

TC Document

I. Basic Information for TC

▪ Country/Region:	BOLIVIA
▪ TC Name:	Strengthening of the Budgetary and Financial Management of State-owned Enterprises (SOEs) in Bolivia
▪ TC Number:	BO-T1418
▪ Team Leader/Members:	Yarygina Udovenko, Anastasiya (IFD/FMM) Team Leader; Reyes-Tagle, Gerardo (IFD/FMM) Alternate Team Leader; Astudillo, Karen (IFD/FMM); Greco, Maria Sofia (LEG/SGO); Kevish, Maria Lorena (IFD/FMM); Liza Builes (IFD/FMM); Luis Recalde Ramirez (IFD/FMM); Soojin Kim (IFD/FMM); Yery Park (IFD/FMM)
▪ Taxonomy:	Client Support
▪ Operation Supported by the TC:	.
▪ Date of TC Abstract authorization:	30 Oct 2023.
▪ Beneficiary:	Ministry of Economy and Public Finance (MEPF) of the Plurinational State of Bolivia
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	OC SDP Window 2 - Institutions(W2C)
▪ IDB Funding Requested:	US\$100,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	36 months
▪ Required start date:	January, 2024
▪ Types of consultants:	Individuals
▪ Prepared by Unit:	IFD/FMM-Fiscal Management Division
▪ Unit of Disbursement Responsibility:	CAN/CBO-Country Office Bolivia
▪ TC included in Country Strategy:	Yes
▪ TC included in CPD:	Yes
▪ Alignment to the Update to the Institutional Strategy 2020-2023:	Institutional capacity and rule of law

II. Objectives and Justification of the TC

- 2.1 **Objective.** The objective of this Technical Cooperation (TC) is to support the efforts of the Ministry of Economy and Public Finance (MEPF) of Bolivia in the process of strengthening the management and monitoring capabilities of budgetary and financial execution of State-Owned Enterprises (SOEs) in Bolivia, in pursuit of enhanced governance, greater effectiveness, and increased efficiency. To achieve these objectives this TC will finance three types of activities: (i) deepening and updating the diagnostics of the current state of the governance, budgetary and financial management frameworks of the State-owned Enterprises to identify courses of action for their improvement and strengthening; (ii) analyzing the different financing mechanisms available to State-owned Enterprises in Bolivia; and iii) Dissemination of knowledge and training to facilitate capacity building in the MEPF.
- 2.2 **Justification.** SOEs play a significant role in Bolivia's economy and social development, as they provide essential goods and services to the population and generate revenues for the government. The Bolivian government operates more than 60 enterprises, and some of the most important ones are in the sectors of

hydrocarbons, electricity, mining, telecommunications, and transportation^{1,2}. However, SOEs face several challenges that affect their sustainability and competitiveness, such as a recent lack of foreign currency³, poor management and governance, low profitability and efficiency⁴, and lack of international arbitration⁵. These challenges limit the ability of SOEs to contribute to the country's economic growth and social welfare and expose them to financial and operational risks.

- 2.3 The current state of the governance, budgetary and financial management frameworks of the SOEs in Bolivia is not adequate to ensure their optimal performance and accountability⁶. SOEs in Bolivia face multiple governance challenges, such as unclear or conflicting objectives, weak oversight and regulation, political interference, lack of autonomy and professionalism, and insufficient disclosure and reporting. These challenges result in poor operational and financial performance, low quality of service delivery, and high fiscal costs and risks for the government. Therefore, there is a need to deepen and update the diagnostics of the SOE sector in Bolivia, and to identify the best practices and recommendations for improving the governance and management of SOEs, based on international standards and experiences.
- 2.4 The financing mechanisms available to SOEs in Bolivia are not conducive to their financial sustainability and efficiency. SOEs in Bolivia rely heavily on public funds, either through direct transfers, subsidies, guarantees, or preferential loans, to finance their operations and investments. This creates a dependency on the fiscal budget and reduces the incentives for SOEs to improve their profitability and efficiency. Moreover, SOEs face difficulties in accessing alternative sources of financing, such as capital markets, private sector partnerships, or multilateral institutions, due to their weak creditworthiness, lack of transparency, and regulatory constraints. Therefore, there is a need to analyze the different financing options and mechanisms for SOEs in Bolivia, and to propose policy measures to enhance their financial sustainability and efficiency, while reducing their fiscal burden and risk for the government.
- 2.5 The dissemination of knowledge and training to the MEPF staff is essential to facilitate the capacity building and the implementation of the proposed actions. The MEPF is the main entity responsible for the ownership and oversight of SOEs in Bolivia, as well as for the design and execution of the public policies related to the SOE sector. However, the MEPF faces limitations in terms of human and technical resources, as well as institutional coordination, to effectively carry out its functions. Therefore, there is a need to provide the MEPF staff with knowledge and training on the topics of SOE governance and management, based on the findings and recommendations of the diagnostic, as well as on the good practices and experiences from other countries.
- 2.6 Against this backdrop, this TC will complement the efforts of the government of Bolivia to strengthen knowledge and technical capacities of the MEPF on budgetary and financial management of SOEs. Through the diagnostics of the current state of governance in SOEs, this TC will promote accountability and transparency. Through the understanding of the state of SOEs' financing mechanisms, this TC will enhance

¹ [Bolivia - United States Department of State](#) (2022)

² [Bolivia - United States Department of State](#) (2021)

³ [Bolivia looks to calm dollar frenzy as shortage fears pressure FX | Reuters](#) (2023)

⁴ [Bolivia is on the brink of an economic crisis \(economist.com\)](#) (2023)

⁵ [Bolivia - United States Department of State](#) (2022)

⁶ [Bolivia - United States Department of State](#) (2023)

budget planning and execution, as well as debt management through the improvement of micro-fiscal policy frameworks.

- 2.7 **Strategic Alignment.** This TC is aligned with: (i) the Second Update of the Institutional Strategy (UIS) 2020-2023 (AB-3190-2) through the cross-sectional area of enhancing institutional capacity and the rule of law; (ii) it is aligned with the priority area of “effective, efficient and transparent institutions” of the Strategic Program for Development Financed with Ordinary Capital (GN-2819-16), and (iii) aligned with the Fiscal Management Sector Framework Document (GN-2831-13) through the strengthening of knowledge and technical capabilities of the MEFP in key areas related to the appropriate management of fiscal risks of SOEs and the promotion of strengthened governance. The operation also contributes to the Corporate Results Framework (CRF) 2020 – 2023, (GN-2727-12) through the indicator of institutional capacity and rule of law by improving the limited capacity of the public sector to deliver services, fight corruption, and enforce the rule of law. Under this framework, the project will support the country’s efforts in formulating stronger fiscal risk management policies by strengthening governance of SOEs, in order to enhance their overall operational and managerial capacities, as well as their transparency and integrity practices.
- 2.8 This TC aligns with the IDB Group Country Strategy (CS) 2022 – 2025 for Bolivia (GN-3088). It particularly supports the strategic pillar of economic reconstruction and boosting productivity, by contributing to the expected outcome of enhanced economic integration and productivity. It also supports the strategic pillar of reinforcement of institutional capacity and rule of law by contributing to the expected outcome of improved training and professionalization of strategic government areas. The TC is consistent with the CS’s proposed actions to foster a robust institutional framework aimed at enhancing economic productivity, improving public governance, and elevating the quality of life in Bolivia.

III. Description of activities/components and budget

- 3.1 **Component 1. Diagnostics of the current state of the governance, budgetary and financial management frameworks of the SOEs (US\$50,000).** This component aims at better understanding the monitoring and governance capacity of national commercial SOEs in Bolivia in order to achieve enhanced operational efficiency and financial sustainability. This will be achieved through the following activities: (i) Mapping and categorization of SOEs to review their impact on the fiscal sustainability and economic development; (ii) Analysis of the governance and management structure of the SOEs; (iii) Assessment of the budgetary and financial management of SOEs, and (iv) Design of a policy roadmap draft and action plan for the improvement of governance, budgetary, and financial management of SOEs.
- 3.2 **Component 2. Analysis of the different financing mechanisms available to SOEs (US\$30,000).** The aim of this component is to conduct an assessment of the different financing mechanisms of national commercial SOEs. This will be done through: (i) a study on the on the impact of financing mechanisms for State-Owned Enterprises (SOEs), including subsidies and transfers, tax regimes, and exemption; and (ii) an analysis of payroll and pension payment schemes of SOEs, as well as transparency risk management.
- 3.3 **Component 3: Dissemination of knowledge and training (US\$20,000).** This component aims to disseminate knowledge produced through the previous components. It comprises a workshop/training activity focused on the governance,

fiscal, and financial management of Bolivian SOEs. It will first showcase the findings from activities conducted in Components 1 and 2 and then explore both national and international best practices and lessons learned, providing benchmarks for Bolivian SOEs.

- 3.4 The total cost of the TC is US\$100,000, which will be financed by the Bank with resources of the OC SDP Window 2 - Institutions, W2C.

Table 1. Indicative Budget (US\$)

Activity/Component	Description	IDB/Fund Funding	Counterpart Funding	Total Funding
Component 1	Diagnostics of the current state of the governance, budgetary and financial management frameworks of the State-owned Enterprises (SOEs)	50,000.00	0	50,000.00
Component 2	Analysis of the different financing mechanisms available to State-owned Enterprises (SOEs)	30,000.00	0	30,000.00
Component 3	Dissemination of knowledge and training	20,000.00	0	20,000.00
Total		100,000.00	0	100,000.00

IV. Executing agency and execution structure

- 4.1 At the request of the Government of Bolivia, this TC will be executed by the Bank through the Fiscal Management Division (IFD/FMM) for a period of 36 months. This is in line with the Procedures for Processing of TC Operations (OP619-4; Annex II-2.2) in terms of recognition of the highly specialized technical, methodological and conceptual knowledge that the study topics require, as well as the need to know best international practices in the matters addressed by the TC, taking into account that the Bank has the technical experience, networks of experts and knowledge of experiences that justify said request, as well as greater agility in the process of contracting consulting services, justifications contemplated in OP-619-4. The IDB's Country Office in Bolivia (CAN - Andean Group) in close collaboration with the Fiscal Management Division (IFD/FMM) will have technical responsibility for the execution of the TC. The designated focal point with responsibility for executing this TC will be the Lead Sector Specialist in IFD/FMM. The IDB team will lead implementation, oversight of TC activities and coordination of results with authorities in Bolivia. IFD/FMM will be responsible for procurement of required services.
- 4.2 All activities will be executed in accordance with the Bank's established procurement policies as follows: (i) individual consultants, as established in the document AM-650 - Complementary Workforce; and (ii) logistic services and other services other than consulting, according to the Corporate Procurement Policy (GN-2303-28 and GN-2303--33). Should there be a need to hire consulting firms for services of an

intellectual nature, this shall be done according to the updated version of the policies (GN-2765-4) and its associated operational guides (OP-1155-4).

- 4.3 The activities of the components of this TC will be closely monitored and coordinated by the FMM specialists in the Bank, who will evaluate (i) the alignment with the objectives of the TC; and (ii) the impact and additionality with the program in the MEPF of Bolivia. The evaluation results will be put together as technical evaluation notes and reports. The Bank and the MEPF will coordinate on the activities contemplated in this TC.

V. Major issues

- 5.1 The primary risk associated with this TC in Bolivia is the potential discontinuation of the government's initiatives due to domestic political shifts. Furthermore, institutional weaknesses could delay the execution of some planned activities, and potential staff turnover may result in a lack of program ownership. Lastly, data about SOEs may not be readily available for database preparation, or the quality may not meet the desired standards, which could cause delays. To mitigate these risks, the Bank will continue to bolster the technical capacity of the MEPF staff through the activities outlined in Component 3 of this TC.
- 5.2 Any studies report or other knowledge products or otherwise, prepared as stated in the Procurement Plan (Annex IV) shall belong to and remain the property of the Bank. All intellectual property rights in the outputs produced under this TC are vested in the executing agency, the IDB' Fiscal and Municipal Management Division (IFD/FMM). However, a license to use these products will be granted to the Government of Bolivia, when applicable.

VI. Exceptions to Bank policy

- 6.1 There are not exceptions to Bank policy.

VII. Environmental and Social Aspects

- 7.1 This TC is not intended to finance pre-feasibility or feasibility studies of specific investment projects or environmental and social studies associated with them; therefore, this TC does not have applicable requirements of Bank's Environmental and Social Policy Framework (ESPF).

Required Annexes:

[Results Matrix_70015.pdf](#)

[Terms of Reference_96584.pdf](#)

[Procurement Plan_81597.pdf](#)