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DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

BOLIVIA

PROGRAM TO SUPPORT PREINVESTMENT FOR DEVELOPMENT II

(BO-L1223)

LOAN PROPOSAL

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8. Draft Memorandum of Understanding on the continuing training plan
9. Operating Regulations of the Technical Prioritization Committee for preinvestment and public investment programs and/or projects
10. Program Operating Regulations
11. Environmental and Social Risk Rating
12. Climate change document

ABBREVIATIONS

BCB	Banco Central de Bolivia [Central Bank of Bolivia]
CTP	Comité Técnico para la Priorización de Programas y/o Proyectos de Preinversión e Inversión Pública [Technical Prioritization Committee for preinvestment and public investment programs and/or projects]
DGPP	Dirección General de Programación y Preinversión [Programming and Preinvestment Division]
ESPF	Environmental and Social Policy Framework
IMF	International Monetary Fund
MMAyA	Ministry of Environment and Water
MPD	Ministry of Development Planning
NPV	Net present value
PCR	Project completion report
PDES	Plan de Desarrollo Económico y Social [Economic and Social Development Plan]
PEU	Project executing unit
PSPD-I	Program to support preinvestment for development I
PSPD-II	Program to support preinvestment for development II
SISIN	Sistema de Información sobre Inversiones [investment information system]
SNIP	Sistema Nacional de Inversión Pública [national public investment system]
SOFR	Secured overnight financing rate
VIPFE	Office of the Deputy Minister for Public Investment and External Financing

PROJECT SUMMARY

BOLIVIA
PROGRAM TO SUPPORT PREINVESTMENT FOR DEVELOPMENT II
(BO-L1223)

Financial terms and conditions				
Borrower: Plurinational State of Bolivia			**Flexible Financing Facility**[a]	
Executing agency: Ministry of Development Planning (MPD) through Office of the Deputy Minister for Public Investment and External Financing (VIPFE)			**Amortization period:**	20 years
			Disbursement period:	5 years
			Grace period:	10.3 years[b]
Lending modality: Specific investment loan			**Interest rate:**	SOFR-based
			Credit fee:	[c]
Source	**Amount (US$)**	**%**	**Inspection and supervision fee:**	[c]
IDB (Ordinary Capital):[d]	52 million	100	**Weighted average life:**	15.03 years
Total:	52 million	100	**Approval currency:**	U.S. dollar

Project at a glance
Objective/description: The specific development objective of this operation is to improve the quality of preinvestment. Attaining this objective will contribute to the general development objective of improving the quality of public investment.
Special contractual conditions precedent to the first disbursement of the loan proceeds: The borrower, through the executing agency, has submitted evidence to the Bank's satisfaction of: (i) the approval and entry into force of the program Operating Regulations under terms previously agreed upon with the Bank; and (ii) appointment of core staff for the project executing unit under terms previously agreed upon with the Bank, including: (a) a program manager; (b) a technical coordinator; (c) a planning specialist; (d) a procurement specialist; (e) a financial specialist; and (f) an environmental and social specialist (paragraph 3.7). **Special contractual conditions for execution:** Disbursement of funds for Component 2 to finance preinvestment studies will be subject to signature of an interagency financing agreement between the executing agency and the respective subexecuting agency under terms previously agreed upon with the Bank and included in the program Operating Regulations (paragraph 3.8).
Exceptions to Bank policies: None.

Strategic alignment			
Challenges:[e]	SI ☒	PI ☒	EI ☐
Crosscutting themes:[f]	GE ☒ and DI ☒	CC ☒ and ES ☒	IC ☒
Sustainable Development Goals:[g]	SDG1 ☐ SDG2 ☐ SDG3 ☐ SDG4 ☐ SDG5 ☐ SDG6 ☐ SDG7 ☐ SDG8 ☐ SDG9 ☐ SDG10 ☒ SDG11 ☐ SDG12 ☐ SDG13 ☒ SDG14 ☐ SDG15 ☐ SDG16 ☒ SDG17 ☒		

(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 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) 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 applicable policies.

(d) Pursuant to document AB-2990, Bank loan disbursements will be subject to the following maximum limits: (i) up to 15% during the first 12 months; (ii) up to 30% during the first 24 months; and (iii) up to 50% during the first 36 months, in all cases as of the date of loan approval by the Bank's Board of Executive Directors (paragraph 2.4).

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

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

(g) SDG (Sustainable Development Goal). For more information on the SDGs, click on this link; to consult the IDB Group's methodology for classifying projects by SDGs, click on this link.

I. Description and Results Monitoring

A. Background, problems addressed, and rationale

1.1 **Background.** After high economic growth of 5.4% of GDP in the first five years of the last decade, the pace slowed slightly to 3.95%, in the period 2015-2019. With the social isolation measures resulting from COVID-19 in 2020, the economy shrank by 8.8%, destroying businesses and jobs, increasing poverty, and worsening the distribution of wealth. In this scenario of the convergence of different shocks, some economic challenges sharpened. However, in 2021 the economy began to recover and for the period 2021-2025, under the Economic and Social Development Plan (PDES), it is expected to return to average pre-pandemic levels of close to 4%. In this context, Bolivia should strive to boost its levels of productivity through diversification and deepening of inclusive and sustainable development.

1.2 In Bolivia, public investment is a fundamental pillar of social welfare. The Economic and Social Community Productive Model in effect since 2006 makes the State the main engine of economic growth and social progress, with the functions of planning the economy, administering public companies, and leading public investment in the productive and strategic sectors.

1.3 Bolivian public investment is anchored in the Comprehensive State Planning System[1] that consists of three subsystems: (i) planning, (ii) public investment and external financing, and (iii) monitoring and comprehensive evaluation of plans. The planning system incorporates the investment projects of all public agencies through development plans and medium-term programming. Projects are included in the general national budget and are normally managed by the ministries or subnational governments. By way of exception, they turn to the Office of the Deputy Minister for Public Investment and External Financing (VIPFE) for support for preinvestment studies and eventual external financing. In that case, the Preinvestment Unit of the VIPFE's Programming and Preinvestment Division (DGPP) bears responsibility.

1.4 To achieve a successful productive transformation in Bolivia and cement the country's social progress, public investment quality must be improved,[2] particularly considering the prominent role public investment plays in the Bolivian economy.[3] Today, the perception of the quality of Bolivian infrastructure, according to the 2019 Global Competitive Index, places it 114th out of 137 countries. As well, the 2018 World Bank Logistical Performance Index ranks it 131st out of 160 countries, scoring 2.15 points for infrastructure out of a maximum of 5. From another standpoint, public investment in Bolivia suffers from an efficiency gap (difference

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1 Created by Law 777, of 21 January 2016.

2 The phrase "investment quality" refers to the macro and micro levels alike. For the former, quality public investment is capable of generating growth. For the latter, quality public investment is investment that stays on schedule and within budget. Three types of indicators are used to measure the quality of public investment: physical measurements (e.g., kilometers of highway), surveys of subjective perception, and hybrid indicators (International Monetary Fund, 2015).

3 In other countries, the largest public investment item is infrastructure. In Bolivia, the largest item is investment in the productive sectors (54%), followed by infrastructure (34%), social investment (11%), and others (2%) (PDES, p. 188).

between potential and real efficiency)[4] of 41%, which is much wider than the average for emerging economies (27%) and for Latin America and the Caribbean (29%).[5] More specifically, a survey of officials responsible for public investment in Latin America found that Bolivia's strengths are project selection and implementation, while it is weaker in guidelines for project preparation and evaluation and in ex post evaluation.[6]

1.5 From 2016 to the end of 2023, the VIPFE is executing the Program to Support Preinvestment for Development I (PSPD-I), 3534/BL-BO, approved in 2015 for US$30 million, with 57.03% disbursed and all the resources committed, which is delivering results but at a slower pace than anticipated. The project will deliver a total of 34 preinvestment technical design studies.[7] In 2020, the Bank granted a 24-month extension, then an additional 12 months in 2022, to December 2023. The delay was largely due to political instability in the country in 2019 and 2020, coupled with the impact of the COVID-19 pandemic. The remaining 12 months of the operation will execute and deliver outputs. The need to launch a new preinvestment program without waiting for the completion of the first responds to the government's wish, reflected in the PDES, to make an average public investment of 13.5% of GDP between 2021 and 2025 (see footnote 25). The design of electric interconnection to the national interconnected system for the isolated system in San Ignacio de Velasco, Santa Cruz department, is an example of the studies financed by PSPD-I. After the study, the works were included in the Program for the Expansion of Electric Infrastructure (4633/BL-BO, approved in 2018 for US$78 million),[8] which will save 10,000 liters of diesel a year when construction is complete.

1.6 The quality of preinvestment, defined as an attribute of preinvestment projects that lies in the accuracy with which costs and execution times are calculated (IMF, 2015), remains problematic in Bolivia, with frequent cost overruns (17.59%) and delays (67.2%) in the project execution phase compared to initial forecasts.[9] There are two main causes for this: the persistence of institutional capacity challenges on different levels, and the need for sustainable, additional preinvestment financing (paragraph 1.10). Solving these problems is justification for the proposed operation to complement PSPD-I which, as well as providing financing for an additional 124 public investment studies, boosts institutional capacity to increase efficiency and transparency in preinvestment management, conferring sustainability on the efforts to improve public investment quality.

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4 Public investment efficiency links the value of the public sector's capital stock (as an input) to the coverage and quality level of infrastructure assets (as an output) (Dabla-Norris et al., 2011). The level of efficiency is measured by a country's distance from the efficient frontier defined by countries with the best infrastructure coverage and quality for a given level of public capital stock (Ardanaz et al., 2019).

5 International Monetary Fund (IMF) (2019), p. 4.

6 Armendáriz and Contreras, 2019.

7 Of these, six are available, four more are expected to be completed in 2022, and 24 in 2023.

8 In execution, pending eligibility.

9 Based on an analysis of the 808 investment projects costing over US$1 million implemented in 21 central institutions and completed between 2021 and 2022. See Annex II (Results Matrix) for more details.

1.7 **Gender and diversity considerations.** The Plurinational State of Bolivia has made substantial progress in the economic empowerment of women and the fight against discrimination.[10] According to Trabajar y Ser Mujer en Bolivia [Working and being a woman in Bolivia] (Inter-American Development Bank, 2020), the country has the highest rate of physical or sexual violence against women of any country in the region, with 74.7% of women over 15 being victims of this type of violence at some point in their lives. In the labor market, the gap between men's and women's participation is 26% in favor of men. There is also a wage gap between men and women who perform the same or similar work, although it has narrowed considerably (from 39% in 1993 to 10% in 2018). Nonetheless, the percentage of women earning less than the minimum wage continues to be much higher than for men. Indigenous women are particularly vulnerable,[11] especially in remote areas, owing to poor infrastructure, a limited number of public services, long distances, and the lack of appropriate public transportation.[12] Public investment projects are not gender neutral. For example, good public lighting[13] and reliable public transportation[14] help women substantially, because they provide security, greater mobility, and better access to the labor market. It has also been documented that women have a preference for good quality water and sanitation infrastructure.[15] The lack of adequate sanitary installations for women can lead to stigma, the risk of infection, and gender violence.[16] The literature indicates that different genders have different investment priorities[17] and when women have decision-making power they implement policies that favor them.[18] These differences are even greater in contexts where women are more vulnerable.[19] Despite these differences in needs and preferences, until now public investment projects have treated households and communities homogeneously. The inclusion of a gender and diversity perspective[20] in preinvestment projects should help to narrow the gaps, improving public services and productive development[21] that favor Bolivian women, particularly indigenous women who are more vulnerable.

1.8 **Energy efficiency considerations.** The existing Basic Preinvestment Regulations do not consider energy efficiency, which means lost opportunities for

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10 United Nations Office on Drugs and Crime (consulted online on 4-8-2022).

11 More than 40% of Bolivians identify as indigenous or Afro-descendent according to the National Population and Housing Census 2012 (2017 projections by the National Statistics Bureau suggest that the figure has risen to 48%), and indigenous women are at greater risk of being excluded according to the National Discrimination and Social Exclusion Survey (Cuéllar, 2016).

12 International Labour Organization (2019).

13 Orlando et al. (2018).

14 Dominguez et al. (2020).

15 Das (2017).

16 The Economist (2019).

17 Duflo (2012).

18 In Bolivia, women prioritize projects in education and health; in indigenous municipalities they prioritize environmental projects (Yañez-Pagans, 2014).

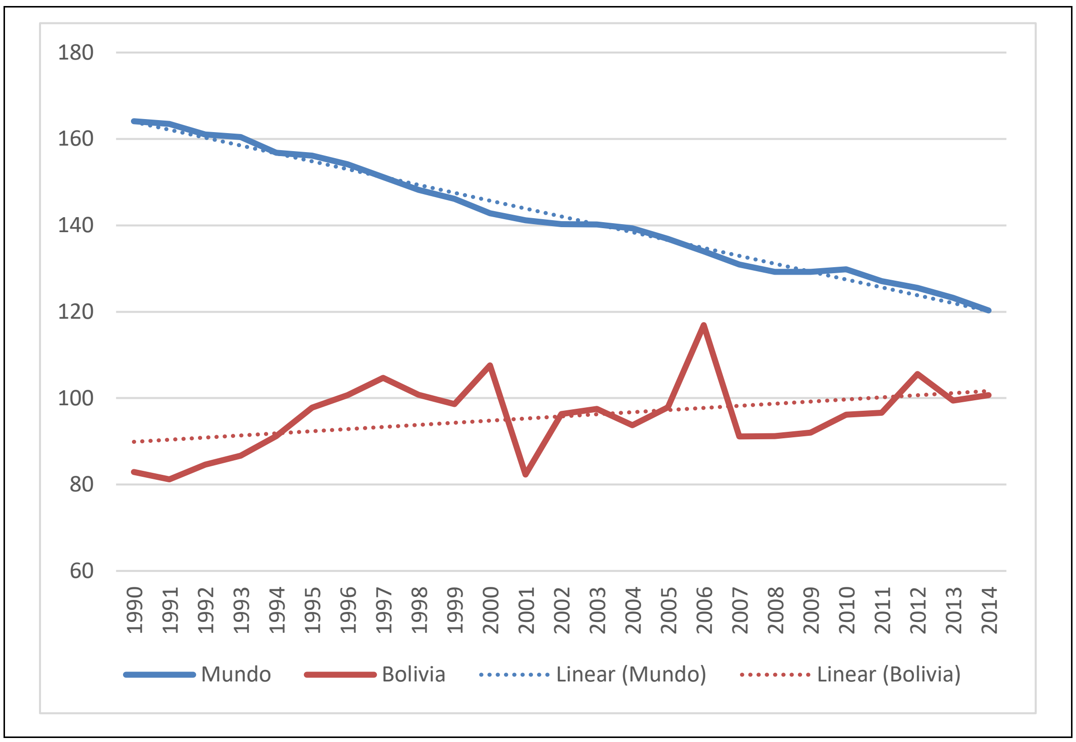
19 Gottlieb et al. (2016).

20 An analytical tool for identifying existing gaps between people as a consequence of their gender in a given cultural and historical context (United Nations Development Programme, Chile 2014).

21 IMF (2022).

public investment to make energy efficiency gains that lead to greater productivity and competitiveness and lower greenhouse gas emissions. Making energy efficiency gains is strategic for Bolivia because total energy consumed per one unit of GDP is on the rise, while the global trend is declining (Figure 1). This upward trend, which is shared with other countries in the region, is due to the shift in productive structure to industries that are more intensive in their use of energy and natural resources, and emission production. It is therefore necessary to introduce energy efficiency into public investment analysis, which will contribute to Bolivia's Nationally Determined Contribution under the Paris Agreement.

Figure 1. Energy consumption (kg oil equivalent) for each US$1,000 GDP



Source: World Bank.[22]

1.9 **Problem addressed.** Bolivia's main development challenges include closing infrastructure gaps.[23] The estimated short-term gap (five years) is US$5.578 billion, equivalent to 14.7% of GDP (2018), and the long-term gap is US$36.320 billion, or 90% of GDP (Bonifaz et al., 2019). The short-term gap is concentrated in sanitation, particularly in rural areas, while the long-term gap is concentrated in sanitation and transportation.[24] The gaps in infrastructure affect the costs of transportation and logistics and, consequently, undermine the competitiveness of international trade and hinder the integration of production chains. To close these

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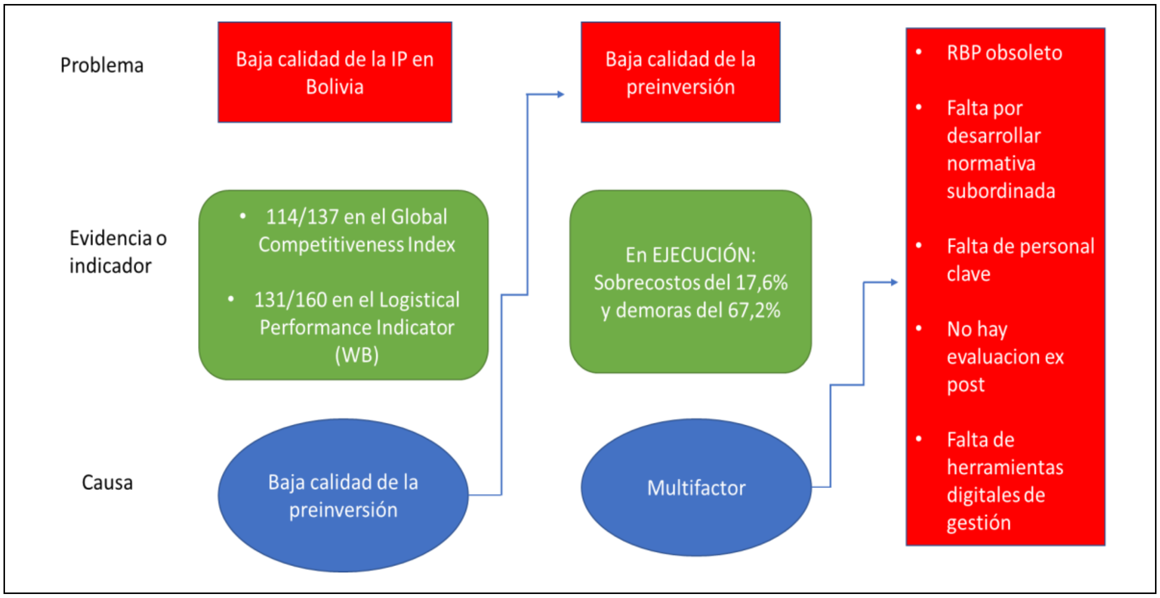
22 Statistics published in 2014, which is the most recent year available.

23 Country Development Challenges, 2019.

24 For more details see Brichetti et al. (2021).

gaps, the government plans to invest US$33.197 billion in infrastructure in the period 2021-2025, peaking in 2023 with 19% of GDP.[25] The **main problem** that the program is intended to solve is the low perceived quality of public investment, whose determining factors are the quality of preinvestment, project selection, execution, and maintenance once in service. The program focuses on the first aspect, the quality of preinvestment, since without a good preinvestment study it is impossible to make good decisions in the investment stage.

Figure 2. Diagram of problems and their causes



Source: Prepared by the authors.

1.10 In turn, the following causes have been identified for weaknesses in preinvestment:

a. The Basic Preinvestment Regulations, approved by Ministerial Resolution 115/2015, have become outdated, particularly in the methodology used for ex ante project formulation and evaluation.

b. Sector technical standards subordinate to the Basic Regulations need to be developed in the lead sector ministries,[26] which explains why technical reports on conditions precedent, which is the first preinvestment phase, exist that lack sufficient analytical depth. In environmental matters, although the Basic Regulations call for environmental impact assessments and measures to prevent and manage disaster risks, climate impact (paragraph 1.8) can be

[25] Average public investment of 13.5% of GDP is envisaged (PDES 2021-2025, p. 182).

[26] Envisaged in Article 14(a) of the Basic Preinvestment Regulations. The Ministry of Environment and Water is the only ministry that has developed standards.

reduced by incorporating new sector methodological tools.[27] In addition, gender and diversity considerations should be included in the Basic Regulations and subordinated standards (paragraph 1.7).

c. The operating capacity of the VIPFE's Preinvestment Unit and of the sector ministries[28] is limited by the shortage of technical staff, high turnover,[29] and insufficient professional training.[30] In particular, the Preinvestment Unit needs to be strengthened with: (a) a program manager, (b) a technical coordinator, (c) a planning specialist, (d) a procurement specialist, and (e) a financial specialist.

d. There is no ex post evaluation mechanism to enable lessons to be extracted to improve planning.

e. The VIPFE's information system has no preinvestment module to process public investment projects digitally. Nor does it provide business intelligence tools that facilitate preinvestment monitoring and control. These shortcomings are apparent in a 71.4% delay in the preparation of preinvestment projects by the Preinvestment Unit,[31] a time lag that is different from and additional to the delays that may occur in the investment project execution phase (paragraph 1.9).

f. The resources allocated to finance preinvestment studies outside the ones committed in PSPD-I (paragraph 1.5) are patently insufficient.[32]

1.11 **Program design strategy.** Unlike PSPD-I, this program includes an institutional strengthening component to improve the efficiency and impact of the preinvestment function. The first step in achieving it is process reengineering (currently underway, financed with technical-cooperation funding), followed by new regulations and subordinate rules, as well as a computerized information application that speeds up processes and allows for an integrated dashboard view. In addition, the team is working with the Ministry of Planning and Development (MPD) and the Ministry of Economic Affairs and Public Finance to find a technical solution to the problem of the lack of preinvestment resources, which lies at the heart of PSPD-I and PSPD-II. The expectation is that by the end of PSPD-II, a third

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[27] The ex ante evaluation methodology should include a social price for carbon, criteria for prioritizing public investments on the grounds of climate considerations, and sustainable investment taxonomy to guide decision-making. Evaluation metrics, methodologies, and results reporting also need to be developed.

[28] See footnote 53.

[29] In most countries of the region, high staff turnover is the norm, not the exception, due to their heavy dependence on political cycles. The Quality of Government Experts Survey confirms the high degree of politicization of the public administration which, on average (3.0), is perceived to be less professional than in the G20 (4.4) and the Organization for Economic Co-operation and Development (4.6) countries. Bolivia scores 3.4 (OECD-IDB: Panorama of Public Administrations in Latin America and Caribbean, 2020).

[30] Although the VIPFE organizes training events, the absence of technology tools for self-learning and employee turnover makes it difficult for staff to maintain knowledge levels.

[31] Defined as the percentage increase in the number of days to prepare preinvestment studies compared to the number of days planned. The 71.4% delay corresponds to the times required for 146 preinvestment projects completed in the 2021-2022 in the VIPFE.

[32] The VIPFE does not have a recurring budget allocation to finance studies. Based on the experience of loan 3534/BL-BO, at least 3.5% of the investment budget is required for optimum functioning of the preinvestment process.

phase will not be necessary and that preinvestment will have recurring funding that lends sustainability to the function. The program has been designed considering: (i) the program proposal made by the VIPFE (link 6); (ii) the lessons learned from PSPD-I (3534/BL-BO) (paragraph 1.14); (iii) the knowledge of the Bank's Fiscal Division;[33] and (iv) the diagnostic analysis by the project team. The program has two components to improve the quality of Bolivian public investment spending: (i) strengthening institutional preinvestment capacity (paragraph 1.10, a, b, c, d, and e); and (ii) preinvestment financing (paragraph 1.10, f).

1.12 **Bank experience in the sector, the country, or similar programs in other countries in the area of intervention.** The Bank has been supporting the public preinvestment system in Bolivia under PSPD-I (3534/BL-BO, paragraph 1.5) which is financing studies for strategic projects in energy, transportation, irrigation, and health. In addition, two operational support technical-cooperation programs (ATN/OC-14514-BO, approved in 2014 for US$250,000, closed, and ATN/OC-15424-BO, approved in 2015 for US$200,000, fully disbursed) delivered the current Basic Preinvestment Regulations and project formulation methodologies, etc. PSPD-I was intended to finance studies but failed to consider the capacity of the Preinvestment Unit or preinvestment sustainability. The proposed operation complements PSPD-I, reinforcing institutional capacity and adding sustainable financing for a new round of projects. The Bank has also led reforms of public investment cycles in other countries, such as Peru (4428/OC-PE, approved in 2017 for US$65 million, in execution with 28.05% disbursed)[34] and Argentina (5490/OC-AR, approved in 2022 for US$37 million, in execution, undisbursed),[35] and has generated regional knowledge about this area of fiscal policy.[36]

1.13 **Empirical evidence.** Empirical evidence suggests that public investment brings benefits to society, with an impact on productivity and economic growth.[37] The literature also shows that these impacts depend on the efficiency of investment

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[33] Specifically two: Ardanaz et al. (2019): Fortaleciendo la gestión de las inversiones en América Latina y el Caribe: Lecciones aprendidas del apoyo del BID a los Sistemas Nacionales de Inversión Pública (SNIP), Discussion paper DP-00719. Washington, D.C., and Armendáriz et al. (2021): Planificación y priorización ex ante de la IP en los países andinos.

[34] Includes improvements in the public investment institutional framework, development, and implementation of a computerized information system to manage public investment that is interoperable with other public finance management systems, and enhancement of human capital capacity, hence sharing similar characteristics with PSPD-II.

[35] Similar to PSPD-II, it includes institutional strengthening and financing for preinvestment studies, also covering subnational projects. The shortcomings it addresses are also similar: difficulties in ex ante evaluation, the need for a portfolio of preinvestment studies, the need to promote ex post evaluations, the need for better coordination with other ministries, and the need to develop and implement technological support systems for the entire cycle.

[36] See footnote 38.

[37] Rodriguez (2009) finds that each dollar invested in highways in the United States contributed six dollars of economic productivity. Gibbons et al. (2018) find a relationship between investments in railways and population growth and the percentage of skilled workers; Duflo and Pande (2007) find that investments in dams a have a significant impact on agricultural yield.

management systems in all stages.[38] The preinvestment stage is crucial, because it produces an analysis of the socioeconomic benefits of projects and facilitates tools for prioritization and selection of potentially successful and beneficial projects for society, reducing the risks of inefficiency and failures in product delivery,[39] as well as white elephants.[40] A quality preinvestment system is key for improving the creation of wealth and benefits for society and the economy.[41] In Latin America and the Caribbean, improving the selection and prioritization of investment projects, reducing cost overruns and overtime, and maximizing the useful life of assets through better maintenance could lead to gains in efficiency of up to 1% of regional GDP.[42] The literature also finds a positive contribution to the quality of evaluation and selection of proposals when conducted by trained experts, noting the importance of well-prepared human capital.[43] An IMF analysis in 2019[44] demonstrates that there is ample room to boost the efficiency of public investment and that the economic dividend from closing gaps in the efficiency of public investment is high.

1.14 **Lessons learned.** Delays in the execution of other IDB investment programs pointed to the need to have preinvestment studies and final designs when execution begins. PSPD-I demonstrated the need to consolidate a work team for execution and for Bank monitoring and support of the subexecuting agencies. Another lesson learned is to avoid excessive bureaucratic red tape in the preinvestment stage, so it does not become a bottleneck rather than an aid to the development of public investment projects (Ardanaz, 2019). Ardanaz also points out the need to maintain an overall, balanced vision of all stages of the project cycle, recognize the political-institutional contexts into which national public investment systems are inserted, leverage institutional changes and regulatory frameworks with appropriate financial instruments, and complement the emphasis on technology and information systems by generating capacity and suitable incentives for efficient management. These lessons have been included in the program design (paragraph 1.11). The need for reliable preinvestment studies for public investment projects reinforces the logic of this project. The lessons learned from PSPD-I, particularly relating to the capacity of executing agencies, are taken into account in the implementation arrangements. The need to avoid red tape is addressed in process reengineering. Lastly, the need to maintain a comprehensive

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[38] Gupta, S., et al. (2014). Efficiency-Adjusted Public Capital and Growth, World Economic Development, Vol. 57, Issue C: pp. 164-78, (International Monetary Fund, 2014). Is it Time for an Infrastructure Push: The Macroeconomic Effects of Public Investment: World Economic Outlook (October Ed.). Washington, D.C. (Chapter 3).

[39] Rajam et al. (2014). The Power of Public Investment Management: Transforming Resources into Assets for Growth. Directions in Development. Washington, D.C.: World Bank.

[40] Superfluous projects or projects with an excessive cost-benefit ratio.

[41] Rajam et al. (2014).

[42] Serebrisky, T., A. Suárez-Aleman, and C. Pastor (2018). Increasing the Efficiency of Public Infrastructure Investment in Latin America and the Caribbean, Chapter 9, DIA 2018.

[43] Idczak, P. & Musiałkowska, I. (2014). Assessment of the System of Project Selection under the Cohesion Policy: The Case of the Wielkopolska Region. Evaluační teorie a praxe Ročník, 2(2), 1-31. Abrhám, J. (2017). Project management and funding in the Euroregions. Polish Journal of Management Studies, 16.

[44] Y. Endegnanew and D. Tessema. Public Investment in Bolivia: Prospects and Implications. IMF Working paper 19/151.

vision of the project cycle and improve monitoring and control translates into development of a module in the investment information system (SISIN) that strengthens the technological tools needed to provide continuity for the program in the long term.

1.15 **Country strategy in the sector.** Public investment is a cornerstone of the Economic and Social Community Productive Model (paragraph 1.2), which gives the government a preponderant role in the economy. During 2021-2025, the government plans to invest US$33.197 billion in infrastructure (paragraph 1.9). The VIPFE has broad experience in executing preinvestment projects and, since 2016, it has been executing PSPD-I. The proposed operation is aligned with the PDES 2021-2025, focusing on its first line of action 1: "Rebuilding the economy, returning to macrofiscal and social stability," target 1.2. "Recapturing the government's leadership role through public investment and promoting private and foreign investment."

1.16 **Bank country strategy.** This program is aligned with the IDB Group's country strategy with Bolivia 2022-2025 (document GN-3088), specifically through the strategic objective of helping to improve the productivity of selected sectors of the economy and is included in the Update of Annex III of the 2022 Operational Program Report (document GN-3087-2) (paragraph 1.23).

B. Objective, components, and cost

1.17 **Objective and scope**. The specific development objective of this operation is to improve the quality of preinvestment. Attaining this objective will contribute to the general development objective of improving the quality of public investment. This will be achieved through the following components:

1.18 **Component 1. Strengthening institutional preinvestment capacity (US$3,136,642).** The purpose of this component is to fortify public investment management capacity in the VIPFE and in the sector ministries. Consulting services will be financed to develop knowledge assets in these areas:

a. More nimble and secure processes: (i) Basic Preinvestment Regulations updated, covering the basic requirements for the formulation and evaluation of preinvestment projects, including an analysis of energy efficiency, climate change and environmental sustainability, and gender and diversity; (ii) technical guidelines with sector preinvestment methodologies; (iii) technical guidelines for incorporating energy efficiency, climate change, and environmental sustainability into preinvestment studies;[45] and (iv) technical guidelines for including the gender and diversity focus in preinvestment studies.

b. More efficient administrative bodies and better trained staff through: (i) a staff training program. The program will take a comprehensive approach and include permanent knowledge outputs and solutions integrated into a Massive Open Online Course (MOOC), which will include adequate subject matter and knowledge for better public investment planning, particularly in the preinvestment phase, addressing important aspects of project preparation and

45 See footnote 27.

the formal elements of documentation presentation, including sections on the importance of gender and diversity and environmental implications; (ii) proposed university curriculum for specialization in public investment projects; (iii) pilots in ex post evaluation of preinvestment projects;[46] and (iv) SISIN improved by developing an additional module to record all relevant data, automating the process, and providing aggregate data and business intelligence for monitoring and control of this phase of the project life cycle. The training program will devote one of its products to this system.

1.19 **Component 2. Preinvestment financing (US$45.76 million).** This component will finance preinvestment studies for strategic public investment projects prioritized in the pertinent planning instruments. It includes services for: (i) the preparation of technical reports on conditions precedent, which is the first preinvestment phase; (ii) preparation of preinvestment technical design studies, the second preinvestment phase; and (iii) study supervision. The DGPP proposed a list of 124 projects to form the initial preinvestment project portfolio to be financed by the program, which can be consulted at link 5. The projects are classified by sector into the seven groups shown in Figure 3 and territorially into the departments shown in Figure 4. As Table 1 shows, the range of costs for a preinvestment study varies by sector, from US$62,768 for solid waste projects to US$2,775,000 for energy projects. The Preinvestment Unit will have the power to modify the portfolio with the Bank's no objection (paragraph 3.4).

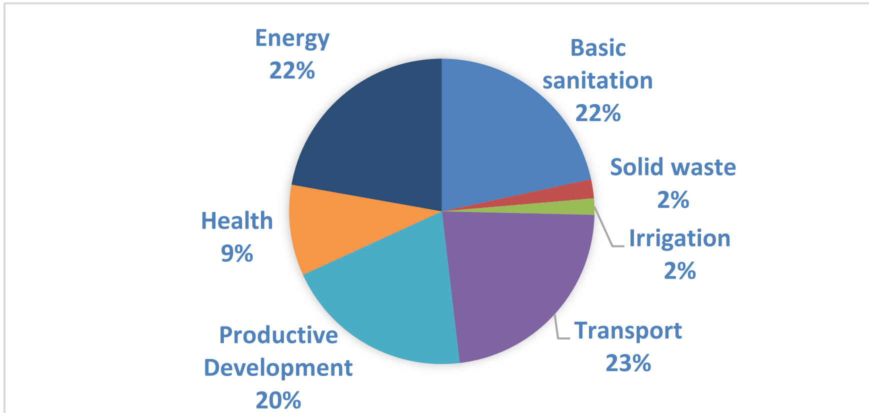
Table 1. Range of costs for preinvestment studies (US$)

Sector	Number of projects	Total cost	Arithmetic mean	Highest budget	Lowest budget
Basic sanitation	52	10,815,351.56	207,988	1,740,826	456
Solid waste	16	1,004,285.55	62,768	141,339	31,395
Irrigation	12	862,530.20	71,878	98,809	45,863
Transportation	8	11,388,000.00	1,423,500	5,846,000	264,000
Productive development	19	10,019,337.06	527,334	3,048,349	29,155
Health	13	4,810,495.63	370,038	728,863	145,773
Energy	4	11,100,000.00	2,775,000	3,850,000	1,750,000

1.20 **Program administration, supervision, and audits (US$3,103,358).** The project has budgeted US$1,918,358 for the operations of the Preinvestment Unit, US$800,000 to support the subexecuting agencies, US$245,000 for audits, and US$140,000 for evaluation.

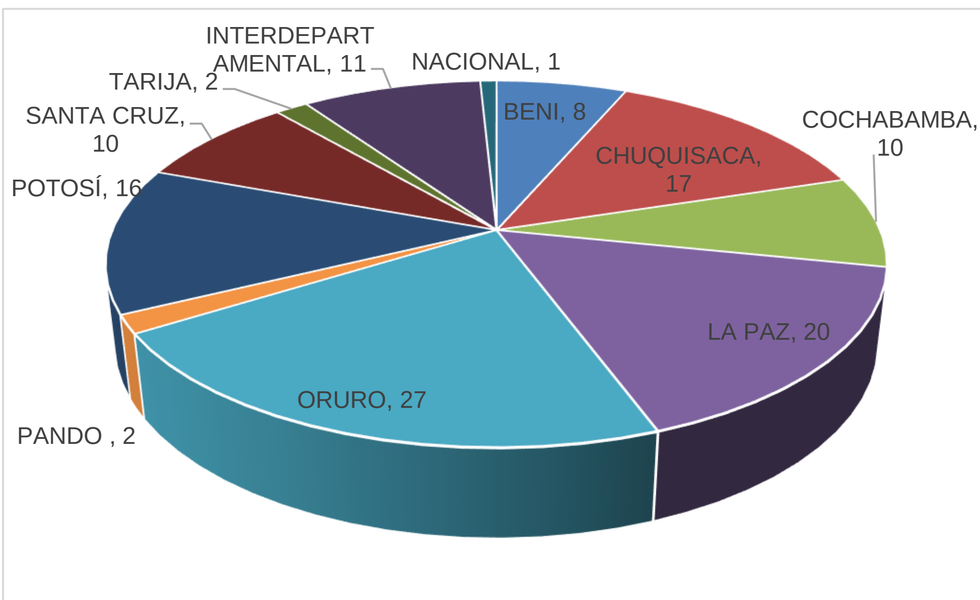
[46] The projects will be decided on by consensus between the Bank and the Preinvestment Unit and may include outputs financed by PSPD-I and II.

Figure 3. Sector composition of the program's preinvestment portfolio



Source: VIPFE.

Figure 4. Territorial distribution of the program's preinvestment portfolio (number of projects)



Source: VIPFE.

1.21 **Main results indicators.** The expected impact is an improvement in the quality of spending on public investment, expressed in a reduction in cost overruns in investment project execution from 17.59% in 2022 to 15% in 2027. The main expected results are: (i) a reduction in delays in preparing preinvestment studies (paragraph 1.10e), from 71.47% in 2022 to 65.72% in 2027; and (ii) an improvement in preinvestment knowledge measured by the number of public

servants who complete the ongoing preinvestment training program, estimated at 412 by 2027.

1.22 **Benefits and beneficiaries.** The direct beneficiaries and benefits are: (i) the MPD, which will have adequate rules, systems, and procedures; (ii) employees, including staff of the MPD, sector ministries, and subnational governments, who will be trained in public investment;[47] and (iii) the sector ministries, which will receive funds to contract preinvestment studies. The general public will benefit indirectly from better quality investments in the productive economy, infrastructure, and social services, which will contribute to economic development and increase social justice.

C. Strategic alignment

1.23 The program is aligned with the second Update to the Institutional Strategy (document AB-3190-2), in particular with the development challenges of: (i) Social Inclusion and Equality, through access by the public to basic services; and (ii) Productivity and Innovation, because it supports better infrastructure and public services to strengthen productivity and market access, as well as the crosscutting themes of: (i) Gender Equity, since it introduces its analysis into project preparation and continuing training for employees, in accordance with the Update of the Gender Action Plan for Operations 2020-2021 (document GN-2531-19); (ii) Diversity, since it helps to narrow social gaps, improving productive development and favoring indigenous women, who are more vulnerable; (iii) Climate Change, since it strengthens investments in assets with low emissions that are more resilient; (iv) Environmental Sustainability, since it strengthens investments in basic sanitation and solid waste treatment; and (v) Institutional Capacity and Rule of Law, since it strengthens the technological capacity and processes of the VIPFE. It will also contribute to the IDB Group's Corporate Results Framework 2020-2023 (document GN-2727-12), through the indicator on agencies with strengthened digital technology and managerial capacity. The operation is consistent with the Climate Change Sector Framework (document GN-2835-8) and the IDB Group's Climate Change Action Plan 2021-2025 (document GN-2848-8), since according to the joint methodology of the multilateral development banks for estimating climate finance an estimated 14.75% of the IDB's resources will be invested in measures to mitigate and adapt to climate change (link 12).[48] It is also consistent with the Sector Strategy on Institutions for Growth and Social Welfare (document GN-2587-4), because it improves the management of public spending on investment, and with the Fiscal Policy and Management Sector Framework (document GN-2831-9), because it promotes investments in high social quality infrastructure.

[47] Since the system will be implemented in a MOOC platform, the number of employees who can be trained is virtually limitless. The concrete number will depend on the guidelines of the administrative bodies and employees who take the courses on their own initiative.

[48] The equipment to be procured for this operation will have Energy Star or equivalent energy efficiency certification.

D. Feasibility analysis

1.24 **Technical feasibility.** Public investment plays a fundamental role in the country's economic development (paragraph 1.2), and experience in executing PSPD-I has generated lessons learned (paragraph 1.14) and knowledge in the executing unit (paragraph 1.5). This will allow: (i) the preinvestment studies, which are one of the program's main activities, to comply with the minimum technical requirements established in the Sistema Nacional de Inversión Pública [National Public Investment System] (SNIP) and the updates to be financed and developed will use the best techniques and conform to recognized, proven international standards; (ii) homogenization of the terms of reference and the content of the contractual clauses for contracting those studies and streamlined consultant selection processes (paragraph 3.9); (iii) availability of a sustainable financing mechanism (paragraph 1.25); (iv) existence of a portfolio of preinvestment projects to be financed under this program; and (v) projects that are filtered for their alignment with national strategic priorities. For the above reasons, the program is technically feasible and uses the most appropriate alternatives for the needs identified.

1.25 **Socioeconomic feasibility.** The project's benefits stem from closing gaps in infrastructure thanks to the timeliness and quality of the preinvestment studies, which will impact total factor productivity and the country's growth (GDP). The program will help preinvestment projects reach the works stage and therefore will generate socioeconomic benefits for the country. The ex ante economic analysis (paragraph 1.26) demonstrates that the intervention is cost-effective.

1.26 **Cost-effectiveness analysis.** This analysis compared two scenarios (with and without the project) and can therefore determine which interventions are cost-effective to maximize the benefits produced by available public resources (preinvestment spending). It found that the net present value (NPV) of the cost of the preinvestment and public investment activities without the program (C_A-cost without project) is Bs 283,138 million, while the NPV for effectiveness (GDP) is Bs 2,186,956 million (E_A-effectiveness without project). The average effectiveness cost (CEM_A-without project) of the preinvestment activities, taking account of the cost and effectiveness NPVs is Bs 129,46689 per Bs 1,000 of GDP. With the program, once the improvements in preinvestment studies have been made for the investments planned and the improvements in preinvestment studies have been transferred to the remaining public investment projects and the reduction in cost overruns materializes in the implementation of investment projects, the NPV of the total cost (including a 3% reduction in cost overruns) would rise to Bs 287,073 million (C_B-cost with project). However, as a result of the increase in the amounts and the improvement in preinvestment studies, public investment is expected to increase which, coupled with private investment, would translate into an increase in GDP (not considering the increase in total factor productivity compared to the scenario without the program (E_B-effectiveness with the project). In this case, the NPV of effectiveness would rise to Bs 2,218,768 million. Therefore, the new cost-effectiveness of the program to generate Bs 1,000 of GDP would fall to Bs 129,38403 (CEM_B = Bs 287,073 million net cost / Bs 2,218,768 million GDP). See the detailed economic analysis at link 4.

1.27 **Socioenvironmental feasibility.** By strengthening the environmental safeguards incorporated into the regulations, methodology, and processes for contracting

and validating preinvestment studies (paragraph 1.8) the program improves environmental protection and contributes to the objectives of the Paris Agreement.[49] As well, institutionalization through the same means of gender and diversity analysis (paragraph 1.7) guarantees that public investment will be better tailored to Bolivia's social diversity.

1.28 **Institutional and financial feasibility.** The institutional capacity assessment concludes that the Preinvestment Unit is capable of executing the program. However, it is necessary to strengthen the human team to ensure greater speed and quality of its processes. Therefore, the loan will finance contracting a full-time team specializing in procurement, financial management, and project evaluation. Clear process flows will be prepared to identify the areas involved, responsibilities, deadlines, and documents or deliverables, and provide early warning of possible bottlenecks to smooth program execution. In addition, the project team has held discussions with the Ministry of Economic Affairs and Public Finance and the MPD, weighing solutions to guarantee the sustainability of this critical function (a trust fund, a recurring budget allocation, or some other formula) beyond the program's time horizon. The Bank will provide technical-cooperation funding, which is expected to be approved in 2023 for a study containing proposals for institutionalizing preinvestment financing.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

2.1 **Financing modality and structure.** This will be a specific investment loan, since it is financing a fully defined project in terms of cost and design at the time of approval, whose technical, financial, and economic feasibility has been estimated.

2.2 **Cost and financing.** The program will cost US$52 million, fully financed with Ordinary Capital resources.

Table 2. Estimated program costs (US$ thousands)[50]

Components	IDB	%
Component 1. Strengthening institutional preinvestment capacity	**3,136.6**	**6.0**
Component 2. Preinvestment financing	**45,760.0**	**88.8**
Preparation of preinvestment studies	42,236.0	81.2
Study supervision	3,524.0	6.8
Program administration, supervision, and auditing	**3,103.4**	**6.0**
Coordination unit	1,918.4	3.7
Support for subexecuting agencies, audits, and evaluation	1,185.0	2.3
Total	**52,000.0**	**100.0**

49 Strengthening of capacity that will enable the program to speed up the learning curve and facilitate climate action for adaptation and mitigation.

50 The costs per subcomponent are indicative.

2.3 **Disbursement schedule.** The disbursement period will be five years, as shown in Table 3.

Table 3. Estimated disbursement schedule (US$ thousands)

Components	Year 1	Year 2	Year 3	Year 4	Year 5	% total
Component 1. Strengthening institutional preinvestment capacity	749.8	1,531.5	614.4	163.6	77.3	3,136.6
Component 2. Preinvestment financing	3.690.3	5,535.5	11,810.1	14,022.1	10,701.9	45,760.0
Program administration, supervision, and auditing	604.1	602.9	627.5	585.5	683,5	3.103,4
Total	**5,044.2**	**7,669.9**	**13,052**	**14,771.2**	**11,462.7**	**52,000.0**
%	9.7	14.7	25.1	28.4	22.0	100.0

2.4 **Restriction on the pace of disbursements.** Pursuant to documents AB-2990 and GN-2753-7, Bank financing from the Ordinary Capital will be subject to the following limits: (i) the first 12 months up to 15%; (ii) the first 24 months up to 30%; and (iii) the first 36 months up to 50%. These periods are counted from the date on which the Board of Executive Directors approves the operation. These limits may possibly not be applied in the event that the requirements established in Bank policy are met, provided the borrower has been notified in writing.

B. Environmental and social safeguard risks

2.5 The operation was classified as Category C under the Environmental and Social Policy Framework (ESPF) (document GN-2965-23) since it is expected to cause minimum or no adverse environmental or social impacts. The types of preinvestment studies commissioned will be monitored during execution to ensure that by nature, they could have high positive social and environmental impact. Two instruments will be applied to mitigate possible risks: (i) the Bank's new ESPF, fulfillment of which will be verified through the no objection to the terms of reference for each preinvestment study financed; and (ii) the revised Basic Preinvestment Regulations, which will establish a rigorous socioenvironmental risk analysis for preinvestment studies, considering aspects of socioenvironmental pre-feasibility or feasibility, based on socioenvironmental studies whose terms of reference and outputs are aligned with the applicable requirements of the Bank's Environmental and Social Policy Framework. In addition, the project executing unit (PEU) will have an environmental and social specialist (paragraph 3.7), and the program Operating Regulations and loan contract will include all the socioenvironmental aspects called for in national regulations, the applicable environmental and social performance standards, and the applicable requirements of the Bank's ESPF.

C. Fiduciary risks

2.6 **Human resources.** The institutional capacity assessment found that the executing agency presents a medium-high risk if the additional workload represented by the technical, fiduciary, and socioenvironmental execution of the program during startup of the proposed project and the close of the project in execution (3534/BL-BO) exceeds the capacity of existing human resources in the DGPP/PEU, delays might occur in program execution, which would lead to higher

costs and longer implementation times. This risk will be mitigated by appointing[51] personnel to work full-time on the project who are qualified and trained in procurement and financial management.[52]

D. Other risks and key issues

2.7 **Political.** The risk in the program execution environment is generally low, given the executing agency's high political and institutional stability. Nonetheless, a medium-high risk was identified that unless institutional mechanisms are in place to discourage political interference in the selection of public investment projects, projects could be selected that are not suitable from the standpoint of the socioeconomic returns on the public investment, leading to a loss of resources and an opportunity cost. This risk will be mitigated through strict use of the Technical Prioritization Committee (CTP) for preinvestment and public investment programs and/or projects, which is a consultative body created by resolution of the Ministry of Development Planning on 7 December 2018, whose mission is to recommend how to prioritize public investment projects to the senior executive authority of the MPD. The committee is composed of the senior executive authority of the MPD, the Deputy Minister of Public Investment and External Financing, and the Deputy Minister of Planning and Coordination. Its Operating Regulations are included in the following link 9.

III. EXECUTION ARRANGEMENT AND ARRANGEMENTS FOR MONITORING AND EVALUATING RESULTS

A. Execution arrangement

3.1 The borrower will be the Plurinational State of Bolivia. The executing agency will be the MPD through the VIPFE, acting through the DGPP's Preinvestment Unit, which is the same arrangement as in PSPD-I. The PEU has the capacity to execute the program and experience in executing operations under Bank requirements.

3.2 The PEU will be responsible for program planning, coordination, and monitoring, and for execution of its two components. It will be responsible for arranging to obtain funds from the loan for program procurements, verifying compliance with national regulations and the IDB's policies. It will also be responsible for preparing the supporting documentation needed for adequate program supervision. The PEU will keep the documentation to justify expenditures to the Bank related to the investments made by the executing agency and by the subexecuting agencies.[53] Relations between the executing agency and the subexecuting agencies will be governed by interagency financing agreements (paragraph 3.5), in accordance

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[51] May be contracted or in-house.

[52] The institutional capacity assessment recommends that the PEU's structure be strengthened with professionals in key public investment areas, as well as a procurement specialist, an attorney, and a planning specialist.

[53] In principle, the preliminary portfolio includes: the Ministry of Environment and Water (MMAyA) for 80 projects; the Ministry of Public Works, Services, and Housing for 7 projects; The Ministry of Rural Development and Land for 4 projects; the Ministry of Productive Development and Plural Economy for 15 projects; the Ministry of Health and Sports for 13 projects; and the National Electric Power Company for 4 projects.

with the financial management arrangements established in Annex III and the program Operating Regulations.

3.3 Just as in PSPD-I, for the preinvestment studies financed under Component 2, the administrative entities will be set up as subexecuting agencies and will be responsible for obtaining the Bank's no objection and managing the study commissioning processes, including preparation of terms of reference and requests for proposals, issuing bid calls, contracting, administration, and supervision of contracts, approving the outputs, and coordinating with the executing agency for payments to consultants. All these responsibilities will be reflected in the interagency financing agreements to be signed by the VIPFE with each subexecuting agency, and they may cover a number of preinvestment studies, in order to economize. The teams will be strengthened for better coordination between the subexecuting agencies, the executing agency, and the Bank. As for the executing agency, additional personnel will be contracted in accordance with the PEU strengthening plan (paragraph 2.6). For the subexecuting agencies, the loan will finance contracting the following profiles: (i) an accountant with experience in public financial accounting and administration; and (ii) a procurement specialist with experience in contracting under Bank rules. To expedite procedures, the executing agency and the subexecuting agencies will delegate, to the extent permitted by Bolivian legislation, the exercise of administrative powers to the heads of the units that carry out the processes materially.

3.4 **Prioritization of the portfolio.** The executing agency has prepared a preliminary portfolio of public investment projects whose preinvestment studies will benefit from program financing (link 5, paragraph 1.19). To make changes to the portfolio, in the first instance the minister who is the senior executive authority will make the initial selection of new projects presented by other public sector institutions at the central level. In the second instance, the CTP will take the decision on the final project portfolio, considering the procedures established in its Operating Regulations (link 9), in particular the minimum requirements for the presentation of supporting documents, the valuation of benefits to society, and the expected results and their pertinence for the National Development Plan. The subexecuting agencies will be responsible for preparing the terms of reference for each study included in the original portfolio or the portfolio modified by the CTP and for remitting to the PEU the specific requests for financing through the lead ministry in the sector. The CTP will meet to review and update the portfolio of projects and the procurement plan, with participation by the IDB as a guest, when appropriate. The Operating Regulations will establish the requirement to send the corresponding invitations. The program is expected to finance investment studies for a capital expenditure of approximately US$763 million.

3.5 **Interagency financing agreements.** Prior to disbursing funds under Component 2 to finance investment studies, the executing agency and the respective subexecuting agencies must have signed an interagency financing agreement based on the model established. For procedural savings, a single

interagency financing agreement can cover various preinvestment studies.[54] The agreements will establish two options for executing the preinvestment studies: (i) the subexecuting agency takes responsibility for contracting, including the approval of reports; or (ii) the subexecuting agency delegates those activities to the PEU. The agreements will include the cost of the study and its supervision and may include financing to support oversight. The program may finance 100% of the costs, with no counterpart contribution. Signature of interagency financing agreements is a special condition for execution of Component 2 (paragraph 3.8).

3.6 **Disbursement modality.** Disbursements will mainly take the form of advances of funds or another method established in the Financial Management Guidelines for IDB-financed Projects (document OP-273-12) or those in effect at the time of execution, as described in Annex III. Advances of funds will be made in accordance with a financial and cash flow plan for commitments contracted, covering real liquidity needs for up to 180 days or some other period. Except for the first advance, subsequent advances will be processed when at least 80% of the cumulative balances pending justification have been justified. The PEU will use the General Treasury Account (designated account) to manage the resources. The PEU will submit audited financial statements annually and at the end of the operation, under the terms and deadlines required by the Bank in its policies.

3.7 **Special contractual conditions precedent to the first disbursement of the loan proceeds. The borrower, through the executing agency, has submitted evidence to the Bank's satisfaction of: (i) the approval and entry into force of the program Operating Regulations under terms previously agreed upon with the Bank; and (ii) appointment of core staff for the PEU under terms previously agreed upon with the Bank, including: (a) a program manager; (b) a technical coordinator; (c) a planning specialist; (d) a procurement specialist; (e) a financial specialist; and (f) an environmental and social specialist.** These conditions are crucial for ensuring that: (i) clarity exists regarding the roles and responsibilities in the program Operating Regulations; and (ii) the PEU has sufficient human capital to successfully execute the operation.

3.8 **Special contractual conditions for execution:** Disbursement of funds for Component 2 to finance preinvestment studies will be subject to signature of an interagency financing agreement between the executing agency and the respective subexecuting agency under terms previously agreed upon with the Bank and included in the Operating Regulations. This condition is necessary to delimit the contractual obligations between the Bank and the executing agency on the one hand, and between the executing agency and the subexecuting agencies, on the other.

3.9 **Procurement.** Procurements and contracting will adhere to the Policies for the Procurement of Goods and Works Financed by the IDB (document GN-2349-15) and the Policies for the Selection and Contracting of Consultants Financed by the IDB (document GN-2350-15) and the provisions of the procurement plan. Each subexecuting agency or the executing agency, as appropriate, will do the

[54] By way of example, the interagency financing agreement with the MMAyA will cover 80 preinvestment projects that are included in the preliminary portfolio (link 5). Any change of projects decided upon by the CTP will be implemented through an addendum to the agreement.

contracting for the projects for which it is responsible in direct coordination with the Bank with respect to the necessary no objections and reviews. For efficiency's sake, price agreements (indefinite delivery contracts) and framework agreements may be used for the recurring selection of consulting services (document GN-2350-15, paragraphs 4.5 and 4.6).

3.10 **External audit.** The executing agency will submit to the Bank annually within 120 days after the close of the fiscal year, the annual financial statements audited by an independent firm of auditors acceptable to the Bank for the duration of the operation. The scope and other related aspects will be governed by document OP-273-12 and the Guidelines for Financial Statements and External Audit. The cost of the audits will be covered by the loan.

3.11 **Program Operating Regulations.** Execution will be governed by the program Operating Regulations, which include: (i) criteria for the selection of studies and IDB participation in the CTP, when appropriate (paragraph 3.4); (ii) requirements for the presentation of requests for funds; (iii) type of selection and contracting of consulting services; (iv) use of funds; (v) financial management modality; (vi) execution period; and (vii) definition of program monitoring and control. The program Operating Regulations in effect for PSPD-I have been modified to adapt them to PSPD-II and include the necessary provisions for transition between the two programs.

B. Arrangements for monitoring and evaluating results

3.12 **Monitoring.** Will be based on: (i) the multiyear execution plan and the annual work plan; (ii) the procurement plan; (iii) the Results Matrix; (iv) the monitoring and evaluation plan; and (v) the progress monitoring report. Within the 30 days after the end of each six-month period, the executing agency will submit semiannual status reports to the Bank on compliance with the targets for outcomes, outputs, and monitoring financial execution for Bank approval. The Bank will conduct inspection visits and ex post reviews as part of program monitoring. Through the sector specialists in the different divisions, the Bank will monitor program execution in the respective sectors.

3.13 **Evaluation.** The program will be evaluated against the targets and annual indicators for outcomes and outputs in the program's Results Matrix. The borrower, through the executing agency, will prepare and submit a midterm evaluation report to the Bank within 90 days after 50% of the proceeds have been disbursed or after 40 months of program execution, whichever comes first. It will also remit a final evaluation to the Bank that will serve as input for the project completion report (PCR), within 90 days after 95% of the loan proceeds have been disbursed. Both the final evaluation and the PCR will be produced at the end of execution, and the questions in those evaluations will address whether the activities financed contributed to the program's objectives (monitoring and evaluation plan). The PCR will include an ex post economic evaluation that will validate the social returns of program activities.

Development Effectiveness Matrix		
Summary	**BO-L1223**	
I. Corporate and Country Priorities		
Section 1. IDB Group Strategic Priorities and CRF Indicators		
1. The Strategic Alignment tab in convergence shows alignment on IDB Group Strategic Priorities. The Results Matrix tab lists flagged CRF indicators		
2. The Strategic Alignment tab in convergence shows information on alignment to Country Development Objectives		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		7.8
3.1 Program Diagnosis		2.5
3.2 Proposed Interventions or Solutions		3.2
3.3 Results Matrix Quality		2.2
4. Ex ante Economic Analysis		7.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		2.0
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		0.0
5. Monitoring and Evaluation		8.4
5.1 Monitoring Mechanisms		2.8
5.2 Evaluation Plan		5.5
III. Risks & Mitigation Monitoring Matrix		
6. Overall risks rate = magnitude of risks*likelihood		Medium Low
The Environmental and Social Data tab in convergence shows the environmental and social risk classification of the project		
IV. IDB´s Role - Additionality		
***Annex III Fiduciary Arrangement* s describes project reliance on the use of country systems (VPC/FMP Criteria)**		
7. 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	The VIPFE and the Bank agreed that the Bank will provide non-reimbursable technical cooperation resources to support the implementation and sustainability of program activities.

Evaluability Assessment Note:

The project BO-L1223, Pre-Investment Support for Development II (PAPD-I), has as its specific objective to improve the quality of pre-investment, and through its achievement, aims to improve the general objective of improving the quality of public investment. The program will complement the actions of the PAPD-I, approved in 2015 for an amount of US$30 million and which will end disbursements at the end of 2023. The quality of the pre-investment is key to having solid designs and reducing the frequent cost overruns in the execution of public investment, estimated at 17.59%. This operation seeks to improve the quality of pre-investment by collaborating in the updating of the associated regulatory framework, increasing the operational and technical capacity of the public servants involved in the process, generating smart technological tools that improve the management and transparency of the system, and financing specific pre-investment studies that generate capacities in the country.

The vertical logic of the project is adequate. However, the project would benefit from adding an indicator that directly measures the improvements in technical skills that will be achieved through the training funded by the program. It is recommended that the team implement a survey that measures the institutional capacity of the units responsible for public investment be implemented before the start of the project and as a baseline. The results matrix proposes SMART indicators to measure achievement in the specific and overall objective. The program suggests evaluating the achievement of the objectives with a before-and-after methodology. The team has substantiated the connection between funded products and targets with a literature review. The activities planned for monitoring and evaluation are adequate and have an estimated budget.

The project presents a cost-effectiveness analysis (CEA). The analysis presented is based on the fact that thanks to greater quality pre-investment, there will be greater public investment and an associated increase in GDP. Therefore, the CEA analysis concludes that thanks to the program the Bolivian public administration will be able to generate GDP in a cost-efficient manner, since the average cost to promote 1000 bolivianos of GDP is reduced. While the theory of change presented by the team at the CEA is reasonable, some assumptions presented in the analysis do not present adequate support. Among these assumptions is the time horizon in which pre-investment spending is expected to impact GDP.

RESULTS MATRIX

Project objective:	The specific development objective of this operation is to improve the quality of preinvestment. Attaining this objective will contribute to the general development objective of improving the quality of public investment.

GENERAL DEVELOPMENT OBJECTIVE

Indicator	Unit of measure	Baseline value	Baseline year	Expected year achieved	Target	Means of verification	Comments
General development objective: To improve the quality of spending on public investment							
Indicator 1. Cost overruns in investment project execution	%	17.59%	2022	2027	15%	Annual report by the DGPP of the VIPFE (SISIN inputs)	I = (final amount of investment - amount budgeted)/amount budgeted * 100. The baseline is computed for projects over US$1 million implemented in 21 central government institutions and completed in 2021-2022 (808 projects). The indicator is expressed in nominal terms. Target: 15%. Consult the monitoring and evaluation plan (MEP) for the indicator methodology.

SPECIFIC DEVELOPMENT OBJECTIVES

Indicator	Unit of measure	Baseline value	Baseline year	End of project	Means of verification	Comments
Specific development objective: To improve the quality of preinvestment						
1. Delays in the preparation of preinvestment studies	%	71.47%	2021-2022	65.72%	VIPFE report	Increase in the number of days in the time period to prepare preinvestment studies. I = (final number of days – number of days planned)/number of days planned * 100%. The baseline is the value in 146 preinvestment projects completed in 2021-2022 in the VIPFE. Target: 65.72%. Consult the MEP for the indicator methodology.

Indicator	Unit of measure	Baseline value	Baseline year	End of project	Means of verification	Comments
2. Better knowledge of preinvestment	Employees	0	2022	412	VIPFE report	The indicator measures the number of employees who complete at least one course in the preinvestment continuing training program. Target: 412 employees complete at least one course. Consult the MEP for the indicator methodology.

OUTPUTS

Indicator	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
Component 1: Strengthening institutional preinvestment capacity											
1.1 Basic Preinvestment Regulations updated	Document	0	2022	1	0	0	0	0	1	Regulations approved by the Ministry of Planning	
1.2 Technical guidelines containing sector preinvestment methodologies approved	Guidelines	0	2022	0	2	3	0	0	5	Guidelines approved by the VIPFE	Guidelines for the water and sanitation, production-related project, road transportation, health and sports, and energy sectors.
1.3 Technical guidelines for incorporating an analysis of energy efficiency, climate change, and environmental sustainability into preinvestment studies approved	Guidelines	0	2022	0	0	1	0	0	1	Guidelines approved by the VIPFE	
1.4 Technical guidelines for inclusion of the gender and diversity approach in preinvestment studies approved	Guidelines	0	2022	0	0	1	0	0	1	Guidelines approved by the VIPFE	The indicator is pro-gender and pro-diversity.

Indicator	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
1.5 Employee training program implemented[1]	Courses	0	2022	0	1	1	2	0	4	Virtual classroom report	The output will be considered implemented when at least one user begins one of the four courses in the program. The pilot phases for the courses are expected to follow the following schedule: Course 1 in year 2, course 2 in year 2, and courses 3 and 4 in year 4.
1.6 Proposal for a specialized university curriculum in public investment projects produced	Report	0	2022	0	0	1	0	0	1	DGPP report	The output will be considered implemented when the curriculum is presented to relevant stakeholders.
1.7 Pilots in ex post evaluation of preinvestment projects implemented	Module	0	2022	0	1	2	1	0	4	DGPP report	Will be considered implemented when the analysis is presented to the VIPFE. Projects eligible for evaluation include all projects whose execution is completed.
1.8 SISIN upgraded	System	0	2022	0	0	0	0	1	1	DGPP report	Will be considered implemented when the first report in real time is generated by the system.
Component 2: Preinvestment financing											
2.1 Preinvestment studies financed	Study	0	2022	0	25	35	35	29	124[2]	Preinvestment studies approved by the DGPP	Includes supervision and specialists to support the subexecuting agencies.

[1] The program consists of four courses: Course 1 Project Management for Results (PM4R), Course 2 Investment Management Planning (evaluation of public programs, projects, and policies), Course 3 Planning and Preinvestment. Manuals, Guidelines, and Standards, and Course 4 Training in the Inclusion of Gender and Diversity Criteria in Preinvestment Projects. Participants in the courses will receive a certificate of satisfactory completion at the end of each course and final certification of completion of the Bolivia-IDB Continuing Training Program in Preinvestment if they complete the four courses satisfactorily.

[2] The project plans a system of governance for determining project eligibility. See paragraph 2.7 of the loan proposal.

Country: Bolivia **Division:** IFD/FMM **Operation No.:** BO-L1223 **Year:** 2022

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Executing agency: Ministry of Development Planning (MPD), through the Office of the Deputy Minister for Public Investment and External Financing (VIPFE), through the Preinvestment Unit in the Programming and Preinvestment Division (DGPP).

Subexecuting agencies: The administrative bodies linked to the preinvestment studies financed under Component 2 will become subexecuting agencies and will be responsible for contracting and contract administration and supervision, and approval of the outputs.

Name of the operation: Program to Support Preinvestment for Development II

I. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

1. Use of country systems in the operation

☒ Budget	☐ Reports	☒ Information system	☐ National competitive bidding (NCB)
☒ Treasury	☐ Internal audit	☒ Shopping	☐ Other
☒ Accounting	☐ External control	☒ Individual consultants	

2. Fiduciary execution mechanism

☒	Special features of fiduciary execution	The borrower will be the Plurinational State of Bolivia and the executing agency will be the MPD, through the VIPFE, through the DGPP's Preinvestment Unit, for technical, administrative, legal, and fiduciary activities. IDB resources will be disbursed in accordance with the program Operating Regulations.

3. Fiduciary capacity

Fiduciary capacity of the executing agency	Its fiduciary capacity is medium. The results of the institutional capacity assessment indicate that the executing agency needs to be strengthened with the creation/continuation of a PEU to take charge of financial and procurement management. The DGPP's Preinvestment Unit will appoint the PEU's core staff. Some strengthening interventions for execution associated with the technical, administrative, and coordination workload were also identified.

4. Fiduciary risks and response

Type of risk	Risk	Risk level	Response
Human resources	If the additional workload represented by the technical, fiduciary, and socioenvironmental execution of the program during start-up of the proposed project and at the close of the project in execution (3534/BL-BO) exceeds the capacity of the existing human resources in the DGPP/PEU, delays might occur in program execution, which would lead to higher costs and longer implementation times.	Medium-high	Appointment of personnel to work full-time on the project who are qualified and trained in procurement and financial management.

5. Policies and guidelines applicable to the operation: Procurements will be defined in the procurement plan approved by the Bank under the framework of the Policies for Procurement of Goods and Works Financed by the IDB (document GN-2349-15) and the Policies for the Selection and Contracting of Consultants Financed by the IDB (document GN-2350-15) or those in effect.

6. Exceptions to Bank policies and guidelines: None.

II. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE LOAN CONTRACT

Exchange rate: For the purposes of Article 4.10 of the General Conditions, the parties agree that the exchange rate to be used will be the rate stipulated in Article 4.10(b)(i). For the purpose of determining the equivalency of reimbursement of expenditures against the loan proceeds, the exchange rate will be the rate in effect on the date the borrower, the executing agency, or any other person or corporation with delegated authority to incur expenditures makes the respective payment to the contractor, vendor, or beneficiary.
Audits: The program's audited financial statements. The executing agency will submit the program's audited financial statements within 120 days after the close of each fiscal year during the original disbursement period or any extension thereof, and within 120 days after the final disbursement of the loan, duly audited by an independent firm of auditors acceptable to the Bank, in accordance with the terms of reference that the Bank agrees upon with the executing agency.

III. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

<table>
<tr><td>☒</td><td>Bidding documents</td><td>For procurements of works, goods, and nonconsulting services under the procurement policies (document GN-2349-15) subject to international competitive bidding, the Bank's standard bidding documents will be used or documents agreed on by the executing agency and the Bank for a specific procurement. The selection and contracting of consulting services will be based on the Policies for the Selection of Consultants (document GN-2350-15), and the standard request for proposals issued by the Bank or agreed on by the executing agency and the Bank for a specific selection will be used. For national competitive bidding, shopping, and individual consulting services, a procurement document agreed upon by the competent country authority and the Bank will be used. The technical specifications and terms of reference for procurements will be reviewed by the project's sector specialist during preparation of the selection processes. This technical review may be ex ante and is independent of the procurement review method.</td></tr>
<tr><td>☒</td><td>Recurring expenses</td><td>Recurring expenses required to start up the project approved by the Project Team Leader will be financed in accordance with the executing agency's administrative procedures. Those procedures will be reviewed and accepted by the Bank, provided they do not contravene the principles of economy, efficiency, and competition.</td></tr>
<tr><td>☒</td><td>Procurement supervision</td><td>The supervision method will be ex post, except in cases in which ex ante supervision is justified. For procurements made through the country system, supervision will be performed through the country supervision system. The (i) ex ante, (ii) ex post, or (iii) country system of supervision will be determined for each selection process. Ex post reviews will be every 12 months, based on the project supervision plan, subject to changes during execution. The ex post review reports will include at least one physical visit (an inspection to verify the existence of the procurements, leaving verification of their quality and compliance with specifications to the sector specialist) to selected procurement processes subject to ex post review [not less than 10%]. The thresholds for ex post review are as follows:

<table><tr><th>Goods/services</th><th>Consulting services</th></tr><tr><td>US$200,000</td><td>US$200,000 firms
US$30,000 individuals</td></tr></table></td></tr>
<tr><td>☒</td><td>Records and files</td><td>The executing agency and, where pertinent, the subexecuting agencies will be responsible for establishing the necessary controls to safeguard and protect the integrity of the documentation generated by ex ante or ex post program execution. The Bank may, at any time, verify the standards governing the organization, control, and security of the files.</td></tr>
</table>

☒	Sustainable procurement	For the qualification and selection of bidders and the evaluation and award of contracts, and requirements established in the technical and contractual specifications, procurement processes may incorporate sustainability criteria (environmental, social, or economic) into the different stages, including planning, preparation of standard bidding documents, definition of specifications, and contractual conditions.
☒	Other recommendations	Since the program includes recurrent selection of the same kinds of consulting services (preinvestment studies), with a view to greater efficiency in selection and contracting processes, it is recommended that individual consultants and firms be contracted under indefinite delivery contracts for services (document GN-2350-15, paragraph 4.5) and/or under framework agreements between the Preinvestment Unit and individual consultants and firms, which establish the terms and conditions applicable to the specific consulting services (document GN-2350-15, paragraph 4.6).

Main procurement items

Description	Selection method	Estimated date	Estimated amount (US$000)
Firms			
Updating the Basic Preinvestment Regulations and technical guidelines and sector methodologies in public investment projects	QCBS	July 2023	2,630
Preinvestment studies for public investment projects	QCBS/through framework agreements	July 2023	47,260

To consult the procurement plan see the link.

IV. Agreements and Requirements for Financial Management

☒	Programming and budget	Since the borrower is the Plurinational State of Bolivia, the funds for this operation will be included in the National Budget and subsequently transferred to the MPD through the VIPFE, which will also include them in its budget. No challenges are anticipated that would affect execution.
☒	Treasury and disbursement management	**The exchange rate** for accounting purposes will be the rate on the effective date that the borrower, the executing agency, or any other person or corporation with delegated authority to incur expenditures

		makes the respective payment or transfers. See Article 4.01(b)(i) of the General Conditions. **The disbursement method** will be advances of funds and/or reimbursements. **The disbursement mechanism** will be through the submission of electronic disbursement requests through the Online Disbursements platform. **Bank account,** the borrower/executing agency will keep the funds advanced in a bank account exclusively for the program in U.S. dollars in the Central Bank of Bolivia (BCB), which it will control/reconcile through the General Treasury Account (designated account). **Financing plan.** Advances will be made for a period of up to six months (180 days), depending on liquidity needs, based on the commitments made. **The justification percentage** will be 80% of the advances pending justification. **Cash flow.** The funds will be disbursed to the executing agency in the account in the BCB and from there they will be transferred as payments for goods and services to contractors/vendors.
☒	Accounting, information systems, and reporting	The specific accounting rules for execution will be the Regulatory Framework of the Plurinational State of Bolivia. The reports will be the Statement of Cash Received and Disbursements Made and the Cumulative Investments Statement, with their respective notes, prepared on the basis of the accounts generated by the Public Financial Information System. **Accounting method and currency.** Accounting will use the accrual method, but the financial reports submitted to the Bank will be prepared based on the cash accounting method, in U.S. dollars.
☒	Financial supervision of the operation	Financial supervision will be in situ at the DGPP through the PEU and will include working meetings and desk reviews of reports and audited financial statements, etc. The reviews will be performed by the Bank's financial management team, support consultants, and the firm of auditors hired to audit the annual financial statements. This supervision may be adjusted depending on experience in project execution.[1]

[1] Auditor's opinion on the audited annual financial statements and internal control comments/findings if any.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-__/22

Bolivia. Loan ____/OC-BO to the Plurinational State of Bolivia
Program to Support Preinvestment for Development 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 aimed at cooperating in the execution of the Program to Support Preinvestment for Development II. Such financing will be for the amount of up to US$52,000,000 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 ___ ____________ 2022)

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