitation, Solid Waste, and Water Resources Sectors in Bolivia	PBP	2019	US\$100	100
BO-L1184	Water and Sanitation Program for Small and Medium-Sized Cities	INV	2018	US\$79	0
BO-L1192	Comprehensive Water Management Program in Urban Areas	INV	2018	US\$100	0
BO-L1191	Program to Expand and Improve Water Supply Sustainability and Resilience in Cities	INV	2017	US\$75	24
BO-L1100 <sup>(c)</sup>	Reform Program for the Water, Sanitation, Solid Waste, and Water Resources Sectors in Bolivia Second Operation	PBP	2016	US\$90	100
BO-L1118	Lake Titicaca Cleanup Program	INV	2016	US\$77.3	21
BO-L1080	Multipurpose Water Supply and Irrigation Program for the Municipios of Batallas, Pucarani, and El Alto	INV	2015	US\$62	42
BO-L1087	Water and Sewerage Program in Periurban Areas Phase II	INV	2013	US\$60	86
BO-L1073	Program for Comprehensive Solid Waste Management Implementation in Bolivia	INV	2012	US\$20	69
BO-G1002	Water and Sanitation for Small Localities and Rural Communities	IGR	2011	US\$20	100

<sup>79</sup> OVE considers the strategic objective of *reducing extreme poverty, with an emphasis on rural areas, indigenous groups, and the under-15 age group* too broad, crosscutting, and at the impact level, and therefore does not include it in the detailed analysis.

BO-L1065	Water and Sanitation Program for Small Localities and Rural Communities	INV	2011	US\$20	100
BO-X1004	Spanish Fund - Water & Sanitation Periurban Areas	IGR	2009	US\$80	100
In addition, nine technical cooperation operations were approved for US\$2.6 million.					

Source: EBP and OVE with Data Warehouse data.

a) These indicators were not included in the country strategy's results matrix. OVE includes them as a reference since a significant portion of the Bank's water and sanitation portfolio is executed in periurban and urban areas. (b) First of two phases. (c) Second phase. The first was BO-L1074, in 2012.

3.18 The portfolio associated with this strategic objective focused on expanding and improving access to water and sewer services in rural, periurban, and urban areas. This effort took the form of investments in infrastructure, development of master plans, community development, and support for policy reforms aimed at improving management of the sector, among other interventions. The Bank provided continuity to the expansion of water and sanitation coverage undertaken in previous periods.<sup>80</sup> In addition, through two PBP, the Bank supported reforms aimed at improving the management and sustainability of infrastructure investments in the sector. The Bank helped to make strides in water and sanitation coverage in rural and urban areas. However, at the national level, the water coverage data may have worsened, with divergences being noted depending on data source (for further details, Annex V, Table I.5).

3.19 The PBP supported reforms for prioritization and allocation of resources and a rate policy, the outcomes of which are still incipient. The Bank approved two PBP (BO-L1100 and BO-L1200) associated with two different reform programs. BO L1100, the second loan of a first series,<sup>81</sup> supported implementation of the budget allocation for the Departmental Irrigation Services in seven departments. In addition, it supported approval of an updated mechanism to prioritize and allocate funds; implementation of the structure for local government coparticipation in the financing of the sector; approval of a rate policy with a social approach to ensure the long-term financial sustainability of the water and sanitation providers (EPSAs); and updates to the Social Community Development Regulations (DESCOM). However, the new rate policy has not yet been implemented at all EPSAs and the sustainability of the sector continues to be an issue. The second series, the first loan of which (BO-L1200) was approved in 2019, is focused on improving sector governance, management of water and sanitation services, and water security, and incorporates integrated solid waste management.

80 Between 2011 and 2015, four investment loans were approved (including three that are still active), along with a grant and the first phase of a PBP.

81 The first loan of the series was BO-L1074 Program to Reform the Water and Sanitation and Water Resources Sectors in Bolivia, for US\$78 million, disbursed in 2012. The objective of the series was to help expand the coverage and improve the management of water and sanitation services, as well as improve the management of water resources in Bolivia, by developing institutional and policy frameworks.

- 3.20 In rural communities and small towns,<sup>82</sup> the targets in terms of communities benefitting from water and sanitation interventions were not achieved. However, progress was made in water and sanitation infrastructure and in training actions through legacy operations. For example, BO-G1002 benefited 198 rural communities through improvements in access to drinking water and 203 rural communities through sanitation interventions, helping more than 7,000 households. In addition, BO-L1065 benefited 10 small towns, which resulted in 5,631 households with new access to drinking water, 5,837 households with improved access, 6,740 households with water treatment, and 5,186 households with a new connection to a network sanitation system. Strides were made in creating, equipping, and training close to 200 EPSAs, although it is worth noting that many EPSAs, particularly in rural areas, lack regulatory monitoring and are not self-sustaining. The Bank also helped to prepare the national water and sanitation strategy for rural areas and small towns and the DESCOM gender manuals.
- 3.21 In periurban and peripheral areas, progress was made in sewer works, new and upgraded water connections, and treatment plants (BO X1004 and BO L1087), increasing the number of households with access to these services. Periurban I (BO-X1004) achieved most of its outputs. In total, it is estimated that the beneficiaries included 10,700 households with new water service, 46,000 households with upgraded water service, and 47,000 households with a connection to a sewer system in the departments of Beni, Cochabamba, La Paz, Potosí, and Santa Cruz. In addition, the number of hours with continuous water service increased to an average of 20, compared to 4 in 2009. There has also been partial progress in the operating efficiency of the targeted EPSAs (although the target was not achieved)<sup>83</sup> and in health indicators in the areas of influence of the projects. Periurban II (BO-L1087) is still active, with significant progress in works.
- 3.22 With regard to integrated solid waste management, the Bank played an important role in moving legislation forward at the departmental and municipal levels, as well as in the implementation of initiatives in Beni, Potosí, and El Alto (BO-L1073), with moderate progress in the construction of sanitary landfills. In the municipio of Riberalta, the new sanitary landfill was completed and progress was made on the training and formalization of recyclers, although the most recent progress monitoring report indicates that additional external support is required to cover the cleanup service.<sup>84</sup>

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82 Rural communities: fewer than 2,000 residents. Small towns: 2,000 to 10,000 residents.

83 Nine of the 13 EPSAs in the program maintained or reached adequate operating efficiency (some EPSAs did not meet the target since the implementation of new sewer services increased initial operating costs); laboratory analyses of water quality have been conducted at 11 of them (the target was 12) (five of these EPSAs acquired this capacity during the program period).

84 For the remainder of the investment loan operations, execution has been less than 50%, and thus these operations show moderate progress at this point.

3.23 The sustainability of outcomes under this objective is not assured in view of the existing challenges regarding adequate operation and maintenance of the facilities and the implementation of planning tools and strategic investments to strengthen water security. The issue of sustainability in the provision of services was already highlighted in the previous CPE as one of the most urgent challenges facing the sector. The Bank's loans and technical cooperation operations financed important institutional strengthening and social management initiatives, which appear to have been successful in improving the sustainability conditions. Nevertheless, there are persistent challenges stemming from the insufficient financial sustainability of EPSAs (insufficient rate collection and operating inefficiencies), absence of urgent investments, lack of trained staff, high staff turnover, and shortcomings in safeguard performance in the case of some wastewater treatment plant and sanitary landfill projects. Furthermore, risks of drought and of unsustainable use of water sources were identified in the Altiplano, particularly in the context of climate change. To address this problem, the Bank approved two new loan operations with a focus on water security in cities (BO L1191 and BO-L1192). These loans have not had significant disbursements and, for the moment, the lack of in-depth aquifer studies poses a challenge in terms of knowing the degree of sustainability of the water supply for fast-growing cities.

## 2. Improve access and quality of social services

Project number	Name	Type*	Approved		Disburs. (%)
			Year	Millions	
<b>Health</b>					
<b>Expected outcomes:</b> Reduce infant mortality (worsened). Reduce maternal mortality (no data)					
BO-L1198	Program to Improve Accessibility to Maternal and Neonatal Health Services in Bolivia	INV	2018	US\$275	18
BO-L1082	Improved Access to Health Services in El Alto, Bolivia	INV	2014	US\$43	87
BO-L1078	Improved Access to Health Services in Bolivia	INV	2012	US\$35	94
BO-L1064	"Grow Well to Live Well" Early Childhood Development Program	INV	2012	US\$20	100
BO-L1070	Master Registry of Beneficiaries Program	INV	2011	US\$5	100
BO-L1067	Strengthening of Integrated Health Networks in the Department of Potosi	INV	2011	US\$35	100
<b>Education</b>					
<b>Expected outcome:</b> Expand net secondary education coverage (improved)					
BO-L1071	Support for Productive Community Secondary Education	INV	2012	US\$40	100
<b>Violence against women</b>					
<b>Expected outcome:</b> Reduce violence against women (improved)					
Three technical cooperation operations were approved for US\$1.1 million and there was one legacy technical cooperation operation focused on violence against women. In total, 13 technical cooperation operations were approved for US\$4.1 million covering the strategic objective in its entirety.					

Source: EBP and OVE with Data Warehouse data.

3.24 The portfolio associated with this strategic objective was primarily concentrated on supporting universal access to health care, on specific issues such as early childhood development and education, and on actions against gender violence. In early childhood health and development, the Bank supported the construction, expansion, remodeling, and/or equipping of hospitals and health care facilities as well as child care centers. In education, it focused on improving technical secondary education coverage. In gender violence, the Bank approved technical cooperation operations that supported the diagnostic assessment and strengthening of public policies focused on preventing violence against women and the incorporation of gender strategies into Bank loans.

3.25 In health, four hospitals were built (although the final phases are still pending) along with a medical emergency center, and progress was also made in expanding and equipping health care facilities. It is estimated that the four new hospitals (Llallagua, Potosí, Ocurí, and El Alto Sur) will become operational in the second half of 2020.<sup>85</sup> The medical emergency center in Potosí (together with two ambulances that complement the mobile network) is unique in the province (and is one of only a few in the country). It is already operational and helps in the referral of critical patients in the network in Potosí and other, nearby departments. In addition to these works, the Bank continued to support the expansion, remodeling, or equipping of at least 10 health care facilities as well as 48 child care centers in Chuquisaca and Potosí which are already in operation. Also worth noting are certain actions, such as the training of community midwives in Potosí<sup>86</sup> to enable them to help identify pregnancies in rural areas in more timely fashion. All actions were aimed at closing health gaps in two areas: (i) the Altiplano region (Potosí), where health care shortages and lags are greatest; and (ii) El Alto, where there is a significant population concentration with growing demand for basic services. Improvements have been identified in the percentage of institutional childbirths and in the percentage of pregnant women who had a fourth prenatal checkup in Potosí,<sup>87</sup> where the Bank was the main support in the health sector. In the case of early childhood development,

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85 There are outstanding equipment tenders or works pending delivery to the relevant governments.

86 These professionals are a link between the community platform and the clinics and hospitals.

87 The authors' own calculations, based on the INE Statistical Yearbook 2018. Between 2015 and 2018, the percentage of institutional childbirths in Potosí went from 96% to 98%, while at the national level it remained unchanged at 98%.

despite certain advances in the regulatory framework,<sup>88</sup> there is the persistent challenge of not having a national policy and a lead, operating, and coordinating entity at the central level.<sup>89</sup>

3.26 In education, several secondary school centers promoting technical-technological education were built,<sup>90</sup> thereby moderately expanding access to this level of education. The three productive technical modules (MTPs), unique in Bolivia, started classes in June 2019 and will begin their second school cycle in March 2020 (albeit with delays). In addition, 11 productive technical hubs (NTPs) were built (with dormitories in rural areas) and 41 educational units were equipped with productive technical workshops (TTPs) in rural municipios in all nine departments. However, in at least one of the MTPs, part of the equipment was defective or was not used due to lack of demand for, or supply of, certain disciplines. Furthermore, due to the political cycle, only 858 physics, chemistry, biology, and geography lab kits were delivered (of the 1,650 envisaged kits). The project also included a teacher training component, which was canceled, however, due to a change in government priorities. The MPTs, NTPs, and TTPs contribute to the national objective of promoting productive technical and community education. However, their direct contribution to the country strategy's national indicator (net coverage of secondary education) is unlikely, since they promote actions supplementing those provided in existing secondary schools.

3.27 Despite the advances in health and education infrastructure, one of the main challenges to the effectiveness and sustainability of the achieved outcomes is the lack of qualified human resources able to service the infrastructure supported through the loans, in addition to maintenance challenges.<sup>91</sup> For example, the newly built hospitals will require specialized physicians<sup>92</sup> and the MTPs need more teachers to cover the disciplines being offered. At the same time, there are challenges in terms of Ministry of Education (MEDUCA) and Ministry of Health (MINSa) budgetary availability and items. In addition, the MTPs do not

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88 For example, ministerial resolutions on standards for early stimulation rooms and mobile teams.

89 The Bank attempted to supplement the program with an IDB Lab technical cooperation operation (BO M1055) aimed at boosting access to microinsurance for the low-income population, but did not succeed in launching the product.

90 Based on Bolivia's humanistic-technical high school model.

91 However, this is a general country challenge and is not exclusive to IDB loans.

92 For example, the El Alto Sur Hospital will have an oncology center. The government, in the framework of the Sistema Único de Salud [Single Health Care System] (SUS), approved the hiring of additional physicians, but their number continues to be insufficient.

yet have a design of the administrative model for operation and maintenance purposes,<sup>93</sup> and there are maintenance challenges in the health infrastructure.<sup>94</sup>

3.28 Lastly, in violence against women, the Bank worked through technical cooperation operations that have already made considerable progress and that support comprehensive initiatives to combat violence against women; however, the scope of the program resulted in a limited contribution to the country strategy's strategic objective. The main outputs include the preparation of a diagnostic assessment of the quality of public spending to combat violence against women, which indicated the need to increase investment in violence prevention at all levels, with an emphasis on the subnational level, and to develop a system to measure the impact of programs for structural prevention of violence against women. In addition, a plurinational comprehensive system for the prevention, care, and eradication of gender violence was designed and implemented as a system of effective care for victims. These actions aim to implement more structured and comprehensive initiatives to combat violence against women. Also during the evaluation period, the Bank strengthened the institutions that may lead the Ciudad Mujer initiative<sup>95</sup> in terms of their capacity to manage the program and their interagency coordination system. At the same time, crosscutting actions in gender and diversity were supported in various sectors (see Box III.1 in Annex III).

### 3. Increase workforce integration of women and indigenous people

Expected outcomes: Increase the rate of participation by women in paid work (improved). Increase the rate of participation by indigenous people or Afro-descendants in paid work (no data).					
Project name	Name	Type*	Approved		Disburs. (%)
			Year	Millions	
BO-L1121	Program to Support Employment II (PAE II)	INV	2016	US\$40	29
BO-L1051	Program to Support Employment (PAE)	INV	2010	US\$20	100

In addition, three technical cooperation operations were approved for US\$900,000.

Source: EBP and OVE with Data Warehouse data.

3.29 While women were supported (although not in targeted fashion), there is limited disaggregated evidence of broader actions focused on the workforce integration of indigenous people and Afro-descendants as indicated in the country

93 In the design, it was determined that the MTPs would be transferred to the municipios. However, the transfer was not made and the role and coordination of the GADs and GAMs in managing the MTPs is not clear.

94 In health, the plans are to support the closing of equipment and maintenance gaps in the newly built clinics and hospitals, as well as to strengthen the capacities of health care staff, through BO-L1198.

95 Ciudad Mujer is envisaged as a comprehensive care center for issues of violence against women, sexual and reproductive health, and female financial empowerment in the city of Cochabamba.



strategy. During this period, the Bank supported training and job placement actions targeting the general population through two loan operations, which have enabled the Servicio Público de Empleo de Bolivia [Bolivia's Public Employment Service] (SPE) to expand its territorial coverage and have had positive effects on the workforce integration of the beneficiaries who completed the three months of training. With support from the Program to Support Employment (PAE) (BO L1051), the SPE was able to assist 23,688 job seekers (55% of whom were women) and newly register 1,602 businesses which announced a total of 8,397 vacant positions during the execution period of this program, thus meeting the program's targets. According to PAE information, 83% of beneficiaries complete the three months of training, but not all graduates are immediately hired. However, the impact assessment showed positive outcomes in terms of the chances of finding employment (9 percentage points higher than for other job seekers who did not undergo the training), while the already employed subgroup improved its job income by 9.1%.<sup>96</sup> The PAE II is continuing to strengthen the SPE and is implementing pilots aimed at improving the workforce integration of youth, women, the disabled, indigenous people (with IDB Lab) and the LGBT population. However, it is still too early to report outcomes.

3.30 Despite the strides made through the PAE and PAE II, the SPE continues to face challenges that erode its effectiveness and sustainability. The actions under the PAE are still too moderate to have an impact on reducing unemployment and increasing formal employment at the national level.<sup>97</sup> In terms of sustainability, the PAE II is financing part of the regional employment office personnel, although some items to finance SPE staff have already been included in the national budget. There are still challenges related to the dissemination of the program (which is not sufficiently well positioned), the capacities of the PAE staff and the local staff at the Ministry of Labor, Employment, and Social Security, and areas for improvement in screening and monitoring beneficiaries and coordinating with other existing programs to avoid duplication (e.g., with the Ministry of Planning). In addition, there is an opportunity to improve the strategy for connecting and coordinating with other actors (such as the private sector) to boost the number of vacant positions available.

96 The impact assessment monitored some beneficiaries three years later.

97 The SPE assists only about 12,000 people a year (PAE, 2015), not all of them with a guaranteed job, while the number of unemployed in 2014 totaled 105,676.

## C. Improving the Effectiveness of Public Governance

<b>Strategic objective of the country strategy:</b>	Improve the effectiveness of public governance				
Source: Country strategy with Bolivia 2016-2020					
<b>Expected outcome:</b> Improve the effectiveness of public governance (worsened)					
Project number	Name	Type*	Approved		Disburs. (%)
			Year	Millions	
BO-L1111	Program to Support Preinvestment for Development II	INV	2018	US\$15	0
BO-L1101	Program to Support Preinvestment for Development	INV	2015	US\$30	40
BO-L1063	Municipal Management Improvement Program	INV	2011	US\$52	100
In addition, 11 technical cooperation operations were approved for US\$3.6 million.					

Source: EBP and OVE with Data Warehouse data.

3.31 Although the program associated with this strategic objective continued to support the priorities of the previous period's country strategy, with a focus on strengthening public governance at the central and subnational level and on public investment, progress was limited, particularly in terms of preinvestment support. The only loan operation to have made significant progress<sup>98</sup> has achieved or exceeded all targets associated with strengthening the municipal public spending management system. However, it has not yet achieved most targets associated with property registry management and its interconnection with the tax administration. Specifically, as a result of the municipal management loan operation (BO L1063), 97% of the municipal public expenditure is managed through the public management system (SIGEP) under international standards, and 298 municipios have presented municipal fiscal information in the citizen portal on the website of the Ministry of Economy and Public Finance (MEFP) and have used the Single Account. Moreover, after the conclusion of program disbursements, the MEFP is continuing to move forward on incorporating more municipios into the SIGEP, covering almost all of the country's municipios as of the date of this evaluation. The sustainability of the outcomes is evident in the continued incorporation of new municipios, the maintenance of the SIGEP, and the use of the SIGEP not only by the municipios but by most of the public entities in the country. With regard to the property registry, despite completing 10 cadastral surveys,

98 BO-L1101 has not made much progress in terms of achieving outputs. This is largely due to the lack of experience of the agencies involved in the technical and fiduciary processes they have to carry out. To date, only 2 of the 15 expected preinvestment studies have been completed. Meanwhile, the borrower asked the Bank to extend the contracting signature date for BO L1111 until September 2020, and its execution has therefore not begun.

property assessments have not yet been prepared in any municipio and technical title clearance for urban properties has not been performed. This limits the ability of municipios to increase their tax base through property taxes. In addition, the portfolio included technical cooperation operations that supported specific aspects of public governance, such as strengthening the Attorney General's Office, implementing the digital signature, and implementing the electronic invoice.



# 04

## Conclusions and Recommendations

- 4.1 OVE concludes that the IDB Group has been shown by the program to be a long-term partner in many sectors in Bolivia, but that some strategic objectives and expected outcomes were unrealistic and were not sufficiently targeted. During the 2016-2020 period, the IDB Group was Bolivia's main partner in terms of volume of development loans and technical cooperation projects. The Bank's program was thematically relevant and continued to support priority sectors for the country's development (such as by expanding access to electricity and to water and sanitation). At the same time, it placed renewed emphasis on priorities such as reducing vulnerability to natural disasters and climate change and addressing the growing urbanization rate. However, it was unrealistic to attribute the strategic objective of *reducing extreme poverty* to the program. Moreover, some of the program's expected outcomes were not sufficiently targeted, namely improving the business climate, increasing formality in the economy, and improving the effectiveness of public governance.
- 4.2 The challenges in implementing the investment loans persisted, resulting in longer average times than the average for the Bank overall and for comparable countries and adversely affecting the achievement of outcomes. Many loans suffered from the execution units' insufficient capacity, procurement difficulties, and designs that were not adapted to the local context. The Bank responded with technical cooperation operations and support, facilitating improvements in the implementation of many projects. However, there is no evidence that these efforts have produced a long-term institutional strengthening impact. Nevertheless, the Bank's cost of managing the Bolivian portfolio was lower than for similar countries and lower than in the preceding period.
- 4.3 The program supported significant investments with mixed outcomes in infrastructure and policy reforms through PBPs. For example, the program supported investments in renewable energy, the primary road network (RVF), expansion of water and sanitation coverage, and construction of hospitals, health care facilities, and child care centers. Despite these advances in outputs, many of the operations failed to achieve their outcome targets. The PBPs supported reforms to improve natural disaster and climate change risk management, facilitate diversification of the energy matrix, and improve the management and promote the sustainability of investments in transportation and in water and sanitation. In strategic objectives such as creating an enabling environment for business formalization and growth and promoting innovation, the IDB Group's contribution was limited. The sustainability of the achievements in various sectors will to a large extent depend on the institutional capacity of the

ministries and agencies in charge of the projects to maintain the infrastructure works, the capacity to institutionalize the supported reforms, and in some cases the availability of specialized staff.

4.4 OVE concludes that the Bank's importance was boosted by the additional value added it provided during the period. The value added of the IDB Group has several dimensions. First, the IDB Group has been a long-term partner in many sectors, acquiring knowledge and promoting a policy dialogue. Second, the presence of sector and fiduciary specialists has facilitated the implementation of projects, especially for execution units with more limited capacity or experience with multilateral agencies. Lastly, the IDB Group's ability to offer technical cooperation operations is a comparative advantage which, together with the presence of the specialists, has influenced the Bolivian government's decision to select it to finance projects that require greater execution support, such as operations with environmental and social risks. These findings suggest that the IDB Group is well positioned to continue to help Bolivia to address its challenges, particularly in sectors in which it has been a long-term partner. However, the COVID-19 pandemic has created an unprecedented level of uncertainty, with health, social, and economic effects that are still difficult to estimate. This indicates that the IDB Group's response in the short term will require flexibility in helping Bolivia to address the crisis.

4.5 Based on the findings of the evaluation and the uncertainty surrounding the COVID 19 pandemic, OVE puts forth the following recommendations:

**1. Delay the approval of a new country strategy until the effects of the COVID-19 pandemic are better understood.**

Given that the magnitude of the health, social, and economic impacts of the COVID-19 pandemic are still unknown in Bolivia, OVE recommends that the IDB Group refrain from agreeing with the government on a new country strategy until the magnitude of the pandemic's impact becomes clearer. Instead, OVE recommends that the IDB Group extend the term of the current country strategy and include in its request for an extension a one-year roadmap summarizing its short-term response to provide support for the crisis, thus enabling the IDB Group to define a multiyear strategy in an environment of greater certainty at the end of this extension period.

**2. During the next country strategy period, continue to support key areas that address long-term development challenges and in which the IDB Group has proven to be**

**a key partner.** Infrastructure bottlenecks continue to pose development challenges in Bolivia. Through its continuous assistance in this area, the IDB Group is well positioned to continue to support Bolivia in the water and sanitation, energy, and transportation sectors.

- 3. Through a dialogue with the Government of Bolivia and the other multilateral partners, identify and implement new ways of strengthening institutional capacities at the national and subnational levels, including capacities to ensure infrastructure maintenance.** While this was a recommendation of the previous CPE, in this CPE we identify the persistence of challenges in this regard (see Annex I - Recommendation 1 in the previous CPE).
- 4. Design projects that fit into the local institutional context and are mutually reinforcing.** To avoid the recurrent issues that have adversely affected execution, the design of projects should take into account the relatively limited technical capacity of most executing agencies and the experience acquired in previous projects.
- 5. Jointly (IDB and IDB Invest) consider new ways of deepening support for the private sector, seeking new niches and consolidating those that have already been identified (see Annex I - Recommendation 4 in the previous CPE).** With a view to creating more opportunities to support private businesses, IDB and IDB Invest should work together and in collaboration with the Government of Bolivia to identify the challenges faced by the private sector and how each part of the IDB Group can help to overcome them, for example by addressing structural reforms to improve the business climate and encourage private investment.

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