

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**BOLIVIA**

**EFFECTIVENESS IN PUBLIC EXPENDITURE  
SUPPORT PROGRAM III**

**(BO-L1081)**

**LOAN PROPOSAL**

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2.	Means of verification <a href="http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DoCNUM=37772515">http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DoCNUM=37772515</a>
3.	Results matrix <a href="http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DoCNUM=37781788">http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DoCNUM=37781788</a>
<b>OPTIONAL</b>	
1.	Comparative policy action matrix <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37772516">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37772516</a>
2.	Economic analysis <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37795524">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37795524</a>
3.	Evaluation and monitoring plan <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37778577">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37778577</a>
4.	Safeguards filter <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37783325">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37783325</a>
5.	Patriotic Bicentennial Agenda 2025 <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37776114">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37776114</a>
6.	Updated program assessment <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37837895">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37837895</a>

## ABBREVIATIONS

APS	Autoridad de Fiscalización y Control de Pensiones y Seguros [Pension and Insurance Oversight and Control Authority]
CGE	Office of the Comptroller General
FSO	Fund for Special Operations
GDP	Gross domestic product
IDB	Inter-American Development Bank
MEFP	Ministry of Economy and Public Finance
MPD	Ministry of Development Planning
OC	Ordinary Capital
PAMGFP	Action Plan to Improve Public Finance Administration
PBL	Policy-based loan
PEFA	Public Expenditure and Financial Accountability
SAIDS	Sistema de Administración e Información de Deuda Subnacional [Subnational Debt Administration and Information System]
SCF	Single Currency Facility
SEGIP	Servicio General de Identificación Personal [Personal Identification Service]
SENASIR	Servicio Nacional del Sistema de Reparto [National Pension Service]
SERECI	Servicio de Registro Civil [Civil Registry Service]
SICOES	Sistema de Contrataciones Estatales [Public Procurement System]
SIET	Sistema de Información de Estadísticas Territoriales [Subnational Statistics Information System]
SIGEP	Sistema Integrado de Gestión Pública [Integrated Public Management System]
SIGMA	Sistema Integrado de Gestión y Modernización Administrativa [Integrated Administrative Management and Modernization System]
SISIN	Sistema de Información sobre Inversiones [Investment Information System]
SRB	Sistema de Registro Biométrico [Biometric Registration System]
TGN	General Treasury of the Nation
TSE	Tribunal Supremo Electoral [National Electoral Court]
UDAPE	Social and Economic Policy Analysis Unit

**PROGRAM SUMMARY**  
**BOLIVIA**  
**EFFECTIVENESS IN PUBLIC EXPENDITURE SUPPORT PROGRAM III**  
**(BO-L1081)**

Financial terms and conditions						
		OC	FSO			
<b>Borrower:</b> Plurinational State of Bolivia		<b>Amortization period:</b>	30 years	40 years		
<b>Executing agency:</b> Ministry of Economy and Public Finance (MEFP)		<b>Grace period:</b>	6 years	40 years		
		<b>Disbursement period:</b>	18 months	18 months		
<b>Source IDB</b>	<b>Amount (US\$)</b>	<b>Credit fee:</b>	*	N/A		
Ordinary Capital (OC)	84.8 million	<b>Interest rate:</b>	SCF-fixed	0.25%		
Fund for Special Operations (FSO)	21.2 million	<b>Inspection and supervision fee:</b>	*	N/A		
<b>Total</b>	106 million	<b>Currency:</b>	U.S. dollars from the SCF	US\$		
Project at a glance						
<p><b>Objective.</b> The general objective of the program is to support policy actions to improve and consolidate mechanisms for the effective, efficient, and transparent results-based administration of public expenditure (paragraph 1.19). This operation is the third in the “Efficiency in Public Administration Support Program,” under the programmatic policy-based loan (PBL) modality, and its specific objectives are to: (i) improve the quality of the budget process; (ii) improve the administration of public expenditure; (iii) improve the execution and efficiency of public expenditure; and (iv) strengthen transparency and accountability (paragraph 1.22).</p>						
<p><b>Special contractual clauses</b></p> <p>Disbursement of the resources for this operation is subject to fulfillment of the policy reform measures or institutional changes described in this document, and the achievement of the objectives agreed upon and set out in the policy matrix (Annex II).</p>						
<p><b>Exceptions to Bank policies:</b> None.</p>						
<p><b>Project consistent with country strategy:</b> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p>						
<b>Project qualifies as:</b>		SEQ <input type="checkbox"/>	PTI <input type="checkbox"/>	Sector <input type="checkbox"/>	Geographic <input type="checkbox"/>	Headcount <input type="checkbox"/>

(\*) 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.

## I. DESCRIPTION AND RESULTS MONITORING

### A. Frame of reference and rationale

- 1.1 **Introduction.** The proposed program is the third operation in a series of three programmatic policy-based loans (PBLs) designed to support the Government of the Plurinational State of Bolivia in implementing a series of reforms to improve effectiveness in public expenditure. The first two operations (1701/SF-BO for US\$15 million and 2317/BL-BO for US\$30 million) were approved in 2005 and 2010, respectively. This operation proposes a single-tranche loan of US\$106 million. The PBL instrument was selected for the flexibility it provides. The project document for the first programmatic loan envisaged that the design of the Efficiency in Public Administration Support Program would allow a future government administration to adjust the activities of the policy matrix to its government plan and strategic objectives in the second and third loan operations. The political and economic changes that have taken place since the Constitution was approved in 2009 have been considered in updating the frame of reference for the program, newly titled the Effectiveness in Public Expenditure Support Program, and the actions agreed upon in the policy matrix. This notwithstanding, although nearly eight years have transpired between approval of the first programmatic loan and preparation of this third operation, the continuity of the Bolivian government's fiscal policy has ensured that the objectives and main actions of the operation remain valid. The proposed operation consolidates the results achieved with the first two operations.
- 1.2 Significant progress was made with the first two operations toward a more effective and efficient administration of public expenditure, including: (i) development of the medium-term macrofiscal framework; (ii) introduction of results-based public administration mechanisms in selected agencies; (iii) significant development and implementation in the central government of fiscal information management systems (budget, treasury, and accounting); and (iv) launch of the public accountability process. The main program actions still pending are: (i) to update a public administration law consistent with the Bolivian Constitution in order to provide a framework for developing pending budget regulations; (ii) to prepare and enact a fiscal responsibility law; (iii) to develop instruments for implementation of the multiyear budget; (iv) to expand the coverage of fiscal information management systems to the subnational level; and (v) to upgrade government procurement policies in order to expedite expenditure.
- 1.3 **Recent macroeconomic performance.** Bolivia posted good macroeconomic performance between 2006 and 2012, supported by a favorable external environment resulting from a sustained increase in the volumes and international prices of its main export products, especially hydrocarbons. As a result, Bolivia had economic growth rates that averaged around 5%, sizeable consecutive external and fiscal surpluses, controlled inflation, and stable money and financial markets. During that period, per capita GDP rose from US\$1,197 in 2006 to US\$2,532 at the close of 2012 (Table 1.1). In 2009, Bolivia's solid macroeconomic position enabled

it to successfully mitigate the direct impact of the external crisis. The accumulation of substantial net international reserves and a prudent fiscal policy during the expansionary phase of the cycle enabled the country to weather the crisis without falling into recession, and with surpluses in its fiscal and external balances.<sup>1</sup>

**Table 1.1: Main macroeconomic indicators: 2006-2014**

Indicator	2006	2007	2008	2009	2010	2011	2012p	2013e	2014e
Growth real GDP (%)	4.8	4.6	6.1	3.4	4.2	5.2	5.2	4.8	5.0
Nominal GDP (US\$ millions)	11,526	13,292	16,602	17,464	19,373	24,121	27,429	29,513	31,925
Per capita nominal GDP (US\$)	1,197	1,352	1,656	1,708	1,858	2,143	2,532	2,674	2,838
Inflation (%)	4.9	11.7	11.8	0.3	7.2	7.9	4.5	4.4	4.2
General government revenues (% GDP)	34.3	34.4	38.9	36.1	33.9	34.8	35.3	37.8	36.7
Hydrocarbon revenues	11.6	9.4	13.4	13.1	10.9	11.4	11.8	n.a.	n.a.
General government expenditure (% GDP)	29.8	31.8	34.6	35.5	31.9	34.1	33.4	36.3	35.3
Non-hydrocarbon fiscal balance (% GDP)	-5.7	-5.9	-7.5	-12.1	-8.4	-9.6	-9.0	n.a.	n.a.
General government fiscal balance (% GDP)	4.5	1.7	2.8	0.3	2.0	0.7	1.8	1.5	1.4
Current account balance (% GDP)	11.2	12.0	12.1	4.7	4.8	3.8	7.5	4.8	3.5
Exports (US\$ millions)	3,875	4,458	6,448	4,918	6,291	6,891	11,670	11,058	12,279
Imports (US\$ millions)	2,814	3,455	4.98	4,435	5,36	5,983	9,939	9,490	10,499
Net foreign direct investment (% GDP)	2.4	2.7	3.1	2.4	3.2	3.4	3.9	n.a.	n.a.
Net international reserves (US\$ millions)	3,178	5,319	7,722	8,58	9,73	12,018	14,109	14,518	15,930

Source: National Statistics Institute, MEFP, Central Bank of Bolivia, International Monetary Fund, LatinFocus, and World Economic Outlook: (p = preliminary; e = estimated; n.a. = not available).

1.4 The fiscal and current account surpluses achieved between 2006 and 2012 enabled the country to enter 2013 with considerable fiscal reserves and high levels of liquidity. The public sector deposits accumulated to 2012, equivalent to 25.5% of GDP, plus the unprecedented levels of net international reserves, provide safeguards against external shocks. In the 2006-2012 period, Bolivia notably improved its fiscal position through increases in hydrocarbon sales and stronger tax yields. Fiscal revenues during that period enabled the nonfinancial public sector to attain an average overall surplus of 2% of GDP and an average primary balance of 3.4% of GDP.<sup>2,3</sup> Despite the revenue trend, fiscal management during the boom was relatively conservative, with real expenditure growth being much lower than real revenue growth. This fiscal policy approach enabled authorities to

<sup>1</sup> Compared with 2009, exports grew by 26.9% and the trade surplus rose by 92% in 2010, with exports of natural gas and nonferrous metals (primarily zinc, silver, and tin) leading sales abroad. Hydrocarbons and mining accounted for 43% and 34% of total exports, respectively, in 2010.

<sup>2</sup> Nonetheless, the general government's nonhydrocarbon fiscal deficit (i.e., calculated without hydrocarbon revenues) averaged 8.2% of GDP during that period.

<sup>3</sup> A stochastic analysis was performed of the evolution of nonfinancial public sector debt, taking into account trends in international oil prices. In that analysis (which included an extreme scenario of a 30% decline in oil prices), debt is observed to remain at sustainable levels.

progressively reduce the public debt, which helped prevent the emergence of major risks to the short- and medium-term fiscal outlook. This trend was also driven by the cancellation of a significant portion of the country's foreign debt between 2006 and 2007 in the framework of the Heavily Indebted Poor Countries initiative, under which the Bank forgave US\$1.171 billion.<sup>4</sup>

- 1.5 The medium-term fiscal outlook will be strongly influenced by the execution of the government's investment plan ("Plan Bolivia, para vivir bien"). This plan comprises a group of plans and programs valued at a total of US\$34.7 billion to be executed by the Bolivian government through 2029, in order to promote economic and social development in the country. Despite the substantial planned increase in spending, the authorities are expected to continue with prudent economic management, reflected, in the short term, in a general government fiscal balance of 1.5% and 1.4% of GDP for 2013 and 2014, respectively. The macroeconomic framework is appropriate and in keeping with the reforms proposed in this operation. Independent of these estimates, the 2013 Fiscal Financial Program, signed by the Ministry of Economy and Public Finance (MEFP) and the Central Bank, indicates financing needs of US\$861 million. The proposed operation, for US\$106 million, helps to cover those needs.
- 1.6 **Effectiveness of public expenditure: progress and challenges.** In order to improve the efficiency and effectiveness of public expenditure, in a context of fiscal prudence and consistent the Bolivian government's proposed development objectives, the authorities have been developing a program of reforms for financial management and public expenditure, at both the central government and subnational government levels. Considerable progress has been made to that end, but challenges remain, related to four policy areas: (i) budget process; (ii) fiscal management systems in public administration; (iii) public expenditure administration; and (iv) transparency in public administration.
- 1.7 **Budget process.** The programmatic series identified a series of weaknesses in the budget process that are related to the regulatory framework, the budget formulation process, and tools. Although the central government has made progress in all these areas, new challenges have arisen. Deficiencies include a legal framework that does not cover the budget cycle in an integrated manner, and regulations that are not well aligned with the new institutional environment resulting from the Constitution. Although it was initially proposed that a new framework budget law should be adopted, the central government finds that public administration needs a legal framework that can be adapted to the dynamics of public budget management. The MEFP moved forward to adapt the regulations, primarily through amendments to the financial laws (annual budget laws), thereby resolving the aforementioned misalignment. To ensure prudence and fiscal sustainability, the MEFP prepared,

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<sup>4</sup> At the close of 2012, total public debt was 33.7% of GDP, and according to the Bank's sustainability analysis, Bolivia will not face serious sustainability risks in the medium term, a conclusion that is robust even under very adverse scenarios.



with Bank support, a medium-term (2010-2015) macrofiscal framework under the second programmatic loan, within the context of “Plan Bolivia, para vivir bien.” Because the government programs and investments will be not executed in just one budget cycle, a budget based on a medium-term macrofiscal framework would make it possible to incorporate policies, planning, and the budget, thereby strengthening fiscal sustainability. The challenge lies in ensuring that the macrofiscal framework is applied to the budget formulation process so it can be consolidated as a public policy instrument through the establishment of multiyear budgets. Moreover, in order to improve the process for formulation of the National General Budget, the MEFP drew up budget guidelines that need to be strengthened with budget guidelines for public investments that integrate institutional management with budget programming.

- 1.8 Furthermore, without a multiyear budget there is no suitable framework for: (i) introducing medium-term strategic planning and a results-based approach; (ii) improving the predictability of public expenditure; (iii) redirecting future savings and channeling them to priority activities; and (iv) facilitating the completion of multiyear projects and programs, among other things. With the enactment of Law 062 in 2010, the central government made the political decision to adopt multiyear budgeting. The challenge now lies in moving forward with the formulation of multiyear budgets, both in the central government and in State-owned enterprises, which have been gaining importance in the National General Budget in recent years.
- 1.9 One of the main challenges for public administration in Bolivia is to advance toward an effective and efficient administration of results-based public expenditure. The second programmatic loan supported the design and execution of management agreements at three entities, in the understanding that management agreements with quantitative targets at government agencies make it possible to monitor the effectiveness and performance of budget management, generating feedback for the decision-making cycle.<sup>5,6</sup> Given the results achieved to date, deepening and extending the use of this type of tool in order to improve agencies’ budget formulation and execution processes is regarded as a good idea.
- 1.10 **Fiscal management systems in public administration.** In previous decades, Bolivia made significant progress in establishing and developing fiscal management systems, notably the Integrated Administrative Management and Modernization System (SIGMA), which nevertheless only covers the central

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<sup>5</sup> Guzmán M. (2005): *Sistema de Control de Gestión y Presupuesto por Resultado: la Experiencia de Chile* [Management Control System and Budgeting by Results: Chile’s Experience].

<sup>6</sup> As of 2012, management agreements have been signed with the Servicio de Impuestos Nacionales [National Revenue Service], Aduana Nacional de Bolivia [National Customs Authority], and Servicio Nacional del Sistema de Reparto [National Pension Service], whose budgets represent 1.2% of the central administration’s expenditures.

government and a few subnational entities.<sup>7,8</sup> Few subnational entities manage their expenditures using information systems that integrate budget, accounting, and cash management functions, which are indispensable for effective and efficient allocation and execution of public expenditure.<sup>9</sup> Municipios that do not have SIGMA use financial management and administration processes based on other systems, manual records, or spreadsheets. In the latter cases, public expenditure administration is an extremely slow process.<sup>10</sup> Moreover, SIGMA's functionality is limited by a lack of information on procurements, subnational debt, personnel administration, fiscal accounts administration, and subnational electronic payments. Since 2011, the central government has been developing the Web-based platform Integrated Public Management System (SIGEP), which will be able to offer all the functionalities that the Bolivian government needs for fiscal administration. The SIGEP was launched in 2012 but its functionality is still limited, so the challenge is to complete its development and introduce it at the three levels of government.<sup>11</sup>

- 1.11 The Investment Information System (SISIN) lacks the capacity to automatically exchange information with SIGEP. Currently, information is exchanged by means of plain text files so information must be recorded twice, with the consequent risk of errors and the need for additional personnel. To integrate the two systems, protocols need to be developed that define standards for automatic sharing of information, in order to be able to implement the budget information exchange policy established by the central government in Biministerial Resolution 002 of August 2011.
- 1.12 The central government has completed the development of the Subnational Statistics Information System (SIET), which integrates a number of separate databases, systems, and processes that generate fiscal information, for the purpose of determining the fiscal balances of the subnational governments. Once implemented, this system will reduce the amount of time needed to determine subnational fiscal performance from 45 to 15 days. The challenge for the central government is to implement it at the subnational level.
- 1.13 **Public expenditure management.** When the first programmatic loan was being prepared, in a context of systematic fiscal deficits until 2005, the focus was on

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<sup>7</sup> The subnational entities served by this system are the governments of Bolivia's nine departments, as well as the municipios of Cochabamba, El Alto, La Paz, Oruro, Potosí, Santa Cruz, Sucre, and Tarija. These eight municipios account for 54% of total municipal expenditures.

<sup>8</sup> One factor that limited SIGMA's coverage was the high operating cost. The subnational governments needed an investment of approximately US\$400,000 for the first five years of use, due to the licenses required to use the platform and the technological equipment required to install it.

<sup>9</sup> World Bank (2011): Financial Management Information Systems: 25 Years of World Bank Experience on What Works and What Doesn't.

<sup>10</sup> For example, it takes municipios without access to integrated fiscal administration systems an average of 21 days to reformulate their budgets, while municipios that use the system average one day.

<sup>11</sup> In 2012, 5% of total public expenditure was processed through SIGEP.

controlling public expenditure, mainly wages and pensions. Accordingly, support was provided for use of the Biometric Registration System (SRB), launched in April 2005, to more efficiently process payments to civil servants and pensioners. At present, coverage of civil servants is practically complete. After 2005, the public expenditure profile changed due to the increased weight of social benefits and transfers to subnational governments. With this in mind, the policy to control pension spending should be advanced by continuing to apply the SRB to pensioners and taking advantage of new information sources.<sup>12</sup>

- 1.14 At present, the greatest weakness in public expenditure management is under-execution of the budget. This occurs primarily at the subnational level, where public investment execution in 2012 by departments and municipios was 58.5% and 50.5%, respectively, of the reprogrammed budget. To optimize expenditure execution, initiatives must be promoted to improve the public procurement policy in order to encourage bidder participation and reduce the number of bids declared void,<sup>13</sup> expedite the implementation of externally financed investment projects,<sup>14</sup> and provide authorities with timely management information for monitoring budget execution. It is also important to bring State-owned enterprises into the government accounting system<sup>15</sup> and conduct periodic monitoring and evaluations of their activities.<sup>16</sup>
- 1.15 **Transparency in public administration.** The second programmatic loan provided support to strengthen internal control and implement the recently prepared Transparency Program, which had a strategy based on four lines of action: (i) access to information; (ii) government ethics; (iii) accountability; and (iv) social oversight, the latter two established in the Bolivian Constitution and the Autonomy and Decentralization Framework Law. Given that the accountability process was

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<sup>12</sup> In 2012, savings of US\$5.9 million were obtained through detection and suspension of erroneous payments.

<sup>13</sup> For 2012, tenders declared void represented 30% of total tenders held in the country. The two main reasons for this are an inability to correct offers (meaning that contracts cannot be awarded to proposals that have nonessential problems), and a shortage of bidders. The first factor accounts for between 35% and 50% of processes being declared void.

<sup>14</sup> The accounting modules currently in use in the fiscal management systems do not meet the reporting requirements of public investment projects. This is because they are essentially set up for budget management as defined by the executing agency and the project, and not necessarily the results frameworks for each loan contract. Moreover, they cannot produce reports in currencies other than the local currency, which obligates executing agencies to adopt parallel systems.

<sup>15</sup> The Bolivian government has emphasized the importance of effective control of expenditure by State-owned enterprises, given their growing participation in the economy. When the second programmatic loan was being prepared, it was determined that one of the main problems is the incompatibility between the charts of accounts of the central government and those of State-owned enterprises, which makes it difficult to manage, monitor, and evaluate the spending of these enterprises.

<sup>16</sup> Considering the growing weight of State-owned enterprises in the National General Budget, and their importance in providing public services and maintaining fiscal sustainability, it is necessary to monitor their management in order to evaluate their performance and the fiscal risk of their operations.

recently introduced, it is still in its early stages, and challenges related to its consolidation and expansion are emerging. In that connection, it is necessary to expand the entities covered by the public accountability mechanism, especially at the subnational level,<sup>17</sup> and to institutionalize social oversight with a national law. Moreover, greater transparency needs to be encouraged in public procurement by making information available to the general public on government suppliers and their goods and services.

- 1.16 It is important to point out that with regard to the four policy areas, in order to increase the efficiency and effectiveness of public expenditure and generally, to improve the management capacity of the public sector, efforts need to be made, beyond the aforementioned reforms, to train civil servants working at the central level and especially the subnational level, where the greatest capacity gaps are observed.

## **B. Government commitment**

- 1.17 The Bolivian government recognizes the importance of strengthening public expenditure effectiveness as a path to development in Bolivia. In late 2012, the government introduced the Patriotic Bicentennial Agenda 2025 ([optional electronic link 5](#)), which proposes a set of public policy objectives for addressing social, community, and environmental issues, as well as matters related to economics, public finance, foreign affairs, and public administration. To achieve these objectives, a significant effort will be required in public sector management with improved expenditure effectiveness. Also, in 2010 the central government designed the 2011-2015 Action Plan to Improve Public Finance Management (PAMGFP), which aims to consolidate a more efficient, transparent, accountable public administration. The PAMGFP was based on the findings of the 2008 Public Finance Self-Assessment and the 2009 Public Expenditure and Financial Accountability (PEFA) assessment carried out with IDB and World Bank support. The PAMGFP establishes measures to improve: (i) the generation, processing, and monitoring of budget information; (ii) fiscal risk monitoring; (iii) multiyear fiscal forecasts; and (iv) cash management, all of which are in keeping with the objectives of this operation.

## **C. The Bank's strategy with the country and the sector**

- 1.18 This operation will contribute to strengthening public administration, which was identified as a priority sector in the Bank's country strategy with Bolivia 2011-2015 (document GN-2631-1). The strategy envisages that the Bank will contribute to strengthening the State apparatus by supporting institutional development at the central and subnational levels. Specifically, the Bank will support the design of an effective legal framework for public administration, adaptation of macrofiscal regulations, strengthening of the State's technical and managerial capacities, and

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<sup>17</sup> The total expenditure of municipios subject to public accountability represents 61% of all municipal expenditure; this proportion is influenced by the accountability observed in all the capital municipios.

modernization of its technological resources. The operation is aligned with the sector priority “Institutions for Growth and Social Welfare” set out in the Report on the Ninth General Increase in the Resources of the Inter-American Development Bank (GCI-9) (document AB-2764) because it contributes to institutional strengthening at the national and subnational levels, supports decentralization through support for public expenditure administration at the central and subnational levels, and improves public financial management systems.

#### **D. Objectives and structure**

- 1.19 The general objective of the program is to support policy actions to improve and consolidate mechanisms for the effective, efficient, and transparent results-based administration of public expenditure. The program was designed as one of three consecutive, single-tranche operations financed independently under the policy-based loan modality. The operations are linked by four policy areas that ensure technical consistency of the program as a whole.
- 1.20 The first programmatic loan (1701/SF-BO), approved in 2005, fulfilled the policy objectives and was disbursed in 2005. It sought to introduce basic regulatory reforms in the budget process and initiate organizational changes that would be continued under the second and third programmatic loans. In the budget area, it supported efforts to strengthen the regulatory framework. With regard to financial management systems, it supported efforts to improve SIGMA’s efficiency in the central government, and the first steps to launch it at the subnational level. It also supported efforts to control expenditures against a backdrop of fiscal constraints in the 2000-2005 period, through the improvement of the government employment registration systems and measures to establish plans to combat fraud and address arrears in the pension system. With regard to transparency and anti-corruption efforts, measures were promoted to bring transparency to public administration by increasing accountability and public access to information. Finally, support was provided to develop the regulations necessary for institutionalizing internal audit units in government agencies.
- 1.21 The purposes of the second programmatic loan (2317/BL-BO), which was approved, executed, and disbursed in 2010, were to strengthen the progress made under the first loan and to align the program’s policy actions with the principles of the 2009 Constitution and the new priorities of public expenditure administration. In the budget area, support was provided for developing a regulatory framework aligned with the new approach to public administration in Bolivia and for developing the medium-term macrofiscal framework as a first methodological effort leading to the future introduction of multiyear budgets. With regard to financial management systems, the Bolivian government received support to begin implementing SIGMA-Web<sup>18</sup> with budget, cash management, and accounting modules, and to develop regulations for subnational entities to record their debt in

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<sup>18</sup> Rather than modernize SIGMA by developing a Web version, the Bolivian government decided to move forward with the SIGEP.

the Subnational Debt Administration and Information System (SAIDS). With regard to expenditure control, continued support was provided to help the Bolivian government contain public expenditure associated with the erroneous payment of pension benefits. Support was also provided for upgrading the legal framework for public sector borrowing. Finally, in terms of transparency and anti-corruption measures, the loan supported the development of the regulatory framework to strengthen internal audit units, and actions were taken to deepen public accountability and to prepare regulations for the operation of transparency units in government agencies.

- 1.22 The specific purposes of the third programmatic loan are to: (i) improve the quality of the budget process; (ii) improve the administration of public expenditure; (iii) improve the execution and efficiency of public expenditure; and (iv) strengthen transparency and accountability. Its strategy for intervention is based on the policy actions that were pre-identified under the second programmatic loan, which have been partially updated to take into account the new fiscal and institutional setting and the amount of the proposed loan. The proposed changes to the actions in the matrix that were originally pre-identified during preparation of the first operation in the series reflect the existence of policy actions that have already been fulfilled, actions that have been ruled out by the evolution of the country's economic and institutional context, and the incorporation of actions intended to address challenges involved in achieving greater effectiveness in public expenditure.<sup>19</sup> Among the latter, in response to the trend in recent years of significantly low levels of budget execution, especially at the subnational level, the operation includes new actions to improve budget execution. The revised policy matrix is consistent with the general objective of the programmatic series.

#### **E. Components**

- 1.23 The program has five components:
- 1.24 **Component 1. Macroeconomic stability.** As a general condition for disbursement, the program requires a stable macroeconomic framework consistent with the program's objectives and the guidelines set out in the policy letter sent by the Government of Bolivia to the Bank.
- 1.25 **Component 2. Comprehensiveness and quality of the budget process.** This component aims to improve coordination and complementarity between the regulations and stages of the budget cycle. To this end, efforts will be supported to transition to a multiyear budget consistent with the medium-term macrofiscal framework to ensure fiscal sustainability, within the framework of an ambitious public investment program. Thus, the operation will support the adoption of policy actions for the: (i) formulation of multiyear budgets in State-owned enterprises and

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<sup>19</sup> [Optional electronic link 1](#) shows a comparison of the policy actions included in this proposed operation and the policy actions preliminarily identified during preparation of the second programmatic loan, which, in turn, revised the policy actions anticipated under the first loan in the series.

central government agencies; (ii) preparation of a manual of budget amendments and compendium of budget regulations; (iii) incorporation of the macrofiscal framework into the budget formulation process; (iv) introduction of results-based management in central government agencies by means of performance agreements; (v) integration of the budget with the institutional management objectives of the government agencies; and (vi) preparation of guidelines for the formulation of public investment budgets.

- 1.26 **Component 3. Integration of fiscal management systems at the central and subnational government levels.** The goal of this component is to strengthen and integrate subsystems of the SIGEP in order to improve the timeliness, reliability, and transparency of the administration of government resources. This will make it possible to: (i) integrate the administrative and financial management functions of central and subnational government institutions; and (ii) create a computer-based management system with automatic information flows, to replace the current flow of hard-copy information or the use of multiple information systems, assigning functions and levels of responsibility to each institutional user so as to ensure that information is recorded only once, but automatically and simultaneously reflected in each SIGEP subsystem. To this end, the operation will support: (i) further expansion of SIGEP coverage at the subnational level; (ii) consolidation of the policy to standardize and centralize fiscal information; (iii) further advances in the information exchange policy between SISIN and SIGEP; (iv) formulation of an action plan for developing the SIGEP, to include modules on subnational debt, electronic procurements, personnel management, administration of fiscal accounts, and subnational electronic payments;<sup>20</sup> and (v) testing of the publication of specific notices for government procurements and subnational electronic payments. Support will also be given for implementing the subnational statistics information system (SIET) in order to expand its use in subnational governments.
- 1.27 **Component 4. Improvement in the execution and efficiency of public expenditure.** This component will support improvements in budget execution, and the central government's efforts to reduce expenditures associated with erroneous payments incurred in the management of the long-term pension and social welfare benefits system. The actions to be taken under this component include: (i) introduction of a fiscal information management tool in all the ministries and in five State-owned enterprises in order to provide information on budget execution; (ii) testing of an accounting management module for externally funded projects; (iii) creation of a master registry of government suppliers; (iv) enhancement of the public procurement policy by including in the bidding documents information on rectification, clarification of selection methods, use of guarantees, and use of the master registry of government suppliers; (v) furtherance of the policy to disseminate good practices in procurement; (vi) adaptation of the SIGEP accounting module to include the harmonized chart of accounts for State-owned

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<sup>20</sup> This operation is supplemented by operation 2664/BL-BO, which finances training for SIGEP users at the subnational government level.

- enterprises; (vii) semiannual evaluation of the economic, financial, and management activities of State-owned enterprises; (viii) furtherance of the policy to control erroneous payments in the pension system through cross-referencing of databases; and (ix) furtherance of the Biometric Registration System (SRB) for beneficiaries of retirement pension and old-age pension, with a view to providing additional security to avoid erroneous payment of such income.
- 1.28 **Component 5. Measures for enhancing transparency and combating corruption.** This component will contribute to developing and consolidating mechanisms that promote access to information and social oversight and discourage corruption in public administration. To this end, support will be provided to consolidate the progress made in the areas of social oversight and transparency in government procurements. The operation will support actions to: (i) expand the number of central and subnational government agencies that have public accountability processes; (ii) publish a catalogue of government suppliers to support implementation of the transparency policy in public procurement; and (iii) enact legislation to regulate social oversight in accordance with the Constitution.
- 1.29 To date, substantial progress has been made in implementing program actions, and an estimated 70% of commitments have been fulfilled. All targets are expected to have been reached by November 2013.

**F. Key outcomes and indicators**

- 1.30 The program will contribute to: (i) macroeconomic stability and sustainable fiscal balance; (ii) improvements in the quality of the budget process; (iii) improvements in public expenditure administration; (iv) greater budget execution and efficient results-based expenditure; and (v) improvements in transparency and accountability. The indicator used to evaluate the achievement of outcome (i) is the fiscal balance of the central government and deconcentrated agencies as a percentage of GDP. For outcome (ii) it is: (a) the central government expenditure budget, formulated using the multiyear budget, as a proportion of the total budget of the central government; and (b) the State-owned enterprise expenditure budget, formulated using the multiyear budget, in relation to the total budget of State-owned enterprises. Evaluation of outcome (iii) will take into account: (a) the percentage of aggregate public expenditure managed in a fiscal management system that contains information on budget, cash management, accounting, procurements, personnel management, fiscal account administration, subnational electronic payments, and subnational debt administration; and (b) annual public tenders that conclude with the award of a contract. The indicators for evaluating outcome (iv) are: (a) the rate of execution of public investment; (b) the percentage of central government expenditure under signed management agreements; and (c) annual savings in pension expenditures through detection of erroneous payments. Finally, the indicators for outcome (v) are: (a) total expenditure of municipalities subject to accountability as a proportion of municipal expenditure; and (b) total expenditure of central government agencies subject to accountability as a



proportion of the total budget of the central government. The program results matrix ([required link 4](#)) details the expected outcomes, indicators, targets, and the timetable for completion.

- 1.31 The cost-benefit analysis focused on two expected outcomes of the program: (i) improved administration of public expenditure; and (ii) increased execution and efficiency of public expenditure. The analysis yielded a 36% internal rate of return, which exceeds the 12% discount rate that is the minimum required for this type of project.

## II. FINANCING STRUCTURE AND RISKS

### A. Financing instrument, amount, and currency

- 2.1 This operation, which is structured as a policy-based loan (PBL) pursuant to the guidelines and directives of the New Lending Framework (document GN-2200-13) and the guidelines for preparation and implementation of policy-based loans (document CS-3633), is the third operation of the Efficiency in Public Administration Support Program. The amount of this proposed operation is US\$106 million, to be disbursed in a single tranche. The operation will be financed as follows: 80% from the Single Currency Facility (SCF) of the Ordinary Capital (OC) and 20% from the Fund for Special Operations (FSO).

### B. Social and environmental risks

- 2.2 Given the nature of the program, which involves institutional strengthening activities, there are no environmental or social risks associated with it. Pursuant to Directive B.13, this operation does not require classification.

### C. Other considerations and risks

- 2.3 The operation is considered to have a medium level of risk. The risk analysis exercise carried out during preparation identified three risks that could hinder timely fulfillment of the policy objectives, achievement of outcomes, and sustainability. The first risk is related to the limited capacity for developing, approving, and implementing the reforms to be pursued through this operation, which could undermine timely achievement of policy objectives and program outcomes. This risk is being mitigated with technical assistance financed under ATN/OC-13586-BO, which will support fulfillment of program goals. In addition, the fact that the reforms identified in the operation are included in the PAMGFP 2011-2015 ensures that sufficient human and technological resources will be allocated for implementation. The second risk is related to weak interagency coordination. Because the program requires the interaction of various agencies, weak coordination could lead to disjointed execution and delays. To mitigate this risk, this operation gives continuity to the reforms identified for the second programmatic loan, which remain a priority for the authorities and a point of common interest among the different agencies. The same rationale applies to the new actions that have been incorporated. Furthermore, the MEFP has exercised

- leadership in preparing this program and has shown its commitment to exercise effective coordination in order to achieve the goals. In addition, the actions precedent to disbursement do not depend on the Plurinational Legislative Assembly, which reduces the likelihood of delays in the achievement of program objectives. Finally, weak ownership of the reforms by the authorities could undermine the sustainability of outcomes. However, the fact that the reforms identified in this operation are included in the PAMGFP 2011-2015 ensures that they will be considered as high priority and that resources will be budgeted for them.
- 2.4 Given the MEFP's commitment to the program and the Bank's technical assistance to the MEFP, the two institutions' teams are expected to jointly monitor the evolution of program risks. In addition, the three policy actions outside the control of the MEFP or the Ministry of Development Planning (MPD), the Bank's programming counterpart in Bolivia, have already been fulfilled. These are: (i) presentation of the Law on Social Oversight to the Plurinational Legislative Assembly; (ii) creation by decree of the master registry of government suppliers; and (iii) accountability of national and subnational government agencies.

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

#### **A. Implementation arrangements**

- 3.1 **Borrower and executing agency.** The borrower will be the Plurinational State of Bolivia. The MEFP, the MPD, and the Ministry of Institutional Transparency and the Anti-corruption will be responsible for fulfillment of the actions set out in the policy matrix. The MEFP, through the Office of the Deputy Minister of Budget and Fiscal Accounting, will be responsible for: (i) conducting monitoring and implementing the relevant actions for achieving the policy objectives of the operation; (ii) coordinating the agencies responsible for fulfilling the actions set out in the policy matrix; and (iii) submitting reports and evidence of the fulfillment of the conditions for disbursement of the loan proceeds, as well as other reports required by the Bank.
- 3.2 The strategy for supporting the Bolivian government consists of: (i) providing technical assistance to support achievement of the operation's policy objectives, partially financed with funds from technical cooperation operation ATN/OC-13586-BO; (ii) conducting special missions at key moments in the program design and implementation process; and (iii) closely monitoring the operation in order to effectively anticipate risks and resolve technical and coordination problems associated with program execution.

#### **B. Summary of arrangements for monitoring and evaluating results**

- 3.3 The program will be monitored and evaluated in accordance with the monitoring and evaluation plan. An ex post impact evaluation will be performed of the program with the intention of collecting evidence that can be used to close the knowledge

gaps regarding the administration of national and subnational public expenditure.<sup>21</sup> The project completion report will cover the three operations in the series and will evaluate the achievement of outcomes and objectives. The borrower will be responsible for compiling and processing all the data needed to monitor and evaluate the operation. The consulting services commissioned to verify the indicators in the results matrix and the activities in the policy matrix will be financed with resources from technical cooperation operation ATN/OC-13586-BO.

#### **IV. POLICY LETTER**

- 4.1 The policy matrix (Annex II) for this operation is consistent with the policy letter ([required link 2](#)) sent to the Bank by the MEFP on 20 May 2013.

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<sup>21</sup> The evaluation will be performed within 12 months after disbursement of the operation.

Development Effectiveness Matrix			
Summary			
<i>I. Strategic Alignment</i>			
<b>1. IDB Strategic Development Objectives</b>		Aligned	
Lending Program	Lending to small and vulnerable countries.		
Regional Development Goals	i) Ratio of actual to potential tax revenue, and ii) Public expenditure managed at the decentralized level as % total public expenditure.		
Bank Output Contribution (as defined in Results Framework of IDB-9)	i) Public financial systems implemented or upgraded, ii) Persons incorporated into a civil or identification registry, and iii) Municipal or other sub-national governments supported.		
<b>2. Country Strategy Development Objectives</b>		Aligned	
Country Strategy Results Matrix	GN-2631-1	Increased efficiency and clarity of the process of formulation, planning, execution, and monitoring of the General Budget of the Nation.	
Country Program Results Matrix	GN-2696	The intervention is included in the 2013 Country Program Document.	
Relevance of this project to country development challenges (If not aligned to country strategy or country program)			
<i>II. Development Outcomes - Evaluability</i>		Highly Evaluable	Weight
		8.7	Maximum Score
			10
<b>3. Evidence-based Assessment &amp; Solution</b>		9.0	33.33%
<b>4. Ex ante Economic Analysis</b>		10.0	33.33%
<b>5. Monitoring and Evaluation</b>		7.1	33.33%
<i>III. Risks &amp; Mitigation Monitoring Matrix</i>			
Overall risks rate = magnitude of risks*likelihood		Medium	
Identified risks have been rated for magnitude and likelihood		Yes	
Mitigation measures have been identified for major risks		Yes	
Mitigation measures have indicators for tracking their implementation		Yes	
Environmental & social risk classification		B.13	
<i>IV. IDB's Role - Additionality</i>			
The project relies on the use of country systems (VPC/PDP criteria)	Yes	Financial Management: Budget, Treasury, and Accounting and Reporting. Procurement: Information Systems and National Public Bidding (Use of some National Sub-System).	
The project uses another country system different from the ones above for implementing the program			
The IDB's involvement promotes improvements of the intended beneficiaries and/or public sector entity in the following dimensions:			
Gender Equality			
Labor			
Environment			
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	Technical assistance with ATN/OC-13586-BO Program resources to develop various SIGEP modules.	
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan			

The overall objective of the program is to support policy actions to improve and strengthen mechanisms for effective, efficient and transparent results based public expenditure. The proposed operation is the third operation of a the Program to Support Public Spending Effectiveness, which is a PBP. Its specific objectives are: i) improve the quality of the budget process, ii) improve public expenditure management, iii) improve the performance and efficiency of public spending, and iv) achieve greater transparency and accountability.

The logic of the project is clear and properly documented with adequate empirical evidence. The results matrix indicators are SMART. The documentation contains an economic cost - benefit analysis based on benefits derived from increased public investment returns, improved procurement policy, pension expense savings and revenue increases.

The monitoring and evaluation plan proposes an ex-post cost- benefit analysis.

## POLICY MATRIX

Commitments for disbursement of the first loan	Commitments for disbursement of the second loan	Commitments for disbursement of the third loan
<b>Component 1. Macroeconomic stability</b>		
<b>Objective:</b> Macroeconomic stability and sustainable fiscal balance.		
Maintenance of an appropriate policy framework that is in keeping with the program's objectives	Maintenance of an appropriate policy framework that is in keeping with the program's objectives	Maintenance of an appropriate policy framework that is in keeping with the program's objectives
<b>Component 2. Comprehensiveness and quality of the budget process</b>		
<b>Objective:</b> To achieve greater integration and complementarity between the regulations and stages of the budget cycle and to strengthen mechanisms that foster better performance.		
<p>Presentation of draft legislation on public budgets to Congress, which should contain measures for enhancing transparency, improving the quality of expenditure, achieving results, and ensuring fiscal sustainability.</p> <p>Introduction in Congress of draft financial legislation for the 2006 General Budget of the Nation (PGN) that incorporates concepts of results-based management (prioritized objectives, indicators, and design of programmatic structures with a results-based management approach) in at least two pilot agencies.</p> <p>Approval of updated foundational regulations and statutes for the budget system and for the operational programming system.</p> <p>Approval of the budget classifier and budget guidelines for the 2006 fiscal year, incorporating classification by expenditure purpose and function.</p> <p>Approval of terms of reference for consulting services for the diagnostic assessment and feasibility</p>	<p>Presentation to the Plurinational Legislative Assembly of budget framework legislation emphasizing integration of the stages of the budget cycle and expenditure quality, in accordance with the new Constitution.</p>	<p>Formulation of multiyear budgets in 10 State-owned enterprises representing at least 60% of the central government budget.</p> <p>Formulation of multiyear budgets in at least five central government agencies, representing the equivalent of at least 5% of the central government budget.</p> <p>Preparation of the manual of budget amendments and compendium of budget regulations and distribution to government agencies.</p>

Commitments for disbursement of the first loan	Commitments for disbursement of the second loan	Commitments for disbursement of the third loan
<p>study on streamlining and integrating information systems, based on enhanced coordination and complementarity of existing systems (SISER, SIGMA, SISIN and SISFIN, and SGP), within the framework of setting up results-based management.</p>		
	<p>Preparation of a medium-term macrofiscal framework to serve as a benchmark for planning and budgeting, and formal adoption of the mechanism for updating it by the Ministry of Economy and Public Finance (MEFP), with the participation of the Ministry of Development Planning (MPD), the Central Bank of Bolivia, and the Social and Economic Policy Analysis Unit (UDAPE).</p>	<p>The budget formulated for the 2014 fiscal year incorporates the macroeconomic variables established in the macrofiscal framework.</p>
		<p>Incorporation of the macroeconomic variables established in the macrofiscal framework in the multiyear budgets of 10 State-owned enterprises, beginning with the 2013 budget cycle.</p>
	<p>Signature of management agreements for the present year between the MEFP and at least three agencies, and fulfillment of at least 70% of intermediate targets on schedule.</p>	<p>Signature of management agreements with seven central government agencies and substantial progress on execution.</p>
		<p>The guidelines for the 2014 budget integrate the institutional management objectives of the government agencies with the budget programming for formulation of the National General Budget.</p>

Commitments for disbursement of the first loan	Commitments for disbursement of the second loan	Commitments for disbursement of the third loan
		<p>The public investment guidelines for formulation of the 2014 budget include guidelines and procedures for: (i) the formulation of investment budgets for the different central agencies, State-owned enterprises, universities, and subnational agencies; (ii) the preparation and registration of the annual budgets of the agencies; (iii) capitalizable and noncapitalizable investments; and (iv) review and adjustment of expenditure items associated with investment projects.</p>
<p><b>Component 3. Integration of fiscal management systems at the central and subnational government levels</b></p>		
<p><b>Objective:</b> To consolidate use of the financial management system at the central government level and expand it among the subnational entities.</p>		
<p>Demonstration of SIGMA’s capacity to generate: Automated budget reports that include the functional classification of expenditures for the draft PGN-2006. Comparative financial statements for 2004 (trends in net assets, the general balance, and income statement) of the central government. Launch of SIGMA in at least three municipios (in addition to La Paz and Cochabamba).</p>	<p>Budget, cash management, and accounting modules developed for SIGMA-Web and in testing at three central government agencies.</p>	<p>Progress on the policy to expand the coverage of fiscal management systems:</p> <ul style="list-style-type: none"> <li>- The online version of the Integrated Public Management System (SIGEP) is up and running with budget, cash management, and accounting modules at 110 subnational agencies.</li> <li>- The mobile version of SIGEP is up and running at 150 subnational agencies.</li> </ul>
	<p>Preparation and approval of regulations on the formats to be used by other financial management systems to send fiscal administration information to SIGMA.</p>	<p>Consolidation of the policy to standardize and centralize the fiscal information of central and subnational governments, using standard formats for sending information to the MEFP.</p> <p>Progress on the information exchange policy, in compliance with Biministerial Resolution 002 of 19 August 2011, by defining protocols for automated exchange of information between the Investment Information System (SISIN) and SIGEP.</p>

Commitments for disbursement of the first loan	Commitments for disbursement of the second loan	Commitments for disbursement of the third loan
	Approval of the MEFP regulations establishing that subnational agencies must record all their debt information in the Subnational Debt Administration and Information System (SAIDS) and keep it updated.	Action plan, including financial resources and a timetable, for developing and introducing the following SIGEP modules: (a) Web module for subnational debt administration (SAIDS) integrated with SIGEP. (b) Electronic procurement module. (c) Personnel management module. (d) Fiscal accounts administration module. (e) Subnational electronic payment module.
		Operating tests of the publication of specific procurement notices, with the corresponding budget allocation, in the SIGEP procurement module.  Operating tests of the SIGEP subnational electronic payment module in a subnational agency.
		Implementation of the new informatics platform for compiling financial information to generate fiscal figures (SIET) <sup>1</sup> in at least 80 subnational government agencies.
<b>Component 4. Improvement in the execution and efficiency of public expenditure</b>		
<b>Objective:</b> To develop tools for improving the execution and quality of public expenditure in Bolivia.		
	Development of a SIGMA module for generating management information and pilot implementation in the MEFP, the MPD, and the Ministry of the Presidency.	Implementation in all central government ministries and five State-owned enterprises of the tool that generates management information, with information on budget execution by the central government, subnational agencies, and State-owned enterprises.

<sup>1</sup> SIET is a Web-based system that generates fiscal data for the nonfinancial public sector by aggregating and consolidating the cash flows of nonfinancial public sector entities.



Commitments for disbursement of the first loan	Commitments for disbursement of the second loan	Commitments for disbursement of the third loan
	<p>Technical report by the MEFP to frame preparation of a legal framework for public borrowing by the Plurinational State of Bolivia.</p>	<p>SIGEP accounting management module for externally-financed projects to be tested in a government agency.</p> <p>Creation of the master registry of government suppliers, which accredits government suppliers at the national level.</p> <p>Improvement of the public procurement policy by including in standard bidding documents rules on: (i) criteria for rectification; (ii) clarification of selection methods; (iii) use of guarantees; and (iv) use of the master registry of government suppliers.</p> <p>Policy to disseminate good practices in procurement by publishing and disseminating booklets containing guidelines on: (i) criteria for rectification; (ii) guarantees; (iii) selection criteria; and (iv) correct registration in the Public Procurement System (SICOES) of those barred from participating in public procurements.</p>
	<p>Development and approval of regulations establishing a harmonized chart of accounts for State-owned enterprises.</p>	<p>SIGEP accounting module adapted for registration of the harmonized chart of accounts for State-owned enterprises.</p> <p>Semiannual evaluation of the economic, financial, and management activities of State-owned enterprises.</p>
<p>Approval of updated plan to combat fraud.</p> <p>Approval of updated plan to address arrears.</p>	<p>Cross-referencing of the database run by the National Pension Service (SENASIR) with various databases run by other agencies, to identify erroneous payment of benefits, due to the death of the beneficiaries or successors.</p>	<p>Progress on the policy to control erroneous payment of benefits, by cross-referencing information from the databases of SENASIR, the Pension and Insurance Oversight and Control Authority (APS), and the Personal Identification Service (SEGIP), in order to identify duplication of beneficiaries, deceased persons, and erroneous names in the records.</p> <p>Expansion of the policy for exchange of information</p>

Commitments for disbursement of the first loan	Commitments for disbursement of the second loan	Commitments for disbursement of the third loan
		on pension system beneficiaries with the signature of an interagency cooperation agreement between the National Electoral Court (TSE), the MEFP, the Office of the Deputy Minister for Pensions and Insurance (VPSF), APS, and SENASIR, to provide access to Civil Registry Service (SERECI) information, in order to verify the identity information of individuals, for the purpose of ongoing updates of the personal data of beneficiaries of the comprehensive pension system, and of the beneficiaries of the pay-as-you-go pension system, thereby reducing the fiscal costs of benefit payments.
Creation of the registry system for pensioners and civil servants paid by the General Treasury of the Nation (TGN), using biometric systems.  Completion of the pilot study of 30,000 biometric records of pensioners and civil servants paid by the TGN.		Creation of at least one biometric registry for 10% of the population of retirement pensioners (beneficiaries and successors) and beneficiaries of life annuities (distinguished citizens, widows of distinguished citizens, and disabled war veterans).  Creation of a biometric registry of at least 85% of the population who do not receive a retirement pension but do receive the old-age pension in 2012.
<b>Component 5: Measures for enhancing transparency and combating corruption</b>		
<b>Objective:</b> To enhance transparency, accountability, and access to information as a means to support social oversight and to reduce the risk of corrupt acts.		
Draft executive order for strengthening and institutionalizing internal audit units prepared and presented to the Ministry of the Presidency.	Approval of executive order establishing: mandatory creation of internal audit units at government agencies based on the volume of resources they handle; the technical requirements for the heads of internal audit units; the terms for hiring and removing heads of internal audit units; and the minimum structure for internal audit unit teams.	Implementation of the transparency policy in public procurements with the online publication of a catalogue of suppliers at the national level, containing information on the supply of goods and services.
Signature of agreements between the Presidential Delegation for Transparency and Public Integrity (DPTIP), the Ministry of the Presidency, and four	Approval of the resolution of the Office of the Comptroller General (CGE) establishing guidelines for the publication of internal audit reports on the	

Commitments for disbursement of the first loan	Commitments for disbursement of the second loan	Commitments for disbursement of the third loan
<p>central and decentralized agencies, to implement the voluntary transparency strategy.</p> <p>Issuance of the executive order on access to information.</p>	<p>CGE's institutional transparency portal.</p>	
<p>Draft executive order with implementing regulations for accountability in the SAFCO Law (Article 5 of Law 1178) prepared and presented to the Ministry of the Presidency.</p>	<p>Twenty ministries hold public accountability hearings.</p>	<p>Expansion of the coverage of agencies that conduct annual public accountability processes:</p> <ul style="list-style-type: none"> <li>- Fifty new municipios and five department governments enter the public accountability program.</li> <li>- Five central government agencies (including decentralized and deconcentrated agencies) hold public accountability hearings.</li> </ul>
	<p>Preparation and approval of regulations governing the operation of transparency units at 10 government agencies.</p>	
		<p>Enactment of legislation regulating the exercise of social control, in accordance with the new Constitution.</p>

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/13

Bolivia. Loan \_\_\_\_/BL-BO to the Plurinational State of Bolivia  
Effectiveness in Public Expenditure Support Program III

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 an effectiveness in public expenditure support program III. Such financing will be for the amount of up to US\$84,800,000 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 \_\_ \_\_\_\_\_ 2013)

LEG/SGO/CAN/BO-37894332-13  
BO-L1081

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/13

Bolivia. Loan \_\_\_/BL-BO to the Plurinational State of Bolivia  
Effectiveness in Public Expenditure Support Program III

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 an effectiveness in public expenditure support program III. Such financing will be for the amount of up to US\$21,200,000 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 \_\_ \_\_\_\_\_ 2013)

LEG/SGO/CAN/BO-37894310-13  
BO-L1081