



**Board of Executive Directors**  
**For consideration**  
On or after 9 September 2015

PR-4309  
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**Public**  
**Simultaneous Disclosure**

**To:** The Executive Directors  
**From:** The Secretary  
**Subject:** Bolivia. Proposal for a loan for the "Program to Support Preinvestment for Development"

**Basic Information:** Loan type ..... Specific Investment Operation (ESP)  
Borrower ..... Plurinational State of Bolivia  
Amount ..... up to US\$24,000,000  
Source ..... Single Currency Facility of the Ordinary Capital  
Amount ..... up to US\$6,000,000  
Source ..... Fund for Special Operations

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**Remarks:** This operation is included in Annex III of document GN-2805, "2015 Operational Program Report", approved by the Board of Executive Directors on 15 April 2015. However, the loan amount exceeds the ceiling established for Group D countries. Therefore, the operation does not qualify for approval by Simplified Procedure.  
  
The financing for this operation corresponds to a parallel loan within the framework of the multilateral debt relief and concessional finance reform of the Bank.

**Reference:** GN-1838-1(7/94), DR-398-17(1/15), GN-2805(4/15), PR-2192(1/97), DE-34/97, PR-2976(10/05), DE-104/75, PR-3328(11/08), DE-154/08, DE-155/08, PR-3476(11/09), DE-183/09, DE-184/09, PR-3633(11/10), DE-184/10, DE-185/10, PR-3674(11/10), DE-236/10, DE-237/10, PR-3747(9/11), DE-102/11, PR-3774(10/11), DE-140/11, DE-141/11, PR-3805(11/11), DE-184/11, DE-185/11, PR-3932(10/12), DE-158/12, DE-159/12, PR-3964(11/12), DE-191/12, PR-4018(6/13), DE-64/13, DE-65/13, PR-4072(10/13), DE-143/13, DE-144/13, PR-4132(1/14), DE-8/14, DE-9/14, PR-4242(11/14), DE-197/14, DE-198/14



DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**BOLIVIA**

**PROGRAM TO SUPPORT PREINVESTMENT FOR DEVELOPMENT**

**(BO-L1101)**

**LOAN PROPOSAL**

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## CONTENTS

### PROJECT SUMMARY

I.	DESCRIPTION AND RESULTS MONITORING .....	1
	A. Background, problems addressed, and rationale .....	1
	B. Objectives, components, and cost .....	10
	C. Key results indicators .....	12
II.	FINANCING STRUCTURE AND MAIN RISKS .....	12
	A. Financing instruments .....	12
	B. Environmental and social risks .....	13
	C. Fiduciary risks .....	13
	D. Other project risks .....	14
III.	IMPLEMENTATION AND MANAGEMENT PLAN .....	14
	A. Summary of implementation arrangements .....	14
	B. Summary of arrangements for monitoring results .....	16
	C. Evaluation.....	17

ANNEXES	
Annex I	Project Evaluability Assessment Note
Annex II	Results Matrix
Annex III	Fiduciary Agreements and Requirements

ELECTRONIC LINKS	
<b>REQUIRED</b>	
1.	Program Execution Plan (PEP) <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39683135">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39683135</a>
2.	Annual work plan (AWP) <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39683135">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39683135</a>
3.	Monitoring and Evaluation Plan <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39671056">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39671056</a>
4.	Procurement Plan <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39664543">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39664543</a>
<b>OPTIONAL</b>	
1.	2025 Patriotic Agenda <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39289602">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39289602</a>
2.	VIPFE Institutional Assessment <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39671086">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39671086</a>
3.	2025 Electricity Plan of the Plurinational State of Bolivia <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39666444">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39666444</a>
4.	2015 – 2020 Government Plan <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39671066">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39671066</a>
5.	Basic Preinvestment Regulations <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39666314">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39666314</a>
6.	Preliminary Project Portfolio <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39666237">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39666237</a>
7.	Program Operating Regulations (draft) <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39671101">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39671101</a>
8.	Interagency Financing Agreement (draft) <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39671128">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39671128</a>
9.	Bank Experience in Preinvestment Operations <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39717063">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39717063</a>
10.	Technical note on review of preinvestment quality <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39770603">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39770603</a>
11.	Safeguards Policy Filter (SPF) and Safeguard and Screening Form for Classification of Projects (SSF) <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39685352">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39685352</a> <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39685355">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39685355</a>

## ABBREVIATIONS

ABC	Bolivian Highway Administration
GDP	Gross domestic product
IFA	Interagency Financing Agreement
MPD	Ministry of Development Planning
PEEPB	Plan Eléctrico del Estado Plurinacional de Bolivia 2025 [2025 Electricity Plan of the Plurinational State of Bolivia]
PIP	Public investment project
RBP	Reglamento Básico de Preinversión [Basic Preinvestment Regulations]
RVF	Red Vial Fundamental [Primary Road Network]
SNIP	Sistema Nacional de Inversión Pública [National System of Public Investment]
TOR	Terms of Reference
VIPFE	Office of the Deputy Minister of Public Investment and External Financing

**PROJECT SUMMARY**

**BOLIVIA  
PROGRAM TO SUPPORT PREINVESTMENT FOR DEVELOPMENT  
(BO-L1101)**

Financial Terms and Conditions								
<b>Borrower:</b> Plurinational State of Bolivia				<b>OC</b>	<b>FSO</b>			
<b>Executing agency:</b> Ministry of Development Planning (MPD) through the Office of the Deputy Minister of Public Investment and External Financing (VIPFE)			<b>Amortization period:</b>	30 years	40 years			
			<b>Disbursement period:</b>	5 years	5 years			
			<b>Grace period:</b>	6 years	40 years			
<b>Source</b>	<b>Amount (US\$)</b>	<b>%</b>	<b>Inspection and supervision fee:</b>	<sup>(a)</sup>	N/A			
<b>IDB (Ordinary Capital)</b>	24,000,000	80%	<b>Interest rate:</b>	SCF-Fixed <sup>(b)</sup>	0.25%			
<b>IDB (FSO)</b>	6,000,000	20%	<b>Credit fee:</b>	<sup>(a)</sup>	N/A			
<b>Total</b>	30,000,000	100%	<b>Approval currency:</b>	U.S. dollars from the Ordinary Capital	U.S. dollars			
Project at a Glance								
<b>Project objective/description:</b> The program objective is to support the Plurinational State of Bolivia in its efforts to improve the quality of public investment so as to facilitate the management of financing and investment, by financing preinvestment studies for strategic projects in the energy, transportation, irrigation, and health sectors under the new preinvestment regulations.								
<b>Special contractual conditions: Conditions precedent to the first loan disbursement:</b> (i) The executing agency's submission of evidence that resources and the minimum staff necessary have been assigned to the Office of the Deputy Minister of Public Investment and External Financing (VIPFE) Preinvestment Unit (paragraph 3.1); (ii) the executing agency's submission of an initial report and the corresponding initial annual work plan for the program (paragraph 3.10); and (iii) approval and entry into force of the program Operating Regulations, under terms previously agreed upon by the Bank (paragraph 3.9). <b>Execution conditions:</b> The disbursement of Component I funds financing each study for Public Investment Projects (PIPs) will be subject, in each case, to the executing agency and the subexecuting agency signing an interagency financing agreement (IFA) in accordance with terms previously agreed upon with the Bank and included in the program Operating Regulations (paragraph 3.6).								
<b>Exceptions to Bank policies:</b> None								
<b>Program qualifies as:</b> <sup>(c)</sup>	SV	<input type="checkbox"/>	PE	<input checked="" type="checkbox"/>	CC	<input type="checkbox"/>	CI	<input type="checkbox"/>

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

<sup>(b)</sup> The borrower will pay interest on outstanding balances on this portion of the Ordinary Capital loan at a LIBOR-based rate. Whenever the outstanding balance reaches 25% of the approved net amount or US\$3 million, whichever is greater, the rate on this balance will be set.

<sup>(c)</sup> SV (Small and Vulnerable Countries), PE (Poverty Reduction and Equity Enhancement), CC (Climate Change, Sustainable Energy, and Environmental Sustainability), CI (Regional Cooperation and Integration).

## I. DESCRIPTION AND RESULTS MONITORING

### A. Background, problems addressed, and rationale

- 1.1 Since 2005, Bolivia's economy has improved its performance, recording average annual growth of about 5% of gross domestic product (GDP) between 2006 and 2014, higher than the average of 3.3% recorded in the preceding decade (1995-2005). The main determinant of economic growth was the accumulation of capital, primarily due to public investment that increased from US\$629.2 million in 2005 to US\$4.519 billion in 2014. This increase in public investment was facilitated by commodities exports, particularly natural gas, in conjunction with adjustments to the tax system applicable to the production and sale of hydrocarbons, which contributed to a significant improvement in nonfinancial public sector revenues, which increased from 31.6% of GDP in 2005 to 50.2% of GDP in 2014.
- 1.2 Increased resources led to an increase in public spending, which was less than the growth in revenues in the period 2006-2013 and generated surpluses in those years, allowing the accumulation of net reserves until 2014 on the order of 46% of GDP. Although the nonfinancial public sector showed a deficit of 3.3% of GDP in 2014, the favorable macroeconomic and fiscal context was decisive in spurring increased public investment, which grew from 7.5% of GDP between 2006 and 2010 to 13.2% of GDP in 2014.
- 1.3 Between 2006 and 2014, public investment was concentrated in public investment projects (PIP) in the infrastructure and social sectors. The infrastructure sector's share of total public investment fell from 55% in 2006 to 37% in 2014 while the productive sector's share increased from 11% to 26% over the same period, driven strongly by projects in the hydrocarbons sector. The social sector's share of public investment remained relatively constant, representing around 30% of total PIPs during the same period. With respect to public investment executed by the different organizational levels of the Bolivian government, the central government's share went from 32% of total public investment in 2006 to 49% in 2014, driven by investment in public enterprises, while the departmental share fell from 37% to 17%, and the municipal share remained stable at about 29% during the same period.
- 1.4 **The 2025 Patriotic Agenda.** The Bolivian government has developed a strategy, called the 2025 Patriotic Agenda, which establishes social and economic development guidelines and objectives to be achieved by Bolivia by 2025, seeking to: (i) reduce poverty; (ii) increase the population's access to quality basic public services; (iii) improve infrastructure; and (iv) increase the country's productive capacity. For this strategy, and with significant public resources available, the Government of Bolivia developed an investment plan amounting to US\$125 billion through 2025 (2015-2025 Investment Plan), putting public investment at 17.2% of GDP between 2015 and 2019, and at 15.5% of GDP between 2020 and 2025.
- 1.5 The significant growth in public investment seen in recent years, which is expected to continue through the execution of the Investment Plan of the 2025 Patriotic Agenda, will make a critical contribution to achieving the country's medium-term development objectives, including closing gaps in social and infrastructure development and making potential gains in productivity. The need for public investment to effectively drive economic growth and poverty reduction was identified by the Bolivian government, which, in its medium-term macroeconomic

projections established the need to maintain and even increase the rate of public investment to a sustained level in excess of 15% of GDP between 2015 and 2025. This planned investment effort brings with it the need to produce adequate preinvestment studies, particularly in the strategic sectors. The challenge lies not only in the volume of preinvestment needed, but also in the need to increase the quality of studies, so as to ensure that the investments are properly designed and executed.

- 1.6 In the context of the 2025 Patriotic Agenda Investment Plan, the three sectors with the highest projected investment for the period 2015-2019 are transportation, energy, and health, with shares of 27.6%, 11.0%, and 6.1%, respectively, of total projected public investment for this period.<sup>1</sup> The Bolivian government has declared the decade 2015-2025 as the “Irrigation Decade: toward one million hectares under irrigation.”<sup>2</sup> Thus, projects of this type are also considered to have priority.<sup>3</sup> Nonetheless, despite their strategic nature for the country’s development, available evidence shows weaknesses in the preinvestment studies for these sectors, based on institutional and technical factors affecting both national and subnational entities (see paragraph 1.17).<sup>4</sup>
- 1.7 **Transportation sector.** The 2015-2020 Government Plan<sup>5</sup> provides for investments in the integration of highway, air, rail, and cable car transportation, the first two of which are the most relevant areas for this program.
- 1.8 **Highway integration.** Bolivia is one of the countries with the lowest rates of roadway infrastructure development in the region. Its road density of 8% is much lower than the regional average of 17%, and the ratio of paved roads to total roads is 13% compared to 27% for the region. Only 38% de la Red Vial Fundamental [Primary Road Network] (RVF) is paved, presenting an enormous challenge in terms of the ability to achieve 100% paved roads by 2020, due both to the financial and human resources required by the Bolivian Highway Administration (ABC) and the need to develop preinvestment studies on a timely basis. The strategy established in the 2015-2020 Government Plan defines roadway intervention through: (i) the integration of departmental capitals through paved access roads;

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<sup>1</sup> The requirements for investment in the hydrocarbon sector (24.7% of the total) are not considered for prioritization purposes, as these investments are made by a specialized state company.

<sup>2</sup> The law giving priority to the irrigation sector is currently being analyzed by the Legislative Assembly of the Plurinational State of Bolivia.

<sup>3</sup> Planned investments for PIPs in irrigation in the 2025 Patriotic Agenda amount to 0.45% of the total.

<sup>4</sup> The Bank prepared an analysis of the quality of a sample of 31 preinvestment studies conducted by central government entities between 2008 and 2012, assessing the fulfillment of key factors that each study should contain according to current preinvestment rules and good international practices: (i) consistency of the project with development planning; (ii) sequential preparation (first, a basic phase, and if applicable, a subsequent design phase); (iii) analysis of alternatives with and without the project; (iv) existence of engineering designs; (v) calculation of investment and operation costs; (vi) submission of the environmental impact assessment, if applicable; (vii) assessment of project benefits; (viii) socioeconomic return indicators; and (ix) reasoned conclusions on the project’s viability. The results of the analysis showed that the preinvestment studies for energy and transportation projects only fulfilled 72% and 70% of the criteria analyzed, respectively. In both cases, the main weaknesses were found in the absence of sequential development of the studies and the lack of analysis of investment alternatives. In the case of health projects, the rate of fulfillment of criteria analyzed reached only 48%, with the principal weaknesses being the lack of analysis of investment alternatives and of socioeconomic return indicators for the investments.

<sup>5</sup> [2015-2020 Government Plan](#).

and (ii) the development of integration corridors improving Bolivia's linkage with its neighboring countries. This plan gives priority to connectivity with border areas as part of the process of territorial integration and international connectivity, and proposes improving roadway infrastructure in productive areas, so as to increase their competitiveness. Since 2006, public investment in the RVF has increased substantially, from an annual average of \$111.3 million between 2001 and 2005, to US\$261.5 million between 2006 and 2010, and reaching US\$543.2 million between 2011 and 2014. In the last eight years, 2,738 kilometers of roads have been constructed, including the country's first divided highways. As of late 2014, approximately 2,254 kilometers of roads were under construction, and the plan is to complete 1,000 kilometers in 2015. The 2015-2020 Government Plan provides for paving 5,368 kilometers, to achieve 100% paving of the RVF, with an investment of about US\$7 billion over the next five years.

- 1.9 **Air integration.** Bolivia has a network of 38 airports for commercial flight operations; 20 belong to the primary network and three (La Paz, Cochabamba, and Santa Cruz) account for 82% of the demand. The Bolivian aviation market, with 2.9 million passengers per year, represents 1.1% of the Latin American market. However, due to growth rates exceeding 8% in recent years, the country needs to strengthen its airport infrastructure. The 2015-2020 Government Plan provides for improvements at six international airports (Chimoré, El Alto, Cochabamba, Uyuni, Tarija, and Puerto Suárez). There are also plans for work at local and tourist airports by improving 26 airports and constructing three airports. These investments will be used to modernize airport infrastructure and management, in addition to improving the integration of tourism and productive zones. As with highway integration, developing the preinvestment studies is a challenge and includes developing airport master plans.
- 1.10 **Electricity sector.**<sup>6</sup> Annual growth in demand for electricity has been about 6.6% over the last ten years, and this pace is expected to continue over the next decade given: (i) the country's economic growth, reflected in increased residential, commercial, and industrial demand; (ii) the State's target of achieving universal access to electrical service by 2025;<sup>7</sup> and (iii) the prospect of interconnections with neighboring countries. In that context, there is increasing need for investments in the electricity sector, where nearly 70% of electricity generated is based on natural gas, and the remaining 30% comes from hydroelectric generation. There is an estimated need to generate an additional 150 MW per year just to cover growth in the domestic market, in addition to investments in transmission and distribution, as well as infrastructure for export. The preinvestment studies in this sector are essential for developing a portfolio of projects ensuring the quality, continuity, and sustainability of the power supply.
- 1.11 The strategy of the electricity sector in the context of the 2025 Agenda is contained in the Plan Eléctrico del Estado Plurinacional de Bolivia 2025 [2025 Electricity Plan

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<sup>6</sup> In 2014 installed capacity was 1,664 MW and electricity consumption in the SIN was 7,477.7 GWh/year, representing an increase of 6.6% over 2013. During this period, peak demand increased by 8%, from 1,201 MW to 1,298 MW.

<sup>7</sup> According to 2012 census data, 82% of the population has access to electricity (96% in urban areas and 58% in rural areas), representing a considerable increase over the previous census (2001). Despite progress made, Bolivia remains one of the countries with the lowest coverage in the region. There are more than 535,822 households in the country without electricity (nearly two million people).

of the Plurinational State of Bolivia] (PEEPB-2025).<sup>8</sup> That plan provides for investments of US\$16.929 billion for the period 2015-2025,<sup>9</sup> including: (i) generation projects using renewable energy for the domestic and export market; (ii) strengthening and extension of the transmission network of the National Interconnected System (SIN) to ensure its more stable operation and facilitate interconnection with and exporting energy to neighboring countries; and (iii) investments to achieve universal access by 2025.

- 1.12 **Irrigation sector.** Of a total of 2.8 million hectares under cultivation in Bolivia, nearly 300,000 hectares have access to irrigation, through 5,700 systems that benefit close to 280,000 families. This low irrigation coverage has an impact on crop yields and agricultural productivity. As a result of the agriculture summit, the Bolivian government has set a goal of one million hectares under irrigation by 2025 (of a potential total of 1.5 million hectares), with a projected US\$1 billion investment by 2025. Of that amount, 32.7% represents multipurpose energy projects,<sup>10</sup> including the hydroelectric projects under the PEEPB, which, in addition to providing renewable energy, will allow for watershed management to mitigate floods and provide large-scale irrigation for agriculture.
- 1.13 **Health sector.** As of 2013, the Ministry of Health reports that the public subsector has 91 secondary level hospitals and 33 tertiary level hospitals and specialized institutes, so that hospital centers represent 3.63% of total health facilities.<sup>11</sup> Seventy percent of hospital services are concentrated in the departmental capitals, and in terms of infrastructure, 61% of all public hospitals are in fair and/or poor condition and only 12% of hospital centers have been able to achieve accreditation.<sup>12</sup> The national average of beds per 1,000 inhabitants<sup>13</sup> is 0.62 (0.28 for secondary level hospitals and 0.36 for tertiary level hospitals).<sup>14,15</sup> The 2015-2020 Government Plan provides for construction and equipping of: (i) four quaternary hospitals with specialties in: oncology, cardiology, bronchopulmonary and gastroenterology, nephrology and neurology in

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<sup>8</sup> 2025 Electricity Plan of the Plurinational State of Bolivia.

<sup>9</sup> The PEEPB-2025 plans to increase electricity generation capacity for the domestic market by 2,905 MW, with a total estimated investment of US\$4.704 billion for generation. The portfolio of projects will make it possible to increase hydroelectric generation to 70% of total generation. In addition, the PEEPB-2025 hopes to expand the Sistema Troncal de Interconexión [Interconnection Trunk System] (STI) by 7,226 km of 115 kV and 230 kV lines, primarily lines associated with generation projects, connection of isolated systems, and increased coverage. Total investment is expected to include US\$1.353 billion in the STI and US\$1.986 billion to increase coverage. In addition, the plan analyzes four possible scenarios for exporting surplus hydroelectric generation (between 2,670 MW and 3,872 MW of new generation, depending on the scenario), with an estimated investment of more than US\$8 billion.

<sup>10</sup> In particular, the potential area for expanded irrigation in areas of influence of the multipurpose projects of Río Grande-Rositas and Oquitas is 265,000 hectares, and if the Misicuni project is included this would amount to 327,000 hectares, which would represent 32.7% of the goal set in the AP. Source: Office of the Deputy Minister of Water Resources and Irrigation–Irrigation Bureau. “Programación Plurianual y Marco de Evaluación de Desempeño del Subsector de Riego 2015-2019,” La Paz, 30 September 2014.

<sup>11</sup> Source: National Health Information System (SNIS) – Ministry of Health, 2013.

<sup>12</sup> Source: Networks, Services, and Quality Unit of the Ministry of Health, 2012.

<sup>13</sup> Beds in health centers are not included in the census because they are temporary nonhospital beds used by patients until they are referred to a higher-level, more complex facility.

<sup>14</sup> The World Health Organization’s international standard is 2.5 to 4 beds per 1,000 inhabitants.

<sup>15</sup> Chuquisaca: 1.77; La Paz: 0.47; Cochabamba: 0.49; Oruro: 0.45; Potosí: 0.37; Tarija: 0.62; Santa Cruz: 0.68; Beni: 0.69; and Pando: 0.71.

Cochabamba, Tarija, La Paz, and Santa Cruz, respectively; (ii) a tertiary level hospital in each departmental capital and four in medium-sized cities; and (iii) 31 secondary level hospitals. It also establishes the target of providing 70% of the country's territory with primary care facilities. The plan is to begin construction on the four quaternary level centers by 2016, for a total amount of US\$366 million, and three tertiary level hospitals (Oruro, Trinidad, and Tarija) for a total of US\$105 million, in addition to the hospitals in Potosí and El Alto Sur financed by the IDB. All these new centers will be in operation by 2019. The autonomous departmental governments, with jurisdiction over tertiary care, are responsible for ensuring the financing for the 13 general hospitals planned.<sup>16</sup>

- 1.14 **Rationale.** The significant increase in the level of public investment expected in coming years, as well as the productivity and social development gaps that persist in the country demand the efficient delivery of resources for priority projects. That, in turn, entails the need for preinvestment studies of the highest possible quality. Noteworthy factors ensuring their quality include: (i) the accurate formulation of the studies' objectives, scopes, and budgets, starting with preparation of the terms of reference (TOR); (ii) compliance with preinvestment regulations; and (iii) appropriate allocation of resources, including timely monitoring of those resources until conclusion.
- 1.15 With respect to preinvestment regulations, the Bolivian government has Basic Regulations for the National System of Public Investment, approved in 1996, and the Basic Preinvestment Regulations (RBP), initially approved in 2007, and updated in May 2015 (paragraph 1.20). These instruments govern the formulation, evaluation, prioritization, financing, and execution of public investment projects, including the preinvestment stage. Despite the existence of these regulations and their binding nature in the public sector, evidence can be found that their application was not a common practice in all public agencies<sup>17</sup> (see the optional electronic link, [Technical note on review of preinvestment quality](#)).<sup>18</sup> The new RBP, approved in May 2015, address the obstacles identified for the regulations' implementation, tailoring them to the context and type of investment project. This operation will help promote a sustainable change, by supporting the implementation of the RBP in key sectors.

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<sup>16</sup> Chuquisaca (1), La Paz (1), Cochabamba (4), Oruro (3), Potosí (1), Beni (2), and Pando (1). The investment is estimated at US\$300 million. The Ocuri and Llallagua hospitals financed by the IDB were not counted.

<sup>17</sup> An analysis of a sample of 31 preinvestment studies showed that only 69% of the guidelines established for the development of the studies were fulfilled.

<sup>18</sup> The causes potentially impacting the partial application of the old Basic Preinvestment Regulations (approved in 2007) include: (i) the fragmentation of public investment: using 2013 data, the country had 17,288 PIPs, of which 78% were local in nature, a context in which small projects were executed. It should be noted that the Preinvestment Regulations in effect until May 2015 simply defined two sizes of projects: those with budgets of less than or equal to one million bolivianos, and projects with larger budgets; (ii) the homogenizing effect of the preinvestment regulations that did not provide, as the current regulations do, for the possibility of undertaking preinvestment studies of differing levels of depth, depending on the magnitude of the investment; (iii) the structural change made to the country's institutional framework, which established a new system of decentralization and autonomies, in which the framework of competencies of national and subnational entities was adjusted; (iv) the institutional weakness of the units responsible for formulating the preinvestment studies; and (v) insufficient budgetary resources allocated for the preparation of studies.

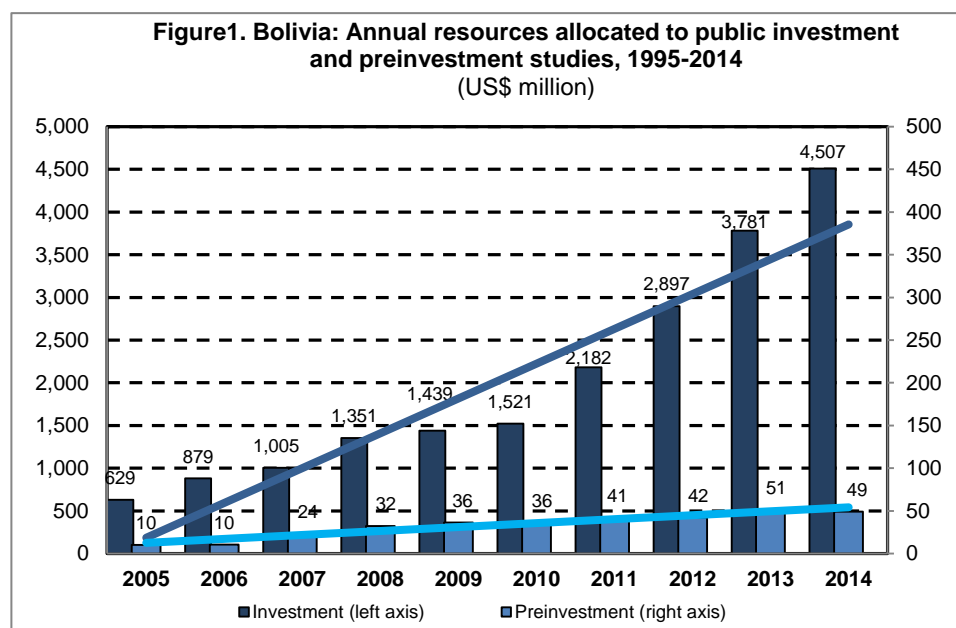
- 1.16 Analysis of the data from the Office of the Deputy Minister of Public Investment and External Financing (VIPFE)<sup>19</sup> showed that during the period 2005-2013 about 30% of PIPs required budget reformulation at different points during execution, resulting in average increases of 23%, while 46% of PIPs required reformulation of the execution period, with average extensions of 30% beyond the original period.<sup>20</sup> This analysis was performed in detail for the energy and transportation sectors, with similar results.<sup>21</sup> The reformulations of project costs and execution periods suggest weaknesses in the preinvestment process that had to be corrected during the execution stage, in addition to other key factors such as: (i) unanticipated increases in input costs; (ii) time elapsed between project development and construction; and (iii) renegotiation of contractual terms.
- 1.17 With regard to these difficulties, based on the Bank's support for the preinvestment efforts in the country and in the region (see electronic link on experience in similar operations), lessons have been identified on which this operation seeks to capitalize. These lessons, developed in greater detail in the indicated electronic link, include the following: (i) preinvestment studies with technical deficiencies result in longer project execution timeframes and/or costs, or even in the reduction of project scope; (ii) preinvestment studies prepared sufficiently in advance of the start of financing efforts allow for more accurate and timely technical and financial analysis and for launching project execution sooner; (iii) preinvestment programs that incorporate competitive mechanisms facilitate better identification of actual demand and increase the chances they will lead to financing efforts; (iv) it is appropriate to assign a significant role in the management of studies to the beneficiary institutions; (v) it is important to allocate (financial and human) resources not only to conduct the studies but also for their supervision and oversight; and (vi) proper preparation of the studies' terms of reference, including the determination of an adequate budget, is key to ensuring their quality and the quality of the subsequent investment.

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<sup>19</sup> Information obtained from the Sistema de Información Sobre Inversiones [Information System on Investments] (SISIN).

<sup>20</sup> The analysis of reformulations was based on statistical information from VIPFE referring to 563 central government and subnational government PIPs in the infrastructure, productive, and social areas, with investment costs of more than US\$5 million.

<sup>21</sup> In the case of energy projects, 42% of the projects evaluated required reformulations of the execution period, with average extensions of 22%. In addition, 50% of projects required reformulation of costs, with average increases of 13%. In the case of transportation projects, 45% required reformulations of the execution period, with an average extension of 26%, while 25% of the projects required reformulation of costs, with average increases of 16%.



Source: Office of the Deputy Minister of Public Investment and External Financing

- 1.18 Factors explaining the low quality of preinvestment include: (i) deficiencies in the integration of planning and budgeting; (ii) insufficient resources allocated for preinvestment; between 2000 and 2014 only 1.8% of PIP resources were allocated to preinvestment, with a significant decline in recent years, when they fell to just 1.0%;<sup>22</sup> (iii) insufficient sector technical capacity for the formulation and supervision of PIPs, particularly for strategic projects; (iv) absence of or failure to use and apply updated and validated sector methodologies for the formulation and evaluation of PIPs; and (v) a lack of tools for formulation and periodic updating of databases on unit prices in strategic sectors.
- 1.19 **Institutional organization for the coordination of public investment.** The mission of the Ministry of Development Planning (MPD) is to direct and promote the government's Comprehensive Planning System. It is also responsible for formulating policies for the development of the plural economy, promoting efficiency, effectiveness, and equity in public investment and financing for the development and full exercise of the fundamental rights of Bolivians as established in the Bolivian Constitution. The MPD has three offices of deputy ministers: (i) the Office of the Deputy Minister for Planning and Coordination; (ii) the VIPFE; and (iii) the Office of the Deputy Minister for Strategic Planning of the State.

<sup>22</sup> Although the country has made significant preinvestment efforts, allocating annual resources amounting to US\$49.1 million in 2014 (well above the US\$36 million allocated in 2010), in relative terms this is a small increase considering the magnitude of the increase in investments (Figure 1). Between 2010 and 2014 investments grew by 26.3% per year, and the resources allocated to preinvestment increased by only 6.6% per year. In terms of the areas of investment, except in the social area, the share of resources allocated to preinvestment in investment programs also fell between 2010 and 2013. According to information from VIPFE, this share went from 2.5% to 1.1% (infrastructure), from 5.3% to 1.8% (productive), and from 1.0% to 1.3% (social). With regard to the target sectors of this operation, the indicated shares went from 1.8% to 0.5% (transportation), from 7.3% to 1.4% (energy), and from 0.7% to 2.5% (health and social security).

- 1.20 Public investment is managed within the framework of the Sistema Nacional de Inversión Pública [National System of Public Investment] (SNIP), under the leadership of the MPD through the VIPFE. The Basic Regulations of the SNIP, approved in 1996, govern the management of public investment for about 550 national and subnational agencies responsible for executing preinvestment studies and investments in their respective jurisdictions, according to the Bolivian Constitution and the Ley Marco de Autonomías y Descentralización [Framework Law on Autonomy and Decentralization]. Between the mid-1990s and the end of the first decade of this century, the SNIP was consolidated with important achievements such as the development of preinvestment standards and regulations, the Information System on Investments (SISIN), and the institutionalization of preinvestment, with the criterion of socioeconomic return as a guideline for public investment.
- 1.21 In May 2015, the MPD approved the new RBP<sup>23</sup> in order to: (i) adapt preinvestment provisions to the new legal structure in effect based on the new Bolivian Constitution; and (ii) adapt the technical and methodological instruments for developing studies to the current preinvestment needs in the different sectors and agencies of government. The RBP establish typologies of public investment projects and the minimum content of the studies for each type of project. They also stipulate that preinvestment will be done in a single step through a Preinvestment Technical Design Study, which will determine the technical, economic, financial, legal, social, institutional, environmental, risk management, and climate change viability of projects. The scope of these studies, according to the new RBP, includes analysis and design of preventive and risk management measures for each project, an aspect that was not considered previously.
- 1.22 **Strategic alignment.** The Bank's 2011-2015 country strategy with Bolivia (document GN-2631-1) includes as its priority sectors: transportation, water and sanitation, energy, early childhood development, health, education, and strengthening of public governance. The proposed program is consistent with these sectors, in that it will support the development of quality preinvestment in some of these sectors and will help to strengthen public governance. This operation is also aligned with the priority of lending to small and vulnerable countries, according to the Report on the Ninth General Increase in the Resources of the Inter-American Development Bank (GCI-9) (document AB-2764). In addition, the operation is aligned with the Bank's Multisector Preinvestment Policies, the Sector Strategy Institutions for Growth and Social Welfare (document GN-2587-2), and the IDB Infrastructure Strategy (document GN-2710-5), considering that the preinvestment studies seek to support the planning of quality infrastructure to increase the coverage of public services in the country.
- 1.23 A new 2015-2020 Bank country strategy with Bolivia is being prepared, and its main focus will be support for increased productivity. This program is expected to contribute to the objectives of that strategy by helping to generate quality projects in key sectors such as electrical generation and transmission, transportation, irrigation, and health. Lastly, the program is aligned with the strategic objectives of the 2025 Patriotic Agenda.

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<sup>23</sup> [MPD Ministerial Resolution 115, 12 May 2015.](#)

- 1.24 **Bank experience.** This program draws on lessons learned from various IDB operations ([see electronic link on the Bank's experience in similar operations](#)) such as the Program of Support for the National Public Investment System (loan 1678/SF-BO), a loan approved on 2 December 2005, the execution of which concluded in December 2012;<sup>24</sup> as well as the Preinvestment Program for Strategic Transportation Projects (loan 2498/BL-BO), approved on 15 December 2010 and currently being executed. It will also draw on the experience and results of the recently completed technical cooperation operation, the Program for the Improvement of Budgetary Execution (ATN/SF-12461-BO). The proposed operation also benefits from IDB experience in similar operations in other countries, such as the Program for Strengthening the Preinvestment Cycle (2585/OC-EC) in Ecuador and the Multisector Preinvestment Program IV (2851/OC-AR) in Argentina, both approved in 2012.
- 1.25 The program will also benefit from good practices identified in the development of similar projects, such as: (i) development of project banks; (ii) impetus for compliance with national regulatory frameworks for preinvestment; (iii) preparation of databases with benchmark prices for estimating budgets; (iv) support for developing methodological instruments for public investment systems and impetus for their use; (v) impetus for the application of environmental regulations; (vi) involvement of lead sector entities and the planning authority in the process of assigning priorities for studies to be financed; (vii) allocation of resources for supervision and oversight of studies; and (viii) introduction of mechanisms for identifying the most suitable public agencies for developing the studies, in order to maximize the chances of achieving the anticipated impact from the program.
- 1.26 The IDB has broad knowledge in each of the sectors covered by the proposed operation. In the **transportation sector**, the Bank has traditionally been a key actor in Bolivia. Currently, the Preinvestment Program for Strategic Transportation Projects (loan 2498/BL-BO)<sup>25</sup> is being executed by the Office of the Deputy Minister of Transportation and the ABC, for US\$15.8 million, with the objective of supporting the production of preinvestment studies to facilitate scheduled investments intended to: (i) determine the viability of the railway interconnection and the interoceanic corridor through the development of technical, economic, financial, and socioenvironmental studies that contribute to the construction of this interconnection; and (ii) develop a portfolio of projects for the RVF, to give continuity to its improvement and expansion program for which the ABC is responsible. In addition, the Airport Infrastructure Program – Stage I, (loan 2951/BL-BO)<sup>26</sup> aims to support the development of studies for interventions in the airports of Uyuni, Tarija, Riberalta, and Guayaramerín, as well as improvement projects at the airports of Cobija, Trinidad, and Tarija. In addition, the Road

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<sup>24</sup> The Program of Support for the National System of Public Investment satisfactorily completed the execution of component 5 related to the preparation of preinvestment studies. The operation's project completion report (PCR) indicates that as of December 2012, of the 31 studies scheduled, 24 were completed, and four were in the final phase of execution (studies completed, with environmental licenses being processed). See [electronic link on Bank's experience in similar operations](#).

<sup>25</sup> Loan 2498/BL-BO approved by the IDB Board in December 2010, now in execution. The studies to be financed by this operation are complementary and do not overlap the preinvestment financed by loan 2498/BL-BO.

<sup>26</sup> Loan 2951/BL-BO approved by the IDB Board in June 2013 for US\$73.5 million.

Infrastructure Programs to Support the Development and Management of the Primary Road Network I and II,<sup>27</sup> for which the ABC is responsible, are now in the stage of preparation and fulfillment of conditions precedent, with total financing amounting to US\$364 million.

- 1.27 In the case of the **electricity sector**, since 2009 the IDB has financed close to US\$240 million to support the sector, including investments in hydroelectric generation (loan 2238/BL-BO),<sup>28</sup> transmission and distribution lines, and a rural electrification program (loans 2654/BL-BO and 2460/BL-BO).<sup>29</sup> In 2012, the Bank approved a technical cooperation operation, “Promotion, Support and Development of Sustainable Energy in Bolivia” (ATN/OC-13520-BO), in the amount of US\$500,000, execution of which is currently being finalized and which supported preinvestment studies on renewable energy and energy efficiency projects. In addition, in 2015 the Bank approved a technical cooperation operation, “Support for the Development of the Electricity Sector in Bolivia” (ATN/OC-14941-BO), in the amount of US\$300,000, which includes financing to support the startup of the loan, under the energy component.
- 1.28 In the **health sector**, the Bank has approved financing for approximately US\$163 million in recent years, including support for preinvestment. Specifically, in connection with hospital infrastructure, execution is under way for the construction and equipping of the Hospitals of Llallagua and Ocurí (loan 2614/BL-BO), equipping of Hospital El Alto Norte, construction and equipping of the tertiary hospital in Potosí (loan 2822/BL-BO), and construction and equipping of Hospital El Alto Sur (loan 3151/BL-BO).
- 1.29 In the **irrigation sector**, the Bank has supported Phases I and II of the Irrigation Program with a Watershed Approach,<sup>30</sup> for a total of US\$112.8 million. Phase III, for an initial amount of US\$142 million, is scheduled for approval in fiscal year 2016 and to begin execution in fiscal year 2017. Phase I covered seven departments with a total of 54 irrigation projects and Phase II, on which execution began in fiscal year 2014, has 72 projects approved to date in the departments of Cochabamba, Tarija, and Chuquisaca.

## **B. Objectives, components, and cost**

- 1.30 The program objective is to support the Plurinational State of Bolivia in its efforts to improve the quality of public investment in order to facilitate the management of financing and investment, through financing preinvestment studies for strategic projects in the energy, transportation, irrigation, and health sectors under the new preinvestment regulations. To achieve this objective, the program includes two components:
- 1.31 **Component I. Preinvestment studies in prioritized areas (US\$27.5 million).**  
The objective of this component is to finance preinvestment technical design

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<sup>27</sup> Loan 3385/BL-BO approved by the IDB Board in December 2014 for US\$185.5 million.

<sup>28</sup> Loan 2238/BL-BO approved by the IDB Board in November 2009 for US\$101 million.

<sup>29</sup> Loans 2460/BL-BO and 2654/BL-BO approved by the IDB Board in November 2010 and November 2011, for US\$60 million and US\$78 million, respectively.

<sup>30</sup> Loans 2057/BL-BO and 3060/BL-BO approved by the IDB Board in 2009 and 2012, for US\$34.3 million and US\$57 million, respectively.

- studies, including economic, financial, environmental, social, and regulatory considerations, that comply with the benchmark content established in the RBP. The component will finance the preparation and supervision of studies for strategic PIPs programmed by the Bolivian government in the priority sectors of the 2025 Patriotic Agenda, which contribute to social and economic development and are included in the respective sector plans.
- 1.32 The execution of Component I is expected to include a preinvestment portfolio capable of obtaining financing and initiating execution immediately. The PIPs will be proposed by national and subnational sector entities (subexecuting agencies<sup>31</sup>), according to their jurisdiction, and will be selected and prioritized by the VIPFE (see paragraph 3.4) in accordance with the procedure and criteria established in the program [Operating Regulations](#).<sup>32</sup> The subexecuting agencies will be responsible for developing the studies, and through Component II they will be provided technical assistance to strengthen the preparation of TORs and oversight of the studies.
- 1.33 **Component II. Administration, monitoring, and studies (US\$2.5 million).** This component will finance the administration and monitoring of the program, for which the executing agency is responsible, as well as technical assistance provided to the subexecuting agencies for formulation of the TORs and monitoring of the studies, in all the beneficiary sectors. In addition, financing will be provided for consulting services to support the implementation of the new RBP in: (i) the development of manuals for disaster risk management in preinvestment for the transportation and energy sectors (paragraph 1.21); and (ii) the development of databases to support the preparation of infrastructure projects (paragraph 1.18).
- 1.34 The total cost of the program amounts to US\$30 million and no provision is made for counterpart resources. The costs table is presented below:

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<sup>31</sup> The agencies identified are: (i) the ABC, for highways; (ii) the Ministry of Public Works, Services, and Housing (MOPSV), for airports; (iii) the National Electricity Company (ENDE), for hydroelectric projects and transmission lines; (iv) the Operational Technical Program in Infrastructure and Medical Equipment (PTOIEM) of the Ministry of Health, for hospitals; and (v) the Office of the Deputy Minister of Water Resources and Irrigation, for irrigation projects.

<sup>32</sup> The criteria include: (i) sector prioritization in the context of the National Development Plan, the 2015 Agenda, or the 2015-2020 Strategic Development Plan; (ii) technical report on conditions precedent in accordance with the RBP; (iii) TOR with the benchmark content established in the RBP; (iv) assessment of the institutional capacity of the proposing agency; (v) preliminary evaluation of the environmental viability of the project; and (vi) institutional commitment to ensure the viability of the project investment phase once the studies are concluded.

Table I.1 Cost Table

Description	IDB (in US\$ thousands)	Total (in US\$ thousands)
<b>Component I</b>		
<b>1. Preinvestment in prioritized areas</b>	<b>27,500</b>	<b>27,500</b>
1.1 Preinvestment Studies	25,200	25,200
1.2 Supervision of Preinvestment Studies	2,300	2,300
<b>2. Administration, monitoring, and studies</b>	<b>2,500</b>	<b>2,500</b>
2.1 Support for subexecuting agencies	970	970
2.2 Studies	400	400
<b>Component II</b>		
2.3 Administration	835	835
2.4 Evaluation	45	45
2.5 Audits	250	250
<b>Total</b>	<b>30,000</b>	<b>30,000</b>

### C. Key results indicators

- 1.35 **Anticipated results.** The program will support the preinvestment process for at least 15 projects in transportation, energy, health, and irrigation, under the new preinvestment regulations (paragraph 1.21). These studies will be among the first strategic studies developed under the new RBP, supporting their dissemination and use among executing agencies in these strategic sectors. The preliminary portfolio of projects was selected in accordance with the priorities of the 2025 Patriotic Agenda and sector priorities. All projects were proposed by lead sector agencies and prioritized by the VIPFE and the MPD. With support for the financing and preparation of the preinvestment studies, the program will help to increase the number and quality of the specific investment projects, anticipating that the projects will be submitted to the Bank and/or to other public or private national agencies to obtain financing, or will remain in the programming portfolio upon conclusion of the operation. The impact of the program will be measured based on the amount of investments that arise as a result of the preinvestment studies financed by the program and the reduction in the difference between actual investment costs and costs estimated by the studies.

## II. FINANCING STRUCTURE AND MAIN RISKS

### A. Financing instruments

- 2.1 **Program resources and disbursements schedule.** The program will finance studies and consulting assignments, and will thus be executed according to the reimbursable technical cooperation loan methodology, with no provision for investment financing. The Bank's loan will be granted using the "blend" modality, with 80% thereof (US\$24,000,000) charged against Ordinary Capital funds and the remaining 20% (US\$6,000,000) against resources from the Fund for Special Operations (FSO). The execution period is five years and the disbursement schedule is as follows:

**Table II-1. Disbursement Schedule (US\$ thousands)**

	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Total</b>
Component I	0	3,884	8,350	7,485	7,781	27,500
Component II	345	783	398	432	542	2,500
<b>Total</b>	<b>345</b>	<b>4,667</b>	<b>8,748</b>	<b>7,917</b>	<b>8,323</b>	<b>30,000</b>
(%)	1%	16%	29%	26%	28%	100%

**B. Environmental and social risks**

2.2 Since this program involves the preparation of preinvestment studies, it will not generate environmental or social impacts. In accordance with the Environment and Safeguards Compliance Policy (Operational Policy OP-703), it has been classified as a category “C” operation, indicating a minimal or nonexistent negative environmental, social, and/or cultural impact. Given the nature of some of the studies, particularly in the case of complex infrastructure projects such as hydroelectric generation plants, the project team includes a VPS/ESG specialist to monitor the process of defining the eligibility and prioritization criteria for the studies to be financed, TOR, scope, incorporation of Bank environmental and social policies, and to ensure that the studies comply with the applicable safeguards and policies. The TOR and any studies resulting from this contracting will be submitted to the Environmental Safeguards Unit. The program’s Operating Regulations will include aspects related to compliance with the environmental and social regulations for the studies to be financed, in accordance with Bank policies.

**C. Fiduciary risks**

2.3 The MPD will execute the operation through the VIPFE, which will operate through the Preinvestment Unit, a division of the Bureau of Programming and Preinvestment, which will carry out the program administration, monitoring, and evaluation tasks. The assessment of the VIPFE’s institutional and fiduciary capacity, conducted using the Institutional Capacity Assessment System (ICAS), concluded that the VIPFE has sufficient capacity and experience to carry out the respective procurement, disbursements, documentation, reports, monitoring, and follow-up.

2.4 The sector entities will be designated as subexecuting agencies and will execute the identified preinvestment studies, previously approved and prioritized based on the eligibility criteria of the RBP and the program Operating Regulations (paragraph 1.32). The subexecuting agencies will be responsible for the contracting, output approval, and financial management processes for the contracts under their responsibility. Those 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/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 in executing projects with the Bank (paragraph 1.32), have been identified on a preliminary basis. In addition, once financing of the studies has been approved, the executing agency will evaluate and verify the capacity of the subexecuting agencies (paragraph 3.5). Delay in procurement procedures was

identified as a “medium” fiduciary risk. To mitigate this risk, the risk matrix identifies actions that include: (i) training for subexecuting agencies on the Bank’s procurement regulations; (ii) definition in the program Operating Regulations of the responsibilities of the legal, technical, and administrative area with regard to procurement processes; (iii) timely recording of program resources by the subexecuting agencies; (iv) technical assistance from the VIPFE on fiduciary issues for the subexecuting agencies; and (v) periodic review of the program procurement plan.

#### **D. Other project risks**

- 2.5 Among the other risks identified, the most significant risk relates to insufficient monitoring of the execution of technical activities by the subexecuting agencies. To mitigate this risk, agreement was reached with the executing agency to provide support to the subexecuting agencies in the supervision and oversight of studies, in addition to contracting an individual dedicated to program monitoring. Two medium risks were identified: (i) delay in procurement processes (described in the preceding paragraph); and (ii) delay in and/or inadequate preparation of TORs, budgets, and procurement documents for approval of the projects. To mitigate this last risk, financing is included to support the preparation of the TORs (see details in the [Risk Matrix](#)).

### **III. IMPLEMENTATION AND MANAGEMENT PLAN**

#### **A. Summary of implementation arrangements**

- 3.1 **Borrower and executing agency.** The borrower will be the Plurinational State of Bolivia. The executing agency for the loan will be the MPD through the VIPFE, through the Preinvestment Unit reporting to the Bureau of Programming and Preinvestment. The Preinvestment Unit has capacity to execute the loan and experience in executing operations in accordance with Bank regulations.<sup>33</sup> **The executing agency’s submission of evidence that the resources and minimum staff necessary for program execution have been assigned to the VIPFE’s Preinvestment Unit will be a special condition precedent to the first disbursement.**
- 3.2 The Preinvestment Unit will be responsible for the planning, coordination, and monitoring of the entire program, as well as for direct execution of Component II. It will be responsible for managing the approval of financing for the studies (paragraph 3.5) and for verifying compliance with the current preinvestment during those studies. It will also be responsible for preparation of the necessary supporting documentation for appropriate execution and supervision of the program. 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 I contracts, in accordance with the financial management plan established in Annex III and the program Operating Regulations.

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<sup>33</sup> Similar operations executed by the VIPFE include loan 993/SF-BO, the Program for Decentralization of the National Public Investment System and Preinvestment Financing, and loan 1678/SF-BO, the Program of Support for the National Public Investment System.

- 3.3 **Subexecuting agencies.** These agencies will be responsible for contracting processes for the studies, including tasks related to the development of TORs and requests for proposals, invitations to submit bids, contracting, administration, and supervision of contracts, including the approval of outputs and coordination with the VIPFE with respect to payments for consulting services. In addition to their own staff, they should have professionals responsible for the fiduciary administration of the program with the profiles indicated in paragraph 2.4. The Preinvestment Unit will be responsible for verifying that each subexecuting agency has adequate capacity for financial management and procurement. This verification will be done prior to approval of the financing and the signing of interagency financing agreements (IFAs) for the studies (paragraph 3.5).
- 3.4 **Prioritization of the portfolio.** There is a preliminary portfolio of preinvestment studies (see [preliminary project portfolio](#)),<sup>34</sup> and a list prioritized by the VIPFE for their financing by the program (see [Procurement Plan](#)).<sup>35</sup> Each study to be financed by the program will meet the criteria and follow the approval procedure indicated.<sup>36</sup> The subexecuting agencies will prepare the TOR 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 and procedures. The Preinvestment Unit will have resources to support the subexecuting agencies in the preparation of TORs. In addition, the Bank and the VIPFE will hold quarterly coordination meetings, during which the project portfolio and the program's 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 (paragraph 1.32). The program is expected to support the generation of studies for projects with investment amounts of over US\$2.0 billion. In order to finance their implementation, in addition to self-financing, the Bolivian government may have financing support from the IDB and other multilateral institutions.
- 3.5 **Approval of financing.** Requests for financing for the 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 for the allocation of financial resources for the preparation of the study and its supervision, or for revising the request if there are observations. The projects will be aligned with the national priorities of the 2025 Agenda or the National Development Plan and related to the sector strategic plans. In addition, each project will show how it fits into the existing networks in the areas of roads, railways, energy, water resources, production, and hospital management. The eligibility criteria also include verification of the subexecuting agencies'

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<sup>34</sup> The project portfolio includes: 2 airports, 19 highway segments, 2 transmission lines, 6 hydroelectric generation projects, and 4 hospitals. In addition, the VIPFE application included 2 multipurpose projects on water use for irrigation.

<sup>35</sup> The preliminary project portfolio was selected in accordance with the priorities of the 2025 Patriotic Agenda and sector priorities. All projects were proposed by the lead sector agencies and prioritized by the VIPFE and the MPD.

<sup>36</sup> [Procedure for submission of studies for financing.](#)

execution capacity, and institutional commitment to make the investment phase viable, and the preliminary identification of the project's environmental viability (paragraph 1.32).

- 3.6 **Interagency financing agreement (IFA).** Once the Technical Committee approves financing for each study, with the Bank's prior no objection as regards the TOR, the parties will proceed to prepare and sign the IFA between the VIPFE and the subexecuting agency, in accordance with the attached model agreement.<sup>37</sup> The amount of the IFA will include the cost of the study and supervision thereof and may include financing to support oversight of the study, when applicable. The loan may finance 100% of the preinvestment studies, and no local counterpart will be required. **In each case, the signing of an IFA between the executing agency and the relevant subexecuting agency, under terms previously agreed upon with the Bank and included in the program Operating Regulations, will be a special contractual condition precedent to disbursement of the resources for component I financing each study for the PIPs.**
- 3.7 **Contracting of consulting services.** The contracting of consulting services will be carried out in accordance with Bank policies (document GN-2350-9). Ex ante review of procurement procedures will apply only to procurement processes above the threshold for international shortlists established by the Bank. The remaining contracts will be reviewed on an ex post basis, as indicated in the procurement plan. Each subexecuting agency will handle contracting for the projects under its responsibility, in direct coordination with the Bank with respect to the Bank's no objections and the necessary reviews.
- 3.8 **Audit.** During the loan disbursement period, within the 120 days following the close of the executing agency's fiscal year, the program's audited annual financial statements will be submitted to the Bank. The determination of scope and other related aspects will be governed by the Financial Management Policy for IDB-financed Projects (document OP-273-6) and the guidelines for financial statements and external audits. Audit costs will be financed using program resources. The Preinvestment Unit will be responsible for contracting the audit firm for the program.
- 3.9 Execution will be governed by the program Operating Regulations, which will include, *inter alia*: (i) criteria for the selection of studies and formation of the technical committee; (ii) requirements for the submission of financing requests; (iii) method for selection and contracting of consulting services; (iv) the use of resources; (v) financial management method; (vi) execution period; and (vii) definition of the characteristics of program monitoring and control. **A special condition precedent to the first disbursement of program resources will be for the executing agency to submit evidence of the approval and entry into force of the program Operating Regulations under terms previously agreed upon with the Bank.**
- B. Summary of arrangements for monitoring results**
- 3.10 The monitoring plan includes administrative missions, semiannual progress reports, the annual work plan, and annual external audits. A breakdown of these

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<sup>37</sup> [Model Interagency Financing Agreement.](#)

activities is provided in the link “Arrangements for Monitoring and Evaluation.” **A special condition precedent to the first disbursement of program resources will be for the borrower, on its own initiative or through the executing agency, to submit to the Bank the program’s annual work plan and an initial report prepared in accordance with the guidelines provided by the Bank.**<sup>38</sup>

- 3.11 **Financial supervision.** The disbursements will be subject to ex post review. Adequate training will be provided to the subexecuting agencies for the management and accounting of the investments they make. The VIPFE has sufficient capacity for the financial administration of the program.

**C. Evaluation**

- 3.12 The VIPFE will perform the general supervision of the operation, focusing on fulfillment of the program’s operational objectives and indicators. The VIPFE will be responsible for preparing the semiannual reports and for organizing joint meetings to analyze progress made on the program and the annual investment plan. Through the sector specialists from the Energy, Transportation, Health, Environment, Rural Development, Disaster Risk Management, and Fiscal and Municipal Management divisions, the Bank will supervise the execution of the program in the respective sectors. The midterm and final evaluations, for which the VIPFE is responsible, may rely on the assistance of specialized consulting firms that will be financed by the loan.
- 3.13 **Economic evaluation.** Given the nature of the activities to be financed, this operation does not include an economic evaluation.
- 3.14 Upon completion of the program, a project completion report (PCR) will be prepared to evaluate whether the program objectives were achieved once all the studies have been executed, and to obtain lessons learned for future projects. This evaluation will pay particular attention to proper fulfillment of budgets and targets, and achievement of program outcomes, in relation to generating studies that later follow the flow of financing management for subsequent investment.

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<sup>38</sup> In addition to other information that the Bank may reasonably request, the initial report will include: (i) a program execution plan; (ii) a work timeline or schedule; and (iii) a table indicating the origin and use of funds including the timeline of investments broken down by the investment categories indicated in this contract, and the annual contributions needed from the various sources of funding with which the program will be financed.

## **SPD Validation Note**

In the last decade, the Bolivian economy has grown at an average rate of 5%, well above the average of the previous decade. Nonfinancial public sector revenues rose from 31.6% in 2005 to 50.2% of GDP in 2014, allowing greater public spending, including higher public investment. The government's strategy, called Patriotic Agenda 2025, provides for a public investment plan that represents about 17% of GDP between 2015 and 2020.

According to the diagnosis, the growth in public investment is expected to continue, bringing with it the need to generate higher quality pre-investment studies, particularly in strategic sectors. The diagnosis shows that, during the period 2005-2013, about 30% of projects required budget and deadline reformulation, which points to weaknesses in the pre-investment process.

The objective of the program is to support the Government of the Plurinational State of Bolivia in its efforts to improve the quality of public investment in order to facilitate investment management, through the financing of pre-investment studies for strategic projects in energy, transport, irrigation and health under new pre-investment rules. The three sectors with the highest investment forecasts for the period 2015-2019 are transport, energy and health.

The proposed project consists of two components: (i) pre-investment in priority areas and (ii) management, monitoring and studies. The first component is expected to fund 18 pre-investment studies.

The results matrix presents impact, outcome and output indicators.

## RESULTS MATRIX

**Project objective:** The program objective is to support the Plurinational State of Bolivia in its efforts to improve the quality of public investment, so as to facilitate the management of financing and investment, by financing preinvestment studies for strategic projects in the energy, transportation, irrigation, and health sectors under the new preinvestment regulations.

Indicators	Unit of measurement	Baseline		Final target		Sources and means of verification
		Value	Year	Value	Year	
<b>Impact:</b> Increased public investment with quality studies						
Amount of investments that emerge as a result of the preinvestment studies financed by the program	Millions of US\$	0	2016	2,500	2026	Source: VIPFE
Reduction in the difference between total cost of the executed investment and the budget estimated by the preinvestment in the studies conducted by the program	%	23	2014	18	2026	Source: VIPFE
<b>Expected outcomes:</b> (i) help to increase the number and quality of specific investment projects that are submitted to the Bank and other public or private, international or national organizations to seek financing; and (ii) develop a portfolio of preinvestment studies under the new preinvestment regulations						
Number of investment projects for which studies were financed by the program, and that have been submitted to financing management or are in the programming portfolio at the end of the program	Project	0	2016	15	2020	Source: VIPFE
Percentage of preinvestment studies on strategic public investment projects (PIPs) implemented under the new preinvestment regulations	Percentage	0	2016	100	2020	Source: VIPFE

Outputs	Unit of Measurement	Baseline (2014)	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Sources and means of verification
<b>Component I: Preinvestment studies in priority areas</b>									
1.1 Preinvestment studies that meet quality standards <sup>1</sup>	Preinvestment studies	0	-	-	3	7	5	15	Certificate of final receipt of preinvestment studies, prepared by the subexecuting agencies, with the approval of the VIPFE.
<b>Component II. Administration, monitoring, and studies</b>									
2.1 Database to support the preparation of infrastructure projects	Preinvestment studies	0	-	-	-	-	1	1	Study prepared and approved by the VIPFE
2.2 Manuals for incorporating disaster risk management in preinvestment in the transportation and energy sectors	Preinvestment studies	0	-	-	1	-	-	1	Study prepared and approved by the VIPFE

<sup>1</sup> That comply with the minimum content established in the preinvestment regulations and that have been carried out with supervision and oversight.

## FIDUCIARY AGREEMENTS AND REQUIREMENTS

<b>COUNTRY:</b>	Plurinational State of Bolivia
<b>PROJECT NUMBER/NAME:</b>	Program to Support Preinvestment for Development (BO-L1101)
<b>EXECUTING AGENCY:</b>	Ministry of Development Planning (MPD), through the Office of the Deputy Minister of Public Investment and External Financing (VIPFE).
<b>PREPARED BY:</b>	Carolina Escudero (FMP/CBO) and Abel Cuba (FMP/CBO)

### I. EXECUTIVE SUMMARY

- 1.1 This Annex III has been prepared considering the institutional capacity assessment of the Ministry of Development Planning (MPD), through the Office of the Deputy Minister of Public Investment and External Financing (VIPFE), the executing agency.
- 1.2 The program will be executed through the Preinvestment Unit, a division of the VIPFE's Bureau of Programming and Preinvestment. In addition, to the extent that the VIPFE signs interagency financing agreements (IFAs) with the Bolivian Highway Administration (ABC); Ministry of Public Works, Services, and Housing (MOPSV); National Electricity Company (ENDE); the Ministry of Health's Operational Technical Program in Infrastructure and Medical Equipment; and the Office of the Deputy Minister of Water Resources, these entities will assume the role of subexecuting agencies<sup>1</sup> responsible for managing procurement for the projects they agree to develop within the framework of those IFAs under Component I of this operation.
- 1.3 Accounting records for the operation will be maintained within the Sistema Integrado de Gestión y Modernización Administrativa [Integrated Management and Administrative Modernization System] (SIGMA).<sup>2</sup> This operation will be executed using the IDB's standard bidding documents or the documents agreed upon with the VIPFE and made available through the Sistema de Contrataciones Estatales [State Contracting System] (SICOES),<sup>3</sup> the site where invitations to bids and the results of national bidding processes will be published.

Currently, the Government of Bolivia and the Bank are preparing an agreement adopting the partial use of the Normas Básicas del Sistema de Administración de Bienes y Servicios [Basic Rules of the Goods and Services Administration System]

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<sup>1</sup> These entities have been identified initially based on their prior experience executing Bank-financed projects.

<sup>2</sup> The MEFP has developed the Sistema de Gestión Pública [Public Management System] (SIGEP) which would over the medium term replace SIGMA. It is anticipated that some SIGEP modules will begin to operate in central level agencies in 2016.

<sup>3</sup> SISCOES [www.sicoes.gob.bo](http://www.sicoes.gob.bo), bidding documents packet authorized by the Bank for procurement falling below the ICB thresholds.

(NB-SABS) in Bank-financed operations in Bolivia. This program could apply that agreement once it has been signed and taken effect.

## II. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY AND THE SUBEXECUTING AGENCIES

- 2.1 Public entities are governed by Law 1178 on Government Administration and Control (SAFCO) of 20 July 1990, which governs systems for the administration and control of State resources and their relation to national planning and public investment systems.
- 2.2 The MPD uses SIGMA for all its financial records, making it possible to have information on budgetary execution available on a safe and reliable basis. This system does not provide information in currencies other than the domestic currency, nor according to the investment categories established in the program's cost table. However, with support from the Bank, the Ministry of Economy and Public Finances (MEFP) has developed the Accounting Management Module within the Sistema de Gestión Pública [Public Management System] (SIGEP). This module will allow automatic production of reports in line with international cooperation financing structures and loan currencies, which would overcome these limitations. SIGEP is expected to completely replace SIGMA in 2016.<sup>4</sup> As a State entity, the MPD is subject to the oversight of the Office of the State Comptroller General (CGE) as well as an Internal Audit Unit.

## III. FIDUCIARY RISK EVALUATION AND MITIGATION MEASURES

- 3.1 The institutional capacity assessment of the VIPFE using the ICAS methodology indicates a degree of institutional development with adequate capacity and a low level of fiduciary risk. However, the fiduciary risk associated with the operation is considered average given that within the framework of the IFAs, procurement management will be the responsibility of the subexecuting agencies.
- 3.2 The Preinvestment Unit will be responsible for execution; this unit has experience in the execution of other preinvestment programs, such as the PROMULPE financed by the Andean Development Corporation (CAF) and IDB loan 1678/SF-BO. The Preinvestment Unit's staff structure will be used to execute this program. This structure has a notable level of operational autonomy for financial administrative management, and program execution does not need to pass through an entity of the MPD's Bureau of Administrative Matters, thus ensuring that the entire financial budgetary process will be concentrated within Preinvestment Unit entities.
- 3.3 **Procurement.** Although the VIPFE as well as the subexecuting agencies identified on a preliminary basis have performed satisfactorily in other Bank-financed operations, note should be made of the recent increase in the resources allocated and the number of projects that these entities have experienced lately,<sup>5</sup> which has, nonetheless, not resulted in an increase in technological, regulatory, and human

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<sup>4</sup> Should the operational start-up of the SIGEP be delayed, the VIPFE will adopt the Integrated Project Management System (IPMS-IDB) developed by the Bank for recording and accounting control of program transactions.

<sup>5</sup> For example, the ABC executed 6.243 billion Bolivian pesos in investment spending (contracting) in 2014, and the projection for 2015 is currently 8.041 billion Bolivian pesos.

resources capacities. In addition, public entities in general have gone through a turnover of administrative personnel (including staff at senior, middle, and low levels as well as staff responsible for procurement).

- 3.4 The plan for managing program risks provides for actions intended to limit delays or other procurement problems (including training, definition of responsibilities in the program Operating Regulations, technical assistance, etc.). In addition, the VIPFE will carry out procedures to verify the capacity of the subexecuting agencies prior to signing the IFAs. Based on this verification, specific actions will be defined for strengthening procurement management capacity in each case.
- 3.5 **Internal formalities and procedures on legal and administrative matters.** To execute this operation within the framework of the IFAs, the VIPFE will establish specific coordination procedures for procurement management and execution and financial management for which each subexecuting agency is responsible. These procedures will be an integral part of the IFAs.
- 3.6 **Public financial management.** As part of the MPD, the Preinvestment Unit has access to the country's national financial management system, in which the program's accounting and budget records will be entered and maintained.

#### **IV. CONSIDERATIONS FOR THE SPECIAL CONDITIONS OF THE CONTRACT**

- 4.1 **Program Operating Regulations.** The program Operating Regulations should include the execution plan, procedures, and information flows previously agreed upon between the executing agency and the Bank.
- 4.2 **Exchange rate agreed with the executing agency for rendering accounts.** The exchange rate to be used will be that in effect in the borrowing member country on the date foreign funds are converted to domestic currency in the executing agency's accounts.
- 4.3 **Financial statements and other audited reports.** Within a period of one hundred twenty (120) days following the close of each of the executing agency's fiscal years and throughout the loan disbursement period, the program's audited financial statements, duly examined by an independent audit firm acceptable to the Bank, will be submitted to the Bank. The last of these reports will be submitted within one hundred twenty (120) days following the date stipulated for the final disbursement of the loan.
- 4.4 The terms of reference for contracting the independent audit firm will be approved in advance by the Bank, and may include outputs framed by and related to the financial audit of the program and related audit work.

#### **V. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION**

- 5.1 **Procurement execution.** The procurement processes planned for this program are listed in the initial procurement plan, and will be undertaken within the framework of the Bank's policies set forth in documents GN-2349-9 and GN-2350-9, with respect to which no exceptions are anticipated.
- 5.2 **Selection and contracting of consultants.** Consulting services contracts arising under the program are listed in the initial procurement plan. They will be executed taking the following into account:

- a. **Selection of consulting firms.** Consulting firms for the project will be contracted using the standard Request for Proposals (RFP) issued by the Bank.
- b. **The shortlist of consulting firms.** This list may comprise entirely (100%) Bolivian firms for contracts with values below the thresholds established for the country by the Bank. For Bolivia that threshold is US\$200,000. In executing this operation, it is highly advisable to verify in advance that selection criteria have been adopted for the shortlists of consultants and for qualifying bids, considering the complexity of each contracting process, and that this be included in a guide for the selection of the shortlist as well as in the bidding documents. In that context, the VIPFE, in coordination with the Bank, will provide training for subexecuting agency personnel involved in these processes; if necessary, the VIPFE will provide technical assistance for implementing these processes.
- c. **Selection of individual consultants.** Individual consultants will be selected considering their qualifications for carrying out the work, based on comparing the qualifications of at least three candidates and, as a rule, interviews will not be used. When the work involves collaborating with other individuals to provide support and specific advisory services, consulting firms should normally be used, except when this support consists of collaborating with two or three people, and under such circumstances, the relevance of relying on individual consultants with supplementary services will be analyzed on a case-by-case basis.

5.3 **Procurement planning.** The VIPFE will publish the procurement plan in the Procurement Plan Execution System (SEPA) and will update it at least annually or as required to reflect the program’s actual execution needs and progress made.

5.4 **National preference.** The inclusion of national preference in contracting procedures will not be considered in the execution of this operation.

5.5 **Terms of reference and technical specifications.** Review of the criteria for selecting shortlists, the terms of reference, and/or the technical specifications are the responsibility of the Project Team Leader in coordination with the IDB sector specialists in each sector, and in all cases must be agreed upon with the executing agency on an ex ante basis prior to the execution of the processes.

**Table 5.1 - Table of thresholds (thousands of US\$).**

Goods			Consulting Services	
International Competitive Bidding	National Competitive Bidding	Shopping	International Consulting Notice (Shortlist maximum of 2 firms of same nationality)	National Consulting Notice (100% national shortlist)
Greater than US\$200	Less than or equal to US\$200	Less than or equal to US\$50	Greater than US\$200	Less than or equal to US\$200

5.6 **Major procurement processes.** The major procurement processes provided for in this operation are detailed below:

Table 5.II – Major Procurement Processes

Description	Selection Method	Estimated Date	Estimated Amount (thousands of US\$)
<b>Contracts with consulting firms to develop preinvestment technical design studies</b>			
2 preinvestment technical design contracts for construction of airports for which the MOPSV is responsible	QCBS	3Q-2016	500
5 preinvestment technical design contracts for construction of highways and divided highways for which the ABC is responsible	QCBS	3Q-2016	9,886
4 preinvestment technical design contracts for construction of electricity distribution lines and hydroelectric complexes for which the ENDE is responsible	QCBS	1Q-2017	10,500
3 preinvestment technical design contracts for construction of secondary and tertiary hospitals for which the PTOIEM-MSD is responsible	QCBS	1Q-2017	1,656
1 preinvestment technical design contract for implementation of the Carrizal multiuse project for which the MMAyA is responsible	QCBS	1Q-2017	2,638
<b>Other consulting firm contracts for which the VIPFE is responsible</b>			
External audit of program (includes ex post review of procurement service)	QCBS	3Q-2016	250
Development of databases to support the preparation of infrastructure projects	QCBS	3Q-2016	200
Consulting services for supervision of studies	QCBS	2Q-2016	2,312
Development of manuals to incorporate disaster risk management into transportation and energy projects	QCBS	3Q-2016	200
Description	Selection Method	Estimated Date	Estimated Amount (thousands of US\$)
<b>Individual consulting contracts for which the VIPFE is responsible</b>			
Contracting of eight individual consultants to support program execution, Preinvestment Component.	IICQ/NICQ	1Q-2016	804
Contracting of several individual consultants who specialize in preparing terms of reference for contracting preinvestment technical design studies	IICQ/NICQ	1Q-2016	445
Contracting of several individual consultants for services overseeing the preparation of preinvestment technical design studies	IICQ/NICQ	1Q-2016	525
Midterm evaluation of the program	IICQ/NICQ	1Q-2018	15
Final evaluation of the program	IICQ/NICQ	3Q-2019	30

To access the procurement plan for the first 18 months, see the following link: [Procurement Plan](#).

- 5.8 **Procurement supervision.** The thresholds for ex post review are determined on the basis of the fiduciary capacity of the executing agency and subexecuting agencies, on the complexity of the purchases, and/or external factors that could affect the execution of procurement in terms of time and method. Given the

VIPFE’s capacity for the fiduciary management of procurement, the project may be executed using the ex post review method for processes up to 100% of the threshold for NCB, in accordance with the table above (direct contracting and procurement not indicated in that table will be subject to ex ante review). Considering the average fiduciary risk established in the project risk management matrix, the Bank will coordinate with the VIPFE to develop training for the subexecuting agencies and will conduct annual procurement supervision visits. The external audit firm will be responsible for performing the ex post review of procurement.

Threshold for Ex Post Review		
Goods and Nonconsulting Services	Consulting Firm Services, when the Shortlist may be 100% National	Individual Consulting Services
Contracts for amounts less than or equal to US\$200,000.	Contracts for amounts less than or equal to US\$200,000.	No limit on amount.

- 5.9 **Operating or recurring expenses.** These are the operating and maintenance expenses that are required to put the program into operation and will be agreed on with the Project Team Leader and included in the procurement plan. Recurring expenses will be contracted in accordance with the NB-SABS and/or the executing agency’s administrative procedures; this arrangement will be referenced in the program Operating Regulations.
- 5.10 **Direct contracting.** Contracts for amounts less than US\$500 on an individual basis and that do not exceed US\$5,000 as a whole may be contracted directly for the sake of efficiency and speed of execution. For this purpose, they must be approved by the Project Team Leader through the procurement plan.
- 5.11 **Files.** The executing agency and the subexecuting agencies will be responsible for establishing the supporting, procedural, and control documents necessary for executing program procurement, as well as for filing them pursuant to the loan contract and local laws.

## VI. FINANCIAL MANAGEMENT

- 6.1 **Programming and budget.** The Preinvestment Unit, currently in operation, has created an Administrative Unit,<sup>6</sup> under which the program will be created, so that in budgetary terms there will be a record and individualized identification of the financing sources and resources used in program execution. Both recording and future budgetary changes will be processed, without having to go through another agency of the MPD, based on the AWP and PEP approved by mutual agreement with the Bank, thus ensuring the resources needed for each year of project execution. Similarly, budgetary changes will be processed internally and recorded in the public investment system controlled by the VIPFE.
- 6.2 In accordance with the budget execution structure, there will be subexecuting agencies that must also record the budget they execute.

<sup>6</sup> In the budgetary programmatic structure provided by SIGMA, an Administrative Unit makes it possible to include various projects with independent records and controls.

- 6.3 **Accounting and information systems.** The Preinvestment Unit will record the program's transactions in SIGMA. This system includes the various accounting transactions in a single registry; budget registry (budget execution), asset registry (assets, liabilities, equity, and earnings) cash registry (cash transfers), on an accrual basis. In addition, for project accounting a chart of accounts will be prepared so that it will be possible to identify expenses incurred for each year on a cash basis, matching the program's investment categories with the respective budgetary items and ledger accounts. It is anticipated that SIGEP will enter into production in 2016, replacing SIGMA. It has an accounting management module for projects, which will allow the executing agency to issue financial reports in the loan contract currency and in accordance with the budget defined for the loan.
- 6.4 Should the SIGEP's operational start-up be delayed, the VIPFE will adopt the Integrated Project Management System (IPMS-IDB), developed by the Bank for recording and accounting control of program transactions.
- 6.5 **Disbursements and cash flow.** The loan will be disbursed using the methods of advances of funds and direct payments through the Preinvestment Unit, the frequency of which is determined on the basis of the financial programming of the program, to be periodically updated by the Project Coordinating Unit (PCU). The Bank may advance additional funds when at least 80% of total of previously advanced funds disbursed has been documented. The loan proceeds will be deposited in an independent bank account in U.S. dollars and subsequently transferred to another account in domestic currency, both in the TSA.<sup>7</sup> The VIPFE, through the Preinvestment Unit, is responsible for managing the funds that are disbursed to it.
- 6.6 For the execution of contracts by subexecuting agencies within the framework of the program, payment requests will be sent to the Preinvestment Unit for it to channel payments to the providers or submit a direct payment request to the Bank. Initially, there is no provision for subexecuting agencies to receive loan proceeds in their own accounts.
- 6.7 The method for reimbursement of payments may be used to recognize expenses the VIPFE may incur prior to the program's eligibility.
- 6.8 **Internal control and internal audit.** Each year, the financial management of the Preinvestment Unit is subject to reliability reviews by the MPD's Internal Audit Unit. It is anticipated that the program will be included in reviews of this kind. As this is a strategic activity included its mandate, each year the Bank will hold targeted workshops for this Internal Audit Unit to consolidate its knowledge of project execution and the control and monitoring mechanisms used by the Bank. This activity is coordinated with the CGE. In addition, the Bank has been supporting the CGE with a technical cooperation operation that seeks to strengthen the internal control system, with the Internal Audit Units as the leading stakeholders, in order to provide tools for performing their reviews and improve application of their regulations.
- 6.9 **External control and reports.** In order to comply with the requirement to submit the program's audited financial statements each year, the Preinvestment Unit should contract an independent audit firm acceptable to the Bank, in accordance

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<sup>7</sup> Treasury Single Account (TSA).

with Bank policies. This should be a multiyear contract (at least three years) so as to avoid transactional costs and lend continuity to the auditors' work, in addition to ensuring timely interventions allowing for preliminary reviews with semiannual cutoffs.

- 6.10 The Bank's no objection to the terms of reference (TORs) for contracting the independent audit firm will be obtained each year. These TORs will define the scope of the work considering audit-related tasks<sup>8</sup> based on the program's status and level of execution.
- 6.11 **Financial supervision plan.** Supervision plans and frequency will be designed on the basis of identified fiduciary risks, providing that the following actions will be carried out at least once a year: (i) a comprehensive visit (assurance work on procurement and disbursements) by the external audit firm contracted to review the program's financial statements; (ii) a visit to the Preinvestment Unit to verify that its financial management capacity has not undergone changes that could affect the pace of program execution; and (iii) a visit to verify compliance with agreements on internal control recommendations based on the external audit of the program.
- 6.12 **Execution arrangements.** The execution arrangements provided for the program establish the VIPFE, through the Preinvestment Unit, as the executing agency. It will sign IFAs with subexecuting agencies, based on previously prioritized projects, under which they will contract preinvestment studies within the framework of the program. In addition, the VIPFE will contract services related to program oversight and monitoring and will be responsible for coordinating and administering resources with the Bank. In that context, the program's financial execution will be centralized in the Preinvestment Unit, for which a team responsible for budgetary, accounting, disbursement, and accountability management will be retained. The Preinvestment Unit will be responsible for making payments both to its own providers and to those contracted by the subexecuting agencies and for managing disbursements and documentation of funds with the Bank. The program Operating Regulations will define flows and processes in detail, as well as the responsibilities of the Preinvestment Unit and the subexecuting agencies.

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<sup>8</sup> CBO has determined that the independent audit firm will direct assurance tasks on the ex post review of procurement. Nonetheless, other types of tasks may be considered.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/15

Bolivia. Loan \_\_\_\_/BL-BO to the Plurinational State of Bolivia  
Program to Support Preinvestment for Development

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 a program to support preinvestment for development. Such financing will be for the amount of up to US\$6,000,0000 from the resources of the Bank's Fund for Special Operations, corresponds to a parallel loan within the framework of the multilateral debt relief and concessional finance reform of the Bank, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on \_\_\_\_ \_\_\_\_\_ 2015)

BO-L1101  
LEG/SGO/CAN/IDBDOCS#39793893-15

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/15

Bolivia. Loan \_\_\_\_/BL-BO to the Plurinational State of Bolivia  
Program to Support Preinvestment for Development

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 a program to support preinvestment for development. Such financing will be for the amount of up to US\$24,000,000 from the resources of the Single Currency Facility of the Bank's Ordinary Capital, corresponds to a parallel loan within the framework of the multilateral debt relief and concessional finance reform of the Bank, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on \_\_\_\_ \_\_\_\_\_ 2015)

BO-L1101  
LEG/SGO/CAN/IDBDOCS#39793912-15