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MULTILATERAL INVESTMENT FUND

BOLIVIA

**CONVERGENCE WITH INTERNATIONAL
ACCOUNTING AND AUDITING STANDARDS**

(BO-M1005)

DONORS MEMORANDUM

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Institutional evaluation

Annual reports (2001-2003)

Financial statements (2002, 2003, and 2004)

Legal status and charter

Manual of functions

Evaluation of the framework for policies and regulations submitted to the IFAC

Proposed resolutions 001/05 and 002/05 of the CTNAC

Institutional bulletins

Law 2427 of 28 November 2002 (Bonosol Act) – Establishment of the Superintendencia de Empresas [Superintendency of Companies]

Law 2495 of 4 August 2003 (Voluntary Restructuring Act)

Bolivian accounting and auditing standards

PUC project

Resolution 01/2005 of the Consejo Nacional Extraordinario [Special National Council], 2005-CAUB

Execution:

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CAUB organizational chart

Project organizational chart

ABBREVIATIONS

CAUB	Colegio de Auditores o Contadores Públicos Autorizados de Bolivia [Bolivian Association of Auditors and Authorized Public Accountants]
CEN	Consejo Ejecutivo Nacional del CAUB [CAUB National Executive Council]
CESI	Committee on Environment and Social Impact
CTNAC	Consejo Técnico Nacional de Auditoría y Contabilidad [National Technical Auditing and Accounting Council]
IASB	International Accounting Standards Board
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
ISA	International Standards on Auditing
MSMEs	Microenterprises and small and medium-sized businesses
PCR	Project completion report
PEC	Project Executing Committee
PPMR	Project Performance Monitoring Report
PUC	Plan Único de Cuentas [Uniform Chart of Accounts]
SIDA	Swedish International Development Cooperation Agency

**CONVERGENCE WITH INTERNATIONAL ACCOUNTING AND AUDITING STANDARDS
(BO-M1005)**

I. EXECUTIVE SUMMARY

Executing agency: Colegio de Auditores o Contadores Públicos Autorizados de Bolivia [Bolivian Association of Auditors and Authorized Public Accountants] (CAUB)

Beneficiaries: This project will benefit: (i) accounting professionals, especially independent accountants and accountants working for microenterprises and/or small and medium-sized businesses (MSMEs), who will have regulations and policies suited to conditions in Bolivia and will receive appropriate training; (ii) private companies (especially MSMEs), who will have access to reliable, transparent, and relevant information; (iii) the CAUB, by reinforcing and upgrading the services it offers; and (iv) the State and society as a whole, because transparent financial statements attract investment and generate additional resources for the country.

Amount and source:	MIF: (Facility I) (70%):	US\$498,000
	Local counterpart (CAUB) (30%):	<u>US\$213,500</u>
	TOTAL:	US\$711,500

Periods:	Execution period:	36 months
	Disbursement period:	42 months

Objectives and description: The aim of the project is to help ensure that business financial reporting in Bolivia is technically reliable, objective, comparable, uniform, and transparent. The objective is to ensure that professional members of the CAUB apply accounting and auditing standards that are in line with International Financial Reporting Standards (IFRS) and International Standards on Auditing (ISA).

The project is expected to produce the following outcomes: (i) Bolivian standards will be harmonized with international standards; (ii) accounting professionals will be aware of the new internationally compatible Bolivian standards and have access to them; and (iii) professional auditing services will be enhanced through a voluntary certification system, a quality-control system, and an information center.

Social and environmental review:	The Committee on Environment and Social Impact (CESI) reviewed and approved this project, without comment, on 17 March 2006 (meeting 11-06).
Exceptions to Bank policy:	None.
Coordination with other donors:	The project will be coordinated with the Plan Único de Cuentas [Uniform Chart of Accounts] (PUC), which is being funded by the Swedish International Development Cooperation Agency (SIDA). The purpose of the PUC project is to build up Bolivian legal, regulatory, and institutional structures in order to obtain business financial information through a uniform chart of accounts.
Special contractual conditions:	As conditions precedent to the first disbursement, the CAUB must demonstrate to the Bank's satisfaction that: (i) a project coordinator has been selected; (ii) the National Statistical Classification agreement is in effect, whereby an executive committee is designated to manage the project throughout its implementation in order to ensure project continuity; and (iii) the Project Executing Committee (PEC) Operating Regulations have been approved.

II. BACKGROUND AND JUSTIFICATION

- 2.1 The globalization of the world economy, the headway being made in free trade agreements, and the need to have access to foreign investment and international capital markets call for the adoption of clear-cut rules for obtaining reliable financial information from business enterprises. Given the economic and political situation in Bolivia, the country needs to ensure that financial statements are reliable, transparent, and comparable. Accordingly, ways of attracting investments that foster development, create jobs, and promote the national economy are needed, along with policies, standards, and instruments to underpin commerce, production, and investment.
- 2.2 On the domestic front, financial institutions need reliable, transparent, and uniform information in order to grant credit and offer lower interest rates to lower-risk borrowers. MSMEs wishing to gain a greater market share must provide reliable financial information to qualify for loans and earn the trust of suppliers and customers. Another consideration is that supervisory and regulatory agencies incur high monitoring and logistical costs because there are no clear, concise regulations about how business financial statements must be prepared.
- 2.3 In Bolivia, the securities exchange is in an early stage of development. It now trades only stocks and bonds. This is mainly because of the size of the companies,

but it also has to do with the existence of an adverse business culture that does not uphold the principles of reliability, transparency, or accountability. This situation runs counter to the conditions required for the operation of a securities exchange, where the market price of equities and corporate bonds, as well as market equilibrium, depend on the type of information made available.

- 2.4 According to the Bolivian Commercial Code (Decree-Law 14379 of February 1977) all businesses must keep accounting records and the accounting must be conducted by legally authorized accountants subject to regulatory provisions concerning responsibility and liability, authorized procedures, etc. In addition, Tax Reform Acts of May 1986 (Law 843) and December 1994 (Law 1606) and the Surtax Act of November 1994 (Law 1731), to amend Law 843, imposed a tax on corporate earnings as reported in company financial statements.
- 2.5 Bolivian accounting and auditing standards have been issued and approved without the benefit of a legally established framework or the professional skills to capitalize on the advantages of adopting international standards. The existing regulatory framework is incomplete. There are 41 International Financial Reporting Standards (IFRS),¹ yet Bolivia has only 14 accounting standards, and the country has approved just five auditing standards although there are 60 International Standards on Auditing (ISA).² Moreover, none of Bolivia's 14 accounting standards and five auditing standards is consistent with the internationally recognized IFRSs or ISAs.
- 2.6 Until now, the Colegio de Auditores o Contadores Públicos Autorizados de Bolivia [Bolivian Board of Auditors and Authorized Public Accountants] (CAUB) has played a leading role in issuing and approving accounting and auditing standards. Its procedures are time-consuming and are conducted with the help of volunteer professionals. However, Law 2495 of 4 August 2003 provides that the authority to issue, monitor, and oversee accounting standards by individuals and companies engaged in commercial activities lies with the

¹ The International Financial Reporting Standards (IFRS) are the body of pronouncements issued by the International Accounting Standards Board (IASB), an independent, privately-funded accounting standards-setter headquartered in London, United Kingdom. The IASB's objective is to develop, in the public interest, a single set of high-quality, understandable, and enforceable global accounting standards that require transparent and comparable information in general-purpose financial statements. The IASB also works with national accounting standards agencies in efforts to bring about the harmonization of such standards worldwide.

² The International Standards on Auditing (ISA) are issued by the International Auditing and Assurance Standards Board (IAASB). This body's objective is to achieve greater uniformity in auditing and related practices throughout the world by issuing pronouncements on an entire range of auditing functions and promoting their worldwide acceptance. The IAASB is a standing committee of the International Federation of Accountants (IFAC). It operates with complete independence in terms of the issuance of international auditing standards and pronouncements concerning international auditing practices. The IFAC is an umbrella organization for national professional accounting organizations representing public accountants working with firms, industry, and the public sector. The IFAC's mission is to develop the profession and facilitate the harmonization of standards throughout the world.

Superintendency of Companies, which was created by Law 2427 of 28 November 2002. Nevertheless, the Superintendency does not have the technical expertise, experience, or structure to issue accounting and auditing standards because of insufficient resources. Furthermore, Bolivia's new administration is now analyzing the relevance and institutional framework of the country's superintendencies with a view to eliminating them (with the exception of the Superintendency of Banks) and transferring their powers to departments within the corresponding ministries.

- 2.7 There are very few trained accounting professionals with the experience to formulate proposals for establishing and developing a conceptual framework for bringing national standards into line with international ones. Each year, Bolivian universities produce over 2,000 graduates trained mainly in bookkeeping because their teachers are not up to date on international accounting and auditing standards. As a result, entry-level professionals in most businesses (the exception being firms subject to external audits) do not apply international standards and the financial information they generate is not reliable. Requirements are also lacking as to information processing, attendance at regular refresher courses for accounting professionals, and mechanisms for keeping professionals abreast of international standards as they evolve.
- 2.8 Most Bolivian firms fit into the microenterprise and small and medium-sized business category, and their financial statements are prepared by professionals who work freelance or are on the staff, and do not have access to training or refresher courses. Large companies and other firms that must provide accounting information to third parties hire auditing firms to perform annual audits. The staff of these firms receive in-house instruction and are better trained.
- 2.9 The present project would improve financial reporting and information management procedures and contribute to the professionalization of accounting in Bolivia. This will involve achieving greater transparency, enhancing the profession's image, and standardizing financial statements so that they are comparable and reliable for internal and external users (investors, financial agencies, government, businesspersons, professionals, academics, and the general public).
- 2.10 This operation is consistent with the objectives of the project cluster designed to support competitiveness through international accounting and auditing standards (document MIF/GN-80), which was presented to the Donors Committee in May 2002.
- 2.11 The project also fits in with the IDB country strategy with Bolivia, which is aimed at increasing the Bank's involvement in efforts to boost competitiveness while placing greater emphasis on the development of new approaches and methodologies for fostering competitive growth in the private sector.

- 2.12 A project to develop the Uniform Chart of Accounts (PUC) is now under way. The Swedish International Development Cooperation Agency (SIDA) is funding 80% of this project, with the remaining 20% being covered with local counterpart funds provided by the Superintendency of Securities, Pensions, and Insurance, the National Chamber of Commerce, the Internal Revenue Service, and the Chamber of Industry, Commerce, and Tourism of Santa Cruz. The purpose of the project is to promote the development of Bolivia's legal, regulatory, and institutional structures so that businesses in the country can furnish financial information by means of a standardized chart of accounts. The necessary contacts have been made so that the operation now under way complements activities of the proposed project and the two projects can benefit from the synergies generated. Consideration could also be given to possible participation in the local counterpart.

III. PROGRAM OBJECTIVES AND DESCRIPTION

A. Program objectives

- 3.1 The aim of the project is to help ensure that business financial reporting in Bolivia is technically reliable, objective, comparable, uniform, and transparent. The objective is to ensure that professional members of the CAUB apply accounting and auditing standards that are in line with International Financial Reporting Standards (IFRS) and International Standards on Auditing (ISA).
- 3.2 The project is expected to produce the following outcomes: (i) Bolivian standards will be harmonized with international standards; (ii) accounting professionals will be aware of the new internationally compatible Bolivian standards and have access to them; and (iii) professional auditing services will be enhanced through a voluntary certification system, a quality-control system, and an information center.
- 3.3 The project is divided into three components corresponding to the project's expected outcomes:

B. Project components

1. Component on international standards alignment (MIF: US\$141,400; CAUB: US\$75,900)

- 3.4 This component would formulate a plan for bringing about convergence between Bolivian and international standards. Bolivia's existing standards, the IFRS, and the ISA will all be analyzed, taking into account existing studies for the PUC project. Initially, standards that need to be applied immediately will be adapted and, if necessary, handbooks providing an interpretation of the standards and guidance on regulations will be prepared. At a later stage, standards will be devised that are aligned with international standards, and the new international

standards issued each year will be reviewed. This component will be coordinated directly by the CAUB Technical Council, a body made up of accounting professionals whose charter assigns it the task of proposing standards.

- 3.5 Draft versions of the internationally aligned standards will be submitted to the Project Executing Committee and the CAUB's National Executive Council for consideration, after which they will be presented to the various stakeholders at workshops, in publications, and through other media. Once that stage has been completed, they will be passed on to the interagency committee established under the PUC project, which will include at least representatives of government agencies with legally mandated areas of responsibility, the Internal Revenue Service, the National Chamber of Commerce, PUC project management, the CAUB, the private sector, universities, and other bodies. The standards accepted by this interagency committee will be submitted to the Superintendency or the appropriate authority and issued as a legally binding standard.
- 3.6 Funding will be provided for national and international technical assistance services, reference and other materials, equipment, workshops, and other events. The project will also support the CAUB and the Technical Council with a view to institutionalizing this component so that a timely, ongoing process can be set up to analyze and propose accounting standards.
- 3.7 By the end of the project, 100% of the IFRS and ISA are expected to have been analyzed and all proposals to have been agreed with the National Executive Council and the interagency committee and submitted for approval.

2. Component on dissemination and training (MIF: US\$171,900; CAUB: US\$36,750)

- 3.8 The second component will focus on the application of standards by accounting professionals. Various media will be used (printed materials, the CAUB website, brochures, technical journals, bulletins, and various sorts of publications) to disseminate information to user groups (professional associations in the departments, the business community, academics, government agencies, financial institutions, independent professionals, and the general public). Training in the application of the new standards will be provided, with priority being given to training trainers so that courses can be replicated throughout the country, to university instructors so that they will include the country's new internationally compatible standards in their syllabuses, and to independent professionals or staff accountants and auditors who work with MSMEs. Project-financed training events will include pre- and post-course testing to measure the level of knowledge acquisition.
- 3.9 The financing for this component will be used to hire instructors and consultants to draw up an annual training plan, to purchase training materials, equipment, and services, and to cover the cost of other options for training and the dissemination of information.

- 3.10 By the end of the project, at least 90% of active members are expected to have received copies of all approved internationally compatible standards, with at least 70% of these members taking part in a training event. As a result of this component, accounting professionals will be able to apply the new standards and, through their inclusion in university curricula, new accounting graduates will be trained in their use.

3. Component to upgrade CAUB professional services (MIF: US\$61,000; CAUB: US\$35,600)

- 3.11 The professional services offered by the CAUB will be upgraded through the introduction of innovative procedures and tools such as a pilot quality-control system to monitor financial statements submitted to the CAUB by independent professionals, and a voluntary professional certification program. These measures will help build up CAUB capacity to deliver services to its members through certification of their professional work and their skills and training. Technical assistance will be provided under this component to establish procedures for an internal quality-control system and to help train CAUB technical experts to implement it. The new rules and regulations in effect, whereby the submission of financial statements to the CAUB is not mandatory, will be taken into consideration.
- 3.12 A pilot voluntary certification system will be set up to improve the quality of CAUB member professional services, thus opening up more and better employment opportunities for them. The idea is to use voluntary certification as a way of fostering professional advancement. The pilot program will be started up within the CAUB and later formally established.
- 3.13 In addition, the CAUB will be outfitted with an information center offering documents and other reference materials for all interested users. Also, a system of monitoring project indicators will be designed and introduced, as will other mechanisms that are needed to generate statistical accounting information.
- 3.14 This component will finance the engagement of international and national consultants and the purchase of reference materials. Among its expected outcomes, CAUB will have enhanced capacity to exercise its authority to monitor the profession and improve the quality of Bolivian accounting professionals.

IV. COST, FINANCING, SUSTAINABILITY, AND EXECUTION PERIOD

A. Cost

- 4.1 The total cost of the program is estimated at US\$711,500. The MIF will contribute US\$498,000 (70%) in nonreimbursable funding from Facility I. The balance of US\$213,500 (30%) will be furnished by the CAUB, as the local

counterpart, and at least 50% of the latter will be in cash. An itemized budget, broken down by project component, is presented in Annex II.

Budget Items	MIF	CAUB	Total
Component I. - International standards alignment	141,400	75,900	217,300
Component II. - Dissemination and training	171,900	36,750	208,650
Component III. - Upgrading CAUB professional services	61,000	35,600	96,600
Technical monitoring and evaluation	74,800	64,050	138,850
Audits and evaluation	26,000		26,000
Cluster activities ³	20,000		20,000
Contingencies	2,900	1,200	4,100
Total	498,000	213,500	711,500

- 4.2 CAUB will draw the local counterpart funds from its own resources, regular or special fees paid by professional associations in the departments (in cash or in kind), contributions from other stakeholders, and the PUC project, with the prior consent of SIDA, provided that the amounts are duly recorded in the project accounts.

B. Sustainability

- 4.3 The project's sustainability is based on the following factors: (i) the involvement of the CAUB as a participant and executing agency, since it is a stable organization that can guarantee the availability of efficient installed technical capacity; (ii) the prospect of an increase in the associations' membership once they begin delivering higher-quality services to their professional users; (iii) the CAUB's standard proposals, because they will produce outputs that generate the resources to maintain an institutionalized standards R&D unit; and (iv) effective implementation of the standards since they will be issued by a professional association of auditors through an interagency committee.
- 4.4 At least one year before project completion, a **sustainability workshop** will be held for representatives of the Bank, the executing agency, and other bodies (to be determined) in order to assess the progress made and identify what steps and actions need to be taken to ensure the initiative's continuity once project funding has ended.

³ The MIF will provide US\$20,000 in financing for cluster activities that will be used by the Bank to carry out actions relating to the coordination of the International Accounting and Auditing Standards Cluster in accordance with document MIF/GA-14-1. This sum will be deducted from the MIF contribution from the effective date of the letter of agreement on the present technical cooperation operation. The executing agency will not be required to make a disbursement request.

C. Execution period

- 4.5 The project will have a 36-month execution period and a disbursement period of 42 months. Once the conditions precedent to the first disbursement have been fulfilled, the project will set up a revolving fund of up to 10% of the contribution for procurement of goods and services and for the engagement of consultants. These operations must be conducted in accordance with Bank and MIF procedures.

V. EXECUTING AGENCY AND MECHANISMS

A. Executing agency

- 5.1 The executing agency will be the Colegio de Auditores o Contadores Públicos Autorizados de Bolivia [Bolivian Board of Auditors and Authorized Public Accountants] (CAUB). The CAUB is a legally constituted, not-for-profit, autonomous professional association of accounting and auditing professionals and consulting firms. It enjoys legal status pursuant to Supreme Resolution 209343 of 9 July 1991. Under its charter and regulations, its functions include setting standards and overseeing the auditing and public accounting profession and ensuring strict compliance with professional ethics. To that end, these documents provide that the CAUB's Consejo Técnico Nacional de Auditoría y Contabilidad [National Technical Auditing and Accounting Council] (CTNAC) is a permanent, technically autonomous specialized agency with the authority to analyze, discuss, formulate, and propose auditing and accounting standards.
- 5.2 The CAUB is composed of associations at the departmental level whose members consist of university-trained (with "licenciatura" degrees) professional auditors and public accountants, consulting firms that provide auditing services, and other professional accounting and auditing organizations. The CAUB is Bolivia's representative to the International Federation of Accountants (IFAC) and is a member of both the Inter-American Accounting Association (IAAA) and the Committee for Latin European and American Integration.

B. Execution mechanisms

- 5.3 Since the Board of Directors' membership is rotational, a permanent **Project Executing Committee (PEC)** will be created to serve as the project's highest decision-making body. This committee will be composed of one representative of each of the nine departmental professional associations and the President of the CAUB in order to ensure nationwide representation at each stage of the project. The Committee will meet semiannually to analyze project progress, review action plans, and decide what measures should be taken during the next six-month period. The Coordinator may also call special meetings with individual members of the PEC, the CTNAC, individual presidents of departmental boards, or the board of directors of CAUB to discuss specific issues. The PEC will appoint a

board of directors, to be chaired by the President of the accounting association of the department where the project is located, with a mandate to administer funds jointly with the Coordinator and/or the Director of CAUB or such other members as the PEC may designate. The PEC board of directors will report on the project to the full PEC, the CAUB board of directors, and the presidents of the departmental boards. At its first meeting, the CEP must establish and approve the Operating Regulations, including the functions and responsibilities of each of its members as well as the project supervision and operation methodologies. Project-related consultations and decisions may be sent and accepted by email provided they are sent by the PEC board of directors to all members or by the Coordinator to the PEC board of directors.

- 5.4 The PEC will use MIF funding to engage the project coordinator on the basis of the terms of reference previously agreed on with the Bank. The CAUB will facilitate conditions for the project in terms of administrative staff, infrastructure, operating expenses, etc.
- 5.5 In keeping with the rotational nature of the board of directors, CAUB headquarters is established in each of the country's nine departments for a period of two years. It has been decided, however, that project headquarters will remain in Cochabamba throughout project execution in accordance with CAUB Resolution 02/2005 of 26 November 2005. The Cochabamba accounting association will therefore assist the project directly with infrastructure, logistical support, and supervision.

C. Project preparation

- 5.6 The project is ready for implementation, since approval has been given for the National Council to sign the loan agreement, responsibility for its execution has been delegated to the CAUB, and a formal commitment has been made to provide a local counterpart cash contribution. The project design and budget, and the activities envisaged were prepared with the participation of the CAUB, the CTNAC, and other stakeholders, such as the PUC project, the Superintendency of Companies, the Superintendency of Securities, Pensions, and Insurance, and the Internal Revenue Service. General consultations have also been held.

VI. MONITORING AND EVALUATION

- 6.1 *Monitoring.* The PEC Board of Directors will be responsible for supervising the consultants' work. The project executing unit will need to have a monitoring system in place, based on the timetable of activities, the logical framework indicators, and the annual work plan (AWP) agreed upon with the Bank.
- 6.2 *Progress and final reports.* Through the project coordinator, the beneficiary agency (CAUB) will submit semiannual progress reports to the Bank within 30 days after the end of each six-month period. These reports will follow the

format presented by the MIF and indicate the progress of the project components, particularly the outcomes and main outputs, and the extent to which they have contributed to the achievement of the project objectives as set out in the logical framework. Also, they will describe any problems that have been encountered and propose possible solutions, and include information on budget performance. The CAUB will submit a final report upon project completion and a budget statement. This documentation will be supplemented by the Bank/MIF final report. The report, in the format determined by the MIF, will focus on accomplishments, expected outcomes, and lessons learned.

- 6.3 At the end of the project, a **closing workshop** will be organized with the participation of the executing agency or agencies, Bank staff, sector representatives, and other personnel to be agreed upon with the Bank. The purpose of the workshop will be to evaluate project results, identify lessons learned, disseminate the experience, and propose measures for ensuring project sustainability once the funding has been fully disbursed.
- 6.4 *Cluster.* As one of the MIF clusters, the project will benefit from the services of a technical advisor and of a mechanism for sharing information, lessons learned, and best practices with the executing agencies of other cluster projects. An effort will be made to apply the best practices learned in cluster projects to all components and to use materials and outputs that are applicable to Bolivia.
- 6.5 *Accounting and auditing.* The CAUB will be responsible for: (i) maintaining separate and specific bank accounts for administering the resources contributed by the MIF and the local counterpart; (ii) submitting disbursement requests and justifications of eligible expenditures; (iii) implementing and maintaining suitable contract management, financial management, and internal control systems for administering the MIF and local counterpart contributions in accordance with Bank requirements; (iv) preparing and submitting project financial reports as well as any other reports that the Bank may require; and (v) maintaining a suitable filing system for keeping track of supporting documentation for eligible expenditures and making them available for verification by the Bank and auditors.
- 6.6 External audits of project financial statements will be conducted by an independent auditor or firm that is acceptable to the Bank. Two audits will be performed, the first a midterm audit when one half of the financing has been disbursed and the other after the last disbursement. The audits will be financed out of the MIF contribution.
- 6.7 The CAUB will be responsible for submitting semiannual reports on the status of the revolving fund within 60 days after the end of each six-month period.
- 6.8 *Evaluation:* The Bank will engage consultants to prepare a midterm review and a final evaluation of the program. The midterm review will look at the technical progress, and the logical framework indicators and means of verification. This evaluation will be prepared 18 months after project eligibility is confirmed or

when 50% of the MIF funds have been disbursed, whichever comes first. The final evaluation, which is to be prepared within three months after project completion, will compare the outcomes with the main expected outputs and the extent to which the objectives set out in the logical framework and the Project Performance Monitoring Report (PPMR) have been achieved. This evaluation will consider the impact the project has had on applying and implementing Bolivian standards that are harmonized with the IFRS and ISA, how knowledgeable professionals are about these accounting and auditing standards, and the rate of advance of the certification and quality-control programs. Both evaluations will be funded by the MIF.

- 6.9 *Procurement of goods and services.* The procurement of goods and services other than consulting services will be conducted in accordance with document GN-2249-7 (“Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank”) of July 2006. The price comparison method may be used when the estimated amount of each contract is less than the equivalent of US\$30,000, in accordance with paragraph 3.5 of the aforesaid document. Contracts in greater amounts will be awarded by national competitive bidding. Also, single source selection may be used for contracts in amounts below US\$2,000 in accordance with paragraph 3.16 of the “New General Guidelines for Design and Administration of MIF Non-Reimbursable Technical Cooperation Projects” of 8 August 2006.
- 6.10 *Selection and contracting of consultants.* Consultants will be selected and engaged in accordance with document GN-2250-7 (“Policies for the Selection and Contracting of Consultants financed by the Inter-American Development Bank”) of July 2006. Also, single source selection may be used for consulting services contracts of one week’s duration or less and/or in amounts equal to or less than US\$2,000 or its equivalent, in accordance with the “New General Guidelines for Design and Administration of MIF Non-Reimbursable Technical Cooperation Projects” of 8 August 2006.

VII. SOCIAL AND ENVIRONMENTAL VIABILITY

- 7.1 The Committee on Environment and Social Impact (CESI) reviewed and approved this project, without comment, on 17 March 2006 (meeting 11-06). Given the nature of this project, it will have no negative social or environmental impact either directly or indirectly. In social terms, the project is expected to broaden access to professional accounting training services to a universe of accountants in geographically remote areas and to persons in different socioeconomic brackets.

VIII. BENEFITS AND RISKS

A. Benefits

- 8.1 This project fits in with the MIF objectives of supporting the development of regulatory frameworks, transparency in reporting, and the strengthening of financial and capital markets. The issuance of new standards in Bolivia that are aligned with international standards will permit greater transparency in corporate financial reporting. This, in turn, will boost tax revenues, attract private investment, provide businesses with greater access to the securities exchange, and help provide MSMEs with an opportunity to secure credit by diminishing the level of risk for lending institutions.
- 8.2 The project is considered to be an innovative one for Bolivia by virtue of its participatory nature, since this is the first time the various users of financial information will be brought together to form an interagency committee.

B. Beneficiaries

- 8.3 The project will benefit: (i) accounting professionals, especially independent and MSME in-house accountants, by equipping them with a set of standards that are suited to conditions in Bolivia and providing them with appropriate training; (ii) private firms (especially MSMEs), by giving them access to reliable, transparent, relevant financial information; (iii) the CAUB, which will be strengthened and will be able to offer higher-quality services; and (iv) the State and society as a whole, because transparent financial statements will attract investment and generate additional resources for the country.

C. Risks

- 8.4 One possible risk is that drastic changes might be made in the laws governing the accounting standards to be applied by the private sector, or that the Superintendency of Companies might be eliminated. This risk can be mitigated by the establishment of the interagency committee, which will be empowered to accept proposed standards, and by the project's flexible nature, as it adapts to new structures or future situations that might entail changes in Bolivian laws and the inclusion or exclusion of certain stakeholders.

IX. SPECIAL CONTRACTUAL CONDITIONS

- 9.1 As conditions precedent to the first disbursement, the CAUB must demonstrate to the Bank's satisfaction that: (i) a project coordinator has been selected; (ii) the National Statistical Classification agreement is in effect, whereby an executive committee is designated to manage the project throughout its implementation in order to ensure project continuity; and (iii) the PEC Operating Regulations have been approved.

X. EXCEPTIONS TO BANK POLICIES AND PROCEDURES

10.1 The project does not entail any exceptions to Bank policies.

CONVERGENCE WITH INTERNATIONAL ACCOUNTING AND AUDITING STANDARDS LOGICAL FRAMEWORK

Objectives	Indicators	Means of verification	Assumptions												
GOAL: To help ensure that corporate financial reporting in Bolivia is technically reliable, objective, comparable, standardized, and transparent.	Two years after project completion, at least 60% of corporate financial statements that have been processed through the CAUB quality-control system have been prepared according to internationally harmonized standards.	<ul style="list-style-type: none">• Reports on the quality-control system• Financial statements submitted for processing by the quality-control system	The institutional structures of the relevant bodies remain unchanged.												
PURPOSE: To ensure that professional members of the CAUB apply accounting and auditing standards that are in line with the IFRS and IAS.	<p>Standards approved by the Interagency Committee which are officially issued by the Government of Bolivia:</p> <table><tr><td>Date</td><td>Percentage</td></tr><tr><td>Month 18</td><td>20%</td></tr><tr><td>End of project</td><td>At least 80%</td></tr></table> <p>Major Bolivian universities add the new international standards to their curricula:</p> <table><tr><td>Date</td><td>Percentage</td></tr><tr><td>Month 18</td><td>10 %</td></tr><tr><td>End of project</td><td>50 %</td></tr></table> <p>By the end of the project, at least 5% of professional accountants have taken part in the voluntary certification program.</p>	Date	Percentage	Month 18	20%	End of project	At least 80%	Date	Percentage	Month 18	10 %	End of project	50 %	<ul style="list-style-type: none">• Decisions on the issuance of standards• PPMRs• Final evaluation• PCR• University baseline• Agreements with universities• Semiannual university surveys• Semiannual CAUB reports• Monitoring system reports• Certificates issued	No drastic changes will be made in national laws governing the approval of standards.
Date	Percentage														
Month 18	20%														
End of project	At least 80%														
Date	Percentage														
Month 18	10 %														
End of project	50 %														

Objectives	Indicators	Means of verification	Assumptions																				
COMPONENTS:																							
Component I - Bolivian standards harmonized with international standards	<p>Analysis and interpretation of IFRS and IAS by the project:</p> <table><tr><th>Date</th><th>Percentage</th></tr><tr><td>End of year 1</td><td>40 %</td></tr><tr><td>End of year 2</td><td>80 %</td></tr><tr><td>End of project</td><td>100%</td></tr></table> <p>Proposals agreed upon by the CAUB National Executive Council and approved by the Interagency Committee:</p> <table><tr><th>Date</th><th>Percentage</th></tr><tr><td>Month 18</td><td>30 %</td></tr><tr><td>End of project</td><td>100%</td></tr></table>	Date	Percentage	End of year 1	40 %	End of year 2	80 %	End of project	100%	Date	Percentage	Month 18	30 %	End of project	100%	<ul style="list-style-type: none">• Midterm review and final evaluation• Reports on standards analysis• PPMRs• Semiannual reports• Standards interpretation documents• National Technical Council decisions• National Executive Council decisions• Interagency Committee minutes• Official approval rulings• PCR	The Interagency Committee continues to function.						
Date	Percentage																						
End of year 1	40 %																						
End of year 2	80 %																						
End of project	100%																						
Date	Percentage																						
Month 18	30 %																						
End of project	100%																						
Component 2 – Accounting professional aware of and have access to the new internationally harmonized Bolivian standards	<p>Active members having received copies of all new approved standards:</p> <table><tr><th>Date:</th><th>Percentage</th></tr><tr><td>End of year 1</td><td>15%</td></tr><tr><td>End of year 2</td><td>50%</td></tr><tr><td>End of year 3</td><td>90%</td></tr></table> <p>Active members of the CAUB that have been trained in the application of internationally compatible accounting and auditing standards:</p> <table><tr><th>Date</th><th>% particip.</th><th>% approved</th></tr><tr><td>End of year 1</td><td>15%</td><td>80%</td></tr><tr><td>End of year 2</td><td>45%</td><td>80%</td></tr><tr><td>End of year 3</td><td>70%</td><td>90%</td></tr></table>	Date:	Percentage	End of year 1	15%	End of year 2	50%	End of year 3	90%	Date	% particip.	% approved	End of year 1	15%	80%	End of year 2	45%	80%	End of year 3	70%	90%	<ul style="list-style-type: none">• Midterm review and final evaluation• Standards analysis reports• PPMRs• Semiannual reports• Inventories• Distribution lists• Evaluation of training events• WEB• Published standards• Monitoring system reports• PCR	The CAUB maintains its integral structure.
Date:	Percentage																						
End of year 1	15%																						
End of year 2	50%																						
End of year 3	90%																						
Date	% particip.	% approved																					
End of year 1	15%	80%																					
End of year 2	45%	80%																					
End of year 3	70%	90%																					

Objectives	Indicators	Means of verification	Assumptions						
Component 3 – Upgrading of professional auditing services through a voluntary certification system, a quality-control system, and an information center	<div>Departmental associations where the voluntary certification program is in operation:<table><tr><th>Date</th><th>Association</th></tr><tr><td>End of year 2</td><td>La Paz, Cochabamba, Santa Cruz, Sucre</td></tr><tr><td>End of project</td><td>Oruro, Potosí, Tarija, Beni, Pando</td></tr></table></div> <div>By the end of the project, at least 5% of the financial statements submitted each year to the departmental associations have been analyzed under the quality-control program.</div> <div>A baseline indicator monitoring system is in operation by month 9.</div>	Date	Association	End of year 2	La Paz, Cochabamba, Santa Cruz, Sucre	End of project	Oruro, Potosí, Tarija, Beni, Pando	<div><ul style="list-style-type: none">• Midterm review and final evaluation• PPMRs• Semiannual reports• Departmental association programs• The CAUB annual report• Registration of participants in the voluntary certification program• Departmental association records</div> <div><ul style="list-style-type: none">• Quality-control program records• Monitoring system reports</div> <div><ul style="list-style-type: none">• Monitoring system documentation• System reports• Initial survey• Baseline report</div>	
Date	Association								
End of year 2	La Paz, Cochabamba, Santa Cruz, Sucre								
End of project	Oruro, Potosí, Tarija, Beni, Pando								
ACTIVITIES:									
Component 1 - Review and development of standards 1.1 Review of Bolivian standards and of IFRS and IAS 1.2 Formulation of draft standards 1.3 Consensus on draft standards 1.4 Approval of standards	<div><ul style="list-style-type: none">• Review of standards starting in month 3• Proposal of standards starting in month 6• Consensus-building workshops and meetings starting in month 8</div>	<div><ul style="list-style-type: none">• Annual work plans• Monitoring of annual work plans• Semiannual CAUB reports• PPMRs</div>							
Component 2 – Dissemination and training 2.1. Publication of approved standards. 2.2. Dissemination of standards 2.3. Training	<div><ul style="list-style-type: none">• Publication and distribution of standards starting in month 10• Annual training plans</div>	<div><ul style="list-style-type: none">• Training plans• Course materials• Publication of standards</div>							

Objectives	Indicators	Means of verification	Assumptions
2.3.1. Annual plan 2.3.2. Events 2.3.3. Agreements with universities	<ul style="list-style-type: none"> 80% of the training activities conducted each year as specified for in the plan Negotiating sessions with universities starting in year 2 	<ul style="list-style-type: none"> Semiannual CAUB reports PPMRs Agreements with universities 	
Component 3 – Upgrading of professional services 3.1. Development and implementation of a voluntary certification program 3.2. Development and implementation of a quality-control system 3.3 Establishment of a project baseline 3.4 Development and implementation of an indicator-based monitoring system 3.5 Establishment of an information center	<ul style="list-style-type: none"> Voluntary certification program and the methodology to be used for its implementation have been established by month 18 Quality-control program and the methodology to be used for its implementation have been determined by month 18 Baseline survey by month 4 Indicator-based monitoring system set up by month 6 Information center in operation by month 18 	<ul style="list-style-type: none"> Quality-control program Voluntary certification program documentation Baseline results Monitoring system documentation Library 	

CONVERGENCE WITH INTERNATIONAL ACCOUNTING AND AUDITING STANDARDS (BO-M1005)

ITEMIZED BUDGET

CATEGORY	CONTRIBUTION		CAUB		TOTAL
	MIF	CAUB	In cash	In kind	
COMPONENT 1 - STANDARDS ALIGNMENT	141,400	75,900	44,800	31,100	217,300
1.1. Review and draft of standards					
National consultant and travel (1x12mx\$1400x3a)	50,400	8,100	8,100		58,500
Expert consultant (1x18mx\$2500)	45,000	0			45,000
International consultants (\$400x21d+3px\$1000+21dx\$100)x2	27,000	0			27,000
Supplies	0	3,000	3,000		3,000
Reference materials	0	1,500	1000	500	1,500
Equipment (3 computers, 1 photocopier)	4,000	6,000	3000	3000	10,000
Equipment maintenance	0	300	300		300
Coordination and management CAUB (40%)	0	15,600		15,600	15,600
1.2. Consensus on draft standards					
Supplies	0	3,000	3,000		3,000
Courier service and other	0	1,800	1,800		1,800
Workshops and events (1 workshop/dept.+1 national workshop/year)	9,000	15,000	5000	10000	24,000
1.3 Approval of standards					
Meetings of National Technical Council (2/a x 35p)	0	6,000	4000	2000	6,000
					0
1.4. Research program					
Research officer (19.5 m/h)	0	15,600	15,600		15,600
1.5 Cluster meetings					
International travel	6,000	0	0		6,000
COMPONENT 2: DISSEMINATION AND TRAINING	171,900	36,750	28,750	8,000	208,650
2.1 Issuance and dissemination of approved standards					
Printing, production, design, and distribution	54,000	0			54,000
2.2 Training					
Consulting services annual training plan	4,500	0			4,500
Training events (3 eventsx9dept.+1nat.) (with trainers)	113,400	12,150	4150	8000	125,550
Agreements with universities	0	1,500	1,500		1,500
Training officer (30m x US\$500 + travel)	0	23,100	23,100		23,100
COMPONENT 3: PROFESSIONAL DEVELOPMENT	61,000	35,600	22,600	13,000	96,600
3.1. Voluntary certification program					
International consultant (1m + 15 d x 2a)	16,000	0			16,000
Certification officer (13 m/a)	0	26,000	13,000	13000	26,000
3.2. Quality-control system					
International consultant (1m + 15d x 2y)	16,000	0			16,000
Quality-control supervisor (12 m/y)	0	9,600	9,600		9,600
3.3 Baseline and monitoring system					
Implementation of monitoring system (2m)	3,000	0			3,000
Determination of baseline (overall)	5,000	0			5,000
3.4. Information center					
Reference material	21,000	0			21,000

CATEGORY	CONTRIBUTION		CAUB		TOTAL
	MIF	CAUB	In cash	In kind	
TECHNICAL MONITORING AND COORDINATION	74,800	64,050	49,650	14,400	138,850
Coordinator (3y x 12m x \$1800)	64,800	0			64,800
Operating expenses (teleph., electric., water, office)(\$550/m)	0	19,800	5400	14400	19,800
Computer hardware, furnishings, other	10,000	0			10,000
Administrative assistant (13m/y)	0	15,600	15,600		15,600
Travel (9 depts. X2t + 3d * 4p + 4p nat)*(\$150+\$100)	0	25,500	25,500		25,500
Materials	0	3,150	3,150		3,150
AUDITING AND EVALUATION	26,000	0	0	0	26,000
Auditing	9,000	0			9,000
Evaluation	17,000	0			17,000
CLUSTER	20,000	0	0	0	20,000
Cluster	20,000	0			20,000
CONTINGENCIES	2,900	1,200	350	350	4,100
Contingencies	2,900	1,200	350	350	4,100
TOTAL	498,000	213,500	146,150	66,850	711,500
PERCENTAGE	70	30	21	9	100

**CONVERGENCE WITH INTERNATIONAL ACCOUNTING AND AUDITING STANDARDS (BO-M1005)
RELATED PROJECTS IN BOLIVIA AND IN THE ACCOUNTING AND AUDITING STANDARDS CLUSTER**

A. Projects in the Accounting and Auditing Standards Cluster

Project number and approval date	Project title, executing agency, and amount	Date of first disbursement, disbursement period, and extensions (in months)	Amount disbursed	Comments
ATN/MT-8113-JA 20 November 2002	Improving the application of and compliance with international accounting and auditing standards Institute of Chartered Accountants of Jamaica (ICAJ) MIF contribution: US\$665,000	13 May 2004 42 months 12 months	19%	The project is currently rated as unsatisfactory. Project activities that were suspended until a coordinator was hired will resume in July 2006 following receipt of a new action plan at the end of June.
ATN/MT-8114-TT 20 November 2002	Improving the application of and compliance with international accounting and auditing standards Institute of Chartered Accountants of Trinidad and Tobago (ICATT) MIF contribution: US\$665,000	21 July 2003 42 months 24 months	15%	The project's rating was recently changed from unsatisfactory to satisfactory. There have been a series of delays due to a lack of response from the project coordinator. The executing agency decided to suspend the coordinator's contract and engage another coordinator, who has made substantial progress in executing the project.
ATN/MT-8243-ME 12 March 2003	Convergence with International Accounting Standards for Financial Reporting Instituto Mexicano de Contadores Públicos, A.C. (IMCP) MIF contribution: US\$1.7 million	17 December 2003 42 months	85%	The project is rated as satisfactory. Action is now being taken to achieve its objectives. These actions consists primarily of support for the research now being done to bring about convergence between national and international accounting standards. This will allow businesses to perform audits that conform to the new standards. It is estimated that at least 200 firms will carry out audits using the new standards by the end of the project.

Project number and approval date	Project title, executing agency, and amount	Date of first disbursement, disbursement period, and extensions (in months)	Amount disbursed	Comments
ATN/MT-8476-UR 10 October 2003	International Financial Reporting and Auditing Standards Colegio de Contadores, Economistas y Administradores del Uruguay MIF contribution: US\$420,000	29 June 2004 42 months 9 months	32%	This project is rated as satisfactory, although its execution is slightly behind schedule. The beneficiary remains interested in its implementation and has assumed responsibility for making up the lost time and completing it by the new deadlines.
ATN/MT-8617-CH 21 January 2004	International Financial Reporting and Auditing Standards Colegio de Contadores de Chile A. G. MIF contribution: US\$750,000	27 October 2004 42 months 0 months	15%	The project is rated as unsatisfactory because of delays in execution. Project activities have fallen behind schedule because the association members and executives of major auditing firms who are in charge of the various components have not been able to devote sufficient time to the program to carry out coordinated activities in accordance with the project agreement.
ATN/MT-8802-HO 5 August 2004	Adoption of Financial Reporting and Auditing Standards Colegio Hondureño de Profesionales Universitarios en Contaduría Pública (COHPUCP) MIF contribution: US\$490,000	29 July 2005 42 months 0 months	17%	The project is rated as satisfactory. Given the actual length of time it has been in progress (9 months), it is moving forward at an adequate pace. It now has the inputs and tools to get the two project agencies' vocational training and institution-strengthening activities off to a strong start.
ATN/MT-8843-CR 10 September 2004	Improving the Quality of Financial Reporting Colegio de Contadores Públicos de Costa Rica (CCPA) MIF contribution: US\$435,000	25 de mayo de 2005 42 months	16%	The project is rated as unsatisfactory. The risk its objectives may not be met is attributable to the project management and the need to engage the human resources needed to carry out its core activities. This situation could be turned around, however.

B. Similar or Related MIF Projects

Project number and approval date	Project title, executing agency, and amount	Date of signature and disbursement period (in months)	Amount disbursed	Comments
ATN/MT-6354-BO 13 January 1999	Consolidation and Development of the Securities Market Superintendencia de Pensiones, Valores y Seguros MIF contribution: US\$1.15 million	24 September 1999 42 months 24 months	100%	The completion of this program has been rated as satisfactory. This rating is based on the results of all the components, which have made a highly significant contribution to capital market development through the formulation of supervisory and inspection standards, their application via informatics systems to increase information transparency and reliability for the market, and a strengthened Superintendency of Pensions, Securities, and Insurance, which is now better able to perform its assigned functions. This has helped the securities market to gain credibility and become an increasingly useful tool for financing the capital requirements of the country's goods producing sector, as demonstrated by statistics on the Bolivian financial system.

C. Similar or Related IDB Projects

None.