

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	BOLIVIA/CAN - Andean Group
▪ 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); YERY PARK (IFD/FMM); SOOJIN KIM (IFD/FMM); GRECO, MARIA SOFIA (LEG/SGO); LIZA BUILES (IFD/FMM); LUIS RECALDE RAMIREZ (IFD/FMM); KEVISH, MARIA LORENA (IFD/FMM)
▪ Taxonomy:	Client Support
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	30 Oct 2023
▪ Beneficiary:	Ministry of Economy and Public Finance of Bolivia
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$100,000.00
▪ Local counterpart funding:	US\$0.00
▪ Disbursement period:	36 months
▪ 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 (y/n):	Yes
▪ TC included in CPD (y/n):	Yes
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Institutional capacity and rule of law

II. Objective and Justification

- 2.1 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 SOEs to identify courses of action for their improvement and strengthening; (ii) analyzing different financing mechanisms available to SOEs in Bolivia; and (iii) disseminating knowledge and providing training to facilitate capacity building in the MEPF.
- 2.2 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. However, SOEs face several challenges that affect their sustainability and competitiveness, such as a recent lack of foreign currency, poor management and governance, low profitability and efficiency, and lack of international arbitration. These challenges limit the ability of SOEs to contribute to

the country's economic growth and social welfare, exposing them to financial and operational risks.

In this context, 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. First, this TC will promote accountability and transparency, through the diagnostics of the current state of governance in SOEs. Second, this TC will enhance budget planning and execution as well as debt management, particularly the improvement of micro-fiscal policy frameworks, through understanding the state of SOEs' financing mechanisms.

III. Description of Activities and Outputs

- 3.1 **Component I: Diagnostics of the current state of the governance, budgetary and financial management frameworks of SOEs.** Includes: (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 II: Analysis of the different financing mechanisms available to SOEs.** Includes: (i) a study on the on the impact of financing mechanisms for 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 III: Production of knowledge products, dissemination of results, and training.** Includes: (i) preparation, publication and dissemination of knowledge products pertaining the previous components; and (ii) trainings in the areas of intervention proposed in previous components.

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Diagnostics of the current state of the governance, budgetary and financial management frameworks of SOEs	US\$50,000.00	US\$0.00	US\$50,000.00
Analysis of the different financing mechanisms available to SOEs	US\$30,000.00	US\$0.00	US\$30,000.00
Production of knowledge products, dissemination of results, and training	US\$20,000.00	US\$0.00	US\$20,000.00
Total	US\$100,000.00	US\$0.00	US\$100,000.00

V. Executing Agency and Execution Structure

- 5.1 At the request of the Government of Bolivia and according to Annex II of policy OP-619-4, this TC will be executed by the IDB. The IDB's Country Office in Bolivia (CAN/CBO) 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.
- 5.2 The Bank's execution is justified due to the broad technical experience and its leadership in the region in the field of this TC.

VI. Project Risks and Issues

- 6.1 The main risk associated with this TC is the possibility of delays in implementation due to unforeseen technical challenges or capacity constraints within the MEPF of Bolivia. Additionally, changes in leadership or shifts in government priorities could also pose a risk to the continuity of the project. However, prioritizing capacity building and investing in robust and scalable technological solutions will help mitigate these risks and ensure the sustainability of the digitalization efforts. Close collaboration and regular communication with the MEPF leadership will also be key to identifying and addressing any potential issues in a timely manner.

VII. Environmental and Social Aspects

- 7.1 This TC does not have applicable requirements of the Bank's Environmental and Social Policy Framework (ESPF).