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DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

BOLIVIA

PROGRAM TO SUPPORT PREINVESTMENT FOR DEVELOPMENT II

(BO-L1111)

LOAN PROPOSAL

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REQUIRED

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2. Monitoring and evaluation plan
3. Environmental and social management report (ESMR)
4. Procurement plan

OPTIONAL

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4. Technical note on preinvestment
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6. Draft program Operating Regulations
7. International evidence
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ABBREVIATIONS

BIM	Building Information Modeling
CQS	Selection based on the consultants' qualifications
DGPP	Bureau of Programming and Preinvestment
ICB	International competitive bidding
ICQ	Individual consultant selection based on qualifications
MPD	Ministry of Development Planning
NB-SABS	Normas Básicas del Sistema de Administración de Bienes y Servicios [Basic Rules of the Goods and Services Administration System]
NCB	National competitive bidding
QCBS	Quality- and cost-based selection
SICOES	Public Procurement System
SIGEP	National Public Management System
SISIN	Information System on Investments
SSS	Single source selection
VIPFE	Office of the Deputy Minister of Public Investment and External Financing

PROJECT SUMMARY

BOLIVIA
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Financial Terms and Conditions				
Borrower:	**Source**	**%**	**Amount (US$)**	**%**
Plurinational State of Bolivia	**IDB (Regular OC):**	85	12,750,000	85
	IDB (Concessional OC):	15	2,250,000	15
Executing agency:				
Ministry of Development Planning (MPD), acting through the Office of the Deputy Minister of Public Investment and External Financing (VIPFE)	**Total:**		15,000,000	100
	Regular OC (FFF)[a]		**Concessional OC**	
Amortization period:	15.5 years		40 years	
Disbursement period:	5 years			
Grace period:	14.5 years[b]		40 years	
Interest rate:	LIBOR-based		0.25%	
Credit fee:	[c]		N/A	
Inspection and supervision fee:	[c]		N/A	
Weighted average life:	15.25		N/A	
Currency of approval:	U.S. dollars			

Project at a Glance

Program objective/description: The general objective of the program is to improve the efficiency of resource allocation for public investment. The specific objectives are to: (i) improve the effectiveness of project certification; (ii) improve the effectiveness of resource allocation for preinvestment; and (iii) improve the coverage of staff certified in preinvestment.

Special contractual conditions precedent to the first loan disbursement: As special contractual conditions precedent to the first disbursement of the loan, the borrower, acting through the executing agency, will submit evidence that: (i) the core staff necessary have been assigned to the preinvestment unit of VIPFE; and (ii) the program Operating Regulations have been approved and have entered into force under the terms previously agreed upon with the Bank (paragraph 3.8).

Special contractual conditions of execution: The special contractual conditions of a socioenvironmental nature are in the Environmental and Social Management Report (ESMR) (Annex B).

Exceptions to Bank policies: None.

Strategic Alignment

Challenges[c]:	SI ☐	PI ☑	EI ☐
Crosscutting themes[d]:	GD ☐	CC ☐	IC ☑

(a) Under the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency and interest rate conversions. The Bank will take operational and risk management considerations, market conditions, and the loan's level of concessionality into account when reviewing such requests, in accordance with applicable Bank policies.

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

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

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

(e) GD (Gender Equality and Diversity); CC (Climate Change and Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. Description and Results Monitoring

A. Background, problem addressed, and rationale

1.1 **Macroeconomic considerations.** From 2007 to 2017, the Bolivian economy grew at an annual average rate of 5% of GDP, based on robust domestic demand buoyed by high levels of public investment.[1] The public investment budget as a percentage of GDP rose from an annual rate of 8% between 2007 and 2011 to 13% between 2012 and 2017.[2] The accumulation of capital that has supported the strong growth of the past decade has been built on fiscal revenues from commodity exports, particularly of natural gas, to Brazil and Argentina. This growth led to average fiscal surpluses of 1.8% of GDP between 2006 and 2013 and international reserve levels topping 50% of GDP in 2015. Driven by the strong pace of growth between 2007 and 2016, per capita income rose from US$1,381 to US$3,055, extreme poverty fell from 38% to 18%, and improvements were seen in basic services indicators.[3]

1.2 Falling oil prices[4] beginning in 2012 had a significant impact on revenue (tax and non-tax), which decreased from 13% of GDP in 2012 to 5.5% in 2016. As a result, nonfinancial public sector deficits averaged 7.3% between 2015 and 2017.[5] In response to negative external shocks, the government decided to support economic growth through public investment. Despite investment efforts, economic growth has gradually slowed, from 6.8% in 2013 to nearly 4.2% in 2017—a high level compared with other countries in the region.

1.3 As a share of GDP, the public investment budget doubled between 2007 and 2016, growing from 7.6% to 14.9% by 2016; however, it fell to 12.6% of GDP in 2017. Public investment execution has decreased in comparison to the budgeted amounts. In 2016, execution was approximately 79%[6] of the budgeted amount, while in 2017, it was 74%.[7] The data point to efficiency constraints in public investment execution, while significant coverage gaps in services still remain.

1.4 **Public investment gaps.** The 2025 Patriotic Agenda defines 13 core pillars for the country's development vision. These include eradicating extreme poverty, universalizing basic services, and improving infrastructure and production capabilities. To implement this agenda through its associated development and sector plans, the Bolivian government estimates that the investments needed will total US$125 billion (2015-2025 Investment Plan). Therefore, investment needs would be at 13% of GDP between 2019 and 2025, which were the levels achieved in 2015 and 2016.

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1 2016-2020 Economic and Social Development Plan.

2 National Institute of Statistics.

3 The National Institute of Statistics basic services consumption rate rose from 273.67 in 2007 to 464.23 in 2016 (1990=100).

4 Between 2012 and 2017, the average natural gas prices for exports to Argentina and Brazil dropped by 57%.

5 Deficit financed from reserves (30%) and public borrowing (70%) (authors' calculations based on data from the Central Bank and the Ministry of Economy and Finance).

6 VIPFE, obtained from the National Institute of Statistics, 2017.

7 VIPFE (2018).

1.5 By sector, the health sector plan includes a hospital investment program[8] to be executed by the Agency for Health Infrastructure and Medical Equipment.[9] Its objective is to build 15 secondary hospitals, 10 tertiary hospitals, and 4 quaternary care centers.[10] With respect to transportation, 3,123 kilometers of highways[11] were built between 2006 and 2015, including the country's first two-lane highways, for a total investment of US$4.194 billion.[12] By 2020, the plan is to complete 4,806 kilometers, with an estimated investment of US$5.464 billion.

1.6 To achieve the coverage targets included in the Basic Sanitation Development Sector Plan,[13] the financing required is estimated at more than US$1.3 billion. Likewise, the 2025 Electricity Plan of the Plurinational State of Bolivia encompasses investments of US$16.929 billion for the 2015-2025 period, including: (i) generation projects using renewable energy; (ii) strengthening and extension of the transmission network; and (iii) investments to achieve universal access by 2025. Therefore, Bolivia faces significant public investment gaps in a scenario with limited institutional capacity for management.

1.7 **Public investment management.** The 2016-2020 Economic and Social Development Plan was based on the core pillars of the Patriotic Agenda. This plan includes a targets and results methodology that is aligned with the core pillars of the agenda.[14] Officials in each sector use this plan to develop sector plans, defining specific objectives, lines of activity, and investment projects. The various ministries prioritize the investment projects included in sector plans in their budget proposals and prepare their reports on conditions precedent, thereby initiating the public preinvestment phase.[15]

1.8 Public investment amounts in Bolivia have risen from 8% of GDP in 2008 to 13% in 2017, without a proportionate increase in the efficiency of its management systems. The focus of the public investment cycle has been the execution phase, with less attention dedicated to preinvestment and limited importance given to the evaluation and asset management phases. An analysis of public investment management efficiency shows that Bolivia is well below the regional average for Latin America and the Caribbean in project programming systems, including

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8 The 2016-2020 hospital investment plan includes remodeling or building 49 hospital centers.

9 A decentralized public agency that executes programs and projects for hospital health care facilities and quaternary care centers.

10 Bolivia has 91 secondary hospitals and 33 tertiary hospitals. With operations 3151/BL-BO, 2822/BL-BO, and 2614/BL-BO, the Bank is financing the construction and/or outfitting of three tertiary and two secondary hospitals.

11 The road network is 87,745 kilometers long, which makes Bolivia one of the Latin American and Caribbean countries with the lowest road density (0.07 kilometers per square kilometer).

12 In 2015 and 2016, 630 and 698 kilometers were built, respectively. There are plans for improvement projects covering 11,433 kilometers.

13 Coverage levels for drinking water (84.7%) and sanitation (57.1%), 2015. Coverage gaps: in urban areas, 740,000 people lack access to drinking water and 2.82 million people lack access to sanitation; in rural areas, 1.34 million people lack access to drinking water and 2.56 million people lack access to sanitation.

14 The Economic and Social Development Plan includes 68 targets and 340 associated results.

15 In the Basic Preinvestment Regulations, the technical report on conditions precedent and the preinvestment technical design study are the milestone documents for preinvestment.

ex ante review using strategic guidelines.[16] While investment execution indicators approach the regional averages, shortcomings were observed in investment assessment systems and auditing. There is also a lack of systems for strategic asset management, along with limited availability of trained staff.[17]

1.9 An analysis of the experiences of countries that had significant increases in public investment spending showed that the impact of strong, sudden increases on this type of spending can be less than the average impact observed during normal times.[18] There might be a perverse selection effect on investment projects, resulting in the selection of projects that were previously rejected on grounds of low impact. In addition, governments that analyze investments rationally when resources are scarce have fewer incentives to do so when there are abundant resources. Lastly, there is the potential to face decreasing returns for additional capital. An assessment of public investment efficiency in Bolivia suggested that high investment levels have not been accompanied by efficiency improvements in managing investments to be able to maximize their impact. Bolivia is below the regional average in public investment efficiency, despite leading the region in the percentage of GDP allocated to gross fixed capital formation (IMF, 2017).

1.10 An analysis of deadlines and execution costs for public investment projects in Bolivia confirms the data from regional assessments. The database of the Information System on Investments (SISIN) contains 24,937 project records from 18 sectors.[19] These projects have been in execution since 2015 and were registered following the new Basic Preinvestment Regulations, which include technical reports on conditions precedent and preinvestment technical design studies. Approximately 60% of these records are for low-value projects (less than US$30,000) led by autonomous subnational governments (municipal or departmental). Based on their amount and complexity, these projects feature little variation in deadlines and execution costs.

1.11 An analysis of investment projects in execution since 2015 with investment amounts above US$1 million and execution of at least 80% of the initial investment amount[20] (225 total records) showed that 36.9% of the projects required budget increases. On average, these increases represent an additional 21.6% above the originally established investment amount. With respect to execution deadlines, 79.6% of the projects in the sample extended them, accounting for an additional 1.1 years on average (or a 90% increase in the average deadline).

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[16] The Ministry of Development Planning (MPD) began a review of shadow pricing for ex ante review of projects.

[17] Armendariz, E., and E. Contreras. 2017. *La Eficiencia del Gasto de Inversión Pública en América Latina*. IDB Discussion paper (pending publication); Dabla-Norris et al. (2010). These reports confirm Bolivia's weaknesses in the project evaluation and selection phases.

[18] Warner, A. (2014), Public Investment as an Engine of Growth, IMF Working paper WP/14/148, Washington, D.C., IMF.

[19] General administration; agriculture; trade and finance; defense; sports; education; energy; industry; environment; mining; security; water resources; health; basic sanitation; social security; transportation; urban planning and housing.

[20] The likelihood of variation in an investment amount decreases while execution approaches 100%.

Table 1. Cost overruns in public investment projects in execution since 2015

Description	Number of projects	Percentage of number of projects (%)	Final amounts (Bs)	Total amounts (US$)	Percentage of amounts (%)	Average variation (%)	Weighted average (%)
Increased cost	83	36.9	2,767,119,192	397,574,597	31.4	60.3	22.2
Minimal modifications	124	55.1	5,762,489,132	827,943,841	65.5	0.0	0.0
Reduced cost	18	8.0	270,718,875	38,896,390	3.1	**-8.2**	-0.7
Total	**225**	**100.0**	**8,800,327,199**	**1,264,414,828**	**100.0**		**21.5**

1.12 An analysis of the projects in execution showed that the quality of public investment expenditure, measured in terms of cost overruns and delays, can be improved significantly.[21-22] Problems in the way ministries and subnational governments record the information for executed investments in SISIN may explain why a large number of projects show modifications that are not significant. Therefore, the estimates presented may be below the actual figures.[23]

1.13 Between 2007 and 2017, US$649 million was invested in preinvestment projects, accounting for 1.9% of the total investment amount. In 2017, the percentage decreased to 1%, far below international standards, which are almost 5%.[24] The Office of the Deputy Minister of Public Investment and External Financing (VIPFE), which is part of the Ministry of Development Planning (MPD), regulates public investment financed with external resources, which on the average accounts for 30% of the total.

1.14 The main problem identified was the poor quality of public investment expenditure execution, due to weaknesses in preinvestment management. The determining causes of this problem are as follows:

1.15 **Weaknesses in instruments to manage and coordinate preinvestment with the other phases of the public investment cycle.**[25] The main associated causes are:

a. Poor recording and monitoring of preinvestment projects in SISIN, which enables the presentation of investment requests without the associated studies,[26] as well as insufficient coordination and interoperability of SISIN with

[21] Figures for cost overruns and delays from loan 3534/BL-BO do not include all investment sectors, and are therefore not directly comparable.

[22] By strategic sector, the urban planning and housing sector has the largest average amounts per project, followed by the energy sector.

[23] The authorities usually add the information after project execution, which decreases how the system reflects modifications to initial estimates. This operation proposes activities to improve data about the quality of infrastructure expenditures.

[24] Preinvestment studies account for at least 2% to 5% of total project costs. IDB (2015). Financing Infrastructure in Latin America and the Caribbean: How, How Much and by Whom? Washington, D.C.

[25] Only 24% of preinvestment projects (average for 2014-2017) financed with external resources were subject to review processes for certification.

[26] Improvements in public investment monitoring technologies can help reduce corruption and increase efficiency in public works execution (Olken, Benjamin A., 2007. Monitoring Corruption: Evidence from a Field Experiment in Indonesia. Journal of Political Economy 115 (2): 200-249).

other national information systems, particularly the procurement system and the public financial management information system.

b. Poor coordination between multiyear programming and budgeting of investments, resulting in the execution by agencies of projects that are not connected to national or territorial planning.[27]

c. Lack of an ex post monitoring and evaluation system for investment projects, including outcome and impact evaluations to inform preinvestment priorities, which limits outcome evaluations from providing a basis for decisions to prioritize new projects.[28]

d. Lack of a public asset management system to record and estimate the useful life of assets and support investment prioritization.

e. Weaknesses in methodology filters for early assessment of the socioeconomic viability of projects, particularly during preparation of the technical report on conditions precedent.[29]

f. Lack of knowledge about new technologies, such as Building Information Modeling (BIM), which enable reduction of execution costs and improvement of the planning and design phases for new works.[30]

g. Lack of investment gap analysis methodologies[31] that support the prioritization of investments by sector and territory.

1.16 **Limited financial resources for preinvestment**, including:

a. Insufficient resource allocation for preinvestment, 1.9% of the total investment amount (2007-2017), which is far below international best standards and not sufficient to achieve public investment objectives.

b. Difficulties estimating adequate amounts for preinvestment, which results in disparate preinvestment costs for similar projects.

c. Volatility in the annual amounts for preinvestment,[32] measured as a percentage of the total public investment amount, due to not applying best

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[27] Medium-term public investment frameworks should be developed and connected to the multiyear public budgeting and spending process (OECD, 2016, Making the Most of Public Investment in Colombia: Working Effectively across Levels of Government, OECD Multi-level Governance Studies, OECD: Paris).

[28] Except for Chile and Colombia, few Latin American and Caribbean countries have properly developed ex post evaluation systems for public investment as part of the investment cycle (Meunier, D., and M. Welden. 2017. Ex post evaluations in Norway and France. Transportation Research Procedia 26. 2017. pp. 144–155).

[29] Project selection should be anchored on rigorous assessments of project alternatives, in which a cost-benefit methodology is essential (Laursen, T., and B. Myers. 2009. Public Investment Management in the New EU Member States. Strengthening Planning and Implementation of Transport Infrastructure Investments. Working Paper No. 161. World Bank, Washington, D.C.).

[30] BIM technologies can increase the efficiency of public investment by offering more accurate, integrated, and real-time information through 3-D representations. European Union countries are issuing rules for their use in preinvestment for public works. Chile is leading the process in Latin America and the Caribbean.

[31] These can help prioritize public investment initiatives and improve their impact on development indicators.

[32] Preinvestment as a percentage of investment amounts has varied: 2.4% in 2010; 1.2% in 2013; and 1.1% in 2016 (VIPFE).

practice principles or financing mechanisms for preinvestment that provide sustainability.

1.17 **Limited institutional capacity to manage public preinvestment.** This includes:

a. Weaknesses in management at VIPFE, reflected in the lack of staff to address the needs arising from coverage of national public preinvestment and the inability to take on essential duties to improve preinvestment quality, such as study certification and knowledge development.

b. Low quality of preinvestment studies managed by executing agencies.[33]

c. Insufficient personnel to apply preinvestment regulations.[34]

d. Limited capacity for autonomous territorial entities to support preinvestment.[35]

e. Limited gender-based knowledge products or analysis in preinvestment.[36]

1.18 **International evidence.** Empirical evidence shows that investment in public infrastructure has an overall positive effect on economic growth, which is determined by the efficiency of the management systems for this investment.[37] The quality of the institutions greatly defines the efficiency of public investment management systems, including investment cycle phases (see optional link 7).

1.19 **The Bank's experience and lessons learned.** This program draws from the Bank's support in strengthening public investment management in the region, at the national and subnational levels. With loan 3534/BL-BO, the Program to Support Preinvestment for Development I, currently in execution, the Bank is financing preinvestment studies for strategic projects in the energy, transportation, irrigation, and health sectors. The Bank has also helped strengthen public preinvestment systems in Bolivia through two technical cooperation operations (ATN/OC-14514-BO and ATN/OC-15424-BO). The progress achieved includes approval of new preinvestment regulations and methodologies for project formulation. A lesson learned from the execution of loan 3534/BL-BO was that there is a need to complement financing of studies with implementation of institutional improvement initiatives that ensure higher efficiency in preinvestment management. Specifically, when implementing reform programs for some of the public investment cycle, all phases should be taken into account. The execution of

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[33] This is evidenced by the significant levels of budget reformulation and deadline extension presented in the previous section. There are no mechanisms to measure preinvestment quality. They will be developed under operation ATN/OC-16918-BO, including international best practices (peer review systems).

[34] The top officials at the executing agency decide the priority of preinvestment studies. Planning bureaus at national agencies have an average of three employees and face high staff turnover (VIPFE, 2018).

[35] Bolivia has 339 autonomous municipal governments and 9 departmental governments. Most investment project proposals submitted to VIPFE lack preinvestment studies; only those for high amounts that require external financing include these studies.

[36] The literature shows that gender differences reflect different investment priorities. In Bolivia, women prioritized projects involving education, health care, and environmental protection (Yañez-Pagans, 2014, IDB).

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

this loan has underscored the need to consider interoperability with preexisting supplementary information systems—a program focus—in the development and implementation of new information technology tools. The Bank is leading reforms in public investment management in Peru (4428/OC-PE) and Brazil (4436/OC-BR). It has also developed regional knowledge about this fiscal policy area. Some of the main lessons learned are: (i) strengthening the quality of investment, for sustainability, involves the development of institutions and systems, not just the hiring of individual consultants or firms that do not share knowledge with local officials; (ii) for capacity-building, especially at the subnational level, strategic, efficient approaches must be developed to ensure a larger impact and sustainability of results; (iii) new technologies should be implemented using pilot programs and establishing medium- and long-term road maps; and (iv) there is a need to include a public investment assessment strategy (ex ante and ex post) to identify the outcomes and impacts of interventions and enhance subsequent investment decisions, while contributing to the generation of knowledge and evidence about public investment management.[38]

1.20 The program will also benefit from good practices identified in the execution of similar projects to support public preinvestment in the region. These include: (i) the need for a specialized institutional framework during the public preinvestment phase; (ii) improvements in investment project record systems (including information on the preinvestment phase); (iii) preparation of databases with benchmark prices for estimating budgets; (iv) support for developing methodological instruments to improve the quality of the preinvestment phase, including ex ante evaluations; (v) support for implementing socioenvironmental regulations; (vi) improvements in multiyear investment programming and budgeting; (vii) allocation of resources for supervision and verification of studies; (viii) addition of new technologies for public works design that enable cost reductions in all investment cycle phases; and (ix) identification of the most suitable public entities to prepare the studies, to maximize the likelihood of achieving the expected program impact.

1.21 **Strategic alignment.** The operation is consistent with the Update to the Institutional Strategy 2010-2020 (document AB-3008) and aligns with the productivity and innovation challenge, by strengthening processes and capacities for efficient management of preinvestment and investment. This is measured through the impact indicator of reducing cost overruns in public investment execution. The program also aligns with the crosscutting topic of institutional capacity and rule of law, by strengthening the institutional, technical, and financial capacities for management of preinvestment. This is measured through the outcome indicator of improved preinvestment quality, as an increase in the percentage of the preinvestment amount over the estimated investment amount. In addition, the program aligns with the Corporate Results Framework 2016-2019 (document GN-2727-6) through the indicator of government agencies benefited by projects that strengthen technological and managerial tools to improve public service delivery; the outcome indicator of increasing the percentage of entities with civil servants

[38] IDB (2018). *Fortaleciendo la gestión de las inversiones en América Latina y el Caribe: Lecciones aprendidas del apoyo operativo del BID a los Sistemas Nacionales de Inversión Pública (SNIP)*. Technical note, KNL/FMM.

trained in certification of preinvestment; and the output indicator of strengthening the organizational structure of the Bureau of Programming and Preinvestment. The operation aligns with the Sector Strategy: Institutions for Growth and Social Welfare (document GN-2587-2) by supporting the quality of capital expenditures, and is consistent with the Fiscal Policy and Management Sector Framework Document (document GN-2831-3), which underscores the importance of institutional strengthening to improve the quality of public expenditures. This operation is also aligned with the IDB Country Strategy with Bolivia (2016-2020) (document GN-2843), through the strategic objective of improving the effectiveness of public management. It is included in the Updated Report on Annex III of the 2018 Operational Program Report (document GN-2915-2).

1.22 In addition, this program is aligned with the government's priorities and strategies, particularly the Patriotic Agenda and the 2015-2025 Investment Plan, as well as the objectives of the Economic and Social Development Plan, by contributing to the objective of universalizing basic services.

B. Objectives, components, and cost

1.23 The general objective of the program is to improve the efficiency of resource allocation for public investment. The specific objectives are to: (i) improve the effectiveness of project certification; (ii) improve the effectiveness of resource allocation for preinvestment; and (iii) improve the coverage of staff certified in preinvestment. The following components will be used to achieve these objectives:

1.24 **Component 1. Strengthen preinvestment management processes and coordination of the public investment cycle (US$0.93 million).** The objective of this component is to strengthen instruments to manage and coordinate preinvestment with the other phases of the public investment cycle. This includes: (i) strengthening SISIN by developing and implementing a preinvestment record module[39] and preparing and implementing a proposal for the interoperability of the preinvestment record and management system with other national information systems; (ii) designing and implementing a pilot plan to evaluate three investment projects, including impact and outcome assessments; (iii) designing a system for strategic public asset management;[40] (iv) developing and implementing a methodology for the early assessment of the socioeconomic viability of projects; (v) designing and implementing a pilot plan that uses BIM technologies;[41] and (vi) implementing investment gap analysis methodologies, which facilitate project prioritization.[42-43]

1.25 **Component 2. Support preinvestment financing (US$12.23 million).** The objective of this component is to develop technical and financial instruments to

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39 The design of this module is being financed under operation ATN/OC-16918-BO.

40 Includes inventory, recording, valuation methodology design, and useful life estimates.

41 Includes preparing institutional diagnostic assessments, preparing a pilot plan for public investment projects, training VIPFE and the executing ministry, disseminating information, supporting technology implementation, and preparing a final evaluation with recommendations. There will be coordination with regional technical-cooperation operation ATN/OC-16914-RG, which features a pilot project in five countries, including Bolivia.

42 Operation ATN/OC-16918-BO is financing a training program for investment gap analysis.

43 Sector gaps need to be defined to prioritize investment (access, coverage, gender, service quality, etc.).

enable sustainable preinvestment. This includes: (i) preinvestment studies and supervision and inspection thereof, as required;[44-45] (ii) developing unit cost databases for preinvestment; and (iii) disseminating the design of a preinvestment fund that supports the sustainability of available resources.[46]

1.26 **Component 3. Improve management capacities for preinvestment (US$0.71 million).** The objective of this component is to strengthen preinvestment management. This includes: (i) strengthening the organizational structure of the Bureau of Programming and Preinvestment (DGPP),[47] developing a staffing plan, and disseminating information about the new structure of the DGPP;[48] (ii) strengthening the methodologies and technical aspects of: (a) technical reports on conditions precedent, with a preliminary socioeconomic assessment; and (b) preinvestment technical design studies, with terms of reference and itemized budgets by sector; (iii) designing and implementing a preinvestment training strategy that includes: (a) introducing an internship system for civil servants with private companies;[49] (b) developing a training program for selected entities;[50] and (c) preparing and disseminating technical guidelines for preinvestment; (iv) defining modular projects for municipios;[51] and (v) preparing a diagnostic assessment of gender considerations in preinvestment.[52]

1.27 **Program administration (US$1.13 million).** This will finance administrative expenses related to the hiring of staff for the preinvestment unit of the Office of the Deputy Minister of Public Investment and External Financing (VIPFE), as well as program evaluations and audits.

1.28 **Beneficiaries.** The indirect beneficiaries will be the public, which will have: (i) higher quality investments in priority, strategic sectors; and (ii) increased coverage and quality in the delivery of basic public services. The direct beneficiaries

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44 In addition, technical support personnel will be incorporated as needed.

45 The following project portfolio was selected based on Patriotic Agenda priorities. These projects were proposed by the leading entities in each sector and prioritized by VIPFE and the MPD: bus terminal; industrial park; fairgrounds; scientific complex (research and development); conservation and rehabilitation of dams; neurology institute; design and update of plan for hospital equipment; nuclear medicine center; three highway sections (construction and rehabilitation); two solid waste projects; a rehabilitation program for small hydroelectric plants; and a basic study on water basins for multipurpose projects.

46 The design of this fund is being financed under operation ATN/OC-16918-BO.

47 The DGPP's redesign, financed under operation ATN/OC-16918-BO, is intended to identify staffing requirements for the proper stewardship of preinvestment for all types of financing.

48 The DGPP plans to assume new functions in the execution of preinvestment and expand the scope of its activities to the certification of preinvestment.

49 These internships will be included in the contracts for preinvestment studies financed under the loan. At least 50% of preinvestment technical design studies will include them.

50 Online and classroom-based training for: (i) staff of VIPFE, 26 ministries, and entities that manage public investment on project prioritization methodologies, multiyear budgeting, public investment record systems, and project assessment methodologies; and (ii) staff of autonomous territorial entities (approximately 25 municipios) on modular projects, preinvestment guidelines, and multiyear budgeting of public investment.

51 Modular projects involve low investment amounts and little technical complexity. This includes conceptual and methodology development, software development by sector, and implementation of the three pilots identified during the program.

52 This will evaluate how to include the gender perspective in public investment phases, from the estimation of investment gaps to prioritization and execution of public investment.

will be the following users: (i) staff of the central administration, 26 ministries, and 25 autonomous territorial entities, who will receive training in public investment management; and (ii) 10 ministries and public entities, which will receive funds to finance preinvestment studies.

C. Key results indicators

1.29 **Expected results.** The expected impact is to improve the efficiency of resource allocation for public investment, by reducing cost overruns from 21.6% in 2018 to 15% in 2023. The main expected outcomes are: (i) increased number of projects with preinvestment reviewed for certification, measured as the percentage of projects with preinvestment reviewed for certification over the total number of projects in the preinvestment phase, from 2.47% in 2018 to 3.89% in 2023; (ii) increased efficiency in resource allocation for preinvestment, measured as the increase in the percentage of preinvestment amounts over the estimated investment amounts, from 1.9% in 2017 to 2.3% in 2023; and (iii) increased percentage of entities with civil servants trained in certification of preinvestment, from 5% in 2017 to 80% in 2023.

1.30 **Economic rationale.** An economic analysis of the operation was prepared, including economic and financial costs and benefits. Using a discount rate of 12%, by year-end 2028 (10 years), the program's investments would generate a net present value of US$2.1 million with an internal rate of return of 18%. The sensitivity analysis showed robust results.

II. Financing Structure and Main Risks

A. Financing instruments

2.1 The program will be a US$15,000,000 specific investment loan using the blended modality, with 85% (US$12,750,000) from regular Ordinary Capital resources and the remaining 15% (US$2,250,000) from concessional Ordinary Capital resources.

Table 1. Total budget (US$)

Components	IDB	%
Direct costs	13,874,881	92.50
Component 1. Strengthen preinvestment management processes and coordination of the public investment cycle	929,301	6.20
Component 2. Support preinvestment financing	12,232,720	81.55
Component 3. Improve management capacities for preinvestment	712,860	4.75
Project administration	1,125,119	7.50
Total	**15,000,000**	**100.00**

2.2 **Disbursement schedule.** The disbursement period will be five years.

Table 2. Disbursement schedule

Source	Year 1	Year 2	Year 3	Year 4	Year 5	Total
IDB	**53,800**	**811,880**	**2,767,946**	**6,442,474**	**4,923,900**	**15,000,000**
%	**0.36**	**5.41**	**18.55**	**42.95**	**32.83**	**100.00**

B. Environmental and social risks

2.3 According to Directive B.13 of the Environment and Safeguards Compliance Policy (Operational Policy OP-703), this operation requires no impact classification, since it is a flexible lending instrument. Component 2 will include the preparation of preinvestment technical design studies. The preliminary list of these studies submitted by the Plurinational State of Bolivia includes those related to infrastructure, such as highways, industrial parks, scientific complexes, hospitals, and other major infrastructure works. Some of these projects have potential impacts with respect to natural habitats, resettlement, and economic displacement. Considering the preliminary list and the experience with preinvestment studies for loan 3534/BL-BO, some studies prepared under this operation might facilitate infrastructure projects associated with potential significant socioenvironmental impacts.

2.4 National regulations call for preinvestment technical design studies to include environmental impact assessments, pursuant to the provisions of Law 1333 and its regulations. To facilitate these assessments and follow Bank policy requirements, the program includes an environmental and social management report and an environmental and social management framework. These are based on an environmental analysis and give continuity to the operational aspects agreed upon for the previous operation (3534/BL-BO). Therefore, the terms of reference to prepare preinvestment studies will comply with the Bank's environmental and social policies and safeguards, according to the characteristics of each project. The Bank will provide advice on these matters. There are also plans to add an environmental specialist to the preinvestment unit, to coordinate and advise the various sectors involved on environmental and social considerations.

2.5 Given that preinvestment studies will be prepared during program implementation, socioenvironmental analyses and public consultations about these analyses will be carried out when specific preinvestment technical design studies are prepared, based on their characteristics. The final environmental and social management framework was published on the websites of the Bank and the executing agency prior to its distribution to the Operations Policy Committee, and is an annex of the program Operating Regulations.

C. Fiduciary risks

2.6 Fiduciary risks are considered to be low, because VIPFE has prior experience with fiduciary policies as the executing agency for loan 3534/BL-BO (paragraph 3.1). A medium risk level of potential delays in program execution was identified, since subexecuting agencies lack staff familiar with the Bank's procurement policies. This risk will be mitigated by ensuring that subexecuting agencies, in addition to their own staff with experience in the sector's technical issues, will have professionals responsible for the fiduciary administration of the program, with the following profiles: (i) an accountant/auditor with experience in accounting and public financial administration; and (ii) a procurement specialist with experience in contracting under Bank regulations. Subexecuting agencies in the priority sectors, with experience executing projects with the Bank, were identified on a preliminary basis. In addition, once financing for the studies has been approved, the executing agency will evaluate and verify the capacity of the subexecuting agencies.

D. Other risks and key issues

2.7 A risk management workshop was conducted using Bank methodology, which determined that the operation presents a medium risk level. The risks are:

a. **Fiscal sustainability.** There is a medium risk of a slowdown in economic growth due to a drop in commodity prices, which would negatively impact public investment levels, and consequently, preinvestment levels. This risk will be partially mitigated by: (i) having private participation in preinvestment and execution of public works; and (ii) proposing technical and institutional alternatives that help maintain suitable levels of preinvestment financing (including the design of a preinvestment fund).

b. **Public management and governance.** There is a high risk that sector priorities for preinvestment could change during the last two years of program execution or that resources for works execution would not be allocated, which would lead to preinvestment studies not becoming actual investments. This risk will be mitigated through the list for the preliminary project portfolio, which will be selected based on Patriotic Agenda priorities and sector priorities provided by the Government of Bolivia. All the projects were proposed by the leading entities in each sector and prioritized by VIPFE and the MPD.

c. **Development.** There is a medium risk of delays in preinvestment execution due to insufficient monitoring of technical activity execution by subexecuting agencies. This risk will be mitigated by financing technical consultants to provide support to subexecuting agencies (paragraph 1.25, output 2.1 of the Results Matrix) for supervision and oversight of studies, in addition to hiring a specialist dedicated to program monitoring.

2.8 **Program sustainability.** The measures aimed at supporting program sustainability include: (i) reorganization of the DGPP to expand its stewardship to preinvestment studies financed with fiscal resources, which would ensure the program's impact even in a scenario with no external financing funds for this purpose; (ii) addition to the preinvestment technical regulations of the methodology and budget formulation improvements implemented under this operation; (iii) design of instruments (preinvestment fund) that support the sustainability of available resources for preinvestment; (iv) focus on internal development (with dedicated contractors) of the technology products to be implemented, maximizing the establishment of internal capacities;[53] (v) preparation of medium- and long-term road maps for implementation of new duties in VIPFE, such as assessment of investment projects, management of public assets, and implementation of new technologies (e.g. BIM), instead of limiting the program to isolated pilots; and (vi) transformation of training deliverables into regular programs to be taught on an annual basis to the staff responsible for preinvestment in State entities. By strengthening the DGPP, developing a staffing plan, and having regular training programs, the personnel should have increased technical capacity for preinvestment.

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[53] Bolivia uses free software, which reduces information technology maintenance costs. The MPD created an information-technology unit with the general responsibility of managing all of the ministry's information systems.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

3.1 The borrower will be the Plurinational State of Bolivia. The executing agency for the program will be the MPD, acting through VIPFE, and specifically the preinvestment unit that reports to the VIPFE Bureau of Programming and Preinvestment. The results of an assessment using the Institutional Capacity Assessment Platform showed that the preinvestment unit has capacity for program execution due to its experience executing projects financed with external borrowing resources, including from the IDB; its enhanced project administration section; and its satisfactory performance in executing these projects.[54]

3.2 The core staff needed for the preinvestment unit, as a condition precedent to the first disbursement of the loan (paragraph 3.8), is as follows: (i) a general coordinator; (ii) a financial specialist; (iii) a procurement specialist; (iv) a monitoring and evaluation specialist; (v) an environmental specialist; and (vi) an attorney. The preinvestment unit will be responsible for the planning, coordination, execution, and monitoring of the program. It will also be responsible for managing the approval of financing for studies and for verifying compliance with current preinvestment regulations during study preparation. In addition, this unit will be responsible for preparing the necessary supporting documentation for effective program execution and supervision. Disbursement requests and processing, as well as justification of expenditures to the Bank, will be carried out by the preinvestment unit, which will coordinate with the subexecuting agencies regarding payments and financial management of Component 2 contracts, in accordance with the financial management plan established in Annex III and the program Operating Regulations.

3.3 As with loan 3534/BL-BO, with respect to preinvestment studies financed under Component 2, national and subnational sector entities will become subexecuting agencies for this program.[55] They will be responsible for contracting processes for the preinvestment studies, and as required, for commissioning the supervision and inspection thereof, including tasks related to the preparation of terms of reference and requests for proposals; invitations to submit bids; and administration and inspection of contracts, including output approval and coordination with VIPFE of payments for consulting services. If necessary and in accordance with the guidelines set out in the Operating Regulations, the subexecuting agencies may request that VIPFE execute these activities. All these responsibilities will be established in the interagency financing agreement that VIPFE will sign with each subexecuting agency. Subexecuting agencies, in addition to their own staff with experience in the sector's technical issues, will at a minimum have professionals responsible for the fiduciary administration of the program, with the following profiles: (i) an accountant with experience in accounting and public financial

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54 Similar operations that VIPFE has executed include: 3534/BL-BO; 993/SF-BO; and 1678/SF-BO.

55 The subexecuting agencies are: the Bolivian Highway Administration; Ministry of Public Works, Services, and Housing; Ministry of Productive Development and Plural Economy; Ministry of Energy; Ministry of Health; and Ministry of Environment and Water. Projects for the central and subnational governments will be received by sector entities and coordinated through interagency financing agreements.

administration; and (ii) a procurement specialist with experience in contracting under Bank regulations (paragraph 2.6). If these agencies delegate their duties to VIPFE, through a request in the interagency financing agreement, VIPFE will perform the same tasks as the subexecuting agencies.

3.4 **Prioritization of the portfolio.** There is a preliminary portfolio of preinvestment studies (paragraph 1.26 and footnote 47) and a list prioritized by VIPFE for their financing by the program. Each study will meet the criteria and follow the approval procedure indicated. The subexecuting agencies will prepare the terms of reference for each study included in the agreed portfolio on a quarterly basis and submit to the preinvestment unit the specific requests for financing through the sector's lead ministry, in accordance with the established requirements. The preinvestment unit will have resources to support the subexecuting agencies in the preparation of terms of reference. In addition, the Bank and VIPFE will hold quarterly coordination meetings, during which the project portfolio and the procurement plan will be reviewed and updated. The eligibility criteria established for approving financing for the studies will include verification of the institutional commitment to make the project investment phase viable. The program is expected to support the preparation of studies for projects with investment amounts of more than US$600 million.

3.5 **Approval of financing.** Requests for financing of preinvestment studies will be evaluated by a technical committee made up of representatives from the preinvestment unit, the entity making the request, and the sector's lead ministry. This technical committee will be responsible for evaluating the preinvestment financing request and for preparing minutes and a technical report that will determine the recommendation to allocate financial resources for the preparation of the study and its supervision, or to revise the request if there are qualifications. The projects need to be aligned with the national priorities of the Patriotic Agenda or the National Development Plan and be related to the sector strategic plans. The eligibility criteria include verification of the subexecuting agencies' execution capacity and institutional commitment to make the investment phase viable, and the preliminary identification of the project's environmental viability.

3.6 **Interagency financing agreement.** Once the technical committee approves financing for each study, with the Bank's prior no objection regarding the terms of reference, VIPFE and the subexecuting agency will prepare and sign an interagency financing agreement, in accordance with the model agreement attached to the program Operating Regulations. This agreement includes two options to conduct preinvestment studies: (i) the subexecuting agency is responsible for the tasks described in paragraph 3.3 above; or (ii) the subexecuting agency requests that VIPFE carry out these activities.[56] The amount of the agreement will include the cost of the study and supervision thereof and may include financing to support oversight of the study. The loan may finance 100% of the activities included in the interagency financing agreement, and no local counterpart financing will be required.

[56] VIPFE proposed this new method, since during the first phase (3534/BL-BO), some subexecuting agencies were shown to lack the capacity necessary to execute projects.

3.7 Execution will be governed by the program Operating Regulations, which will include: (i) criteria for the selection of studies and formation of the technical committee; (ii) requirements for the presentation of financing requests; (iii) arrangements and processes for program procurements and contracting; (iv) use of resources; (v) financial management method; (vi) definition of the characteristics of program monitoring and control; (vii) requirement that the disbursement of Component 2 resources to finance each study for a public investment project will be subject, in each case, to the formalization of an interagency financing agreement between the executing agency and the applicable subexecuting agency, under the terms agreed upon with the Bank; (viii) environmental and social guidelines and criteria for the program; and (ix) the ESMF as an annex.

3.8 **Special contractual conditions precedent to the first loan disbursement: As special contractual conditions precedent to the first disbursement of the loan, the borrower, acting through the executing agency, will submit evidence that: (i) the core staff necessary have been assigned to the preinvestment unit of VIPFE; and (ii) the** program Operating Regulations **have been approved and have entered into force under the terms previously agreed upon with the Bank.** The first condition is essential to ensure the prompt startup of program activities and avoid delays due to the lack of administrative and technical capacity to manage preinvestment. The second condition is essential to guarantee the execution mechanism, including the implementation of the environment and social safeguards policy.

3.9 **Disbursement modality.** Disbursements will be made through advances of funds, based on cash flow planning, without excluding other mechanisms that the Bank may use to make payments or reimburse expenditures. The Bank will process a new disbursement when at least 80% of the previously disbursed balance has been justified, as established by IDB policy.

3.10 **Procurement.** Procurement will be carried out in accordance with the Policies for the Procurement of Works and Goods Financed by the Bank (document GN-2349-9) and the Policies for the Selection and Contracting of Consultants Financed by the Bank (document GN-2350-9), as well as with the procurement plan. Each subexecuting agency or VIPFE, as applicable, will contract for the projects within its responsibility by coordinating directly with the Bank, and with VIPFE's knowledge, for the necessary no objections and reviews.

3.11 **Direct contracting.** VIPFE plans to use single source selection (SSS) to contract individual consultants for the positions of coordinator, financial specialist, procurement specialist, monitoring and evaluation specialist, environmental specialist, and attorney, as the core staff required for the preinvestment unit, as described in paragraph 3.2, as well as the technical specialists who have been selected competitively in the previous operation (3534/BL-BO), currently in execution. The consultants, who are already working for the executing agency and were selected competitively, pursuant to paragraph 5.4(a) of the Policies for the Selection and Contracting of Consultants Financed by the Bank (document GN-2350-9), will be contracted to ensure the continuity of services.

3.12 **Audited financial statements.** There will be an annual external audit of the program's financial statements, which will be financed with the loan proceeds and

conducted by an independent audit firm acceptable to the Bank based on its standard terms of reference. Program midterm reviews may also be included. The audit firm will be retained under a multiyear contract for at least the first three years, to prepare an annual audited financial statement report. This report will be submitted within 120 days following the close of each fiscal year during program execution. The final audited program report will be submitted within 120 days following the date of the last disbursement. In accordance with its current Access to Information Policy, the Bank will publish the annual audited financial statements.

B. Summary of arrangements for monitoring results

3.13 **Monitoring.** This 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. The executing agency will submit to the Bank, within 30 days following the end of each six-month period, semiannual reports on the progress made in fulfilling outcome, output, and financial targets for the Bank's approval. The Bank will conduct inspection visits and ex post reviews as part of program monitoring. The Bank, through sector specialists from its various divisions, will supervise program execution in the applicable sectors. As part of the semiannual status report or as an independent report, the preinvestment unit will submit a six-month summary of the fulfillment of social and environmental aspects in preinvestment studies.[57]

3.14 **Evaluation.** The program will be evaluated pursuant to the annual outcome and output targets and indicators included in its results matrix. The monitoring and evaluation plan includes an independent midterm evaluation and a final evaluation, as well as an ex post economic evaluation to verify whether the returns projected in the ex ante evaluation have materialized. The benefits that occur, such as reductions in cost overruns and improvements in the impact of public investment on economic growth, will be used. These will be compared against the scenarios projected during the ex ante evaluation. The borrower, acting through the executing agency, will prepare and submit to the Bank a midterm evaluation, within 90 days after 50% of the loan proceeds have been disbursed or after 36 months of program execution, whichever occurs first. They will also submit to the Bank a final evaluation within 90 days after the date on which 95% of the loan proceeds have been disbursed (see monitoring and evaluation plan). This report will serve as an input for the project completion report.

[57] This includes: environmental licenses, preparation status of preinvestment technical design studies and consultation/dissemination processes, implementation of investment studies, environmental and social events, and planned preinvestment studies.

Development Effectiveness Matrix		
Summary		
I. Corporate and Country Priorities		
1. IDB Development Objectives	**Yes**	
Development Challenges & Cross-cutting Themes	**-Productivity and Innovation -Institutional Capacity and the Rule of Law**	
Country Development Results Indicators	**-Government agencies benefited by projects that strengthen technological and managerial tools to improve public service delivery (#)***	
2. Country Development Objectives	**Yes**	
Country Strategy Results Matrix	**GN-2843**	**Improvement the effectiveness of public governance**
Country Program Results Matrix	**GN-2915-2**	**The intervention is included in the 2018 Operational Program.**
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		**Evaluable**
3. Evidence-based Assessment & Solution	**8.8**	
3.1 Program Diagnosis	**3.0**	
3.2 Proposed Interventions or Solutions	**3.6**	
3.3 Results Matrix Quality	**2.2**	
4. Ex ante Economic Analysis	**8.0**	
4.1 Program has an ERR/NPV, or key outcomes identified for CEA	**3.0**	
4.2 Identified and Quantified Benefits and Costs	**3.0**	
4.3 Reasonable Assumptions	**0.0**	
4.4 Sensitivity Analysis	**2.0**	
4.5 Consistency with results matrix	**0.0**	
5. Monitoring and Evaluation	**7.2**	
5.1 Monitoring Mechanisms	**2.5**	
5.2 Evaluation Plan	**4.7**	
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood	**Medium**	
Identified risks have been rated for magnitude and likelihood	**Yes**	
Mitigation measures have been identified for major risks	**Yes**	
Mitigation measures have indicators for tracking their implementation	**Yes**	
Environmental & social risk classification	**B.13**	
IV. IDB´s Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	**Yes**	**Financial Management: Budget, Treasury, Accounting and Reporting.**
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	**Yes**	**The Bank has supported the strengthening of public preinvestment systems in Bolivia since 2014 with two technical cooperations (BO-T1212 and BO-T1251). Between the advances achieved include the approval of a new preinvestment regulation and methodologies for the formulation of projects in strategic sectors.**

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

The overall objective of this program is to improve the efficiency of the public investment resources. The specific objectives are: (i) enhance the efficacy of the project certification; (ii) improve the efficiency of pre-investment public investments' resource allocation; and (iii) improve the coverage of certifying pre-investment personnel. The main problem relates to the low quality of public investment execution.
The POD clearly identifies the potential beneficiaries of the project.
The project´s vertical logic is clear and well specified. The link between interventions and problems has been adequately established. The project presents adequate evidence. The Result Matrix is adequately built and incorporates the required elements for monitoring the project.
The POD documentation includes an economic analysis where the economic benefits have been quantified, and the costs reflect the project's investments amount and product maintenance for ten years. The estimated Net Present Value (NPV) is US$2.1 millions and the Internal Rate of Return (IRR) is 18 percent. The analysis presents valid assumptions and a sensitivity analysis that has been performed.
The program includes an adequate monitoring and evaluation plan. It also includes a before and after evaluation. The project presents adequate evidence for most of the proposed solutions.
The POD documentation includes a risk matrix. Mitigation measures were identified with adequate monitoring indicators.

RESULTS MATRIX

Project objective:	The general objective of the program is to improve the efficiency of resource allocation for public investment. The specific objectives are to: (i) improve the effectiveness of project certification; (ii) improve the effectiveness of resource allocation for preinvestment; and (iii) improve the coverage of staff certified in preinvestment.

EXPECTED IMPACT

Indicator	Unit of measure	Baseline	2019	2020	2021	2022	2023	Final target	Means of verification	Comments
Impact 1: Improve the efficiency of resource allocation for public investment by reducing cost overruns										
Cost overruns: (Final investment amount / Initial investment amount) - 1[1]	%	21.6 (2017)	21.6	21.6	20.0	17.5	15	15	Annual report from the Bureau of Programming and Preinvestment (DGPP) of the Office of the Deputy Minister of Public Investment and External Financing (VIPFE) (inputs for the Information System on Investments or SISIN)	Target: 6.6% reduction in cost overruns.[2-3] Baseline: Sample of 217 projects above US$1 million, with execution above 80%.

[1] The final investment amount includes variations or modifications made during execution of the work. The initial investment amount is what appears in the preinvestment study.

[2] Improvements in public investment monitoring reduce cost overruns in works execution up to 8%, measured through the differences between official costs and estimates from a survey of independent professionals. (Olken, Benjamin A. 2007. Monitoring Corruption: Evidence from a Field Experiment in Indonesia. Journal of Political Economy 115 (2): 220-221).

[3] Systems aimed at enhancing pricing information show improvements in the timeliness and quality of infrastructure projects in developing countries. (Lewis-Faupel et al. 2016. Can electronic procurement improve infrastructure provision? Evidence from public works in India and Indonesia. 19-20).

EXPECTED OUTCOMES[4]

Indicator	Unit of measure	Baseline	2019	2020	2021	2022	2023	Final target	Means of verification	Comments
Outcome 1: Increased number of projects with preinvestment reviewed for certification										
Number of projects reviewed for certification by the DGPP / Number of projects in the preinvestment phase (average for 2015-2017)	%	2.47 (2017)	2.47	3.18	3.54	3.89	3.89	3.89	Annual report from DGPP of VIPFE	Baseline: numerator: 70 projects reviewed for certification (2017); denominator: average of preinvestment projects (2015-2017), 2,824.[5]
Outcome 2: Increased effectiveness of resource allocation for preinvestment										
Preinvestment amount / Estimated investment amount	%	1.9 (2017)	1.9	1.9	2.0	2.1	2.3	2.3	Annual report from DGPP of VIPFE	Baseline: 1.9% (weighted average 2007-2017). Target: according to international best practices.[6]
Outcome 3: Increased percentage of civil servants trained in certification of preinvestment										
Number of entities with civil servants trained in certification of preinvestment / Number of public entities with public investment responsibilities	%	5 (2017)	5	20	40	60	80	80	Annual report from DGPP of VIPFE	Baseline: The denominator includes 21 ministries, 5 national entities, and 25 autonomous territorial entities.

[4] Cumulative outcomes.

[5] The DGPP is authorized to certify preinvestment studies regardless of the source.

[6] More resources are used to ensure the effectiveness of public investment. The target is within the parameters that according to the economic evaluation allow for positive benefits that justify the program. The sensitivity analysis showed positive results for a 6% reduction in cost overruns and a preinvestment/investment ratio between 2% and 5%.

OUTPUTS[7]

Indicator	Unit of measure	2017 baseline	2019	2020	2021	2022	2023	Final target	Means of verification	Comments
Component 1 – Strengthen preinvestment management processes and coordination of the public investment cycle										
1.1 SISIN strengthened	System (software)	0	0	1	0	0	0	1	DGPP report showing that at least one user has utilized the system.	
1.1.1. Module (software) to record preinvestment, developed and implemented	Module (software)	0	0	1	0	0	0	1	DGPP report showing that at least one user has utilized the module developed.	
1.1.2. Proposal to ensure the interoperability of the preinvestment record and management system with other national information systems, prepared and implemented	Report	0	0	1	0	0	0	1	Report reviewed by VIPFE.	
1.2 Pilot plan for project evaluation designed and implemented	Plan	0	0	0	0	1	0	1	Evaluation plan approved by VIPFE.	
1.3 System (software) for strategic public asset management, designed	Document describing the software	0	0	0	0	1	0	1	DGPP report showing that the software was installed and has been utilized by one user.	
1.4 Methodology report for the early assessment of the socioeconomic viability of projects, developed and implemented	Report	0	0	0	1	0	0	1	Methodology report approved by VIPFE.	
1.5 Pilot plan using BIM technology, designed and implemented	Plan	0	0	0	0	1	0	1	Investment project designed with Building Information Modeling technology.	
1.6 Report on investment gap analysis methodology, implemented	Report	0	0	0	1	0	0	1	Methodology report approved by VIPFE.	

[7] Annual results.

Indicator	Unit of measure	2017 baseline	2019	2020	2021	2022	2023	Final target	Means of verification	Comments
Component 2 – Support preinvestment financing										
2.1 Preinvestment studies, financed	Preinvestment studies	0	0	0	1	5	10	16	Delivery of preinvestment studies.	Includes supervision and support specialists for subexecuting agencies.
2.2 Unit cost database (software) for preinvestment, developed	Database (software)	0	0	0	1	0	0	1	DGPP report showing that at least one user has utilized the database.	
2.3 Information disseminated about the design of the preinvestment fund	Workshops	0	0	1	1	0	0	2	DGPP report showing the participation of workshop attendees.	
Component 3 – Improve management capacities for preinvestment										
3.1 DGPP's organizational structure strengthened	Contracting	0	2	0	0	0	0	2	DGPP annual report.	Contracting of two dedicated contractors.
3.1.1 Information disseminated about the DGPP's organizational structure	Workshops	0	0	10	0	0	0	10	DGPP annual report showing dissemination workshops.	
3.2 Methodologies and technical aspects strengthened	Report	0	0	0	1	1	0	2	DGPP annual report.	
3.2.1 Proposal to expand technical reports on conditions precedent, prepared	Proposal	0	0	0	1	0	0	1	Technical report on conditions precedent approved by VIPFE.	
3.2.2 Proposal to expand preinvestment technical design studies, prepared	Proposal	0	0	0	0	1	0	1	Preinvestment technical design study approved by VIPFE.	
3.3 Training plan on preinvestment, designed and implemented	Plan	0	0	0	0	0	1	1	DGPP annual report.	
3.3.1 Civil servants with internships with private companies	Internships	0	0	0	2	3	3	8	Internships included in the contracts tendered for preinvestment studies.	

Indicator	Unit of measure	2017 baseline	2019	2020	2021	2022	2023	Final target	Means of verification	Comments
3.3.2 Proposal with training plan on preinvestment, prepared	Proposal	0	0	1	0	0	0	1	Proposal approved by VIPFE.	
3.3.3 Training workshops held	Workshops	0	0	5	5	5	5	20	DGPP annual report showing workshops.	
3.3.4 Technical guidelines for preinvestment, prepared	Guidelines	0	0	1	1	1	0	3	Guidelines approved by VIPFE.	
3.4 Documents for modular projects, prepared	Documents	0	0	0	3	0	0	3	Modular projects approved by VIPFE.	
3.5 Diagnostic assessment report on the gender aspect in preinvestment, prepared	Report	0	0	0	1	0	0	1	Report approved by VIPFE.	

Fiduciary Agreements and Requirements

Country: Plurinational State of Bolivia

Project: Program to Support Preinvestment for Development II (BO-L1111)

Executing agency: Ministry of Development Planning (MPD), acting through the Office of the Deputy Minister of Public Investment and External Financing (VIPFE)

Prepared by: Patricia Toriz and Diana de León (FMP/CBO)

I. Executive Summary

1.1 The Ministry of Development Planning (MPD) will be responsible for program execution, acting through the Office of the Deputy Minister of Public Investment and External Financing (VIPFE). The VIPFE Bureau of Programming and Preinvestment (DGPP) has a preinvestment unit, which is in charge of managing Bank-financed operations.

1.2 As with operation 3534/BL-BO, national and subnational sector entities will become subexecuting agencies for the program. They will be responsible for commissioning the studies, which encompass tasks related to the preparation of terms of reference and requests for proposals; invitations to submit bids; and contracting, administration, and supervision of contracts, including output approval and coordination with VIPFE of payments for consulting services. If necessary, the subexecuting agencies will be able to delegate these activities to VIPFE. All these responsibilities will be established in the interagency financing agreement that VIPFE will sign with each subexecuting agency.

1.3 An assessment of VIPFE was conducted using the Institutional Capacity Assessment Platform. The results showed that the agency has a satisfactory level of institutional development with respect to its planning, execution, monitoring, and control systems. In addition, VIPFE has a low level of risk for program execution, due to its experience executing projects financed with external borrowing resources, including from the IDB; its enhanced project administration section; and its satisfactory performance in executing these projects.[1]

1.4 Financial management will be performed using the National Public Management System (SIGEP). For financial reporting, by the time the program begins, the Ministry of Economy and Finance expects to have implemented at VIPFE an accounting management module for agreements that is part of SIGEP. This module will enable online financial management and preparation of financial

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[1] Similar operations that VIPFE has executed include: 3534/BL-BO; 993/SF-BO; and 1678/SF-BO.

reports from the national system and in the program currency. The Treasury Single Account system, which is national in scope and handles both local and foreign currencies, will also be used. For disbursement processing, the executing agency will use the Bank's e-Disbursements system to prepare, approve, and submit disbursement requests.

1.5 For procurement execution, the Bank's standard bidding documents will be used or those agreed upon with VIPFE and made available on the Public Procurement System (SICOES).[2]

1.6 Announcements for processes of international competitive bidding (ICB) and selection of international consultants (calls for proposals, requests for expressions of interest, clarification circulars, amendment circulars, and award announcements) will be published on the United Nations Development Business portal. These processes and any others may also be publicized on the SICOES website and in national newspapers.

1.7 With respect to fulfillment of implementation activities, this program will be governed by an agreement for partial use of the country procurement system for the Plurinational State of Bolivia, which follows the Basic Standards of the Goods and Services Management System (NB-SABS) for contracting processes for individual consultants and shopping. The loan contract will include provisions requiring the use of that subsystem.

II. THE FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

2.1 Law 1178 on Government Administration and Control of 20 July 1990, known as the SAFCO Act, governs systems for the administration and control of State resources and their relation to national planning and public investment systems. It establishes subsystems for planning (operations programming, administrative organization, and budgeting), execution (cash management and public credit, integrated government accounting, staff administration, goods and services administration), and government control (internal and external control). This law is mandatory for VIPFE. Even though fiduciary systems contribute to the transparent, comprehensive execution of public finances, there are certain areas that require further strengthening.

2.2 **Administration of goods and services (procurement).** Notwithstanding the provisions of paragraph 1.7, use of the NB-SABS will not be acceptable for procurement processes that are fully or partially financed with Bank resources. In accordance with paragraph 1.3, VIPFE has adequate fiduciary capacity to carry out the activities related to program execution (paragraph 1.7).

III. FIDUCIARY RISK EVALUATION AND MITIGATION ACTIONS

3.1 A medium-level risk of potential delays in program execution was identified, since subexecuting agencies lack staff familiar with the Bank's procurement policies.

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[2] SICOES. These are bidding documents authorized by the Bank for application in processes below the international competitive bidding (ICB) thresholds.

This risk will be mitigated by ensuring that these agencies, in addition to their own staff with experience in the sector's technical issues, will have professionals available who will be responsible for fiduciary administration of the program, with the following profiles: (i) an accountant/auditor with experience in accounting and public financial administration; and (ii) a procurement specialist with experience in contracting under Bank regulations. Subexecuting agencies in the priority sectors, with experience executing projects with the Bank, were identified on a preliminary basis. In addition, once financing for the studies has been approved, the executing agency will evaluate and verify the capacity of the subexecuting agencies.

3.2 Given that the nature of the program will entail an additional workload for VIPFE, the plan to address risks includes strengthening the preinvestment unit with dedicated technical and fiduciary staff for the procurement and finance areas, to minimize potential delays in the program's fiduciary management. Likewise, given the limited availability of fiduciary specialists with experience following IDB policies, there are plans to provide specific training for the new staff to increase their knowledge of these policies.

3.3 With respect to financial management, the Institutional Capacity Assessment Platform evaluation indicated that VIPFE has an accounting system parallel to SIGEP. A commitment has been made, by the time the program begins, to be using the accounting management module for agreements under SIGEP, which will ensure the information's integrity and timeliness. If it is not possible to execute the program using this module, the executing agency will have access to the Bank's Integrated Project Management System. Otherwise, the agency's additional system to prepare reports in the operation's currency needs to be evaluated.

IV. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE CONTRACT

4.1 **Exchange rate agreed upon for accountability reporting.** VIPFE will use the exchange rate in effect in the country on the date that the foreign currency is converted to local currency in the executing agency's accounts.

4.2 **Financial statements and other audited reports.** Within 120 calendar days following the close of each fiscal year, the program's audited financial statements will be submitted to the Bank. The final audited program report will be submitted within 120 days following the date of the last disbursement. These documents will be duly audited by an independent audit firm acceptable to the Bank. The contracting procedures, scope, and presentation of the aforementioned audits will comply with the Financial Management Guidelines for IDB-financed Projects (document OP-273-6) and the provisions of paragraph 6.7 of this document.

4.3 **Terms of reference and technical specifications.** Reviews of the selection criteria for shortlists, terms of reference, technical specifications, and bidder or consultant qualification requirements needed to evaluate proposals will be approved in advance for the executing agency by the sector specialist in their capacity as the Project Team Leader, regardless of the procurement review method (ex ante/ex post).

V. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

5.1 **Procurement execution.** Procurement processes will be set out in the procurement plan approved by the Bank, and will be carried out in accordance with the terms of the Policies for the Procurement of Works and Goods Financed by the Bank (document GN-2349-9) and the Policies for the Selection and Contracting of Consultants Financed by the Bank (document GN-2350-9). No exceptions to the use of these policies are anticipated. The agreement on the partial use of the country procurement system mentioned in paragraph 1.7 will apply.

5.2 **Goods, works, and nonconsulting services.** Procurement processes for works, goods, and nonconsulting services will use the Bank's standard bidding documents without modifications, taking the following into account:

a. ICB will use the current standard bidding documents issued by the Bank and made available through the Bank's website.

b. Procurement processes for amounts below the ICB thresholds will use the national competitive bidding (NCB) documents agreed upon with the country and made available through SICOES.

c. Simple works and off-the-shelf goods for amounts below the ICB threshold may be procured through the shopping method with prior authorization from the Bank, and will use the documents agreed upon with the country and made available through SICOES.

d. Shopping processes for amounts within the official thresholds established for the country will follow national regulations pursuant to the agreement for the partial use of the country procurement system, and will use the documents agreed upon with the country and made available through SICOES.

5.3 **Selection and contracting of consultants.** Procurement processes for the selection of consultants will use standard bidding documents without modifications, taking into account the following:

a. For the selection of consulting firms through international processes, the current standard request for proposals issued by the Bank and made available through the Bank's website will be used.

b. The shortlist of consulting firms may consist solely of national firms[3] for contracts below the international shortlist threshold established by the Bank for Bolivia, using NCB documents agreed upon with the country and made available through SICOES.

c. The selection of individual consultants will follow national regulations pursuant to the agreement for the partial use of the country procurement system, using documents agreed upon with the country and made available through SICOES. VIPFE plans to use single source selection to contract individual consultants for the positions of coordinator, financial specialist, procurement specialist, monitoring and evaluation specialist, environmental specialist, and attorney, as the core staff required for the preinvestment

[3] Foreign firms are eligible to participate.

unit, as well as the technical specialists who have been selected competitively in the previous operation (3534/BL-BO), currently in execution. The consultants, who are already working for the executing agency and were selected competitively, pursuant to paragraph 5.4(a) of the Policies for the Selection and Contracting of Consultants Financed by the Bank (document GN-2350-9), will be contracted to ensure the continuity of services. Their services will be covered beginning in January 2021 and throughout the program. Until that date, they will be covered with IDB funds from operation 3534/BL-BO.

5.4 **Operating expenses.** The recurring and maintenance costs required to implement the program cover items such as the leasing of offices; utilities; radio, print, or televised communications; procurement notices; translations; bank fees; office supplies; photocopies; postage; and fuel, as agreed upon with the Bank. They will be financed by the program as part of the annual budget approved by the Bank and will be included in the program's annual procurement plans. Recurring expenses will be incurred based on the executing agency's administrative procedures, as set out in the program Operating Regulations. The Bank may refrain from financing these expenses if it is determined that their allocation has violated basic principles of competition, efficiency, and economy.

5.5 **Procurement planning.** The executing agency will publish the procurement plan in the Procurement Plan Execution System and will update it as necessary, but at least once a year, taking into account an 18-month execution schedule. A procurement process may begin provided that it is included in the procurement plan previously approved by the Bank.

5.6 **National preference.** No national preference will be applied in any procurement process.

Table 1. Thresholds (US$)

ICB		NCB*		Shopping		International shortlist	National shortlist
Works	Goods	Works	Goods	Works	Goods	Consultants	Consultants
>3,000,000	>200,000	>250,000 up to 3,000,000	>50,000 up to 200,000	Up to 250,000	Up to 50,000	>200,000	Up to 200,000

* Simple works and off-the-shelf goods for amounts within the NCB threshold range may be procured through the shopping method, using the documents agreed upon with the country for this method.

Table 2. Main procurements

Description	Selection method	Estimated amount (US$ thousands)
Goods		
Servers, computers, and conference station	Shopping	84,700.00
Nonconsulting services		
Dissemination workshops	Shopping	35,000.00
Training workshops for municipios on preinvestment tool		200,000.00
Consulting firms		
Investment project assessments pilot plan, including impact and outcome assessments	QCBS	396,911.00
Pilot system for strategic public asset management		203,544.00
Building Information Modeling methodology	CQS	122,126.40
Preinvestment studies for construction of the Villaserrano bus terminal (Ministry of Public Works, Services, and Housing; autonomous municipal governments)	QCBS	300,000.00
Preinvestment studies for construction of the Tarija Industrial Park		300,000.00
Preinvestment studies for conservation and rehabilitation of Kari (Potosí)	CQS	100,000.00
Construction of Viacha-Charana section	QCBS	1,100,000.00
Preinvestment studies for construction and implementation of nuclear medicine center - radiotherapy		1,000,000.00
Preinvestment studies for construction of Cobija-Porvernir two-lane highway		550,000.00
Preinvestment studies for rehabilitation of Kilometer 19-Bermejo section (Tarija-Argentina international bridge)		750,000.00
Preinvestment studies for fairgrounds in the city of El Alto		450,000.00
Preinvestment studies for science, technology, and innovation complex (Cochabamba)		700,000.00
Preinvestment studies for comprehensive solid waste management in Chayanta (Potosí)		250,000.00
Preinvestment studies for comprehensive solid waste management in San Buenaventura (northern La Paz)	CQS	150,000
Basic study on water basins (including identifying potential areas for multipurpose projects)	QCBS	1,500,000.00
Design and update of plan for hospital equipment		1,000,000.00
Construction and outfitting of nephrourology and neurology institute (quaternary), Santa Cruz		3,500,000.00
Preinvestment studies for reconditioning programs for micro hydroelectric plants		350,000.00
Development and implementation of preinvestment tool training program for municipios	CQS	36,960.00
Definition of modular projects in areas relevant to smaller municipios		147,840.00
Individual consultants		
Specialized consultants	ICQ	465,000.00
Support consultants		180,760.00
Coordinator, financial specialist, procurement specialist, monitoring and evaluation specialist, environmental specialist, and attorney for the preinvestment unit, as well as the technical specialists selected competitively under the previous operation (3534/BL-BO), currently in execution	SSS	312,000.00
Sector technical specialists	ICQ	558,000.00
Auditing and evaluation	CQS	145,000.00
Consultants to prepare knowledge studies	ICQ	75,000.00
Operating expenses		
Administrative, publication, logistics, etc.	COP	50,119.00

To access the procurement plan for the first 18 months, see procurement plan.

5.7 **Procurement supervision.** The program will use ex ante review of all international procurement processes and exceptions such as direct contracts and single source selection.

5.8 **Ex post reviews.** At least once per year, an external audit firm will conduct ex post review of procurement, as determined by the Bank.

5.9 **Reviews.** The Bank may make periodic visits to update the procurement management capacity level and fiduciary risk level associated with program execution.

5.10 **Records and files.** Every subexecuting agency and VIPFE, as applicable, will be responsible for establishing the controls necessary for the safekeeping and integrity of the documentation generated during the ex ante or ex post execution of the program. The Bank may verify the standards of organization, control, and security of the records at any time.

VI. Financial Management

6.1 The program's financial management system will be SIGEP, which integrates budget, accounting, and treasury subsystems, and provides coverage and universality for the entire nonfinancial public sector.

6.2 **Programming and budget.** Bolivia's national budget system has an extensive regulatory framework that is clearly reflected in its user manuals. Its programmatic structure facilitates the linking of expenses with planned objectives and outcomes for annual work plans, and ensures integrated, real-time management of transactions. The executing agency will be responsible for programming and budget formulation based on the agreed upon annual work plan.

6.3 **Accounting and information systems.** The Accounting and Reporting subsystem applies generally accepted accounting principles, which are described in the Basic Rules of the Integrated Accounting System. These rules are compatible with the International Public Sector Accounting Standards, which have not been adopted by the Bolivian government. This subsystem integrates the following accounting steps: budget records, asset records, and treasury records.

6.4 **Disbursements and cash flow.** The treasury subsystem has a simple, complete regulatory framework. The Treasury Single Account (TSA) has nationwide coverage and includes advanced control, monitoring, and reporting procedures. It also features multiple currency capabilities, which make it a reliable, effective, and efficient system to manage government revenues and project funds. Its computerized procedures are efficient and cover all treasury management processes that can be automated, as well as their integration with the budget and accounting systems. The primary disbursement modality will be advances of funds based on cash programming, without excluding other mechanisms that the Bank may use to make payments or reimburse expenditures. The Bank will process a new disbursement when at least 80% of the previously disbursed balance has been justified, as established by IDB policy.

6.5 **Administration of loan proceeds.** Funds disbursed to the program will be deposited in an independent account in the Treasury Single Account at the Central Bank of Bolivia, and subsequently transferred to another account in local currency,

in the correct amount and in a timely manner, following the procedures established by the Office of the Deputy Minister of the Treasury in the Ministry of Economy and Finance for the managing of loan proceeds. Both accounts will be used exclusively for this operation.

6.6 **Internal control and internal audit.** VIPFE's financial management is subject to annual reliability reviews by the Internal Audit Unit and the administration itself. The program is expected to be included in reviews of this kind.

6.7 **External control and reports.** There will be an annual external audit of the program's financial statements, which will be financed with the loan proceeds and conducted by an independent audit firm acceptable to the Bank based on its standard terms of reference. Program midterm reviews may also be included. The audit firm will be retained under a multiyear contract for at least the first three years, to prepare an annual audited financial statement report. This report will be submitted within 120 days following the close of each fiscal year during program execution. In accordance with its current Access to Information Policy, the Bank will publish the annual audited financial statements.

6.8 **Financial supervision plan.** Supervision activities may be adjusted based on annual program risk assessment reports prepared by the fiduciary team in conjunction with the executing agency and based on qualifications that may arise during the external audit. These activities may include monitoring visits; onsite visits; review of audit reports and monitoring of internal control findings; and monitoring of the implementation of risk mitigation actions.

6.9 **Execution mechanisms.** The program will be executed using the organizational structure of VIPFE, which has a multidisciplinary team that will be responsible for fiduciary program duties.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-__/18

Bolivia. Loan ____/BL-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 to cooperate in the execution of the Program to Support Preinvestment for Development II. Such financing will be chargeable to the Bank´s Ordinary Capital (OC) resources in the following manner: (i) up to the amount of US$2,250,000, subject to concessional financial terms and conditions ("Concessional OC"); and (ii) up to the amount of US$12,750,000, subject to financial terms and conditions applicable to loan operations financed from the Bank's regular program of OC resources ("Regular OC"), as indicated in the Project Summary of the Loan Proposal, and subject to the Special Contractual Conditions of said Project Summary.

(Adopted on ___ ____________ 2018)

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