

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

BOLIVIA

SUPPORT FOR VULNERABLE POPULATIONS AFFECTED BY CORONAVIRUS II

(BO-L1219)

LOAN PROPOSAL

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ABBREVIATIONS

Administration	Gestora Pública de la Seguridad Social de Largo Plazo [Long-term Public Social Security Administration]
AFD	Agence Française de Développement
ASFI	Financial System Oversight Authority
BCB	Central Bank of Bolivia
BCH	Bono Contra el Hambre [Hunger voucher]
Bs	Bolivian boliviano - legal tender
CCTP	Conditional cash transfer program
CF	Family basket
DGAA	Bureau of Administrative Affairs
ECLAC	Economic Commission for Latin America and the Caribbean
EH	Household survey
GDP	Gross domestic product
IMF	International Monetary Fund
INE	National Statistics Institute
MEFP	Ministry of Economy and Public Finance
pp	percentage points
RD	Renta Dignidad
WHO	World Health Organization

PROJECT SUMMARY

BOLIVIA SUPPORT FOR VULNERABLE POPULATIONS AFFECTED BY CORONAVIRUS II (BO-L1219)

Financial Terms and Conditions				
Borrower:			Flexible Financing Facility ^(a)	
Plurinational State of Bolivia			Amortization period:	23 years
Executing agency:			Disbursement period:	2 years
Ministry of Economy and Public Finance (MEFP)			Grace period:	10 years ^(b)
Source	Amount (US\$)	%	Interest rate:	LIBOR-based ^(c)
IDB (Ordinary Capital):	500,000,000	100	Credit fee:	(d)
			Inspection and supervision fee:	(d)
Total:	500,000,000	100	Weighted average life:	15.25 years
			Approval currency:	U.S. dollar
Project at a Glance				
Project objective/description: The general development objective of this project is to contribute to ensuring minimum levels of quality of life for vulnerable persons amid the crisis caused by COVID-19. The specific objective is to support minimum levels of income for people affected by coronavirus, in the immediate period and during the recovery.				
Special contractual conditions precedent to the first disbursement of the loan proceeds: The executing agency will have appointed the technical coordinator and the financial personnel assigned to the project (paragraph 3.6).				
Special conditions precedent to the disbursement of the Hunger voucher and Renta Dignidad transfer: In addition to the foregoing conditions, the following will be special conditions precedent to the disbursement of each subcomponent: (i) for the financing of the Hunger voucher: The Ministry of Economy and Public Finance and the Long-term Public Social Security Administration will have entered into an agreement or approved Operating Regulations detailing the responsibilities of the parties in the execution of the project (see paragraph 3.2) and the payment reporting method for reimbursement and disbursement of the loan proceeds; and (ii) for the financing of the Renta Dignidad transfer: The Ministry of Economy and Public Finance and the Long-term Public Social Security Administration will have entered into an agreement or approved Operating Regulations detailing the responsibilities of the parties in the execution of project activities and the payment reporting method for reimbursement and disbursement of the loan proceeds (paragraph 3.7).				
Exceptions to Bank policy: None.				
Strategic Alignment				
Challenges: ^(e)	SI <input checked="" type="checkbox"/>		PI <input type="checkbox"/>	EI <input type="checkbox"/>
Crosscutting themes: ^(f)	GE <input type="checkbox"/> and DI <input checked="" type="checkbox"/>		CC <input type="checkbox"/> and ES <input type="checkbox"/>	IC <input type="checkbox"/>

^(a) Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule as well as currency, interest rate, commodity, and catastrophe protection conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.

^(b) Under the flexible repayment options of the Flexible Financing Facility, changes to the grace period are permitted provided that they do not entail any extension of the original weighted average life of the loan or the last payment date as documented in the loan contract.

^(c) In line with document FN-729 (Strategy and Operational Readiness for the Execution of the LIBOR Transition for the IDB Balance Sheet) and document CF-257-1 (Base Rate Replacement for Sovereign Guaranteed LIBOR-based Loans), this loan will be subject to the SOFR-based interest rate either on the basis of a notification to the borrower by the Bank or at the request of the borrower, pursuant to the provisions of the loan contract.

^(d) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable policies.

^(e) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

^(f) GE (Gender Equality) and DI (Diversity); CC (Climate Change) and ES (Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. PROJECT DESCRIPTION AND RESULTS MONITORING

A. Background, problem to be addressed, and rationale

- 1.1 **Background.** As of 24 September 2021, according to the World Health Organization (WHO), 230,418,451 confirmed cases of COVID-19 had been recorded, resulting in over 4,724,876¹ deaths. In the Americas, over 88 million confirmed cases of COVID-19 were reported, with about 2 million deaths.² In Bolivia, the first case was recorded on 10 March 2020, and the first death caused by COVID-19 occurred on 29 March 2020; as of 24 September 2021, 497,984 cases had been recorded with 18,681 deaths.³
- 1.2 **Macroeconomic and social context.** In Bolivia, there was an observed decline of 7.8% in gross domestic product (GDP) in 2020. In parallel, the fiscal deficit reached 12% of GDP and is expected to be around 9.7% in 2021.⁴ In terms of labor, the unemployment rate went from 4.3% in the third quarter of 2019 to 10.8% in the same period in 2020.⁵ But the impact was not limited to the increase in the unemployment rate, but also extended to the decline in the hours worked by those where were still classified as working, but whose incomes declined because of the impossibility of working with the same intensity as they had before the health emergency.⁶ According to data from the National Statistics Institute (INE), in 2019, 37.2% of the population was living below the moderate poverty line, and 12.9% of the population below the extreme poverty line.⁷ One year later, these values are 39% of the population living below the moderate poverty line, and 13.7% of the population below the extreme poverty line. The transition from 2019 to 2020 represented an increase of close to 299,000 people living below the moderate poverty line and 119,000 living below the extreme poverty line. This represented a significant change in the poverty trend in Bolivia because between 2018 and 2019 those indicators had declined by 2.7 percentage points (pp) and 2.5 pp, respectively. That means that between 2018 and 2019, about 251,000 people were no longer living in moderate poverty and 258,000 were no longer considered extremely poor. In response to events of this scale, people who were living in poverty or vulnerability before the crisis lacked adequate mechanisms to offset the decline in their income. These figures indicate that very broad sectors of the

¹ See WHO Coronavirus Disease (COVID-19) Dashboard at <https://covid19.who.int> (24 September 2021).

² <https://www.paho.org/en/topics/coronavirus-infections/coronavirus-disease-covid-19> (24 September 2021).

³ See WHO Coronavirus Disease (COVID-19) Dashboard at <https://covid19.who.int> (24 September 2021).

⁴ <https://databank.worldbank.org/reports.aspx?source=2&series=NY.GDP.MKTP.CD&country=> (30 June 2021). The 2020 fiscal deficit was taken from the Central Bank of Bolivia (BCB) and the projection for 2021 from the Financial Fiscal Program of the MEFP and BCB.

⁵ Continuous Employment Survey, National Statistics Institute.

⁶ According to the 2019 and 2020 Household Surveys, weekly hours worked fell an average of 54.7% from 42 to 19.

⁷ Moderate poverty refers to the number and proportion of the population with income below the poverty line for the urban population and below the consumption or spending level for populations in more sparsely populated areas. The moderate poverty line is the cost of a set of goods that meet nutritional requirements (measured using a Basic Food Basket) and non-nutritional needs of education, housing, health, etc. Likewise, extreme poverty takes the proportion of the population that lives below the extreme poverty line, which is the cost of a set of goods that meets nutritional requirements (measured using a Basic Food Basket). National Statistics Institute (INE), Meta data on poverty.

population require income support to deal with the economic crisis caused by the pandemic.

- 1.3 To address the health crisis, the Bolivian government, like almost all the world's countries, implemented measures to protect public health. Those measures included social distancing, a strict quarantine starting on 22 March 2020, which became a dynamic quarantine on 1 June 2020, and the end of the lockdown on 1 September of the same year. The year 2020 was marked by limited economic activity due to such measures, as well as the changes in the patterns of the citizens themselves and reduced movement. It was expected that 2021 and 2022 would mark a return to a normal level of economic activity to recover the lost development, but new waves of contagion and new variants have extended the pandemic's impacts.
- 1.4 **Socioeconomic problems.** The COVID-19 pandemic has caused a major economic contraction, with immediate manifestations and effects with a long-term scope. From a macroeconomic perspective, in addition to shrinking domestic demand, the Economic Commission for Latin America and the Caribbean (ECLAC) sees at least six mechanisms that explain the impacts of the crisis on the region's economy:⁸ (i) a reduction of economic activity of the main trade partners that will impact demand for exports; (ii) a decline in demand for tourism services; (iii) interruption of global value chains; (iv) falling commodity prices; (v) lower remittances; and (vi) worsening financial terms. The economic slowdown is expected to reduce tax revenues, while pressure to spend will increase in order to respond to the public health emergency.⁹ Thus, the health crisis hit the Bolivian economy very hard, entailing a significant increase in the population's inequality, poverty, and financial vulnerability.
- 1.5 **The repercussions of the crisis will hurt the income of most people, especially the poorest and most vulnerable groups,** who depend on their largely informal work activities to support their consumption. Even in transitional shocks to income, most people lack the capacity to sustain consumption when faced with drastic reductions to their daily income. In this regard, according to Bolivian household surveys, it is estimated that the monthly personal income of the economically active population declined on average by 12% between 2019 and 2020 and about 163,000 individuals more than in 2019 reported income below a minimum wage of Bs 2,164 (US\$310). This situation also jeopardized workers in the formal sector, whose companies have faced and continue to face major difficulties in maintaining pre-crisis levels of employment and wages. This is also reflected in the urban unemployment rate, which reached 10.8%¹⁰ in the third quarter of 2020, one of the highest rates in recent years. Although by the second quarter of 2021, it had improved to 7.6%,¹¹ it has not yet been possible to determine the level of impact on income and quality of employment, particularly in the medium and long terms.

⁸ See <https://www.cepal.org/es/comunicados/covid-19-tendra-graves-efectos-la-economia-mundial-impactara-paises-america-latina>.

⁹ According to ECLAC, "The crisis will place additional pressure on countries with limited fiscal headroom, which will jeopardize social spending, already under stress after seven years of slow economic growth." https://repositorio.cepal.org/bitstream/handle/11362/45337/4/S2000264_es.pdf/.

¹⁰ Ongoing Employment Survey, National Statistics Institute.

¹¹ Ongoing Employment Survey, National Statistics Institute.

- 1.6 **Groups vulnerable to the pandemic in Bolivia notably include persons over 60 and those without a fixed income who benefited from the Hunger voucher (BCH).** Persons older than 60 also have a higher mortality rate if infected.¹² This group had a labor participation rate of close to 61% in the 60-80 age group (71% for men and 51% for women) in 2018.¹³ In fact, the employment rate for people over 55 fell between 2019 and 2020, specifically by 19% for women and 8% for men. Likewise, the unemployment rate for this same group went from 0.8% in 2019 to 4.1% in 2020 among women and from 2.8% to 5.8% among men during the same period.¹⁴ For this reason, their income from work has declined.¹⁵ Moreover, the poverty rate is 33% higher among people over 60 than it is for the population under 60.¹⁶ In terms of operation of the labor market, 82% of people are employed in the informal sector, and in the case of people over 60 who work, 92% do so in the informal sector. In the case of people without a fixed income who benefit from the BCH because they have no public or private sector salary and do not receive an old-age pension, according to the 2020 Household Survey (EH), about 70% of them have incomes below the minimum wage (Bs 2,164; US\$315). Therefore, the transfer of Bs 1,000 (US\$146) represented support for maintaining a minimum quality of life.
- 1.7 **Before the health crisis, Bolivia had a series of cash transfer programs to support the poor and vulnerable population.** The main regular programs include:
- 1.8 **Renta Dignidad (RD):** This transfer program was created in 2007 with roots dating back to 1998 (Bonosol); it consists of monthly transfers to people 60 or older in an amount that varies depending on whether or not the person receives a retirement pension (in 2020, 85% of beneficiaries did not). For those who do not receive a retirement pension (65% of whom live below the poverty line¹⁷), it consists of a monthly payment of Bs 350 (equivalent to about US\$50). Thirteen payments are made annually; people with a retirement pension receive 75% of this amount. At year-end 2020, there were 1.4 million beneficiaries.¹⁸ The annual RD budget is close to US\$600 million.¹⁹
- 1.9 **Bono Juana Azurduy:** This voucher program was created in 2009 with the ultimate goal of access to health and comprehensive developmental services to reduce maternal and child mortality. It is a conditional cash transfer program (CCTP) aimed at women who are pregnant, breastfeeding, and with children under two, providing a subsidy contingent upon: (i) four prenatal checkups; (ii) a

¹² While there is no specific data for Bolivia, international evidence shows that the mortality rate increases considerably with age. See <https://www.worldometers.info/coronavirus/coronavirus-age-sex-demographics/> and <https://www.statista.com/statistics/1106372/coronavirus-death-rate-by-age-group-italy/>.

¹³ According to the INE's EH data as of 2018 processed by the Bank's Social Sector.

¹⁴ Ingresos laborales, pobreza y desigualdad con enfoque de género. Recuperando la economía y el cuidado en la post-pandemia, Fundación ARU, 2021.

¹⁵ For people who receive the RD transfer and work, income from work represented about 70% of total income, according to data from the 2018 Household Survey.

¹⁶ According to the 2018 EH, 17% of the population is 60 or older, and almost 30% of the population lives in households where there is at least one person age 60 or older. The poverty rate among those younger than 60 was 21% and for those older than 60, it was 28% (using a poverty line of US\$5 per capita per day).

¹⁷ Authors' calculations based on the INE's 2018 EH.

¹⁸ Approximately 2.3 million people live in households where at least one person receives the RD transfer.

¹⁹ For further details on RD, see [optional link 6](#).

postpartum checkup; and (iii) monitoring of the child's growth and development until age two. In 2018 there were 229,000 beneficiaries, including women and children. Payments varied depending on the associated conditionality, with a maximum total amount of Bs 1.820 (US\$260) for the four prenatal checkups, the institutional birth and postpartum checkup, and the bimonthly comprehensive care of the child for two years. Its annual budget is nearly US\$27 million.

- 1.10 **Renta Solidaria:** This is a pension for persons with severe or very severe disabilities created in 2013. As of 2018 it had 30,500 beneficiaries who received Bs 1,000 per year (equivalent to about US\$145), with an annual budget of US\$4.4 million.
- 1.11 **Bono Juancito Pinto:** This voucher program is another CCTP that was created in 2006 as an incentive to enroll and keep students in school. The program covers all children ages 6 to 14 attending public schools throughout Bolivian territory and pays Bs 200 (equivalent to about US\$28) once a year for each child. It has about 2.2 million beneficiaries and is based on the national student registry. Its annual budget is approximately US\$66 million.
- 1.12 **After the health crisis began, a series of Supreme Decrees was published²⁰ describing the temporary income-support actions** considered in response to the pandemic, including: **(i) Canasta Familiar (CF)**, a one-time extraordinary transfer of Bs 400 (US\$57.40) to beneficiaries of the three existing cash transfer programs: RD (for those without retirement), Juana Azurduy (enrolled mothers), and Renta Solidaria (persons with disabilities); **(ii) Bono Familia**, an extraordinary (one-time transfer) family voucher for Bs 500 (US\$71.70) per child for all families with children who attend public schools to offset the lack of access to the national meals program in schools due to their temporary closure; **(iii) prohibition of service interruptions** for water, electricity, and gas; **(iv) subsidy for electricity bills**, covering 100% of the rate for families who consume less than Bs 120 (US\$17) per month and lower percentages for those who consume more than this amount²¹ through one-time support lasting for three months; **(v) two-month suspension of principal payments on loans** including personal, family, and small business bank loans; and **(vi) exceptional extension of the term for withholding, risk premiums, commissions, and contributions to the solidarity fund**. The first two measures include close to three and a half million beneficiaries and an expenditure of approximately Bs 1.73 billion (approximately US\$248 million).

²⁰ See [http://www.gacetaoficialdebolivia.gob.bo/normas/buscar_comp/\(COVID-19\)](http://www.gacetaoficialdebolivia.gob.bo/normas/buscar_comp/(COVID-19)) for a complete list of Supreme Decrees related to COVID-19.

²¹ Bs 120/month is equivalent to consumption of approximately 150kWh/month. Pursuant to [Supreme Decree 4206](#) this support was applied only for the months of April, May, and June 2020.

- 1.13 Moreover, on 14 April 2020, the Government of Bolivia announced a “**Bono Universal**,” which consists of an unconditional one-time transfer of Bs 500 (US\$71.7) benefiting all people over 18 and younger than 60, who do not benefit from any other voucher and have not made contributions to Pension Fund Administrators (AFPs), as set forth in [Supreme Decree 4215](#). The payment started on Thursday, 30 April 2020, based on the last digit of the identity card. Bono Universal thus excludes beneficiaries of the CF program.²² In addition, access to soft loans was also announced for formal companies through the financial system.²³
- 1.14 Subsequently, on 16 September 2020, Law [1330](#) was approved, creating the **Hunger voucher (BCH)**, regulated by [Supreme Decree 4392](#) of 16 November 2020. The voucher can be collected by persons over 18 (by 16 September 2020) who do not receive a salary from the public or private sector or a pension or long-term social security income who are also: mothers receiving Bono Juana Azurduy; persons with disabilities; or beneficiaries of Bono Universal. This voucher consists of a one-time transfer of Bs 1,000 (US\$146). The payments were planned in a period starting on 1 December 2020 until 31 May 2021 with about 4 million beneficiaries, of which 67% are concentrated in the country’s rural areas. Considering that in 2020, the proportion of the poor in rural areas increased by 3.9 pp to reach 54.7% of the total, this provides an approximation of how important the BCH has been for this population.²⁴
- 1.15 These strategies are implemented by maintaining the existing differential approaches in the transfer programs in order to protect the most vulnerable groups. In this regard, it is noteworthy that the RD transfer corrects preexisting gaps reflected in lower access to contributory pensions for indigenous peoples and women. According to the 2018 EH, 16.1% of people over 60 receive a contributory pension, and more than 50% of those between the ages of 60 and 80 work. There are also differences in access to contributory pensions based on ethnicity (10.1% for the indigenous populations versus 20.4% for the rest of the population) and by gender (12.4% for women versus 20.0% for men). A similar pattern is observed for people older than 60 who work. Among indigenous peoples, workforce participation is higher than in the rest of the population (67.2% versus 50.7%), showing that this group needs to work to cover its needs. There are also gaps with respect to income from work for people over 60 who work and do not receive a contributory pension; the earnings per hour for women in this age group is 74% of what men earn. Likewise, the average total income for indigenous peoples is also lower and represents approximately 58.3% of the rest of the population’s income.

²² Furthermore, in the same decree, the Government of Bolivia approved the expansion of Bono Familia to families that have children at private schools and for students at alternative and special education centers. The amount for these populations groups will also be Bs 500.

²³ Supreme Decree 4216 of 14 April 2020 (<http://www.gacetaoficialdebolivia.gob.bo/normas/buscar/4216>). Both ECLAC and the International Monetary Fund (IMF), as well as other institutions, are monitoring the measures that countries have adopted in response to COVID-19. See, for example, <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#B> and <https://www.cepal.org/es/temas/covid-19>.

²⁴ Poverty in urban areas went from 31.3% in 2019 to 32.4% in 2020 (Household Surveys, INE). It should be noted that the IMF’s assessment of the Bolivian economy (Article IV of June 2021) emphasizes the importance of the fiscal support that the government granted to vulnerable groups, and considers the measures adequate in an environment of high uncertainty, highlighting the BCH as a measure that provided financial support to the most vulnerable population.

- 1.16 Lastly, also in this age group, poverty among indigenous people is considerably higher than in the rest of the population (54.0% versus 24.9%); in the case of women, there is also a significant difference when compared to men (the poverty rate is 39.0% among women and 34.5% among men). Against this backdrop, the RD transfer certainly helps close these gaps for indigenous peoples and women. Among the population not receiving a contributory pension, the RD had coverage of 83.9%, with higher levels among the most vulnerable groups: the percentage of indigenous individuals receiving the RD is higher than for the rest of the population (89.9% and 79.6%, respectively). The percentage of women who receive it is also higher than that of men (87.6% and 80.0%, respectively). The higher relative participation by indigenous peoples in the RD is explained by specific communications strategies in indigenous languages both in citizen service centers and on the service line, and in ongoing communication campaigns.
- 1.17 At the same time, the BCH supplemented these actions and reached 4 million people throughout the country who did not have stable incomes. It had the feature that it could be paid by a cashier at agencies of any financial institution or by deposit into the beneficiary's account, which facilitated payments nationwide. This voucher had the objectives of making domestic demand more dynamic and mitigating the impacts of COVID-19 on the vulnerable populations (persons with disabilities, women who are pregnant or have children under 2, the unemployed, inactive, and those who do not work formally in the public or private sectors). Thanks to the extension of the term for payment of this benefit, 98% of the population qualified to receive it was reached, which translated into transfers by the Bolivian government of about Bs 4.015 billion (US\$585.3 million). The beneficiaries are concentrated in the cities of: La Paz (35%); Santa Cruz (23%); and Cochabamba (18%).
- 1.18 Bolivia made progress on defining procedures for payments of benefits, including social distancing measures in order to adapt to the circumstances of the pandemic. For example, [Supreme Decree 4200](#) regulated the circulation of people based on the last digit of their identification number. New payment points were opened to collect payment of the extraordinary vouchers, reaching a total of 1,038 authorized financial points of service throughout the country, according to data from the Financial System Oversight Authority (ASFI)²⁵ in 2020. Processes were simplified for the collection of extraordinary payments, particularly for older people, enabling authorized family members to collect payments on their behalf.²⁶ A payment strategy was also implemented to avoid groups of people gathering at financial service points, including the staggering of times for transfers and the creation of a

²⁵ Updated as of 9 April 2020 based on ASFI data: <https://www.asfi.gob.bo/index.php/18-int-financiera.html>.

²⁶ As a supplement, the RD program has a home payment system that is used in 2% of cases; emphasis was also placed on allowing a family member to collect the RD transfer with the written authorization of the beneficiary in order to maintain social distancing for older adults. Thus, payment points and collection options are being expanded.

clear payment calendar.²⁷ Specifically, [Supreme Decree 4451](#) established additional measures for paying the RD and the BCH following a protocol aimed at containing and reducing the spread of COVID-19. The measures included the authorization of a family member to collect the payment, extended the effective term of identity documents, and enabled payment by direct deposit into a bank account. Subsequently, the effective term of these measures was extended. Supreme Decrees [4480](#) and [4527](#) extended their term until 31 August 2021.

- 1.19 All of the social programs and vouchers implemented by the Government of Bolivia are paid under the government budget, which comes from tax collection and revenue from the sales of national commodities. However, since the start of the health crisis, sales of commodities such as gas declined by 14% (Bs 4.664 billion, US\$699 million) in 2020 with respect to 2019. In addition, tax revenue on sales also fell by 1% (Bs 34 million, US\$4,878,049), due to the severe economic contractions in 2020. So the government must not only address an economic crisis with financial aid programs, but also has a lower budget to implement its measures.²⁸
- 1.20 **Rationale and strategy.** To offset the loss of income and employment as a result of the economic crisis associated with the pandemic, large-scale compensatory policies will be supported. To this end, support will be provided for the consumption of the most vulnerable families while economic conditions are deteriorating. To do so, specific support will be devoted to the implementation of the existing transfer mechanisms during the crisis, particularly the payment of the RD (explained in paragraph 1.8)²⁹ for persons over 60 without a retirement pension, as well as the use of additional transfers, specifically, the BCH (explained in paragraph 1.14). The regulations of the BCH establish the eligibility criteria to receive the benefit.³⁰ The project is aligned with the Vision 2025 by limiting the social costs of the pandemic.
- 1.21 **Coordination with other Bank projects.** This project is consistent with the Proposal for the IDB Group's Governance Response to the COVID-19 Pandemic Outbreak (document GN-2996), continues the efforts to support the response started with the program Support for Vulnerable Populations Affected by Coronavirus, loan 5039/OC-BO, approved on 21 May 2020 for an amount of US\$450 million,³¹ which financed the payment of the RD transfer in 2020 and extraordinary payments to RD beneficiaries as a response to the pandemic's

²⁷ Based on practices observed in other countries, these initial measures would be supplemented with the preparation of a clear and effective communications strategy; and in the medium term, with the expansion of the network of agents where the payments can be collected. It should be noted that Bolivia has a regulatory framework that allows the simplified opening of accounts, authorizes remote account opening, and legally recognizes the electronic money modality. In this context, favorable conditions exist to move forward toward digital benefit payment mechanisms, and there is an opportunity to strengthen the incipient ecosystem, which would strengthen the national social safety net's response capacity to future shocks. See <https://publications.iadb.org/es/los-mecanismos-de-pago-digitales-una-guia-para-los-proyectos-de-proteccion-social-durante-pandemias>.

²⁸ Central Bank of Bolivia, Consolidated Public Sector Operations. Preliminary data, 2019 and 2020.

²⁹ Transfers will be financed to RD beneficiaries. For more details, see [optional link 6](#). For an evaluation of the RD, see [Bottan, Hoffmann and Vera-Cossio, D. A. \(2021\)](#) and [Perspectivas de investigación, November 2020](#).

³⁰ The BCH was announced in Supreme Decree [4392](#) under the supervision of the Administration and is regulated by Supreme Decrees [4402](#) of 26 November 2020 and [4486](#) of 14 April 2021.

³¹ This project is 96% disbursed. The remainder corresponds to a reimbursement of expenses for access to electricity in the process of justification to the Bank and the program's closing audit.

impacts. Financing was also provided for basic access to electricity for households whose bill was under Bs 120 (US\$17) per month through support to cover the payment for the months of April, May, and June 2020.³²

- 1.22 **The Bank's experience and lessons learned.** Since the mid-1990s, the Bank has supported the design, implementation, and evaluation of cash transfer programs in 18 countries in the region. The evaluation of these programs found that cash transfers are the most effective instrument for redistributing resources and supporting consumption in the most vulnerable families. In Bolivia the program "Support for Vulnerable Populations Affected by Coronavirus" (loan 5039/OC-BO), financed the RD transfer, and there is an impact assessment of RD conducted by the IDB in 2020 measured as a social protection instrument as the health crisis was being addressed. The assessment shows that the RD had a positive impact on the beneficiaries' financial resilience and food security. These results were particularly positive for low-income households. They show that, during the crisis, RD beneficiaries were about 25% more likely to have stored food in the household equivalent to one week's consumption. Moreover, the probability of going hungry was reduced by 40% for beneficiaries.³³ In Bolivia, the IDB has also gained experience in implementing these types of interventions, including: the "Multiphase Program in Support of the Plan to Eradicate Extreme Poverty - Phase I" (loan 2252/BL-BO), which implemented payments to beneficiaries of the "Juana Azurduy" maternal-child voucher through the use of a financial agenda supporting the program's execution unit,³⁴ a good practice that will be incorporated into the BCH and RD payment process. A lesson learned will also be incorporated from the "Program to Strengthen the Pension System in Paraguay" (ATN/OC-14763-PR), which consists in performing a rapid analysis of the databases as an initial strengthening measure. This analysis is included as a support measure for the fiduciary payment process. This analysis of the BCH database will be undertaken with transactional preparation funds. The RD database was reviewed in 2020.
- 1.23 **Coordination with other multilaterals and/or donor agencies.** The Bank coordinated with other international organizations on the response to the COVID-19 crisis. In 2020, in response to the health emergency caused by COVID-19, the Development Bank of Latin America (CAF) provided a loan for US\$50 million to Bolivia as part of the "Conditional Credit Line for Countercyclical Support for the Emergency Caused by COVID-19" of up to US\$350 million.³⁵ As a complement to the program "Support for Vulnerable Populations Affected by Coronavirus" (loan 5039/OC-BO), the World Bank partially financed the CF (for the population not covered by the IDB operation), the Bono Familia, and the

³² Access to electricity is one of the Sustainable Development Goals, and there is evidence of the relationship between consumption of electricity and income, particularly for low levels of residential consumption. The discussion on energy poverty in Bolivia can be seen at <https://www.sdsnbolivia.org/midiendo-la-pobreza-y-la-desigualdad-energetica-a-nivel-municipal-en-bolivia/>.

³³ See [Bottan, Hoffmann, and Vera-Cossio, D. A. \(2021\)](#) and [Perspectivas de investigación, November 2020](#).

³⁴ For the BCH and RD payments, this project will use the same financial agent that supported the payment process for the Bono Juana Azurduy, Bono CF, and RD transfers. This financial agent (Síntesis) is the company that provides the service for the payment and financial institutional integration technology platform, where the data is uploaded from all the payments with a single reporting system.

³⁵ Contract ratified by [Law 1360 of 2021](#).

Bono Universal described in paragraph 1.13 for about US\$254.3 million³⁶. Moreover, Agence Française de Développement (AFD) supplemented this financing with up to 100 million euros. The World Bank and AFD projects used the databases and procedures used as the basis for the BCH payment for their execution.

- 1.24 **Strategic alignment.** The project is consistent with the second Update to the Institutional Strategy (document AB-3190-2) and is aligned with the challenge of social inclusion and equality, through support for maintaining minimum levels of income and well-being for vulnerable populations in response to COVID-19, particularly people older than 60 and those without a stable income or beneficiaries of specific support due to their vulnerability. The project is also aligned with the crosscutting area of diversity by prioritizing the populations vulnerable to COVID-19, particularly indigenous peoples with inclusive communication strategies executed in indigenous languages. The project will contribute to the Corporate Results Framework (CRF) 2020-2023 (document GN-2727-12) through the indicator on beneficiaries of targeted anti-poverty programs. The project is aligned with the Strategy on Social Policy for Equity and Productivity (document GN-2588-4) in the areas of enhancing equity and supporting vulnerable populations. It is also consistent with the Social Protection and Poverty Sector Framework Document (document GN-2784-7), which underscores the importance of supporting vulnerable populations in particular against external shocks through responsive social protection policies. This project is consistent with the Proposal for the IDB Group's Governance Response to the COVID-19 Pandemic Outbreak (document GN-2996), since one of its priorities is to protect the income of affected vulnerable populations by leveraging existing social protection systems.

B. Objectives, components, and cost

- 1.25 **Objectives.** The general development objective of this project is to contribute to ensuring minimum levels of quality of life for vulnerable persons amid the crisis caused by COVID-19. The specific objective is to support minimum levels of income for people affected by coronavirus, in the immediate period and during recovery. The operation is structured as a sole component:
- 1.26 **Sole component: Protection using existing cash transfer programs. (US\$499.8 million).** The component is divided into two subcomponents:
- 1.27 **Subcomponent 1. Protection of vulnerable populations using the BCH (US\$249.9 million).** This subcomponent will finance the payment of part of the costs of the BCH, which was a one-time transfer for persons who do not have a stable income because they do not receive a public or private sector salary, pension, or long-term social security income (retirement)³⁷ (paragraph 1.17). To support the efficient distribution of the transfers in the context of COVID-19, it may also reimburse the cost of the fee to perform the transfers to date of up to Bs 2 per

³⁶ [Law 1346 of 2020](#) made financing agreement 6670-BO/6671-BO with the International Development Association (IDA) for US\$54.3 million and loan contract 9115-BO with the International Bank for Reconstruction and Development (IBRD) for up to US\$200 million viable.

³⁷ The total support for BCH payments is approximately US\$249.9 million. This amount represents about 44% of the total cost. Payments made between January and May 2021 will be partially financed.

transfer.³⁸ The financing of this subcomponent is expected represent the retroactive percentage considering that the BCH was paid in the first half of 2021.

- 1.28 **Subcomponent 2. Protection of vulnerable populations using the Renta Dignidad program (US\$249.9 million).** This subcomponent will finance the continuation of the partial payment of cash transfers to people participating in the RD program (persons older than 60 who do not receive a retirement income)³⁹ who benefited from the payment under loan 5039/OC-BO. This includes part of the regular RD payments (including the holiday payment) during months associated with the crisis and recovery (to date, Bs 350; US\$50.9 to each person without a retirement pension or other income provided by the State). Specifically, it plans to cover up to 100% for seven monthly payments scheduled for the beneficiaries who receive the RD transfer and have no retirement pension. To support the efficient distribution of the transfers in the context of COVID-19, it may also finance the cost of the fee to perform the transfers to date of up to Bs 5 per transfer.⁴⁰ As documented in paragraph 1.16, it is expected that most beneficiaries of the vouchers will be women. To ensure collection by indigenous peoples, specific communications campaigns are being undertaken.⁴¹
- 1.29 **Project management and audit (US\$200,000).** This line item will provide financing for project management and the project's audit.
- 1.30 **Beneficiaries.** The interventions proposed under this operation seek to reach those directly affected by the crisis caused by COVID-19, mainly due to living in poverty or vulnerability before the crisis, whose households have had their ability to earn an income affected (see paragraph 1.15), particularly about 458,000 people who receive the RD transfer and have no retirement pension. It will also benefit approximately 1.6 million people whose incomes have been impacted, since they do not have a stable income, and who receive the BCH transfer.

C. Key results indicators

- 1.31 **Expected outcomes.** The project aims to help maintain the standard of living for people vulnerable to COVID-19, whose income level continues to be impacted during the months of the health emergency and the first months of the recovery. To this end, one general expected outcome is to help maintain the level of income for vulnerable families (the three poorest quintiles) with respect to the income level for families that are not vulnerable (two richest quintiles) 24 months after the start of the crisis. The following is expected with respect to the specific objective:

³⁸ As indicated in paragraph 1.18, the network of institutions where the transfer can be collected was expanded in order to reduce the risk of contagion caused by large groups of people. The BCH transfer may also be paid by deposit into a bank account, in which case the beneficiary receives a text message reporting the payment.

³⁹ The total support for regular RD payments is approximately US\$249.9 million. This amount represents about 31.4% of the annual RD budget. It is expected to partially finance seven monthly payments expected to correspond to payments subsequent to this operation's approval.

⁴⁰ As indicated in paragraph 1.18, the network of institutions where the transfer can be collected was expanded in order to reduce the risk of contagion caused by large groups of people.

⁴¹ The communications strategies with indigenous peoples also include issues related to COVID-19 and eligibility criteria, requirements, and how the BCH is collected. The Bank is supporting these efforts with the technical cooperation operation Support for the Management and Implementation of the Institutional Framework for Indigenous, Native, and Campesino Governments (operation ATN/JF-16567-BO).

(i) eligible RD beneficiaries who received regular transfers in 2019 will continue to receive them in 2021 and 2022; and (ii) eligible beneficiaries will receive extraordinary transfers for protection during the crisis (BCH).

- 1.32 **Economic viability.** The income support for poor and vulnerable persons in response to the impacts of COVID-19 will help households maintain minimum levels of consumption. Based on the foregoing, a cost-benefit analysis was conducted in which a net present value of US\$83.8 million was estimated in the base case scenario with a benefit/cost ratio of 1.18. The base case scenario uses a discount rate of 5% and leverage of 80%, while with a discount rate of 12%, the NPV is US\$77.6 million. The 5% discount rate is consistent with practices for evaluating social programs⁴² (see [optional link 1](#)).

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 This operation is a specific investment loan considering that it: (i) has already been defined in full; and (ii) cannot be separated without affecting its nature. It will be financed from the Bank's Ordinary Capital resources for a total amount of US\$500 million. The disbursement period will be 2 years.

Table 1. Estimated project costs (US\$ millions)

Components	IDB	%
Sole component: Protection of vulnerable populations using existing cash transfer programs	499.8	99.96
Subcomponent 1. Protection of vulnerable populations using the BCH	249.9	49.98
Subcomponent 2. Protection of vulnerable populations using the Renta Dignidad program	249.9	49.98
Management and audit	0.2	0.04
Total	500.0	100.00

Table 2. Projected disbursements (US\$)

	2021	2022	Total
IDB	290,000,000	210,000,000	500,000,000
%	58%	42%	100%

B. Environmental and social risks

- 2.2 In accordance with Directive B.3 of the Bank's Environment and Safeguards Compliance Policy (Operational Policy OP-703), the project has been classified as a category "C" operation inasmuch as it not expected to cause any negative environmental or social impacts or such impacts will be minimal. The project will

⁴² As indicated in [optional link 1](#), the discount rate of 5% is consistent with the recommendations of the National Institute for Health and Clinical Excellence, which suggests using values in the range of 1.5%-3.5% in analyses of social program benefits, as well as the World Health Organization and the specialized literature on economic evaluation of social projects.

not finance any physical infrastructure component, so no associated environmental or social impacts or risks are anticipated.

C. Fiduciary risks

- 2.3 The risk in terms of procurement is low, since the project considers no investments in goods, services, or infrastructure. At the same time, medium-level financial management risks have been identified: (i) possible delays in administrative-financial management due to the MEFP's lack of experience as an executing agency for investment loans financed by the Bank; (ii) the additional workload entailed by the incorporation of this project (US\$500 million) and others stemming from the COVID-19 emergency into the portfolio of projects management by the MEFP; (iii) the interagency coordination and the information and documentation flows between the MEFP, the Long-term Public Social Security Administration (hereinafter Administration), and the other agencies involved in the RD and BCH payment process could give rise to delays in the rendering of accounts and financial information, impacting project execution; and (iv) potential weaknesses in the processes of entering data, updating, and monitoring the databases and payment system, which could give rise to ineligible expenses. Mitigating actions for these risks include: (i) training for designated MEFP staff on financial management under IDB policies; (ii) the appointment of financial management staff at the MEFP's Bureau of Administrative Affairs (DGAA) who will be responsible for the project's financial management. In addition, the contracting of the audit firm, and addressing the external audit requirements will be the responsibility of the Administration in order to facilitate the project audit field work; (iii) the preparation of program Operating Regulations and/or an interagency agreement with the specific procedures for the payment of both the BCH and the RD; and (iv) the Operating Regulations or the interagency agreement will include details on: (a) criteria for the identification, registration, and selection of eligible beneficiaries; and (b) the description of the mechanism for delivery of the transfers.

D. Other key issues and risks

- 2.4 **Sustainability.** The project is considered sustainable given that the financial support is targeted, as in the case of the BCH; and the RD program reflects over 20 years of efforts to provide economic protection to older adults, and its RD payments have a consolidated financing structure. This operation supports Bolivia's efforts to respond to the pandemic and mitigate its economic impacts on the most vulnerable groups. The loan represents a fraction of the financial and social effort being made by the country, which is determined to assume economic costs to address the crisis, as well as advance an inclusive recovery once the emergency has been contained.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower and executing agency.** The borrower for the operation is the Plurinational State of Bolivia. The executing agency will be the MEFP, through the Bureau of Administrative Affairs (DGAA) for the project's financial management, and it will have the support of a technical coordinator, appointed by the minister,

for coordination processes across agencies and with the Bank. The executing agency will receive technical support from the Administration, which has experience with similar payment processes in the context of Bank-financed projects. The work structure between the MEFP and the Administration was used satisfactorily in the execution of loan 5039/OC-BO, forming the basis of its usage in this operation.

- 3.2 **Execution and administration.** During execution, the MEFP will be responsible for the general administration of the project, including the planning; legal management of procurement should the need arise; disbursement management; administrative, financial, and accounting management; and monitoring and evaluation. The entity supporting project execution will be the Administration, an entity under the supervision of the MEFP, responsible for the preparation, administration, and updating of the Renta Dignidad Beneficiary Database (BDRD), the management of the RD payment, the administration of resources from the Universal Old Age Income Fund, the security of electronic and documentary information, response to complaints, home payment of the benefit (in applicable cases), the processing of forms, daily reconciliations of the payment process, management of documents and archives, and preparation of reports. Likewise, the Administration is the entity that will manage and pay the BCH, and centralize and manage the information. In both cases, the Administration will contract payment platform services companies.⁴³ The Administration will be responsible for contracting and conducting the applicable external audits of the program, which will be financed with project resources. The Administration will coordinate with the MEFP on the exchange of accounting and financial information subject to audit under the program.
- 3.3 **Interagency coordination.** For efficient implementation of the operation, the project will use the same coordination bodies used during execution of the program Support for Vulnerable Populations Affected by Coronavirus, loan 5039/OC-BO.⁴⁴ Through them, it will seek to establish technical guidelines for project execution, monitor the physical and financial progress of the implementation of the transfers, and establish itself as an operational coordination body.
- 3.4 **Retroactive financing.** The Bank may retroactively finance eligible expenditures incurred prior to the loan approval date in order to pay direct transfers for up to the amount of US\$250 million (50% of the loan amount), provided that requirements substantially similar to those set forth in the loan contract have been met. It is estimated that up to US\$250 million in direct BCH transfers could be recognized; these expenditures will have been incurred (i) no earlier than 1 January 2021,⁴⁵ and (ii) will have been part of the exceptional economic measures implemented during the health emergency. Even though this predates the project officially entering the Bank's pipeline (the operation entered the pipeline on 29 June 2021, (Operational Policy OP-507 – Recognition of Expenditures, Retroactive Financing, and Advance procurement) (document GN-2259-1)), authorization of the

⁴³ For these purposes, the Administration will pay a maximum of Bs 4 per payment transaction.

⁴⁴ Established through signed agreements between the MEFP and the Administration, detailed in paragraph 3.7, which should be expanded or renewed to consider this operation.

⁴⁵ It is anticipated that all funds reimbursed with retroactive financing under this operation will correspond to BCH payments made between January and May 2021 (see paragraph 1.27) and will represent approximately 44% of the total cost of the BCH.

retroactive financing on an exceptional basis is justified as of the aforementioned date, given the exceptional circumstances surrounding the global health emergency.

- 3.5 Given the unpredictable, sudden, and rapidly evolving nature of the pandemic and its consequences on the economy and on vulnerable populations, recognizing the efforts made by the government to support vulnerable populations immediately, prior to project approval, is considered consistent with the project's development objectives.
- 3.6 **Special contractual conditions precedent to the first disbursement of the loan proceeds: the executing agency will have appointed the technical coordinator and the financial staff assigned to the project.** The first condition is necessary in order to have the appointed staff responsible for coordinating the flow of information associated with the payments, as well as the activities associated with reporting and monitoring.
- 3.7 **Special contractual conditions precedent to the disbursement for the BCH and RD transfers: In addition to the foregoing conditions, the following will be special conditions precedent to the disbursement of each subcomponent: (i) for financing of the BCH transfer: The Ministry of Economy and Public Finance and the Long-term Public Social Security Administration will have entered into an agreement or approved Operating Regulations detailing the responsibilities of the parties in project execution (see paragraph 3.2) and the way in which payments will be reported for reimbursement and disbursement of the loan proceeds; and (ii) for financing of the RD transfer: The Ministry of Economy and Public Finance and the Long-term Public Social Security Administration will have entered into an agreement or approved Operating Regulations detailing the responsibilities of the parties in the execution of project activities and the way in which payments will be reported for reimbursement and disbursement of the loan proceeds.** The special conditions precedent to the first disbursement of each voucher are necessary to determine the responsibilities of each entity in project execution.
- 3.8 **Procurement.** Procurement financed in whole or in part with Bank funds will be conducted in accordance with the Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-15) and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-15) or the policies in effect at the time of execution, and with the Financial Management Guidelines for IDB-financed Projects (document OP-273-12).
- 3.9 **Disbursements:** The borrower may request disbursements in the form of expenditure reimbursements when it has made eligible transfers with its own resources. The borrower may also request advances of funds, based on liquidity needs, in accordance with a financial plan that covers a maximum of 180 days. Accessing a new advance of funds will require justification of at least 80% of the cumulative balance of previous advances. The rendering of accounts for advances will be done pursuant to document OP-273-12 (Financial Management Guidelines for IDB-financed Projects).

- 3.10 **Audit.** The Administration will be responsible for contracting the project's external audit service; this service will be performed by an independent audit firm with experience in auditing transfer and subsidy programs. Given the specific characteristics of this type of project, the type of report required will be an audit of special purpose financial statements; a reasonable assurance audit may also be required. External audit costs will be financed with project resources. The procedures and terms of reference for contracting the service will be previously agreed upon between the executing agency and the Bank.

B. Summary of arrangements for monitoring results

- 3.11 **Monitoring.** The executing agency will be responsible for implementing the monitoring and evaluation plan. The main monitoring tool for this project will be the project results matrix. The primary source for the monitoring of impact, outcome, and output indicators will be the administrative records of the transfer programs, as well as household surveys and health data reported by the WHO. The main reporting tool will be the progress monitoring report (PMR), which will use the project's semiannual reports as its main source of information ([required link 1](#)).
- 3.12 **Evaluation.** Given the nature of this operation, a before-and-after analysis will be conducted using the time series information available on the outcome indicators, particularly the coverage of the transfers. There is also an evaluation of the impact of the RD as a social protection instrument in the context of the crisis conducted during 2020. This shows a significant positive impact on financial resilience and food security, especially for the most vulnerable populations (see paragraph 1.22).

Development Effectiveness Matrix		
Summary		BO-L1219
I. Corporate and Country Priorities		
1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Themes	-Social Inclusion and Equality -Gender Equality and Diversity	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	-Beneficiaries of targeted anti-poverty programs (#)	
2. Country Development Objectives		
Country Strategy Results Matrix		
Country Program Results Matrix		The intervention is not included in the 2021 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		This project is consistent with the Proposal for the IDB Group's Response to the Pandemic Outbreak of COVID-19 (GN-2996), since one of its priorities is to protect the income of affected vulnerable populations, taking advantage of existing social protection systems.
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		10.0
3.1 Program Diagnosis		3.0
3.2 Proposed Interventions or Solutions		4.0
3.3 Results Matrix Quality		3.0
4. Ex ante Economic Analysis		9.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		3.0
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		0.0
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		1.0
5. Monitoring and Evaluation		7.0
5.1 Monitoring Mechanisms		2.5
5.2 Evaluation Plan		4.5
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Low
Identified risks have been rated for magnitude and likelihood		Yes
Mitigation measures have been identified for major risks		Yes
Mitigation measures have indicators for tracking their implementation		Yes
Environmental & social risk classification		C
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury.
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	BO-T1360 "Support Social Security in Bolivia and Employment Post COVID", through he increase of funds

Note: (*) Indicates contribution to the corresponding CRF's Country Development Results Indicator.

The operation BO-L1219, for USD500 million, is part of the Bank's operational response to the COVID-19 Pandemic by supporting vulnerable populations affected by coronavirus. The general objective of the program is to help ensure minimum levels of quality of life for vulnerable people in the face of the crisis caused by COVID-19. The specific objective is to support minimum levels of income of people affected by the coronavirus in the immediate period and during recovery.

The loan proposal presents a comprehensive diagnosis of the problem, considering the combination of the persistence of the Pandemic's effects on vulnerable populations with the challenging budgetary situation of the country's government in the context of the crisis as the key aspect of identifying support needs. Given this diagnosis, the proposed solutions are an appropriate response to the identified problems and their contributing factors. The results matrix is consistent with the vertical logic of the project, presenting adequate indicators at the level of outcomes and impacts. The outcome indicators are appropriately defined to measure the achievement of the project's specific objective. The impact indicators reflect the contribution to the general objective of the operation.

The economic evaluation shows that the operation is efficient, with a benefit/cost ratio of 1.18 and a NPV of USD83.8 million. The analysis considers the benefits related to the multiplier effect on the economy of increasing the monetary income of households, however it defines the counterfactual scenario based on strong assumptions. The costs considered in the analysis are the totals involved in the execution of the operation.

The monitoring and evaluation plan proposes a reflexive analysis of the outcome and impact indicators included in the result matrix, complemented by a review of the theory of change and an updated review of international evidence. Monitoring and evaluation activities will be carried out by the executing agency in coordination with the Bank.

INDICATIVE RESULTS MATRIX

Project objective:	The general development objective of this project is to contribute to ensuring minimum levels of quality of life for vulnerable persons amid the crisis caused by COVID-19. The specific objective is to support minimum levels of income for people affected by coronavirus, in the immediate period and during recovery.
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EXPECTED IMPACT

Indicator	Unit of measure	Baseline	Baseline year	Final target	Means of verification	Comments
General development objective: to contribute to ensuring minimum levels of quality of life for vulnerable persons amid the crisis caused by COVID-19						
Income level of vulnerable families (three poorest quintiles) with respect to the income level of families that are not vulnerable (two richest quintiles) 24 months after the start of the crisis.	Percentage	0.2595	2020	0.2595	Household survey, total per capita income of household.	The vulnerable population comprises the three poorest income quintiles; the two richest quintiles are not vulnerable. The target is expected to be greater than or equal to the proposed level. Start of the crisis, second quarter 2020. Baseline: first quarter 2020.

EXPECTED OUTCOMES

Indicator	Unit of measure	Baseline	Baseline year	2021	Final target	Means of verification	Comments
Specific development objective 1. Support minimum levels of income for people affected by coronavirus, in the immediate period and during recovery.							
Eligible beneficiaries of the Renta Dignidad transfer who received regular transfers in 2019 continue receiving them in 2021.	Percentage	100	2019	100	100	Administration records on transfers paid to the eligible population. Responsible party: Executing agency and IDB.	Coverage is expected to remain at the same level as before the crisis, based on secure payment systems for eligible beneficiaries, who are persons over 60 who do not receive an old-age pension (retirement).
Renta Dignidad coverage among indigenous people over 60 who do not receive a contributory pension.	Percentage	89.9	2018	89.9	89.9	Household survey. Responsible party: Executing agency and IDB.	The pre-crisis level of coverage is expected to be maintained. All beneficiaries are considered each year. Ethnic monitoring.
Eligible beneficiaries who receive extraordinary protection transfers during the crisis.	Percentage	0	2019	98	98	Administration records of transfer paid to the eligible population. Responsible party: Executing agency and IDB.	This refers to BCH transfers to people who did not have formal employment contracts in the public or private sector and did not receive other voucher payments. It is expected to reach 98% due to the fact that some beneficiaries will not collect the transfer due to a self-targeting process (people with a high informal income). All beneficiaries are considered each year.

OUTPUTS

Outputs	Unit of measure	Baseline	Baseline year	Year 1	Final target	Means of verification	Comments
Sole component: Protection of vulnerable populations using cash transfer programs.							
Persons benefiting from Renta Dignidad who receive regular transfers during the months of the health emergency or recovery.	Persons	2019	0	458,000	458,000	Administrative records	Refers to eligible persons (enrolled in Renta Dignidad who have no pension) who receive the nine monthly payments. Figures will be disaggregated by gender.
Persons receiving the Bono Contra el Hambre (BCH) transfer	Persons	2019	0	1,700,000	1,700,000	Administrative records	This refers to BCH beneficiaries, according to the BCH eligibility requirements.

Country: Bolivia
Cofinancing: N/A

Sector: LMK

Project number: BO-L1219
Coexecution: N/A

Year: 2021
Subexecution: N/A

Fiduciary Agreements and Requirements

Executing agency: Ministry of Economy and Public Finance (MEFP) with the support of the Long-term Public Social Security Administration (Administration)

Project name: Support for Vulnerable Populations Affected by Coronavirus II

I. Fiduciary context of the executing agency

1. Use of country systems in the project¹

<u>Budget</u> <input checked="" type="checkbox"/>	<u>Reporting</u> <input checked="" type="checkbox"/>	<u>Information system</u> <input checked="" type="checkbox"/>	<u>National competitive bidding (NCB)</u> <input type="checkbox"/>
<u>Treasury</u> <input checked="" type="checkbox"/>	<u>Internal audit</u> <input type="checkbox"/>	<u>Shopping</u> <input type="checkbox"/>	<u>Advanced NCB</u> <input type="checkbox"/>
<u>Accounting</u> <input checked="" type="checkbox"/>	<u>External control</u> <input type="checkbox"/>	<u>Individual consultants</u> <input type="checkbox"/>	<u>Consulting firm</u> <input type="checkbox"/>

Governing laws/regulations:

The expenditures that will be financed under this operation are: The Renta Dignidad (RD) and Bono contra el Hambre (BCH) transfers. The description, operations, and regulations for the delivery of these benefits is found in:

RD: Law 3791 of 28 November 2007 and Supreme Decree 29400 of 29 December 2007. Moreover, in 2017, the administration and payment of the RD was transferred to the Public Administration pursuant to Supreme Decree 3333.

BCH: Law 1330 of 13 August 2020, Supreme Decrees 4392 of 13 November 2020, 4402 of 25 November 2020, and 4486 of 14 April 2021, and Administrative Resolution 34/2020 of 27 September 2020.

2. Fiduciary capacity of the executing agency

The executing agency will be the Ministry of the Economy and Public Finance (MEFP), through the Bureau of Administrative Affairs (DGAA). The MEFP will be responsible for the general administration of the project, including the planning, legal management, procurement (if applicable), disbursement management, administrative, financial, and accounting management, monitoring and evaluation. In addition, for project execution, the executing agency will have the support of the Administration, an entity under the supervision of the MEFP. The Administration's involvement in the management of the transfers to be financed under this project is defined and supported in the current regulations: (i) for the RD in Supreme Decree 3333 of 20 September 2017; and (ii) for the BCH in Supreme Decree 4392 of 13 November 2020, Administrative Resolution 34/2020, and their respective regulations.

¹ Any system or subsystem that is subsequently approved may be applicable to the operation, in accordance with the terms of validation by the Bank.

In the context of preparing project BO-L1216 “Support for Vulnerable Populations Affected by Coronavirus,” a desk review was conducted of the fiduciary capacity of the MEFP and the Administration. The review concluded that both institutions show satisfactory development of their institutional capacity, since they have administrative structures and procedures acceptable for conducting the project’s administrative and financial management. The results of that review were taken for this project.

With regard to fiduciary risk, for the procurement area, it is identified as low, since no significant procurement will be done during the project; for its part, the financial management risk is medium, due to the identification of potential factors explained below.

3. Fiduciary risks and mitigation actions

Fiduciary risk: High ☐; Medium ☒; Low ☐

Risk	Risk level	Mitigation plan
Potential delays in the fiduciary management of the project due to the MEFP’s lack of experience as an executing agency of Bank-financed investment loans.	Medium	Training the designated MEFP staff in financial management with IDB policies.
Potential delays in the fiduciary management due to the additional workload entailed by the incorporation of this project (US\$500 million)—and other factors stemming from the COVID-19 emergency—into the project portfolio managed by the MEFP.	Medium	Appointment of financial personnel in the MEFP’s DGAA who will be responsible for the project’s financial management. In addition, the contracting of the audit firm and fulfillment of the external audit requirements were delegated to the Administration in order to facilitate the field work for the project audit.
The interagency coordination and the flows of information and documentation between the MEFP, the Administration, and the other institutions involved in the management and payment of the transfers (RD and BCH) may cause delays in the rendering of accounts and financial reporting, affecting project execution.	Medium	The project’s Operating Regulations and/or the interagency agreements will define the detailed procedures for the coordination and collaboration between the relevant government institutions and other stakeholders.
Ineligible expenditures may arise due to potential weaknesses in the data entry, updating, and monitoring processes for the beneficiary databases and the payment system.	Medium	The project’s Operating Regulations and the interagency agreements will define: (a) the criteria for the identification, registration, and selection of eligible beneficiaries; and (b) the description of the mechanism for delivery of the transfers (vouchers) in cash and/or as an account deposit.

II. Considerations for the Special Provisions of the contract

Exchange rate for rendering of accounts:

- In the case of justification of the advances received in the designated account, the effective exchange rate on the date of conversion of the disbursement currency into the borrower's local currency will be used.
- In the case of reimbursements, the effective exchange rate on the date of payment of the expenditure in the borrower's local currency will be used.

External audit: The type of audited financial report identified to oversee this project's financial management is a special purpose financial audit and/or a reasonable assurance audit, which should be submitted within 120 days after the close of each fiscal year. The last report will be submitted within 120 days after the date of the last loan disbursement. The scope and related considerations will be governed by the Financial Management Guidelines (document OP-273-12) and the Guide for Financial Reports and Management of External Audits.

III. Agreements and requirements for procurement execution

Exceptions to policies and guidelines

No exceptions to the Bank's policies are anticipated.

Retroactive financing and/or advanced procurement²	<ul style="list-style-type: none"> • The Bank may retroactively finance eligible expenditures incurred by the borrower prior to the loan approval date in order to pay direct transfers for up to the amount of US\$250 million (50% of the loan amount), provided that requirements substantially similar to those set forth in the loan contract have been met. It is estimated that up to US\$250 million in direct BCH transfers could be recognized; these expenditures will have been incurred (i) no earlier than 1 January 2021; and (ii) will have been part of the exceptional economic measures implemented during the health emergency. Even though this predates the project officially entering the Bank's pipeline (the project entered the pipeline on 29 June 2021 (document GN-2259-1)), authorization of the retroactive financing on an exceptional basis is justified as of the aforementioned date, given the exceptional circumstances surrounding the global health emergency.
Expenses incurred prior to amendatory contract taking effect	<ul style="list-style-type: none"> • N/A

² In accordance with the retroactive financing, recognition of expenditures, and advance contracting policy set forth in document GN-2259-1, or an equivalent policy in effect at the time of the operation.

Supplementary procurement support	• N/A
Alternative procurement arrangements	• N/A
Projects with financial intermediaries	• N/A
Procurement agents	• N/A
Direct contracting	• None

Operating expenses: <input checked="" type="checkbox"/> <p>Operating and maintenance expenses necessary for project operations will be financed throughout its useful life; these expenses will be contracted following the administrative procedures of the executing agency, provided that they comply with the Bank's principles of competition, efficiency, and economy.</p>	Domestic preference: <input type="checkbox"/> <p>N/A.</p>
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General supervision methods for project procurement: <p>No procurement of works, goods, or services, or contracting of consultants is anticipated, however, in the event that they take place, all required processes will be subject to ex ante review.</p>
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Country thresholds: www.iadb.org/procurement

IV. Financial management agreements and requirements

Programming and budget	<p>Law 1178 on Governmental Administration and Control of 20 July 1990, the SAFCO Law, regulates administration and control systems for State resources, including the budget subsystem. This law is compulsory for the MEFP and the Administration.</p> <p>The MEFP, as executing agency, will undertake the programming of resources and will ensure the timely allocation thereof for the payment of the end beneficiaries.</p> <p>The Administration will be responsible for the budgetary allocation for the BCH and Renta Dignidad as follows:</p> <p>The BCH will have as sources of financing the National Treasury and other internal and/or external financing sources (2021 Financial Law). For fulfillment of the BCH payment, the Administration is authorized to make public-private transfers and will also open in its institutional budget a program or activity that allows the</p>
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	<p>identification of the general characteristics of such public-private transfers (Supreme Decree 4392).</p> <p>Renta Dignidad is financed with the Universal Old-Age Income Fund (FRUV) and, pursuant to the 2021 Financial Law, this voucher may also be financed with “other sources of financing.” For fulfillment of the RD payment, the Administration is authorized to manage and administer the FRUV.</p>
<p>Cash and disbursement management</p>	<p>The expenses to be financed under this operation are: the RD and BCH transfers. The MEFP is the responsible unit and the government’s main counterpart for the Bank during execution of the project and will be supported primarily by the Administration for the management and payment of these transfers:</p> <ul style="list-style-type: none"> ➤ Administration: Receives transfers of resources, administers a revolving fund, validates weekly payment reports from the payment platform service provider. Defines the list of eligible beneficiaries of the RD, centralizes and manages information for the BCH, defines the list of eligible beneficiaries of the BCH, and lastly, manages the delivery of the payment of both vouchers. • Disbursement method: The MEFP will withdraw funds from the loan account, primarily using the reimbursement of expenditures modality. It may also request advances of funds based on liquidity needs, in accordance with a financial plan that covers up to a maximum of 180 days. Accessing a new advance of funds will require justification of at least 80% of the cumulative balance of previous advances. The rendering of accounts will be done pursuant to the provisions of document OP-273-12 (Financial Management Guidelines for IDB-financed Projects), the project Operation Regulations, and/or the Agreement signed between the MEFP and the Administration. Direct payments are not authorized for this operation. • Disbursement mechanism: The MEFP will make withdrawals from the loan account, preferably electronically, using Online Disbursement, without this preventing the submission and acceptance of manual requests if necessary. • Flow of funds – Advances of funds In the case of an advance of funds, the loan proceeds will be deposited in the General Treasury Account in the Central Bank of Bolivia and subsequently transferred to the designated project account in dollars or bolivianos, from which transfers will be made to the financial institutions responsible for making the final payment to the beneficiaries. • Flow of funds – Reimbursement of expenditures: In this case, the loan proceeds will be disbursed in the account(s) (generally the National Treasury (TGN)) designated by the borrower. • Eligibility of expenditures: The amount of payments actually made by the Administration to the end beneficiaries through the banking system (at cashiers in payment agencies and by deposit into accounts) and nonbanking system will be accepted as eligible expenditures.

Accounting, information systems, and reporting	The project will be supported by the National Public Management System (SIGEP) for budget, asset, and cash management records, as well as for reporting. Accounting will be kept on a cash basis, and the Basic Standards of the Integrated Accounting System will apply, which are compatible with International Public Sector Accounting Standards. In addition, the project will use the SIGEP's accounting module for external financing, or failing that, the SIAP-BID accounting program (or another accounting software acceptable to the Bank) as a supplementary accounting record for reporting in the formats required by the Bank, including disbursement requests.
External control	The Administration will be responsible for contracting the project's external audit service; this service will be performed by an independent audit firm with experience in auditing transfer and subsidy programs. Given the nature of this type of program, the type of report required will be a special-purpose financial audit and/or a reasonable-assurance audit. The scope of the report will cover both the executing agency and the Administration. External audit costs will be financed with the project resources. The scope, procedures, and terms of reference for the audit work will be previously agreed upon between the executing agency, the Administration, and the Bank.
Project financial supervision	Given this operation's medium financial management risk, supervision includes: (i) at least one comprehensive visit to the executing agency and the payment agent (Síntesis) during the first four months of project implementation; (ii) a diagnostic desk review of the Administration's databases and information systems; and (iii) the external audit of the project and the desk review of the audit report.

V. Relevant information for the operation

Policies and guidelines applicable to the operation

Financial management	Procurement
<ul style="list-style-type: none"> • <u>Document GN-2811 [OP-273-12]</u> 	<ul style="list-style-type: none"> • <u>Document GN-2349-15</u> • <u>Document GN-2350-15</u>

Records and files

The executing agency will be responsible for establishing the controls necessary for safeguarding the integrity of the documentation generated by execution of the project. The Bank may, at any time, verify the standards of organization, control, and security of the files.
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DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/21

Bolivia. Loan ____/OC-BO to the Plurinational State of Bolivia
Support for Vulnerable Populations Affected by Coronavirus II

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Plurinational State of Bolivia, as borrower, for the purpose of granting it a financing to cooperate in the execution of the project "Support for Vulnerable Populations Affected by Coronavirus II". Such financing will be for the amount of up to US\$500,000,000 from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on ____ 2021)