The Plurinational State of Bolivia Country Program Evaluation, FY05–13

An Independent Evaluation

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Contents

BOXES

FIGURES

TABLES

APPENDIXES

The Management Response, Management Action Record, and Chairperson's Summary from the discussion of the Committee on Development Effectiveness for all four country program evaluations that are part of the clustered country program evaluation for resource-rich developing countries are found in the synthesis report.

Abbreviations

AAA	analytic and advisory activities
ABC	National Road Administration
APL	Adaptable Program Loan
CAE	country assistance evaluation
CAF	Andean Development Corporation
CAS	country assistance strategy
CCT	conditional cash transfers
CEM	Country Economic Memorandum
CFAA	Country Financial and Accountability Assessment
CPE	Country Program Evaluation
CPS	country partnership strategy
FAO	Food and Agriculture Organization
FES	Social Enterprise Fund
FY	fiscal year
GBI	Grassroots Business Initiative
GDP	gross domestic product
GEF	Global Environment Facility
GPOBA	Global Partnership on Output-Based Aid
GruS	El Grupo de Socios para el Desarrollo de Bolivia
GTFP	Global Trade Finance Program (of IFC)
IADB	Inter-American Development Bank
IDA	International Development Association
IDF	Institutional Development Fund
IEG	Independent Evaluation Group
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IIC	Inter-American Investment Corporation
IMF	International Monetary Fund
INRA	National Agrarian Reform Institute
ISN	Interim Strategy Note
M&E	monitoring and evaluation
MDG	Millennium Development Goal
MIGA	Multilateral Investment Guarantee Agency
NDP	National Development Plan
NGO	nongovernmental organization
NLTA	nonlending technical assistance
NPL	nonperforming loan
OECD	Organisation for Economic Co-operation and Development
OED	Operations Evaluation Department

PAR	Rural Alliances Project
PDCR	Proyecto de Desarrollo Regional Concurrente (Participatory Rural Investment Project)
PEFA	Public Expenditure and Financial Accountability
PFM	public financial management
PIM	public investment management
PRSP	Poverty Reduction Strategy Paper
ROSC	Report on the Observance of Standards and Codes
SBA	Sustainable Business Advisory
SERNAP	Protected Areas National Service of Bolivia
SME	small and medium enterprise
StAR	Support for Stolen Asset Recovery
TA	technical assistance
TDE	Transportadora de Electricidad (Electricity Transmission Company)
YPFB	Yacimientos Petrolíferos Fiscales Bolivianos (Bolivian Petroleum Company)

All dollar amounts are U.S. dollars unless otherwise indicated.

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Overview

Highlights

As the result of past investments in gas and mining sectors and high world commodity prices, the Bolivian economy grew considerably during the last seven years. Prudent macroeconomic policies and high taxes on hydrocarbon revenues led to a significant accumulation of fiscal surplus and external reserves. Under a state-led development model, the government led by President Morales pursued redistributive policies and invested heavily in road construction. However, it has retained far more of the conservative fiscal and macroeconomic policies than would have been predicted.

Sustained growth has translated into significant poverty reduction and improved equity as unskilled labor, including from indigenous groups, benefited from booming nontradable sector activities. The availability of hydrocarbon revenues, however, created little incentive for the government to address the structural issues in the economy. The Plurinational State of Bolivia is more resource dependent, institutions are weak, decision making is increasingly discretionary, productivity remains low both inside and outside the agriculture sector, and environmental degradation is worsening.

Findings: The period under review (FY05–13) starts amid considerable sociopolitical unrest and covers the entire period under President Morales. During this time, three out of four World Bank Group strategies were short-term (from 18 months to three years) and gave high priority to rebuilding a relationship with a government that came to power on a strong anti-Washington platform. This effort has been fruitful as the government has reduced its anti-Bank discourse and sought the Bank's views more frequently, albeit informally. However, the improving relationship has yet to produce the expected results in most areas during the evaluation period.

Notable achievements were made in small-scale agriculture development, urban infrastructure, and road maintenance, where the government's interests and the Bank's objectives were aligned. The Bank's involvement in the environment was limited but useful. Gender issues were incorporated into many Bank projects. However, the Bank has stayed out of the macroeconomic and resource management areas and addressed a few narrowly defined topics related to governance and public institutions. The efforts of the Bank and International Finance Corporation (IFC) at promoting private businesses have produced few tangible results. In human development, a high priority area for the government, the Bank has lost traction as the ministries became politicized.

Recommendations: Going forward, the Bank Group should develop a long-term partnership with the government as well as groups outside of the government. The Bank should scale up the good practice programs in agriculture and help the government develop a strategy for improving agricultural productivity and rural development more broadly. In transport, the Bank should continue to focus on road maintenance to complement the construction programs of the government and other partners. In areas where the government has shown little commitment in addressing systemwide issues, the Bank should adjust the scale and breadth of its programs according to the expected results. Finally, IFC should take a long-term view for its engagement and further adapt its products and processes to meet the market demand of countries like Bolivia.

The Plurinational State of Bolivia's rich natural resource endowment has dominated its economy and its national politics. Large investments in the gas and mining sectors in the late 1990s and early 2000s, combined with high international commodity prices, led to an annual growth rate of 5 percent during 2005–2013, above Latin America's 3.6 percent rate. Steady growth and improved terms of trade led to significant poverty reduction, from 37 percent in 2002 to 21 percent in 2012. Income inequality has also declined while improvements in some human development indicators suggest significant social gains. Nevertheless, the growth has been uneven, with extractive industries, construction, and financial services expanding rapidly while agriculture and manufacturing fell behind. Poverty and inequality remain high, and Bolivia's human development levels continue to fall below Regional averages.

With the election of President Morales in December 2005, policy directions changed drastically. Bolivia nationalized assets in key economic sectors and pursued a state-led development model. Although prudent macroeconomic management has helped build sizable reserves, reducing the country's main vulnerabilities, Bolivia continues to face multiple development challenges. It needs to invest in the exploration of hydrocarbons and in other productive sectors, increase productivity, protect the environment, and build the institutional capacities for managing all of these areas.

World Bank Group Strategies

The World Bank Group strongly supported the market-oriented reforms that the Bolivian government implemented between the late 1980s and early 2000s. Through the widely acclaimed capitalization program, the government restructured much of the statist economy, pursued decentralization as part of a broad public sector reform agenda, and achieved important progress in the health and education sectors. However, poverty and inequality remained high, and Bolivia struggled with persistent problems of debt and deficits.

This evaluation covers the period FY05–13, when four strategies guided the Bank Group assistance program in Bolivia. Prepared at an uncertain time, the 2004 Country Assistance Strategy (CAS) had an unusually short time horizon of just 18 months. It was followed after the inauguration of

President Morales by two Interim Strategy Notes (ISNs) in 2007 and 2009 and a country partnership strategy (CPS) in 2011. Despite the short-term nature of three of the strategies, the Bank Group's priorities remained consistent. All four strategies had objectives in the areas of governance and public institutions, economic diversification and jobs, and human development. Environmental sustainability became a pillar of Bank Group strategy starting with the 2009 ISN while gender was mainstreamed as a cross-cutting theme in the 2011 CPS. However, only the 2004 CAS contained objectives related to macroeconomic and resource management.

Despite having pillars aligned with the government's development plan, both ISNs and the CPS had an overarching objective to build a relationship with the Morales government, which came to power with an anti-Washington rhetoric. The Bank Group's financial support declined and became more concentrated while analytic and advisory activities (AAA) became more common.

Bank Group Programs and Results

As part of the Clustered Country Program Evaluation for Resource-Rich Developing Countries, this evaluation follows the common organizing framework, which is based on the common challenges that arise from high dependency on natural resources.

MACROECONOMIC AND FISCAL STABILITY

The government showed no interest in Bank advice or financing in this area, consequently the Bank contributed little to any achievements that could be associated with it. Only the 2004 CAS addressed issues related to macroeconomic and natural resource revenue policy. The authorities did not ask the Bank for advice regarding their policy in the hydrocarbon sector nor for their macroeconomic framework and management of foreign exchange reserves. The Bank provided technical assistance on peripheral issues where Bolivia requested help, for example, by building capacity for staff, organizing conferences, and providing technical advice on the details of asset and debt management.

Rating: *Since this objective was not a key area of engagement for Bank engagement during the evaluation period, the Bank Group's contribution to this pillar is not rated.*

GOVERNANCE AND INSTITUTIONS FOR EFFECTIVE USE OF RESOURCES

Supporting governance and public institutions was a key component of Bank Group strategies throughout the evaluation period. However, the relevance and strength of such support declined over time. As a number of planned credits never materialized, the Bank shifted its support from lending to knowledge activities but with little impact.

Rating: *The Bank Group's contribution to the outcomes in this pillar is rated as moderately unsatisfactory.*

Public financial and investment management. Early in the evaluation period, the Bank provided substantial diagnostic work that identified areas for improvement. Based on the findings of a country financial accountability assessment in 2005, the government presented the "Strategic Framework for Strengthening Public Finances," which the donor community endorsed. Its approval and some early implementation progress became key triggers for debt relief granted to Bolivia in 2006 under the Heavily Indebted Poor Countries Initiative.

After debt relief and with the boom in hydrocarbon revenues, the government showed little interest in Bank support for reforms in public financial management, except in a few narrow areas. None of the proposed projects materialized, and the Bank did not contribute to developing a modern system to monitor and evaluate the outcomes of public expenditures. Instead, the Bank carried out a multiyear program of nonlending technical assistance (NLTA) that supported modernizing the public investment management system. The Bank's assistance helped the government amend some core legislation, simplify the methods for local project evaluation and approval, and support the participation of private contractors in subnational procurement. Nonetheless, investment implementation still lags because of insufficient local capacity and delays by the Ministry of Finance in committing and releasing funds to subnational governments. The 2009 Public Expenditure and Financial Accountability report identified progress in several areas, but rated more than half of them as unsatisfactory. The government rejected the Bank's offer of assistance.

Decentralization. Before the evaluation period, the Bank provided wide-ranging assistance on issues of decentralization. After 2006, Bank support was provided through AAA and two Participatory Rural Investment Projects (Proyecto de Desarrollo Regional Concurrente, PDCR). A 2006 report on decentralization presented options for addressing three groups of problems. However, instead of using the report's findings and recommendations, the government pursued a new, unconventional decentralization model and has not welcomed Bank advice. The PDCR supported the creation of capacity in rural communities. However, more is needed as communities and subnational governments require additional capacity building and clearer authority for executing the works financed with central government transfers.

Transparency and institutional strengthening. During the evaluation period, the Bank and the International Finance Corporation (IFC) provided financial and technical support for building capacity at various government agencies. However, they did not address the main problems affecting public sector governance.

Since 2006, while proclaiming the importance of fighting corruption, the government has generally rejected measures to promote transparency. Bolivia has not joined the Extractive Industries Transparency Initiative, and on several occasions, the government declined offers of Bank assistance in preparing the necessary information and applications. A 2011 credit for "Strengthening Statistical Capacity and the Informational Base for Evidence-Based Planning" financed the 2012 census and subsequent analysis. There was also a $240,000 trust fund for "Ensuring Quality in the National Statistical System." Although these tasks are not yet closed and officially evaluated, they seem to be relevant and effective uses of Bank resources. During 2003–2013, IFC implemented a series of municipal licensing and permit simplification programs, the clearest impact of which is the strengthening of municipal capacity for implementing business regulations.

ECONOMIC DIVERSIFICATION AND JOB CREATION

Although diversification did not feature prominently in the Bank Group's strategies, productive development and job creation were important areas of engagement. The Bank Group delivered its assistance through credits for agriculture and infrastructure, which accounted for 60 percent of the total lending program, but relied on AAA to support private sector development. IFC investments declined further from a small base. It used advisory services to test new models of intervention to promote private businesses.

Rating: *The Bank Group's contribution to the outcomes in this pillar is rated as moderately satisfactory.*

Agriculture

Bank programs in agriculture continued to address the issues identified in previous strategies as the nature of the problems affecting the rural sector remained unchanged. Bank assistance consisted of 10 loans and one report. IFC targeted the forestry sector with advisory services and made its first investment in tropical forestry in 20 years.

Rating: *The Bank Group's contribution to the outcomes in agriculture is rated as satisfactory.*

Territorial development. Three Bank credits helped fill the rural communities' financing gap for infrastructure projects and build their capacity to plan and execute them. The assistance benefited more than 380 municipalities and contributed to bettering the welfare of those it reached. The improved capacity and institutions allowed municipalities to execute their budgets and to use donor funds faster. Moreover, the results are likely to be sustained because the communities had the financial resources to maintain infrastructure.

Land administration and land ownership. Problems in the land tenure system constituted a major roadblock for developing agriculture, managing natural resources, and protecting the land rights of indigenous peoples. A Bank project completed early in the evaluation period helped clarify the land tenure situation and create a more transparent and efficient land administration system, which made it possible to regularize land titles and transfer large tracts of land to indigenous peoples. A second project, Protierras, helped organized landless farmers carry out income-generating activities. However, it failed to achieve its objective of helping farmers acquire land.

Market access for rural producers. Informed by the Bank's experience in Bolivia and other countries, the Bank's 2005 Rural Alliances Project succeeded beyond expectations. It targeted groups of small farmers and helped them to identify market opportunities, prepare business plans, finance the venture, and establish contractual relations with potential buyers (the "alliance"). The assistance exceeded its target for alliances supported. A preliminary evaluation of 140 alliances found that net income per family increased by 46 percent.

Targeting agroforestry in its cluster development program, IFC provided advisory services to four indigenous communities and some wood sector small and medium enterprises (SMEs) and invested in a Bolivian forestry company during the evaluation period. These interventions had very limited impact, with the investment project ending in liquidation after only one year of execution.

Private Sector Development

Since 2006, the Bank Group's strategy tried to reconcile the need to maintain the role of the private sector with the increasing role of the state in the economy. None of the potential Bank loans materialized, and the last approval for IFC investment during the evaluation period was in 2011. Instead, the Bank relied on knowledge services to maintain a dialogue with the government on diversification, competitiveness, and job creation, while IFC used advisory services to promote private sector development, focusing on SMEs.

Rating: *The Bank Group's contribution to the outcomes in private sector development is rated as unsatisfactory.*

Access to finance. Bolivia has a vibrant and mature microfinance market, but a relatively small number of SMEs and rural producers have access to it. IFC and the Bank used several tools to help expand financial access to that market. However, most of these efforts were not rewarded with satisfactory results. The Bank conducted two studies to explore ways to provide collateral and a financial sector review (2011) to provide input to the government's reforms, but there was no follow-up.

IFC provided small loans ($2.5 million to $10 million) to several banks to expand their SME business, but these had limited impact. IFC's trade finance guarantees to four banks helped them access international credit markets and increase trade. Finally, five years after the closing of an IFC advisory project that supported reforms in the financial leasing law, IFC's efforts bore fruit as the ideas in the draft law were adopted in the new Financial Services Law (Law 393 of 2013).

Business environment. Reflecting its difficult investment climate, Bolivia's Ease of Doing Business rankings declined steadily between 2005 and 2014 (from 111 out of 155 countries to 155 out of 185 countries, respectively). Since 2013, IFC has provided a series of advisory services to municipalities to help them simplify procedures for business entry and construction permits. The efforts have led to more streamlined administrative procedures and better capacity to implement business regulations; however, there is little evidence of the reforms impact on business development.

SME development. Small and medium enterprises dominate Bolivia's business sector, and they have expanded rapidly in recent years. IFC explored various forms of intervention to support local businesses and income generation opportunities for indigenous communities. Many of the interventions failed to achieve expected results. However, in two instances IFC's assistance produced excellent results, helping the beneficiaries improve operating efficiency and expand services to small farmers and suppliers. Unfortunately, these pilots were not scaled up for broader impact. IFC's SME business training program also suffered from limited scope and inadequate adaptation to the Bolivian context.

Infrastructure

To close the large gaps in infrastructure, sustained efforts are required from the government and the development community. Bank assistance included nine credits and two studies that addressed issues in urban development, transport, and energy. IFC provided a short-term bridge loan and technical assistance to

Transportadora de Electricidad, the largest electricity transmission company in Bolivia.

Rating: *The Bank Group's contribution to the outcomes in infrastructure is rated as moderately satisfactory.*

Urban development. The Bank's support helped to improve urban infrastructure in La Paz, El Alto, and Santa Cruz, but achieved little in the communities around Lake Titicaca. In La Paz, in particular, the Bank program was immersed in a well-established national program, Barrios de Verdad, which contributed to improved living conditions in the poorest neighborhoods. In the Lake Titicaca area, however, the Bank project was poorly designed. It faced problems from the beginning that were never addressed and delivered little of the planned infrastructure works.

Transport. Improving transport infrastructure is an important government objective. Compared to transport support from the Andean Development Corporation and the Inter-American Development Bank, Bank assistance has been limited (one project). However, it was targeted, complementary, and helped strengthen the country's capacity to manage its road assets and make the national and secondary road networks more passable. At project closing, the entire primary road network was maintained adequately by microenterprises, rather than by government personnel, in a routine manner, a positive sign in road management. The conditions of the paved primary roads improved.

Energy. The Bank Group's program was small, consisting of one credit; a Global Partnership on Output Based Aid grant; a NLTA project; an IFC short-term bridge loan to expand the national transmission system; and associated technical assistance. The program focused on rural electricity access, and assistance succeeded in increasing electricity coverage in target areas. More than 30,000 households (about 9.8 percent of the households that lacked the service in 2011) gained access to energy, and an additional 13,000 households, including 5,705 of the poorest households, received portable solar lanterns. The long-term sustainability of this achievement is not secure though as it depends on the beneficiaries' renewal of service contracts after their initial warranty period expires.

HUMAN CAPITAL DEVELOPMENT

During the past decade, the Bank Group has consistently given human development a high priority in its strategies for Bolivia. Its support program, however, changed dramatically from being a best practice example in the 1990s to having little traction during the evaluation period. The Morales government lacked interest in the Bank's analytical and financial support for significant policy issues. Despite these developments, the Bank did not scale back the ambitions of its strategies proportionately, and the program failed to achieve its objectives.

Rating: *The Bank Group's contribution to the outcomes in this pillar is rated as unsatisfactory*.

Education. Since 2006, the Bank has shifted its support from national reforms to smaller scale municipal pilots. Drawing on lessons from an earlier education quality project, the Bank implemented a municipal pilot project that is achieving good results. Despite the relevance of this approach, its effectiveness is limited by the government's lack of interest in using the pilot as a testing ground for broader reforms. The Bank's knowledge support included an education sector report (2006) and two NLTA projects, which had little impact.

Health. The Bank supported the government's health sector reforms through a series of Adaptable Program Loans over 12 years. However, all of the progress was achieved before this review period. During the evaluation period, Bank projects encountered many difficulties, including instability of government leadership and politicization of the health sector. Several project components had to be cancelled as the government lost interest (for example, universal health insurance, and targeted interventions for maternal and child health). No AAA was delivered during the evaluation period.

Social protection. With President Morales's discourse focused on reducing inequality and poverty ("Vivir Bien"), the Bank viewed it as an opportunity to expand involvement in social protection. It designed a multiyear, flexible, programmatic AAA program, which was implemented in four phases between 2008 and 2011. These efforts evolved into financial support for an investing in children and youth lending project (2008). However, its objective was not realized, and one of its components was cancelled due to "reputational risk."

CROSS-CUTTING ISSUES

Environment. Bank assistance, though limited, generated positive results for strengthening Bolivia's capacity to manage its natural resources. In particular, it helped to create the institutions and organizations needed to manage and conserve biodiversity and to respond to natural disasters. Although more remains to be done and the country's needs for development and nature conservation sometimes conflict, the progress represents a small but important step in the right direction.

Gender. Bank Group strategies paid increasing attention to gender issues over time, and a number of Bank credits incorporated gender in their project design and results measurement. The attention to gender was manifested most explicitly in the interventions on maternal and child health, but the expected outcomes were not achieved as the health projects failed. Most of the Bank's interventions in agriculture and rural development had a gender dimension, and in most instances, the projects produced good results. IFC executed several advisory services projects that targeted women entrepreneurs, but gender issues were not mainstreamed in IFC interventions.

Recommendations

Bolivia has a favorable growth outlook in the medium term, but faces serious challenges in the long term. Although the country enjoys a virtually guaranteed market for its gas exports, years of lack of investment threaten its capacity to meet contractual obligations. Because the country is flush with hydrocarbon revenues, the government has not recognized the need to improve governance or to manage its natural resources more efficiently. At the same time, the growing role of the state and natural resources in the economy have discouraged private investment in other tradable sectors.

The Bank Group's experience in Bolivia over the last two decades yields lessons for a more mature partnership going forward. In the 1990s, the Bank had considerable influence over all major decisions of the government. After 2006, in seeking to remain engaged, the Bank largely let the government dictate its program. Neither approach is optimal. As Bolivia graduates from the International Development Association, there is an opportunity for the Bank Group to construct a new partnership with the country based on shared goals and mutual commitment. For the Bank Group to provide effective support, the IEG makes five recommendations.

Recommendation 1: Develop long-term partnerships with the government as well as other groups outside of the government. Keeping an open communication with all major stakeholders, including different political factions, academia, civil society, and the private sector, will help build understanding of and support for difficult reforms that the country needs to achieve sustainable growth but does not always recognize. In this process, Bank Group management needs to promptly recognize the changing needs of Bolivia, accept that the country may have different priorities from those of the Bank Group, and adjust its assistance accordingly.

Recommendation 2: Scale up the good practice assistance programs in agriculture and help the government develop a strategy for raising agricultural productivity and developing the rural sector. To achieve the goal of substantially reducing extreme poverty, the government must focus on improving agricultural productivity and the living standard in rural areas. In collaboration with the government, the Bank should take stock of the interventions it has supported, evaluate their impact on poverty, and distinguish between their social assistance and productivity enhancing aspects. This would enable the Bank and the government to identify the main problems, diagnose their causes, and set priorities for a development strategy.

Recommendation 3: Continue to focus on improving road and urban infrastructure where the Bank has expertise to complement the infrastructure programs of the government and other partners. Inadequate transport infrastructure constitutes a major roadblock to creating a national market and to integrating Bolivia's economy with the world. The Bank can use its expertise in road maintenance programs to help improve the quality of the existing network, while the government continues expanding its transport infrastructure. The assistance in urban development is likely to be more effective and its scope more easily expanded if embodied in a government program. To ensure smooth execution of the projects, the Bank must devote resources to help its Bolivian counterparts learn about and comply with Bank procedures, especially its procurement and contracting aspects.

Recommendation 4: **Reassess whether and how to engage in governance, public institutions, and human development sectors, and adjust the scope of the Bank Group objectives and support programs accordingly**. During the evaluation period, the Bank emphasized "staying engaged" and now maintains some connection in all of these sectors. While possibly appropriate for a transitional period, it may no longer be appropriate as the Bank could incur reputational risk from supporting politicized projects. Going forward, the Bank should use analytic work to stay current on the development in these areas and respond to the government's requests for assistance on specific topics.

Recommendation 5: **The International Finance Corporation should take a long-term view of its engagement and further adapt its products and processes to respond to the market demand of countries like Bolivia**. Since 2006, Bolivia's sovereign vision of a state-led economy has closed virtually all investment opportunities for IFC in the extractive industries and most infrastructure sectors. Outside of these areas, the Bolivian economy consists mainly of small businesses that do not meet IFC's investment criteria. Abundant domestic liquidity and alternative funding sources also reduced IFC's value proposition to Bolivian companies. IFC rightly emphasized advisory services for promoting private sector development, but the interventions had limited impact.

However, IFC's lack of traction in part is due to the limited relevance of its product offerings. IFC has much to offer while Bolivia's growing stability is inspiring more investor confidence in the country. To seize the opportunities and add value, IFC has to adapt its products and processes accordingly

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1. Country Context and Purpose of the Evaluation

The Plurinational State of Bolivia is endowed with rich natural resources, the exploitation of which has been a dominant feature of its economy as well as its national politics. In addition to silver and tin, Bolivia has gold, zinc, and estimated lithium reserves of 5.5 million tons, which are more than half of the world's reserves. Although its oil reserves are not significant, it has an estimated 11 trillion cubic feet of natural gas reserves, which is the second largest in South America after Venezuela. Large investments in the gas and mining sectors in the late 1990s and early 2000s, combined with high international commodity prices, have led to an annual average growth of 5 percent during 2005–2013 compared to 3.6 percent for Latin America as well as substantial improvement in Bolivia's terms of trade, which was 63 percent higher in 2012 than in 2000.

The growth and the large gains in terms of trade have translated into significant poverty reduction, although Bolivia remains the poorest country in South America. Income per capita doubled between 2005 and 2011 and extreme poverty declined from 37 percent in 2002 to 21 percent in 2012. Income inequality has also trended downward, while improvements in some human development indicators indicate significant social gains. Nevertheless, the growth was uneven, with extractive industries, construction, and financial services showing rapid expansion, while agriculture and manufacturing fell behind. Bolivia's gap between urban and rural living standards persists, and inequality remains one of the highest in the Region. Further, its human development levels continue to be below the Regional averages by all such indicators.

The election of President Morales in December 2005 signaled a drastic change in Bolivia's policy directions. It ended three years of political turmoil, during which three governments left office early because of social unrest. In taking office, President Morales reduced his salary by more than 50 percent and formed a cabinet with little experience in government. With an anti-neoliberalism rhetoric, the Morales government pursued a state-led development model anchored in the renationalization of foreign interests in the hydrocarbon, mining, infrastructure, communications, and other key sectors. At the same time, in its National Development Plan for 2006–2010, the government adhered mostly to Bolivia's previous liberal economic policies. Fiscal and monetary policies were prudent, and social spending was kept at a level comparable to previous regimes. However, public investment in hydrocarbons increased sharply, and there was a major push for road construction to integrate the country physically and to facilitate exports.

Going forward, Bolivia faces many development challenges. While President Morales's drive to promote the traditionally excluded indigenous peoples has succeeded in bringing about profound, positive social changes, his interventionist policies and the methods employed to implement them have fueled new social tensions. Concerns have arisen over the long-term sustainability of Bolivia's macroeconomic and growth outcomes. There is an urgent need to invest in hydrocarbon, mining and other productive sectors; increase productivity; further reduce poverty and inequality; protect the environment; and build the institutional capacities for managing all of these areas.

World Bank Group Support Prior to 2005

The Bank Group strongly supported the market-oriented reforms that the Bolivian government implemented between the late 1980s and early 2000. The restoration of civilian rule to Bolivia in 1982 ended decades of military dictatorships but did not bring about economic stability. Prompted by the collapse of international tin prices and the onset of the Latin American debt crisis, a hyperinflationary spiral reached 25,000 percent in 1985. The government started to implement profound, market-oriented reforms that restructured the bulk of the hitherto statist economy. They achieved important results at the macro level. In response, the Bank started supporting the government with debt rescheduling, donor aid mobilization, and export promotion.

From 1986 to 2004, the Bank approved 69 projects for a total of $1.8 billion, reaching a commitment peak of $616 million in the second half of the 1990s. Half of the commitments supported financial and private sector development, transport, and public sector governance. Another 22 structural adjustment credits were approved to support the government's export promotion efforts and capitalization program as well as its financial sector, decentralization, and pension reforms. Reduction in the size of the Bolivian program in the early 2000s reflected the expected gradual phasing out of financing from the International Development Association (IDA), changes in the portfolio because of fluidity in the social and political sphere, and tighter management of problem projects in the portfolio.

The Bolivia Country Assistance Evaluation (CAE) covering FY86–98 that was conducted by the Operations Evaluation Department (OED, the precursor of the Independent Evaluation Group) in 2000 found that the Bank was instrumental in mobilizing support from the donor community and in helping to stabilize the economy after the crisis (OED 2000). In view of the modest growth and limited poverty reduction results, however, it recommended that the Bank further link its support to progress in structural reforms by (i) giving higher priority to promoting private sector development (focusing on developing the financial sector and accelerating judicial and civil service reforms); (ii) assuming a greater role in helping the government combat corruption; (iii) developing a strategy for sustainable natural resource management; and (iv) targeting growth and poverty reduction in the Altiplano and other rural areas.

OED's 2005 Bolivia CAE, reviewing the Bank's assistance during FY99–04, concluded that the performance of the Bank's projects was in line with Bank-wide averages, and progress was made toward a number of specific support objectives (OED 2005). However, the Bank's overall development impact was moderately unsatisfactory because of the effects of adverse factors that materialized during program implementation. Given the high degree of uncertainty in Bolivia at the time and concerns over persistence of the situation, the 2005 CAE recommended that the Bank's next strategy (i) have a short (12–24 month) time horizon; (ii) aim at achieving sustainable fiscal balances and rapid improvements in Bolivia's public sector financial management; (iii) continue to provide support for analytic and advisory activities on critical social and political issues as appropriate; (iv) fully fund its lending program through IDA resources until Bolivia's creditworthiness for lending from the International Bank for Reconstruction and Development is firmly established; and (v) refrain from encouraging Bolivia to complete another Poverty Reduction Strategy Paper before key legislation had been passed.

Evaluation Objectives and Report Structure

This Country Program Evaluation (CPE) assesses the outcomes of the World Bank Group's operations in Bolivia during the period from FY05 to FY13. It is part of the Clustered CPE for Resource Rich Developing Countries, which includes four stand-alone CPEs for Bolivia, Kazakhstan, Mongolia, and Zambia and draws lessons across countries in an over-arching report. The Bolivia CPE examines the relevance and realism of Bank Group objectives in the context of the development constraints facing the country, the extent to which these objectives were achieved effectively and efficiently, and the institutional development impact and sustainability of the Bank Group's interventions.

This report follows the common organizing framework for the four CPEs in the cluster, which is based on a set of common challenges that arise from high dependency on natural resources. These challenges include:

- Macroeconomic and fiscal stability;
- Improving governance and institutions for the effective use of resources;
- Economic diversification and growth; and
- Inclusive growth through human capital development and poverty reduction.

In addition, the Bolivia CPE reviews Bank Group operations along two cross-cutting themes: environment and gender.

This report has eight chapters. Chapter 2 outlines the Bank Group strategies in Bolivia and examines trends in its operations. Chapters 3 to 7 assess the relevance and effectiveness of the Bank Group program in achieving its strategic objectives. The concluding chapter draws lessons and recommendations for the Bank Group's future engagement in Bolivia.

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2. World Bank Group Assistance to Bolivia, FY05–13

Highlights

- During the evaluation period, the country's macroeconomic situation changed from desperate debtor to secure holder of large international reserves thanks to high international mineral prices and prudent macroeconomic management.
- The World Bank Group assistance was guided by four strategies, three of which were short-term documents prepared at a highly uncertain time. Although these strategies had pillars that were aligned with the government's development plans, their overarching objective was to build a relationship with the Morales government.
- Financial support declined and became more concentrated, while technical assistance became more common.
- As the Plurinational State of Bolivia became less dependent on external resources, some of traditional partners phased out their programs and new actors came in.

The World Bank Group assistance during the review period can be divided into two phases: FY05–06 and FY07–13. The earlier period covers the second year of the 2004 Country Assistance Strategy (CAS) for FY04–05 and the 12 months around the inauguration of President Morales. Prepared at a very uncertain time to support the near-term objectives of President Carlos Mesa's transitional government, the CAS had an unusually short time horizon of 18 months. On the political front, the government sought to resolve key issues concerning the Plurinational State of Bolivia's hydrocarbon resources and its future constitutional structure. The economic objectives included restoring macroeconomic stability, implementing public programs in poor areas, and relaunching institutional reforms. The CAS envisaged a new strategy for FY06 and beyond (World Bank 2004), but amid renewed social unrests and the resignation of President Mesa in June 2005, this never took place.

During the latter period, the Bank Group issued three strategies: the 2006 Interim Strategy Note (ISN) for FY07–09, the 2009 ISN for FY10–11, and the 2011 Country Partnership Strategy (CPS) for FY12–15 (World Bank 2006, 2009, 2011). All were undertaken during the administration of President Morales. The overall objective of the 2006 ISN was "to build a medium-term partnership to support Bolivia as it redefines itself." It had three pillars that corresponded to the three broad objectives of the new government's National Development Plan (NDP), including (i) enhancing good governance and transparency; (ii) fostering jobs through growth; and (iii) providing better services to the poor. Aiming to "consolidate the progress accomplished during the implementation of the previous strategy" in order to support the country's effort to significantly reduce extreme poverty, the 2009 ISN retained these three pillars and added an additional pillar on sustainable development to mitigate the effects of natural disasters and environmental degradation.

Increased institutional and economic stability allowed the Bank Group to prepare the 2011 CPS to support the government program for 2010–2015, which updated the NDP for President Morales's second administration. It has four pillars: (i) sustainable productive development; (ii) climate change and disaster risk management; (iii) human development and access to basic services; and (iv) public sector effectiveness. In addition, gender, governance, and anti-corruption are identified as cross-cutting themes.

Despite the short-term nature of most strategy documents, the Bank Group's broad priorities in Bolivia have remained consistent. Table 2.1 summarizes the objectives of the Bank Group program across four strategy documents. When describing the areas of engagement, the various strategies use different terms: "strategic areas" in the 2006 Interim Strategy Note (ISN), "pillars" in the 2009 ISN, and "results areas" in the 2011 Country Partnership Strategy. They are all referred to as "pillars" in this evaluation.

Table 2.1. Summary of the Pillars, Themes, and Bank Group Objectives

CPE Pillars and Cross-Cutting Themes	Bank Group Objectives	Strategy Document
Macroeconomic and fiscal stability	Ensure a favorable hydrocarbon tax regime and promote close working relationships between the government and gas companies.	CAS
	Agree on a viable fiscal deficit path and ensure that the public accepts this path and donors restructure their assistance accordingly.	
Governance and public institutions	Improve public sector efficiency through strengthened public financial and investment management, decentralization, and capacity building.	CAS, 2006 and 2009 ISNs, CPS
	Mainstream governance into the portfolio.	CPS
Economic diversification and jobs	Improve agricultural productivity through better infrastructure in rural areas, land reforms, and closer links to markets for rural producers.	CAS, 2006 and 2009 ISNs, CPS
	Improve private sector productivity through expanded access to finance, simplified business procedures, and targeted support for SMEs.	
	Improve basic infrastructure services in urban areas and national transportation infrastructure.	

Human development	Improve coverage and quality of health and education services.	CAS, 2006 and 2009 ISNs, CPS
	Increase youth employment in urban and peri-urban areas.	
Theme: environment	Reduce vulnerability to climate change and the effects of natural disasters.	2009 ISN, CPS
Theme: gender	Mainstream gender into the portfolio.	CPS

Source: World Bank Business Warehouse.
Note: CAS = country assistance strategy; CPE = country program evaluation; CPS = country partnership strategy; ISN = Interim Strategy Note; SME = small and medium enterprise.

World Bank Group Instruments and Performance

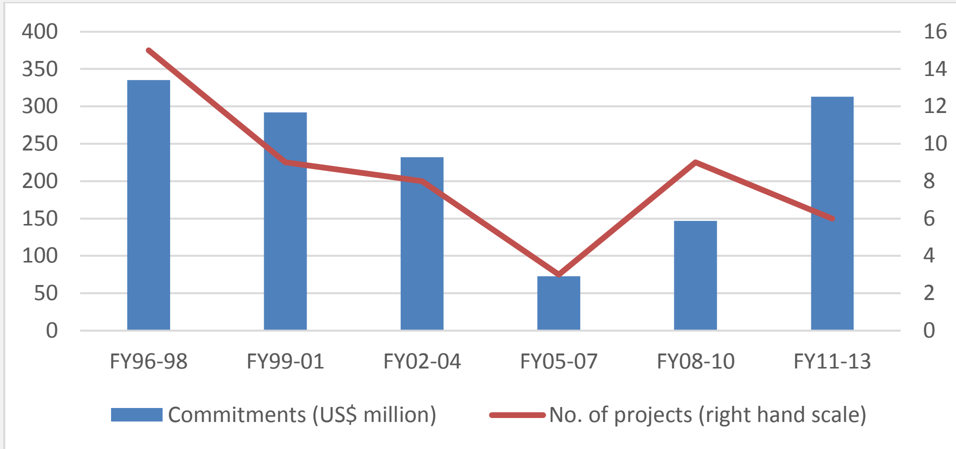
WORLD BANK SUPPORT PROGRAM

The Bank's lending portfolio changed significantly during the evaluation period. At the outset, Bank portfolio consisted of 18 projects. Between FY05 and FY13, the Bank proposed 25 International Development Association (IDA) credits for $505 million, of which 15 were approved,[1] three slipped to a later strategy period, and seven were dropped or delayed beyond the review period. Five unplanned projects were approved for $171.4 million, including the 2011 National Roads and Airport Infrastructure Project for $109.5 million. Compared to FY96–04, the evaluation period saw new project approvals declining by 44 percent. After bottoming out at the end of FY07, when only five projects were active in the portfolio, Bank engagement recovered. Most of the resources committed from FY07 onward were realized.

There has been a shift in Bank instruments toward investment lending. In the decade prior to 2005, one-third of the projects approved were development policy loans; during the evaluation period, support was provided almost exclusively through investment loans.[2] The government's increasing fiscal surpluses made budget support financing unnecessary. IDA lending became more focused, concentrating in agriculture and rural and urban development, and exited five sectors (i.e., economic policy, environment, financial and private sector development, social development, and water).

The Bolivia portfolio performed poorly during FY05–13. Of the 17 projects reviewed by the Independent Evaluation Group (IEG), only 59 percent had outcomes rated moderately satisfactory or above. This success rate compares unfavorably with the previous period (68 percent in FY96–04) as well as the Latin America and the Caribbean Region average (80 percent). Moreover, half of these projects faced significant or high risk to development outcome, which is higher than the Regional average of 44 percent.

Figure 2. 1 World Bank Project Approvals, FY96–13



Source: World Bank Business Warehouse.

The Bank program has become more knowledge intensive, with the number of analytic and advisory activities (AAA) rising from 16 in FY96–04 to 38 in FY05–13. In particular, nonlending technical assistance (NLTA) has gained prominence, increasing from one-third to one-half of total AAA delivered. In addition to economic policy, Bank engagement in both public and private sector development has shifted from lending to knowledge services (and trust funds to some extent).

The number of trust fund operations increased from four in FY95–04 to nine in FY05–13. However, their total value remains small ($18 million or about 3 percent of total Bank commitments). Trust fund support for activities in environment, public sector governance, and social development has remained steady over the past 20 years. During the evaluation period, additional support was provided for education, energy and mining, health, nutrition, and population. Performance of these trust fund projects was mixed, with the latest project development outcome ratings ranging from moderately satisfactory to highly unsatisfactory. Two projects were cancelled due to a shift in the government's position toward project design or a lack of interest because of small project size.

IFC SUPPORT PROGRAM

During FY05–13, the International Finance Corporation (IFC) had very limited investments in Bolivia. Total commitments, all of which were in in loans, were less than $200 million for nine projects, of which two ($10 million each) were subsequently cancelled. Whereas the biggest investment ($50 million) was to refinance a gas pipeline, which has since been fully repaid, nearly half of all commitments were for four trade finance guarantees. There was no new approval for IFC investment since FY11.[3]

By contrast, IFC had a substantial portfolio of advisory services that included 25 projects for a total expenditure of $8.5 million—although most of these were approved before FY07. The decline in donor funding after the financial crisis, the lack of investment client payment, and reductions in IFC's Funding Mechanism for Technical Assistance and Advisory Services[4] contribution were partially responsible for this decline. Over 60 percent of the advisory services (15 projects at $6 million) were in the Sustainable Business Advisory (SBA) business line. These projects targeted small and indigenous businesses in traditional sectors such as crafts, textiles, and wood. They sought to enhance benefits to local communities from IFC investments. IFC also worked on the simplification of business regulations at the municipal level (four projects at $1.5 million) as well as access to finance.

IEG reviewed five investment projects (three in infrastructure and two in financial markets) and two advisory projects (both in SBA), and rated all of them positively for their development outcomes or development effectiveness.

MIGA Support Program

The portfolio of the Multilateral Investment Guarantee Agency (MIGA) in Bolivia during the evaluation period consisted of two projects in the financial sector. One was issued in 2006 and cancelled subsequently. The other, issued in 2012 as part of a MIGA master contract for capital optimization purposes to the ProCredit Group, remains active.

Coordination with Development Partners

Bolivia has substantially reduced its aid dependency. In 2003, external assistance reached 10 percent of gross domestic product (GDP) and financed two- thirds of public investment. Since then, steady growth and increasing fiscal surpluses have changed the picture dramatically. By 2012, external financing comprised about 3 percent of GDP and 27 percent of public investment. Three multilateral development institutions—the Andean Development Corporation, the Inter-American Development Bank, and the World Bank—make up 60 percent of total external financing. Among the bilateral partners, as several traditional donors (Denmark, Netherlands, and United Kingdom) terminated or phased out their assistance, nontraditional partners (Brazil, China, Colombia, South Korea, and Venezuela) came in with new funding and technical assistance.

New donor coordination mechanisms were created in 2006. In the 1990s and early 2000s, the main donor coordination mechanism was the annual Consultative Group meetings. This was interrupted during the tumultuous period of 2003–2005. After President Morales came to power, the formal coordination mechanism was the Mesas de Coordinación, which was organized by the Ministry of Development Planning to discuss their sector plans and the alignment of external assistance around the main objectives of the NDP. In addition, a Bolivia partner group—El Grupo de Socios para el Desarrollo de Bolivia (GruS)—was created in late 2006 as an institutionalized coordination mechanism among donor agencies to support NDP implementation. All multilateral and most traditional bilateral agencies participate in the GruS.

The 2010 National Evaluation of the Paris Declaration for Bolivia assessed the progress in donor coordination in Bolivia.[5] It found moderate progress in the application of ownership, alignment, and harmonization principles, but little progress in promoting management for results and mutual accountability. Despite operational limitations, the NDP served as an aid-planning instrument that did not exist in the past because of fiscal fragility and political instability. Greater fiscal capacity also allowed Bolivia to exercise more sovereignty. Consequently, donor-driven practices and the number of requirements that must be met to receive foreign assistance declined. Similarly, there was a greater use of national procurement and financial systems, mostly through bilateral cooperation. The formation of GruS represented a key step toward greater aid harmonization, although there was no government-led mapping of comparative advantages of donors. For their part, donors tended to concentrate their efforts in sectors where management skills existed to ensure satisfactory implementation of programs, at the expense of sectors with weaker capacity. There was no culture of evaluation for results in government agencies, whereas donors continued to have different evaluation standards and results frameworks. Efforts to encourage accountability were scattered and had little impact.

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[1] They include two projects planned for FY13 that were approved in FY14.

[2] The 2005 Social Sector Programmatic Credit II was approved at a time of political instability.

[3] A tourism investment was approved in FY14, beyond the evaluation period.

[4] The Funding Mechanism for Technical Assistance and Advisory Services channels retained earnings from the International Finance Corporation's investment projects for nonfinancial support.

[5] The Development Assistance Committee of the Organization for Economic Co-operation and Development commissioned the National Evaluation of the Paris Declaration for Bolivia as part of the Evaluation of the Implementation of the Paris Declaration. It covered 2005–2010.

3. Macroeconomic and Fiscal Stability

Highlights

- ❖ Since 2006, the government has followed policies of fiscal restraint and unhurried extraction of mineral wealth. Macroeconomic performance has been strong. Although the government did not explicitly address the potential threat of Dutch disease, the de facto policy of saving a large proportion of natural gas revenues have thus far averted its effects.
- ❖ At first, the World Bank offered policy advice in these areas, but such assistance was largely rejected. Since the 2007 Interim Strategy Note, the Bank has stayed out of these areas.

The Plurinational State of Bolivia was in the midst of a political crisis in 2005, struggling with problems of debt, deficits, and low foreign exchange reserves. The election of the Morales government with its strong populist rhetoric did not seem likely to solve the problems. The same government has remained in power, and their macroeconomic and natural resource management policies have been unconventional. However, they have not been traditionally populist either, and by many standards, they have been economically successful.

Since 2006, two main macro phenomena in Bolivia stand out: fiscal restraint and the unhurried extraction of mineral wealth. Bolivia's main resource export has been natural gas from reserves discovered before 2005. The conjunction of historically high world hydrocarbon prices and the new tax regime (see box 3.1) greatly increased the profit accrued to the government. Unlike most populist governments, Bolivia has not spent all of its available revenue. Although it did not institute a fiscal rule or a stabilization fund, as the International Monetary Fund (IMF) urged, the public sector has run fiscal surpluses in every year since 2006, paid off most of its debt, and built up foreign exchange reserves at the central bank amounting to $29.8 billion at the end of 2013, an equivalent of 48 percent of gross domestic product (GDP). Despite only modest increases in gas export volumes, GDP more than tripled between 2005 and 2013, and annual revenues to the government rose from 24 to 39 percent of GDP during this time.

At the same time, Bolivia seems to have resisted the temptation of solely relying on mineral royalties. Unlike many mineral-rich countries which often grow more lax about imposing and collecting nonmineral taxes, Bolivia's nonhydrocarbon direct and indirect taxes have risen from 17.9 percent of gross domestic product (GDP) in 2005 to 22.3 percent of GDP in 2013 (IMF 2009, 2014). This trend provided an important counter against the potential to succumb to the Dutch-disease resource curse.

Box 3.1. Regime for Hydrocarbon Extraction and Taxation

Under Bolivia's 1996 Hydrocarbons Law, the hydrocarbon tax system distinguished between existing and new fields. While existing hydrocarbons—mainly capitalized fields that had been operated by the national company, Yacimientos Petrolíferos Fiscales Bolivianos (YPFB)—paid 50 percent royalties, new fields paid 18 percent royalties plus taxes. The 2005 Hydrocarbons Law eliminated this distinction, maintained the 18 percent royalties for all fields, and introduced a Direct Hydrocarbons Tax at 32 percent of production value. The law also required that all contracts signed by foreign companies be renegotiated within 180 days and migrate from the concession system to a system of payments for services. In addition, it stipulated that all production be shipped to YPFB for commercialization, first in the domestic market at regulated prices and then for export at realized prices.

In 2006, a presidential decree nationalized Bolivia's oil and gas reserves. However, the nationalization did not take the form of expropriations or confiscations. Instead, buy-backs and negotiations took place so that the state would recover its majority interest in the companies that had been capitalized or privatized during the 1990s. The decree reinforced the renegotiation of existing contracts within a six-month time frame and imposed an additional 32 percent "participation for YPFB" on Bolivia's two most productive fields.

These changes have left the operations of the foreign companies largely unhindered, but created no incentives for them to conduct further exploration. Current rates of extraction are predicted to deplete the known reserves by the early 2020s. Even if exploration begins immediately, the sector's long maturity cycles may lead to production gaps in the medium term and difficulties in satisfying increasing domestic and external demands after 2016.

However, the good aspects of macro policy in Bolivia depend on the discretion of the particular persons in power, especially the president and the minister of finance. Several aspects of the hydrocarbon and macro-fiscal policy mix are not sustainable, including (i) insufficient investment to sustain or expand hydrocarbon and mineral exports; (ii) continued build-up of reserves with no guide as to the desired level of fiscal surpluses or international reserves to accumulate; (iii) overall public sector surpluses that derive largely from the inability of subnational governments to spend all of the hydrocarbon revenues transferred to them by law; and (iv) the requirement that local governments use all hydrocarbon transfers for investment without providing corresponding funding for operations and maintenance. At some point, local governments will start to spend, and the build-up of reserves and government financial assets will stop. It remains to be seen whether Bolivia can institutionalize good practices before those in power move on or the favorable hydrocarbon market conditions end.

World Bank Group Strategy and Support Program

Of the four Bank Group strategy documents, only the 2004 Country Assistance Strategy (CAS) addressed issues related to macroeconomic and natural resource revenue policy (World Bank 2004). However, as noted in the Country Assistance Strategy Completion Report attached to the 2011 Country Partnership Strategy (CPS), "The CAS did not include specific CAS outcomes for Bank assistance; it only included the government's goals and corresponding Bank instruments to support them" (World Bank 2011). The government objectives included revising the Hydrocarbon Law, organizing a referendum on gas exports, and restoring macroeconomic stability. The CAS set forth a set of "desired results" in each of the government's strategic areas.

The First Programmatic Bank and Corporate Sector Restructuring Project was presented to the Board along with the 2004 CAS as part of two sequential operations to strengthen the financial and corporate sectors through legal, regulatory, and institutional reforms and by encouraging the restructuring of banks and enterprises. The project was highly relevant and at closing in 2006, it achieved all financial sector (first tranche) objectives, especially with regard to legal clarity of the banking supervision authority and prudential regulation and procedures for corrective actions. However, with the Morales government coming to power and the shift of priorities from financial sector stability and corporate restructuring to issues of access to credit by small and medium enterprises and rural producers, the Bank cancelled the second tranche. The anticipated second programmatic operation likewise did not materialize, nor did the planned Institutional Reform II Project, which also would have had substantial macroeconomic conditionality.

The 2005 Country Economic Memorandum (CEM) noted that "Macroeconomic mismanagement is currently not a binding constraint" (World Bank 2005, iii). Thus, it concentrated on investment climate issues, making only perfunctory cautions about restraining public spending and improving tax collection, without providing detailed analysis of these issues.

Assessment and Lessons

Regarding the framework for macroeconomic policy and managing foreign exchange reserves, neither the Central Bank nor the Ministry of Finance has asked for or received advice from the World Bank. Largely refraining from echoing the IMF's standard policy critique and prescriptions to avoid antagonizing the government, the Bank has provided technical assistance only on the peripheral issues where Bolivia requested help. These have included building capacity for staff, organizing conferences, and providing technical advice on the details of asset and debt management (for example, how to issue bonds and manage the portfolio of international investments), but not on broader topics. The Bank's 2006 public policy note, developed during the transition to the new government, discussed taxes, but these were not important in Bolivia's tax policy decisions (Fretes-Cibils, Giugale, and Luff 2006).[1]

Bolivia's policy in the hydrocarbon sector, including the 2005 Hydrocarbon Law and the nationalization in 2006, proceeded independently of Bank advice. The Bank's public policy note did not take a clear position about hydrocarbon sector policy, but it stated that the 2005 law needed revision "so that the tax burden and lack of flexibility [in regulations] do not continue to compromise the sector's development" (Fretes-Cibils, Giugale, and Luff 2006, 65). Thus, the Bank argued against the direction in which Bolivia's natural gas policy had gone and was about to go in a more extreme way. Since 2006, the government has not sought any help from the Bank Group on hydrocarbon sector issues.

The Bank Group's contribution to the outcomes in pillar 1 is not rated. In the early years of the evaluation period, the sociopolitical events in Bolivia took on a life of their own, making it impossible for any external development agencies to influence domestic policies. The Morales government has largely shunned the Bank's advice on macroeconomic policy and resource extraction. In this context, the Bank chose to focus on other areas of engagement and largely stopped giving advice in macroeconomic and resource management areas.

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[1] The Bank's public policy report included chapters on tax administration, public debt management, donor coordination, and the next stage of decentralization (Fretes-Cibils, Giugale, and Luff 2006).

4. Governance and Institutions for Effective Use of Resources

Highlights

- Since 2006, the Bolivian government has engaged in little public sector reform, preferring not to bind itself to rules and to retain discretion in its decisions.
- Bank strategy reflected a declining expectation of involvement in these areas as the government rejected the Bank's ideas on transparency and accountability.
- Bank assistance on public sector management supported work on a few narrowly defined topics. Although some of these activities achieved their immediate objectives, the absence of agreement on an overall reform framework meant that the projects contributed little to improved public sector efficiency.

The arrival of the government of President Morales in 2006 started the present era with deep skepticism toward ideas associated with the Washington consensus on matters of governance and public sector institutions. Its governance instincts have favored a much stronger role for the central government, discretionary decision-making, and selective release of information. This approach contradicts the standard World Bank governance standards of rule-based decision making, greater transparency for the public sector, and decentralization when feasible. The most recent governance agenda of the Plurinational State of Bolivia has emphasized empowering indigenous groups, disempowering those who had implemented and benefited from the policies of the previous governments, and minimizing the rules and accountability institutions that might constrain the government's policy discretion.

As part of the effort to create a plurinational and multicultural society, many citizens of indigenous origin were brought into the civil service despite a lack of relevant training and experience because of less opportunity for education and government employment. Partisan connections, although with a new orientation, continued to play a role in recruitment and promotion. The wage reduction for senior public sector employees, triggered by the voluntary salary reduction of President Morales, substantially reduced the attractiveness of civil service jobs and led to the departure of some of the best technocrats as well as high staff turnover.

Decentralization was an important part of Bolivia's public sector reform agenda in the 1990s and early 2000s but has since stalled. The earlier reforms involved electing local officials and devolving authority and fiscal resources to them. The Framework

Law for Autonomy and Decentralization, passed in 2010 to actualize the objectives in the 2009 constitution, endorsed the idea of decentralization. However, it was not implemented in a way to devolve power uniformly. Although it called for a fiscal pact to clarify the allocation of responsibilities and to reduce geographic inequities, the government has not taken action on this. In some areas, the government appointed the local executives and used them to mobilize political support. Meanwhile, some staunch opposition places, such as Santa Cruz, received substantial local autonomy on the implicit condition that they no longer threaten secession or other disruptions.

Much change does not seem to have occurred in the wide extent of corruption despite the establishment of the Ministry of Anti-Corruption in 2009 and the passage of a new Anti-Corruption Law in 2010. The ministry does not have any programs aimed at preventing corruption. Rather, it only initiates investigations after an allegation is made. The law allows retroactive application but without safeguards to prevent its use for attacking political opponents of the distant or recent past. International experts have observed, "Despite the government's recent efforts to fight corruption, it exists at all levels of society. Facilitation payments are so widely used that experts describe corruption as an institutionalized and socially accepted norm" (Wickberg 2012; Business Anti-Corruption Portal 2011). The World Justice Project and Transparency International assign similarly critical ratings.

World Bank Group Strategy

Supporting governance and public institutions was a key component of Bank Group strategies throughout the evaluation period, but the priorities and degree of involvement varied. The 2004 Country Assistance Strategy (CAS) envisioned strong support for a traditional and ongoing public sector reform program to achieve an efficient public sector (World Bank 2004). The 2006 Interim Strategy Note (ISN) prioritized support for the government's fight against corruption by placing Enhancing Good Governance and Transparency as the first pillar (World Bank 2006). Specifically, it sought to help (i) strengthen the government's capacity to monitor and evaluate public expenditures; and (ii) improve the transparency and performance of service delivery agencies.

The 2009 ISN moved Governance and Support to Public Sector to the fourth pillar and aimed to (i) improve the design, monitoring, and evaluation of public programs for effective implementation of the National Development Plan (NDP); (ii) strengthen public sector management for better services delivery and increased inclusion; and (iii) strengthen the public financial management (PFM) and procurement framework to improve transparency and accountability (World Bank 2009).

The 2011 CPS continued the trend of diminished expectations for Bank involvement on governance in Bolivia (World Bank 2011). Under its pillar 4, Public Sector Effectiveness, the Bank sought to (i) support municipal governments and indigenous and peasant autonomies; and (ii) strengthen the government's capacity and information base of managing public policies. It also proposed to support governance as a cross-cutting theme by including transparency mechanisms and institutional strengthening measures in all new Bank projects. Support for Stolen Asset Recovery (StAR) and municipal procurement technical assistance (TA) are also cross-cutting themes.

World Bank Group Program

Bank support for governance and public institutions shifted from lending to knowledge activities. The Bank supported Bolivia's public sector reform endeavors intensely in the period before this evaluation. During the evaluation period, however, a number of planned credits and studies never materialized. Support delivered consisted of one credit, two grants from the Institutional Development Fund (IDF), and 11 pieces of AAA that covered financial management, public sector governance, debt management, and a reimbursable advisory service on PFM to the Department of Santa Cruz.

The International Finance Corporation (IFC), through four sequential projects, provided technical assistance to nine municipalities for simplifying the procedures for granting operation licenses and for issuing construction permits in three municipalities. A key component in all these projects was to improve local governmental capacity and tools for regulating business activities.

Overall, the Bank Group program in governance covered three main issues: public financial and investment management; decentralization; and institutional strengthening.

PUBLIC FINANCIAL AND INVESTMENT MANAGEMENT

At the beginning of the evaluation period, the Bank provided substantial PFM diagnostic work, including a comprehensive Public Expenditure Review (2004), an Institutional and Governance Review on Decentralization (2006), and a Country Financial and Accountability Assessment (CFAA, 2006). These identified the PFM areas needing improvement, including budget formulation, internal and external control and audit functions, budget arrears, and reporting on budget execution.

Based on the CFAA findings, in 2005 the Bolivian government presented the "Strategic Framework for Strengthening Public Finances," which was fully endorsed by the donor community. Its approval and some early progress in its implementation were key triggers for the debt relief granted to Bolivia in 2006 under the Heavily Indebted Poor Countries Initiative.

Bank support for modernization of the public investment management (PIM) system was delivered through multiyear programmatic nonlending technical assistance, converted from the cancelled Strengthening State Efficiency Project. This was complemented by an IDF grant for strengthening PIM-related functions within the Ministry of Development Planning. The Bank followed a two-pronged strategy: (i) focused reports and just-in-time policy advice for improving the national regulatory framework; and (ii) the Rapid Action Plan to streamline financial, fiscal, and procurement regulations over the entire investment project cycle. To implement the action plan, the government amended some core legislation,[1] which allowed simpler, quicker, and more transparent public procurement. It also simplified the methods for local project evaluation and approval, which supported participation of private contractors in subnational procurement. The government now uses Bank bidding procedures and documents even for some procurement that is not funded by the Bank. Nonetheless, investment implementation still lagged due to a continued lack of local capacity and delays by the Ministry of Finance in committing and releasing funds to subnational governments during the annual budget cycle.[2]

The 2009 Public Expenditure and Financial Accountability (PEFA) report identified several areas of progress, but more areas are in need of improvement (World Bank 2009b). Progress included the expansion of an integrated financial management system for budget control and monitoring at both the central and subnational levels, implementation of a functional classification of expenditures and the Treasury Single Account, and improvement in treasury-related functions. However, more than half of the PEFA areas were rated unsatisfactory, including facilitating participation in the annual budget exercise, controlling the public-sector wage bill, controlling nonwage expenses, using external auditors, making prompt and accurate annual financial statements, and having legislative scrutiny of the budget and audits. The government rejected Bank offers of assistance in these areas.

In 2012, a joint team of the Bank and the International Monetary Fund prepared a Report on the Observance of Standards and Codes (ROSC). However, it still awaits a response from the Ministry of Finance. Among other things, it found that Bolivia is far from meeting International Financial Reporting Standards (IFRS). Bolivia is the only country in South America that has not yet endorsed the IFRS.

DECENTRALIZATION

In the 1990s and early 2000s, the Bank provided intensive and wide-ranging assistance on issues of decentralization. After 2006, the Bank tried to support decentralization through two Participatory Rural Investment Projects (PDCRs) and AAAs. The 2006 Institutional and Governance Review on Decentralization identified three groups of problems, including inadequate strategy with inappropriate sequencing, a weak institutional framework and capacity, and an extremely inequitable distribution of fiscal resources. It also presented options for addressing them in the short, medium, and long term. The government did not use this holistic approach to address the problems, but pursued a new, unconventional model of decentralization and has not welcomed Bank advice on how to implement or improve the model.

In addition to financing infrastructure improvements (see chapter 5), the PDCRs worked with the Ministry of Autonomías to strengthen the capacity of rural municipalities. The projects targeted poor rural municipalities and provided training to the communities, which helped improve their capacity to implement the small investment program that the credits financed. Government departments were also strengthened. However, both the communities and subnational governments require additional capacity building and clearer authority for implementing the works that could be financed with transfers from the central government.

At the end of the evaluation period, the Bank started advisory work on a reimbursable basis with the Department of Santa Cruz on a range of public sector management issues. The results remain to be seen, but this type of activity has the potential to support decentralization in spite of reluctance at the national level.

TRANSPARENCY AND INSTITUTIONAL STRENGTHENING

During the evaluation period, the Bank and IFC provided financial and technical support for building capacity at various government agencies. However, they did not address the main problems affecting public sector governance. Since 2006, while proclaiming the importance of fighting corruption, the government has generally rejected measures to promote transparency. In the area of budget transparency, for example, Bolivia’s overall rating by the Open Budget Project declined from just over 20 (out of 100) in 2006 to around 10 for the remainder of the evaluation period. The 2009 PEFA revealed that the quality of external scrutiny was the weakest area in Bolivia. The Contraloría General, the government’s supreme audit institution, is weak and considers itself underfunded. The internal audit units of ministries are often weak as well. The Bank provided some training for personnel in the Contraloría, but gave no in-depth support to its programs. In 2012, the Ministry for

Anti-Corruption participated in the StAR initiative with Bank encouragement and provision of training for some personnel. Bolivia has not joined the Extractive Industries Transparency Initiative. On several occasions, the Bank offered assistance in preparing the necessary information and applications, but the government declined.

The only new Bank lending for public sector improvement was the 2011 Strengthening Statistical Capacity and Informational Base for Evidence-Based Planning credit. It financed the 2012 census and subsequent analysis. There was also a $240,000 trust fund for Ensuring Quality in the National Statistical System. Although these tasks are not yet closed and officially evaluated, they seem to be relevant and effective uses of Bank financial and technical resources.

With regard to IFC's municipal business simplification projects, although the ultimate goal was to promote private sector development, the clearest impact so far lies in more streamlined administrative procedures, computerized tools and monitoring systems, and strengthened municipal capacity for implementing business regulations. Some municipalities (for example, Montero) started regulatory simplification reforms in other areas after the completion of the IFC projects.

Assessment and Lessons

In its efforts to remain engaged with the government, the Bank Group focused on an ever-narrower set of issues in governance and public sector reform. The Bank overlooked past attacks by the government for having "forced" neoliberal measures on the country and let the government be highly selective in taking the aspects of the governance assistance that would further its own aims. Staying engaged became at times an end in itself. Consequently, most of the institutional reforms envisioned by the Bank in the early years of the evaluation period were not achieved. In the later years, the agenda narrowed to a few areas, in which the Bank program had a positive impact, although the scope was too narrow to change the overall picture of governance and public sector operations. *The Bank Group's contribution to the outcomes in pillar 2 is rated as moderately unsatisfactory.*

Bolivia's NDP focused on poverty reduction and social inclusion, but gave little attention to PFM. After the debt relief and with the boom in hydrocarbon revenues, the government showed little interest in the Bank's support for further PFM reforms except in a few limited areas. Consequently, although there was some progress in strengthening PFM and PIM areas, the Bank did not contribute to the development of a modern monitoring and evaluation system because none of the proposed lending projects that would have strengthened the government's capacity to monitor and evaluate the outcomes of public expenditure materialized.[3]

During the evaluation period, Bolivia's earlier progress in decentralization stalled. Only toward the end of the evaluation period did the Bank find a potentially meaningful engagement to support the decentralization and autonomy agenda. There are no results yet. Similarly, the Bank did not find an entry point to assist Bolivia to improve its institutional transparency, and the country regressed in this area. Finally, the impact of the Bank and IFC's capacity building activities was positive, although total impact remains to be seen.

Table 4.1. Summary Rating for Governance and Institutions for Effective Use of Resources

Areas	Outcomes	Bank Group Contribution	Ratings
Public Financial and Investment Management	Improvements in planning and procurement for investment spending. Little attention to improving monitoring and evaluation of spending outcomes and effectiveness.	Several projects were proposed and partly prepared, but they were dropped due to the government's lack of interest. A multiphase NLTA program supported improvements to the agencies handling subnational investment.	*Moderately unsatisfactory*
Decentralization	Despite a new constitution and laws to support decentralization, the national government did not implement measures for meaningful decentralization. Allocation of responsibility and authority across levels of government became less clear. The geographic allocation of funds across subnational governments remained very unequal in per capita terms. Hydrocarbon revenues earmarked for subnational governments were held back, helping to build up reserves and sometimes to fund national-level projects.	Despite good efforts by the Bank, the relevant AAA and attempts at dialogue did not have significant impact. The government largely ignored the advice and lessons from Bank experience on how to clarify the intergovernmental distribution of responsibilities and to make per capita funding more equitable.	*Unsatisfactory*
Transparency and Institutional Strengthening	Corruption and lack of transparency remained serious problems. The government declined invitations to participate in EITI. Technical capacity improved at the statistical agency responsible for the census. Populist policies to cut public	The Bank provided technical training to various agencies but with marginal impact in the absence of a government-wide program and in the face of high personnel turnover and corruption. A PEFA report identified institutional	*Moderately unsatisfactory*

	salaries made it more difficult to attract and retain good quality middle and upper level civil servants.	weaknesses in transparency; these were not addressed.	
Overall Rating			**Moderately unsatisfactory**

Note: AAA = analytic and advisory activities; EITI = Extractive Industries Transparency Initiative; NLTA = nonlending technical assistance; PEFA = Public Expenditure and Financial Accountability.

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[1] The modified laws include the Local Government Act, the Financial Act, and the Supreme Decree 181/2009 regulating procurement laws.

[2] As a result of this practice, the local and provincial governments could not fully use funds allocated to them, leading to slow progress in service delivery and the accumulation of considerable fiscal surpluses that were not foreseen in the original annual budgets. Such forced savings by subnational governments contributed substantially to Bolivia's overall fiscal surplus outcomes.

[3] These projects were Building Government Monitoring and Evaluation Systems, Strengthening State Efficiency and Transparency, and Strengthening the National Planning System.

5. Economic Diversification and Job Creation

Highlights

- Diversification was not an explicit objective of President Morales's government. Rather, it emphasized state-led natural resource exploitation and road development, and saw small-scale production in the private sector, including agriculture, as a means to generate jobs and incomes, especially among poor, unskilled workers. The country's dependence on natural resources deepened over the last decade.
- The World Bank Group strategies consistently gave high priority to developing the nonresource sectors through support for agriculture, private sector development, and infrastructure. The assistance achieved varying degrees of success.
- In the agriculture sector, the Bank successfully implemented a number of rural development and income generation projects, although the sector continued to perform poorly overall.
- Regarding private sector development, despite some successful projects with localized results in trade finance, operation licensing, and support for select small and medium enterprises, the Bank Group program had little impact on expanding private sector activities.
- In infrastructure, the Bank Group contributed to improvements in the living conditions for the poor in major cities, in the national road network, and in access to electricity in rural areas.

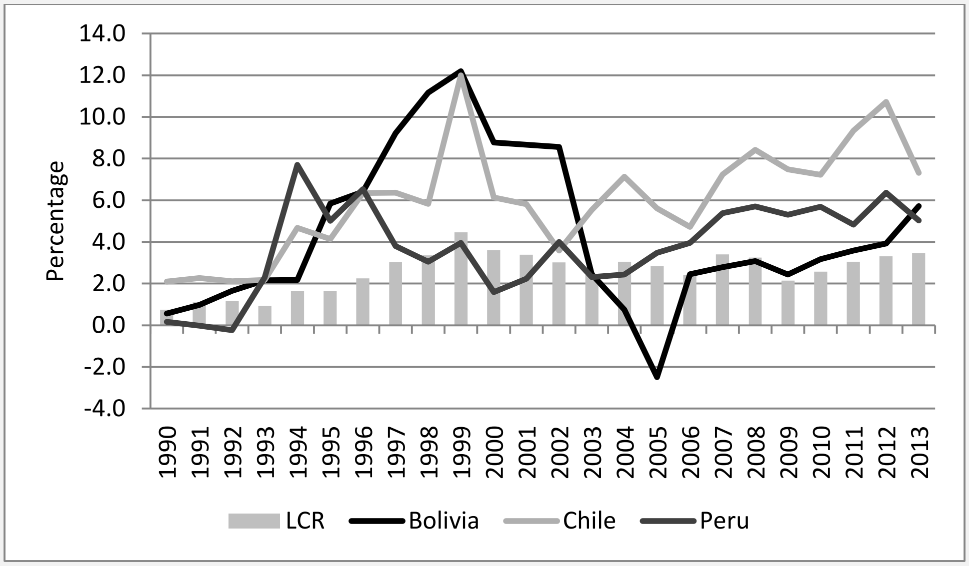
Over the last decade, the Plurinational State of Bolivia became increasingly dependent on natural resources, whereas jobs were created in the nontradable sectors. Although the extractive industries account for 80 percent of Bolivia's export, 80 percent of the national gross domestic product (GDP) comes from nonresource sectors. While seeking to increase state participation in strategic sectors such as hydrocarbons and mining for revenues, the government strove to boost labor-intensive sectors such as agriculture and manufacturing, especially small and medium enterprises (SMEs), as sources of jobs and incomes. Infrastructure development was emphasized to enhance all productive activities. However, the Bolivian economy became more resource dependent during 2000–2012, as the share of agriculture, manufacturing, and services in GDP declined from 85 to 74 percent, while that of agroindustry and manufacturing in exports dropped from 52 to 23 percent. Employment in both agriculture and manufacturing contracted, whereas the rapid expansion of transport, commerce, and construction sectors led to important job creation among unskilled workers. The urban unemployment rate declined from about 8 percent in the early 2000s to less than 4 percent in 2011 (World Bank 2014b).

Agriculture employs about 40 percent of Bolivia's labor force, but productivity is low and has remained unchanged for the last 10 years.[1] The sector has grown through expansion in cultivated areas, which rose from 1.8 million hectares in 1995 to 3 million hectares in 2011. Soybean accounts for 32 percent of planted areas. If continued land expansion is still an option for expanding production in the lowlands, the limit seems to have been reached in the Altiplano, where small farmers have cultivated about 1 million hectares since 1980 and land quality has deteriorated as a result of desertification and soil erosion. Productivity improvement is also constrained by the absence of an effective research and extension system as well as by low levels of human capital in the rural sector.

Under the sovereign vision of a state-led economic model, the private sector was marginalized, although there are some recent signs of improvement. The market-oriented reforms of the 1990s, though widely acclaimed and instrumental for modernizing key sectors of the Bolivian economy, were resented by the poorer segments of the population who did not see a tangible benefit from the capitalization process.[2] Since 2006, the policy environment has created considerable uncertainty for private business. Consequently, private investment has stagnated at 7 percent of GDP, much lower than the Regional average of 16.5 percent.[3] More recently, improved stability and macroeconomic performance have given more confidence to private investors. Foreign direct investment (FDI), after contracting sharply in the first half of the 2000s, started to grow again (see figure 5.1). Hydrocarbons and mining remained the main sectors for FDI inflow.

Despite process in the last 10 years, Bolivia continues to lack transport infrastructure, and many Bolivians lack access to electricity, telecommunications, and water and sanitation services. The country faces difficult challenges in meeting its infrastructure needs. Its topographical and geological conditions, coupled with sparse population and low density of economic activity, make infrastructure development difficult and expensive. In the last decade, Bolivia has made inroads in improving its infrastructure, expanding the road network by 40 percent, and increasing paved roads and road density by 20 percent.[4] Similar improvements have been observed in water and sanitation. However, substantial challenges remain. For example, in 2010 there were only 8 kilometers of road per 100 square kilometers with just 8 percent of the roads paved, and 73 percent of the population still lacked access to sanitation (12 percent for water), with worse indicators in rural than in urban areas.

Figure 5.1. Foreign Direct Investment Inflows, Percentage of GDP



Source: World Bank Business Warehouse.
Note: GDP = gross domestic product; LCR = Latin America and the Caribbean Region.

World Bank Group Strategy

Although diversification did not feature prominently in any of the Bank Group's strategies, productive development and job creation have always been an important area of engagement. The 2004 Country Assistance Strategy (CAS) sought to support programs that would foster the creation of income generating opportunities in rural areas to address exclusion, inequality and poverty (World Bank 2004). The 2006 Interim Strategy Note (ISN) selected fostering jobs through growth as a strategic area for Bank Group assistance (World Bank 2006). Specifically, it sought to improve productivity and competitiveness, access to land and markets for rural producers, and infrastructure services in major urban centers and around Lake Titicaca.

The 2009 ISN highlighted the importance of Productive Development by placing it as the first pillar of the Bank Group strategy (World Bank 2009a). It sought to increase agricultural productivity and food security; boost productivity and job creation; and improve delivery and access to services in both urban and rural areas. The 2011 Country Partnership Strategy (CPS) maintained the high priority of Sustainable Productive Development and aimed to support: (i) upgrading sustainable agricultural productivity; (ii) improving productive infrastructure in rural areas; (iii) promoting economic integration of the country through the provision of transportation infrastructure; and (iv) fostering greater private sector activity, especially among job creating SMEs (World Bank 2011a).

Within each joint strategy of the Bank, International Finance Corporation (IFC), and Multilateral Investment Guarantee Agency, IFC articulated its own approach, which emphasized selective financing in viable, high-impact projects in key sectors and technical assistance for SMEs and microenterprises. In the first two strategy documents, IFC targeted a wide range of sectors for potential investments (i.e., extractive industries, mining, infrastructure, financial markets, and the social sectors) and offered the whole array of advisory products available at that time (i.e., business enabling environment, corporate social responsibility, access to finance, and sustainable supplier development). Gradually, IFC's strategy became less ambitious, narrowing to investment opportunities in financial markets and agribusiness and forestry while advisory services focused on simplification of business procedures and SMEs training.

World Bank Group Program

The Bank Group delivered its assistance to agriculture and infrastructure mainly through International Development Association credits, but relied on analytical work and technical assistance to support private sector development. Lending to these sectors accounted for nearly 60 percent of the Bank's financial support to Bolivia during this period. IFC saw its portfolio decline, but used advisory services to test new models of intervention.

AGRICULTURE

The Bank's program in agriculture continued to address the issues identified in previous strategies as the nature of the problems affecting the rural sector remained unchanged. Reflecting its long history of supporting the Bolivian agricultural sector, Bank strategies sought to improve living conditions in rural communities, increase the productivity and incomes of farmers, and improve the land tenure system and security for farmers.

Bank interventions consisted of 10 loans and one report. The lending program supported territorial development, land administration and land ownership, and conditions of production and farmers' access to markets. The only analytical work delivered during this period was a 2011 Agriculture Public Expenditure Review, which found that public spending in agriculture continued to be unequal and highly concentrated, was inefficient and ineffective in increasing agricultural productivity, and had not prioritized public goods such as research and extension (World Bank

2011b). The 2011 CPS sought to address the last issue. The Bank approved the Agricultural Innovation and Services Project in 2012 to support the Instituto Nacional de Investigación Agrícola y Forestal and Bolivia's agriculture and forestry innovation system. With about 30 percent of the credit disbursed so far, there are no significant outcomes to report.

Territorial Development

To improve rural incomes in indigenous districts and municipalities where basic needs were the least satisfied, the Bank delivered three credits—the 1998 Participatory Rural Investment I (PDCR I), which was closed in 2006, the 2008 PDCR II, and the 2012 Community Investment in Rural Areas. These credits filled the financial gap of rural communities for infrastructure projects such as roads, irrigation, and generation of electricity. To ensure that rural communities had the capacity to carry out the works, the credits also funded institutional development activities to improve the planning and executing capacity of municipalities and other agencies (see chapter 4).

The Bank credits filled a long-standing gap between what rural communities wanted (75 percent of expenditures going to infrastructure) and what the municipalities delivered (25 percent of expenditures in infrastructure). Roads and vehicular bridges accounted for 70 percent of the total investments under the Bank projects. The assistance benefited more than 380 municipalities and contributed to improving the welfare of those it reached.[5] The improved capacity and institutions at the local level allowed municipalities to increase the speed with which they executed the budgets and use of donor funds. Moreover, the results are likely to be sustained because financial resources for infrastructure maintenance have ceased to be a major constraint for executing works at the local level.[6]

Land Administration and Ownership

The Bank program supported land administration system in the late 1990s and early 2000s and focused on land acquisition by farmers during the review period. Problems in the land tenure system constituted a major roadblock for agricultural development, natural resource management, and protection of the land rights of indigenous peoples. The government began to clarify the land tenure situation in the early 1990s, implementing legal and procedural reforms needed for land regularization and registration. To support the government's efforts, the Bank launched the Land Administration Project in 1995, which received additional funding in 2002 and closed in 2005. In 2008, the Bank continued its support with the Land for Agricultural Development Project (known as Protierras). Although the first project contributed to improving the land administration system, the Bank's main intervention during the evaluation period was not successful.

With support from the 1995 Land Administration Project, the Instituto Nacional de Reforma Agraria (INRA), created in 1996, improved its financial management system, enhanced its capacity to address policy issues, and developed a property registry, the Legal Cadastral Registry. The reforms included the involvement of women in the titling process. Women were informed of their land rights and provided with identification cards. In 1999, the government established a National Agrarian Tribunal to resolve land disputes. Five years later 50 tribunals had been equipped, staff trained, and 1,684 cases resolved. At project closing, the government had succeeded in creating a more transparent and efficient land administration system. This in turn made it possible to regularize land titles and transfer large tracts of land to indigenous peoples under the present administration.[7]

Protierras sought to help poor but organized landless farmers acquire land in areas where the state was absent and participate in income-generating activities. However, it failed to achieve this objective because in the Santa Cruz project area, land prices increased sharply, and the government did not support the land purchase plan. Instead, the project supported other contractual arrangements such as leasing (arrendamiento), rights for land use (derechos de uso de suelo), and community shares (aparcería comunal) to gain land access for farmers. The program exceeded its numerical targets of families covered, but failed to convert landless farmers into landowners.

Market Access for Rural Producers

Informed by the Bank's experience in Bolivia and other countries, the Bank and the authorities decided to use an integrated approach to increase farmer productivity and incomes; the program has succeeded beyond expectations. Targeting groups of small farmers, the 2005 Rural Alliances Project (PAR I) and additional financing helped them identify market opportunities, and provided them with technical assistance to prepare business plans. The project also financed the venture and assisted farmers in signing contracts with potential buyers for their crops (the "alliance"). The assistance exceeded its target for alliances supported (770 versus a target of 675). A preliminary evaluation by the Food and Agriculture Organization of 140 rural alliances found that net income per family increased by 46 percent thanks to increased yields (more than doubled in some products) from better seedlings and seeds.[8] Another evaluation by a Bolivia-based nongovernmental organization found that: (i) 60 percent of the alliances had higher profits; (ii) 81 percent of the alliances thought that the quality of their products improved or much improved; and (iii) 94 percent of the alliances were willing to accept more requirements from PAR to have access to it (Fundación Sembrar and Interdisciplina, 2012). The success of the program led the government and the Bank to agree to a new credit, the PAR II, in 2013 before the closing of PAR I.

With the objective of supporting cluster development in sectors that have high potential for poverty alleviation, IFC targeted the forestry industry as a strategic sector. In 2004, IFC financed a wood supply chain analysis by Fundación Bolivia Exporta as a first step to support wood sector SMEs. In 2006, IFC partnered with the World Wildlife Fund to pilot an advisory project to address issues that had prevented the Bolivian forestry sector from reaching its economic and employment generation potential. Working with four indigenous communities and 27 wood sector SMEs, the project helped strengthen community and business value chains and improve market access of certified woods in some communities.

In 2012, IFC invested in a Bolivian forestry company and provided advisory services to the local communities that supplied wood to it. The project was the first direct IFC investment in tropical forestry in more than 20 years and promised to have a significant demonstration effect for responsible forest exploitation, export promotion, and the development of indigenous communities. However, the project encountered numerous problems right from the start and had to be closed after only one year of execution.[9] The advisory component was progressing well but had to be terminated because it was tied to the IFC investment.

In 2011, IFC began preparing the Responsible Soy Advisory Services Project as part of the umbrella soybean program in the Latin America and the Caribbean Region. It aimed to support small and medium soybean farmers in improving crop productivity and sales and in adopting good environmental and social standards. As of March 2014, however, the project was on hold due to internal discussions of the project's strategic fit, which not only affected the team's ability to meet strategic targets, but also posed a reputational risk with its project partner, the National Association of Soybean Producers.

PRIVATE SECTOR DEVELOPMENT

Since 2006, the Bank Group strategy became more of an effort to "reconcile the need to maintain the role of the private sector and market-driven mechanisms with the government's intention to increase the role of the state in the economy" (World Bank 2005a). The Bank used knowledge services to highlight the role that private investment could play and the conditions that it needs to grow.

In 2007, the Bank approved the Productivity and Job Creation Advisory Services grant to support the development of a possible World Bank loan to Bolivia to build productivity and create jobs. The grant financed a number of activities,[10] which were appreciated by the government. However, changes in key government personnel and policy priorities limited the project's effectiveness. The potential lending project was dropped in 2009 and replaced by the Private Sector Development/Urban Alliances NLTA. The aim was to continue dialogue with the government and explore the possibility of another lending project that would replicate the successful PAR model in urban areas. Three studies were undertaken to provide analytical underpinnings for the lending project, which never materialized.

In 2008, the Bank delivered two reports— *Strengthening Bolivian Competitiveness: Export Diversification and Inclusive Growth* and *Bolivia: Policies for Increasing Firms' Formality and Productivity* (World Bank 2008, 2009b). These reports highlighted the importance of productivity improvement in Bolivia's diversification and job creation agenda as well as the need to address long-standing investment climate concerns. Both reports were of high quality, contributing to a deeper knowledge of the challenges and options facing Bolivia's business sector. There is no evidence of follow-up.

Before 2004, IFC had a small presence in Bolivia, which was concentrated in the mining, hydrocarbon, and infrastructure sectors. Since then, IFC investment has steadily declined. IFC encountered several adverse events, including the contract cancellation and the nationalization of its investees. As a result, IFC used advisory services as the focus of its engagement. Under the newly established SME Facility in the Region, IFC initiated many pilot projects to explore assistance models. Some of the pilots were successful; others were not. With dwindling donor funding, few were replicated.

Overall, Bank Group assistance for private sector development targeted three main issues: access to finance, the business environment, and SME development.

Access to Finance

Bolivia is known for its vibrant and mature microfinance market. Under the strong push from the Morales government to expand financial access for SMEs and rural producers, significant improvement has been achieved as microfinance banks and finance companies expanded their branches around the country while the unregulated closed cooperatives were incorporated. Of the three studies that the Bank prepared under the 2009 PSD/Urban Alliances NLTA, two explored mechanisms to improve access to finance through the establishment of a national partial credit guarantee scheme and a moveable asset as a collateral system. No follow-up has taken place.

In 2011, the Bank delivered the Financial Sector Review, which helped to further dialogue with the government and provide inputs into government reforms.[11] The review assessed the role of the financial system for enhancing growth in rural areas and the productive sector as well as possible vulnerabilities and bottlenecks for outreach to underserved segments of the population and economy. The report and the discussions that the Bank team had during its preparation contributed to fine-tuning some reform measures (for example, sequencing of measures to bring closed cooperatives into the regulatory sphere and regulation on moveable collaterals). The Ministry of Finance indicated interest in follow-up in several areas, for example, in leasing, factoring, and reform of second tier support. However, no action has been undertaken.

During the evaluation period, IFC provided small loans ($2.5 million to $10 million) to expand its clients' activities in microfinance or for on-lending to SMEs. Most were not successful. In one transaction, IFC's loan allowed the client for the first time to access longer-term credit and contributed to its substantial growth in subsequent years. In the other cases, however, IFC's impact was negligible either because it was a small and late lender among many or because its loan was quickly prepaid or cancelled before disbursement.

Between 2006 and 2011, IFC provided trade finance guarantees to four major Bolivian banks under the Global Trade Finance Program (GTFP), which supported $80 million of international trade. Despite low nonperforming loans and abundant liquidity, most banks have difficulty accessing international markets because Bolivia is perceived as a high-risk country. The GTFPs were thus much appreciated. For example, one bank found IFC's guarantee instrumental for convincing international issuing banks. Even for one of the premier banks in Bolivia, which has not needed to use the facility, IFC's guarantee were useful as it sought to develop a long-term partnership with IFC. However, one of the beneficiary banks complained that IFC could have done more to assure the issue banks because even with its guarantee some international banks still would not work with Bolivia.

IFC also tried to offer advisory services to three of its investee banks for expanding their SME and rural finance businesses, but its efforts have been frustrated so far. All projects either are on hold or terminated. During 2004–2008, IFC implemented a Leasing Development Program to help draft and submit to Congress a new financial leasing law to encourage entry of new leasing companies. Although the draft law incorporated international best practices and IFC conducted nationwide seminars, workshops, and a public education campaign on the use of this financial instrument, the project failed to achieve its objectives at closing due to low receptivity. Five years later, however, most of the ideas in the draft were included in the new Financial Services Law.

Business Environment

The 2005 Country Economic Memorandum noted, “The binding constraints on growth today relate to [private] investors’ uncertainty as to whether they can realize returns on their investments” (World Bank 2005b). The two reports delivered in 2008 also highlighted the impact of complex, costly and anachronistic regulations on the performance of exporting firms and their decisions about formality (World Bank 2008, 2009b). Reflecting Bolivia’s difficult regulatory environment, its Ease of Doing Business ranking declined steadily during the evaluation period, from 111 out of 155 countries in 2005 to 155 out of 185 countries in 2014. The widening gap between private savings and private investment is another indication of the poor investment climate in Bolivia.[12]

Box 5.1. IFC Support for Business Regulation Reforms in Bolivia

In 2001, the newly elected mayor of La Paz took office on a platform of transparency and anti-corruption. In 2003, the International Finance Corporation (IFC) launched a pilot project to improve the business licensing process in the Municipality of La Paz. A website on administrative procedures was developed and maintained for 12 months with IFC support. Based on this pilot, the Ministry of Economic Development launched the National Plan for the Simplification of Business Regulation at Municipal Level to be implemented in three phases: first in major centers, then in leader municipalities, and finally in follower (smaller) municipalities.

Between 2004 and 2005, IFC implemented a second project to simplify the procedures for obtaining operating licenses in three leader municipalities, while the Foundation for Sustainable Development in Latin America worked in the major centers.

During 2006–2009, IFC extended license simplification reforms to five follower municipalities. Based on the assessment that it would not be cost-efficient for IFC to replicate business entry reforms to smaller municipalities, IFC turned its attention to construction permits.

During 2009–2013, IFC worked with four municipalities to simplify the procedures for granting construction permits. Finally, in 2013, IFC began to prepare a second-generation business regulation reforms project in the Latin America and the Caribbean Region to push for reforms at the national level as well as for green regulations to promote energy and water efficiency in buildings.

Source: IFC Advisory Services Team.

To help improve the regulatory environment for doing business, since 2003 IFC implemented a series of advisory services projects to simplify business entry and construction permit procedures in municipalities. There are clear impacts in terms of more streamlined administrative procedures, improved tools and municipal capacity for implementing business regulations, and enhanced learning and exchange among participating municipalities. However, evidence is scant of the reforms' impact on Bolivian businesses, especially SMEs which are the target beneficiaries. In Santa Cruz, the Chamber of Small Industry and Artisan is not aware of IFC's project and continues to struggle with basic business regulations. In La Paz, improved inspection and construction permitting procedures concern only large real estate developers whereas SMEs and informal businesses, which are responsible for much of the capital's new construction, remain unregulated.

SME Development

Through the Region's SME Facility, IFC explored various modes of intervention to support local businesses and income generation opportunities for indigenous communities. Bolivia's business sector is dominated by SMEs, which have expanded rapidly with the growing economy. IFC's investment support to micro and small enterprises, which was provided through financial intermediaries, has not been successful. Instead, IFC focused on using advisory services to strengthen SMEs. In the early years, some of the assistance that targeted artisans and indigenous enterprises (for example, the Indigenous Business Development Program, Dress for Development, and the Trickle up Program) were small and not well designed. These projects were generally unsuccessful. To enhance the development impact of IFC investments, the advisory team actively explored opportunities to work with the local communities impacted by IFC-supported projects to ensure that they shared the benefits in a sustainable manner. Most of these interventions were negatively impacted by difficulties on the investment side, resulting in cancellation or scale-back of planned technical support.

In 2006 through its Grassroots Business Initiative (GBI), IFC provided financial and management advice to two socially responsible businesses to expand their operations. Both projects produced excellent results. With IFC support, Irupana, a small baked goods company in La Paz that worked with producers of organic quinoa and other indigenous products, adopted formal accounting systems, improved operating efficiency, and attained full financial sustainability. The company grew and successfully entered the export market. Similarly, the Social Enterprise Fund (FES) of Prodem Foundation, a nonprofit microfinance institution, made important changes to its management practices, revamped its SME strategies, and implemented a monitoring and evaluation system. These changes helped FES better service its SME clients and led to significantly increased incomes of the small-scale farmers and artisans who supplied them. However, with the spin-off of GBI in 2008, this kind of targeted business support was never replicated or scaled up.

In 2010–2011, IFC implemented Business Edge, an SME training program. So far, it remains a pilot. Working with local training institutions, IFC tried to develop sustainable training services to provide local SMEs with access to applicable and customized business training. The program succeeded in strengthening the capacity of one local partner (Nueva Economía), but the program's scope was reduced as two other partners had to be dropped due to poor performance. Several ministries expressed an interest in receiving Business Edge training, with the state-owned Banco de Desarrollo Pruductivo being identified as a potential future partner. However, according to Nueva Economía, Business Edge training only worked for large Bolivian companies because the time and cost involved made them prohibitive for Bolivian SMEs, which required an entirely different kind of business training.

INFRASTRUCTURE

To close the large gaps in infrastructure, sustained efforts are required from the government and the development community. Bank assistance included nine credits and two studies that addressed issues in urban development, transport, and energy. Although it contributed to bridging that gap, given the scope of the problems and the relatively small size of the assistance, its impact was small.

Urban Development

The Bank support for urban development was implemented through two projects, which successfully improved urban infrastructure in La Paz, El Alto, and Santa Cruz but not in the communities around Lake Titicaca. All three components of the 2007 Urban Infrastructure Project, which received additional financing in 2013, achieved good results. In La Paz, the Bank program was immersed in a well-established national program, Barrios de Verdad, enabling it to achieve broader impact. Dealing with neighborhood problems in a comprehensive way, the credits financed one-third of the activities in the municipality's program during 2005–2013. It upgraded roads, drainage systems, communal fountain waters, and other basic infrastructure in 22 of the poorest neighborhoods and regularized 3,700 property titles. More than 54,000 people benefited from reduced travel time, improved living conditions, lower crime rates, less damage from natural hazards, and higher property values. In El Alto, the municipal authorities commended better mobility as a result of the Bank's work (i.e., trunk roads, drainage, and sidewalks), especially in the commercial route to La Paz.[13] In Santa Cruz, all of the targets were met for poor neighborhood coverage, water treatment capacity, sewerage connections, and underground water contamination—sometimes exceeding the expected results by a large margin.

By contrast, the 2008 Lake Titicaca Local Sustainable Development Project did not achieve its goals. Designed as a project to promote tourism in the communities around Lake Titicaca, the Ministry of Culture was the main executing agency. Yet, the project consisted mainly of water and sanitation interventions—but without the involvement of the Ministry of Water. The ambivalence of its goal and its weak link to national programs reduced its relevance. Moreover, insufficient attention to social safeguards in project design, especially concerning the hard-to-get land titles in rural areas, created a major roadblock for project execution. The Bank supervised the project regularly, but its solution was to extend the deadlines when time was not the issue. By the end of 2013, the disbursement rate was less than 20 percent.

Transport

The NDP featured a strategy for road development and maintenance aimed at the physical integration of the country in support of the productive sector. The high priority given to the sector is demonstrated by the fivefold increase in the budget for road rehabilitation and maintenance (from $115 million in 2002 to more than $500 million in recent years), while the total budget for transport increased from $190 million to almost $900 million. To support the government's objectives, both the Andean Development Corporation and the Inter-American Development Bank have had significant portfolios in transport.[14] By contrast, the Bank Group's engagement has been limited. Yet Bank assistance succeeded in strengthening the country's capacity to manage its road assets and to making the national and secondary road networks more passable.

The 2002 Road Rehabilitation and Maintenance Project was implemented during a period of significant institutional change. However, at project closing, the entire primary road network was maintained adequately in a routine manner and the conditions of the primary paved roads improved.[15] Coupled with rapid economic growth, this led to big increases in freight and passenger traffic along the two rehabilitated links and generated significant returns.[16] In addition, some progress was achieved in building the capacity of the National Road Administration (ABC)—although not in establishing an effective collaboration between the ABC and the prefectures which manage the secondary roads. An important development was to use microenterprises rather than government personnel for routine maintenance of the entire national road network, a positive sign in road management.

The 2011 National Roads and Airport Infrastructure Project just started to disburse.

Energy

World Bank Group's strategies evolved in how they viewed interventions in energy[17] but maintained the ultimate objective of providing better electricity service to the poor. Bank assistance succeeded in increasing electricity coverage in target areas. The Bank program consisted of two credits and a NLTA project in 2010 on Strengthening Small Scale Off-Grid Energy Suppliers, which analyzed the market for photovoltaic cells in Bolivia. Both the credits and the study focused on electricity access in poor rural areas.

During 2003–2011, the Bank implemented the Decentralized Infrastructure for Rural Transformation Project as the first of three planned adaptable program credits. It supported electricity and telecommunications, although the telecommunications component was subsequently cancelled. The 2007 ISN envisioned a second phase of the credit plus a grant by the Global Partnership on Output-Based Aid (GPOBA). The second credit never materialized, but the Decentralized Electricity for Universal Access grant became effective in 2008. Through photovoltaic solar home systems and connections to the grid, the credit enabled more than 30,000 households (about 9.8 percent of the households that lacked the service in 2011) to gain access to energy. The grant, in turn, made it possible for more than 13,000 households to access portable solar lanterns, including 5,705 of the poorest households. It also installed solar systems in schools, clinics, and SMEs. Although the project targets have been met, the long-term sustainability of this achievement cannot be taken for granted as it will depend on the beneficiaries' renewal of service contracts after their initial two-year warranty period expires.

In 2003, IFC provided a short-term bridge loan to a leading global transmission company for its acquisition of the largest transmission company in Bolivia. With IFC's involvement, the Bolivian company implemented an investment program that improved the coverage, capacity, and reliability of the national transmission system. To help expand its corporate social responsibility program, IFC provided technical assistance in 2005 to identify pilot activities that would deliver rural electrification services from renewable energy resources, with an emphasis on isolated, unelectrified communities. IFC also partially financed the GPOBA grant.

Assessment and Lessons

Despite the government's policy objective to promote agriculture and manufacturing for employment and incomes, its role in the economy and job creation has declined as Bolivia has become more dependent on natural resources. Meanwhile, the rapid expansion of the services sector has created many low-skilled jobs in the nontradable sector. The Bank Group supported the diversification and job creation agenda through interventions in agriculture and rural development, private sector development, and infrastructure. The results are mixed. *The Bank Group's contribution to the outcomes in pillar 3 is rated as moderately satisfactory*.

The assistance for agriculture and rural development achieved all of the expected outcomes, with few shortcomings. In designing the PAR, the Bank listened to government officials and drew from its experience in Bolivia and elsewhere about what farmers needed to succeed. By targeting poor farmers with productive potential instead of the poorest farmers without such potential, the Bank was able to separate social assistance programs from income-enhancing programs, thereby showing how effective the latter can be in reducing poverty and improving living standards in a sustained manner. In the context of the low and stagnant productivity in Bolivia's traditional agriculture, especially in Altiplano, the PAR demonstrated the potential for productivity and income gains even in traditional agriculture.

By contrast, Protierras resembled more a social assistance program for a small number of farmers. It cannot be replicated at a national level because of its large budgetary implications. Moreover, the success of the Bank's earlier assistance to INRA that led to the regularization of 2.9 million hectares of land and the granting of land titles to over 9.2 million hectares in the previous decade suggests that assistance like that of Protierras had little relevance.

Akin to community-driven development projects, the participatory rural investment projects produced good results for the communities reached. It did so by improving the link of rural producers to the market, irrigation infrastructure, and economic inclusion of the population. However, it is unlikely to have created the conditions to raise farmer incomes in a sustained manner as the PAR did.

The Bank Group's program in private sector development was delivered under very challenging conditions. While relevant, the assistance was ineffective at improving productivity and export competitiveness. Both the Bank and IFC were clear about what the strategic objectives were, but neither knew how to achieve them in Bolivia's policy, legal, and regulatory environment. Indeed, the environment was unfavorable for large, export-oriented companies but encouraged a booming, largely informal, domestically oriented small business sector.

The Bank's analytical work addressed the critical issues in private sector development. It updated the Bank's and other stakeholders' knowledge of the challenges facing Bolivia, maintained a dialogue with the government at a time when it was not receptive to the Bank's ideas, and provided inputs to some specific reforms. Little could be expected from this work without follow-up. The government was not interested in any additional work; little impact was achieved.

IFC's support through the GTFP helped Bolivian companies overcome the country's negative image abroad and increase its trade. IFC's technical assistance for promoting leasing as an alternative financial instrument did not achieve the expected outcomes initially but eventually succeeded in advancing the agenda to some extent. However, IFC's investment and advisory support for expanding SME and rural finance failed to have much impact, because either the clients did not need IFC resources or insurmountable regulatory obstacles existed.

IFC's municipal regulatory reform program was quite successful for a time. However, the government lost interest (often from key personnel changes) before enough had been done to affect the business environment in a significant way. Similarly, although IFC's technical assistance program rightly focused on SMEs and indigenous enterprises and communities, most of the interventions never went beyond the pilot stage. Very often, they touched a small number of firms with little broad impact. IFC's only real sector investment was in the forestry sector, which for all its potential positive impact was doomed to fail almost from the start as a complex set of risks proved to be beyond IFC's ability to mitigate.

Overall, IFC has had tremendous difficulties finding business opportunities in Bolivia despite the booming economy. This raises the question as to whether IFC's business model is suitable for helping countries like Bolivia, where the SME sector has the most financing needs and offers the most investment opportunities. In light of other financial institutions' success during the same period (see box 5.2), IFC's product mix and transaction process seem to be ill adapted to Bolivia's market conditions.[18]

World Bank Group assistance succeeded in alleviating some of the constraints in urban development, transport, and energy but fell short of achieving all of its objectives. In urban development, the Bank's program succeeded in improving living conditions in poor neighborhoods in La Paz, in alleviating some of the transport bottlenecks in El Alto, and in expanding the coverage and quality of the sewerage system in Santa Cruz. However, it failed to improve water supply and sanitation in the communities around Lake Titicaca. The Bank's emergency assistance in the aftermath of El Niño and La Niña arrived too late to deal with the immediate problems created by these natural hazards. However, it helped to rehabilitate more infrastructure facilities and at a lower cost than anticipated. It also helped Bolivia improve its ability to deal with natural hazards.

Box 5.2. Inter-American Investment Corporation: SME Investment in Bolivia

Inter-American Investment Corporation (IIC) is a member of the Inter-American Development Bank Group. It lends directly to small and medium enterprises (SMEs), as well as through financial intermediaries, and offers a wide range of technical assistance support to SMEs. As a SME-dedicated bank, IIC has managed to maintain decent profitability, with low nonperforming loans (NPL) and a good credit rating as a stand-alone financial institution.

During 2004–2012, IIC approved 16 private sector loans for a total of $26 million with 62.5 percent of its loans (10 out of 16) under $600,000. In 2012, IIC provided loans of $200,000 to a fertilizer producer and banana exporters. Despite the heightened risks entailed by such small transactions, IIC has not had any NPLs in Bolivia.

This outstanding performance is delivered through a specialized program, FINPYME Credit, which uses standardized loan documentation and an expedited internal approval procedure to process loans of between $100,000 and $600,000 for eligible SMEs. This allows IIC to complete its investment due diligence and loan disbursement within three months.

In addition, IIC provides a range of services through FINPYME Diagnostics, FINPYME ExportPlus, FINPYME Family Business, FINPYME Integrity, GREENPYME, and FINPYME Technical Assistance.

Source: IIC.

In the transport sector, the Bank's assistance was limited. However, it delivered important results both in better conditions of the road network and, more important, in a new and successful institutional setup for road maintenance whereby microenterprises rather than government personnel carry out routine maintenance of the entire primary road network. In the energy sector, the Bank Group's assistance focused on rural electrification. It succeeded in expanding access to electricity to more than 10 percent of the rural households that lacked energy in 2011. However, this result faces moderate-to-high risks of not being sustained in isolated rural areas since their success depends on the continuity of service delivery to the systems after the contracts expire.

Table 5.1 Summary Rating for Economic Diversification and Job Creation

Areas	Outcomes	Bank Group Contribution	Ratings
AGRICULTURE			*Satisfactory*
Territorial Development	More than 380 municipalities benefited from improved welfare.	Three Bank credits helped fill the gap that the rural communities had in financing infrastructure projects and in their capacity to plan and execute them.	

Land Administration and Ownership	The land tenure situation was clarified, and a more transparent and efficient land administration system was created. This made it possible to regularize land titles and transfer large tracts of land to indigenous peoples. Landless farmers carried out income-generating activities but failed to acquire land.	Bank assistance consisted of two projects, a land administration system, aimed at improving the organizations and institutions of land administration, and Protierras, which sought to help landless farmers acquire land.	
Market Access for Rural Producers	Groups of small farmers successfully established sustainable business relationships with buyers and raised their incomes.	Bank assistance helped design and implement an innovative approach to reducing poverty in rural areas. The assistance exceeded its targets and farmer income rose substantially.	
PRIVATE SECTOR DEVELOPMENT			*Unsatisfactory*
Access to Finance	Bolivia has a healthy financial sector and mature microfinance market. The government made a major push to expand access to finance for SMEs and rural producers.	Through studies and a Financial Sector Review, the Bank provided inputs to the government efforts, but there was little follow-up. IFC's trade finance guarantees were useful for increasing trade, but its investments and advisory services to banks had no impact. IFC's support for leasing law reforms was useful.	
Business Environment	State interventions and legal uncertainties make the business environment very challenging.	IFC advisory services helped some municipalities streamline their administrative procedures and improve their capacity to implement business regulations, but there is little evidence of the reforms' impact on businesses.	
SME Development	Small and informal businesses exploded, mostly in the unskilled sectors where productivity is low.	IFC provided a variety of assistance to small, artisan, and indigenous businesses, but the lack of scaling-up meant no broad impact of its interventions.	
INFRASTRUCTURE			*Moderately satisfactory*
Urban Development	Living conditions improved in poor neighborhoods of La Paz, the water and sanitation system in Santa Cruz expanded its coverage, and transport congestion in El Alto declined. Communities around Lake Titicaca have not seen improvements in infrastructure.	One project supported the activities in La Paz, El Alto, and Santa Cruz. A second project supported activities in communities around Lake Titicaca.	

Transport	Transport infrastructure remains seriously lacking, although there is considerable effort by the government and donors to improve conditions.	The Bank was a small player in this area and had only one intervention which ensured that the entire primary road network be maintained adequately, and the conditions of paved primary roads show improvement. It also introduced a new model for road maintenance.	
Energy	More than 30,000 households (about 9.8 percent of the households that lacked the service in 2011) gained access to energy. An additional 13,000 households, including 5,705 of the poorest, received portable solar lanterns.	The Bank contributed to these outcomes through one credit, one grant (partially financed by IFC), and a NLTA project. IFC provided a short-term bridge loan and technical assistance to expand rural electification.	
Overall Rating			***Moderately satisfactory***

Note: IFC = International Finance Corporation; NLTA = nonlending technical assistance; SME = small and medium enterprises.

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[1] Although commercial agriculture has much higher productivity than traditional agriculture, Bolivia presents one of the lowest agricultural productivities in South America. Yields per hectare in rice, barley, corn, wheat, sugar cane, and soybean are between one-third and one-half of those of its neighbors.

[2] Under the capitalization program, new shares of major state-owned companies in electricity, hydrocarbons, water, telecommunications, and transportation were sold to foreign investors, who were required to invest in the companies. Meanwhile, dividends from the state's share in the companies were used to create a universal old-age pension.

[3] Sources of Growth, World Bank. 2014.

[4] World Development Indicators, World Bank.

[5] Household income increased by 30 percent relative to that of a control group and by 50 percent compared to when the assistance started. Better roads resulted in a 40 percent decline in the travel time required to reach the municipal capital.

[6] The information quoted in this paragraph comes from Ministerio de Autonomías-Estado Plurinacional de Bolivia, *Proyecto de Desarrollo Concurrente Regional-Informe Final 2008-2013 Versión en ajuste*, marzo de 2014, pp. 18, 26, 30, 31, 33, and from World Bank, *ICR for Second Participatory Rural Investment Project*, Report No. ICR00002974, May 13, 2014, Annex 3.

[7] By closing of the Bank project, the National Institute of Agrarian Reform (INRA) had regularized about 2.9 million hectares, slightly below the 3 million hectares expected. In the next nine years, INRA issued 277,200 titles to more than 1 million beneficiaries for over 63 million hectares. A notable accomplishment was to grant titles to indigenous peoples of over 22 million hectares of land in indigenous territories in the Altiplano (highlands).

[8] José Alejandro Salguero Lowenthal, *Evaluación de Resultados Incrementales del Programa de Alianzas Rurales,* Programa FAO/CP. Sistematización de información sobre resultados económico – financieros de Alianzas Rurales apoyadas por el PAR, 2 de abril de 2012. It should be noted that about 15 alliances reported declines in net income as a result of bad weather and the rising cost of labor and inputs.

[9] Several reasons explain the project's failure: excessive bureaucracy and lack of capacity at the sector regulatory agency; organizational problems within the indigenous communities; and more important, insufficient due diligence by the International Finance Corporation (IFC) to fully understand the circumstances surrounding the project. The Andean Development Corporation (CAF), for instance, had considered but rejected the viability of the project before IFC entered.

[10] These included a workshop on access to finance and cluster development, a study tour for Bolivian officials to visit Bank-supported competitiveness projects, a visit by community-based and indigenous tourism experts to La Paz, and studies on tourism, manufacturing and binding constraints to improved competitiveness of Bolivian firms.

[11] A Financial Sector Assessment Program update was prepared along with the Financial Sector Review and delivered in 2012.

[12] In 2012, private savings reached 19.9 percent of gross domestic product (GDP), while private investment was only 7.3 percent of GDP.

[13] This part of the program has taken longer to execute than originally planned largely because of weak implementation capacity in the city of El Alto. There is no information on the benefits from these works in terms of reduction in travel time, cost, and accidents.

[14] In 2009–2013, the CAF approved $2.5 billion of loans to Bolivia of which 72 percent was for economic and integration infrastructure (http://www.caf.com/en/countries/bolivia/operations). During the same time, the Inter-American Development Bank lent $377 million for transport in Bolivia (http://www.iadb.org/en/countries/bolivia/bolivia-and-the-idb,1086.html).

[15] The proportion of paved primary roads in good condition increased from 59 percent of the paved primary roads network in 2008 to 84 percent of the network in 2010.

[16] The economic rate of return was 56 percent for the rehabilitation works and 47 percent for resurfacing.

[17] It was seen as a tool for private sector development in the first three strategies but as an instrument to provide basic services in the fourth.

[18] IFC's previous initiatives for providing long-term financing to small and medium enterprises—the Africa Enterprise Fund and Small Enterprise Fund—failed due to high transaction processing costs and nonperforming loans.

6. Human Capital Development

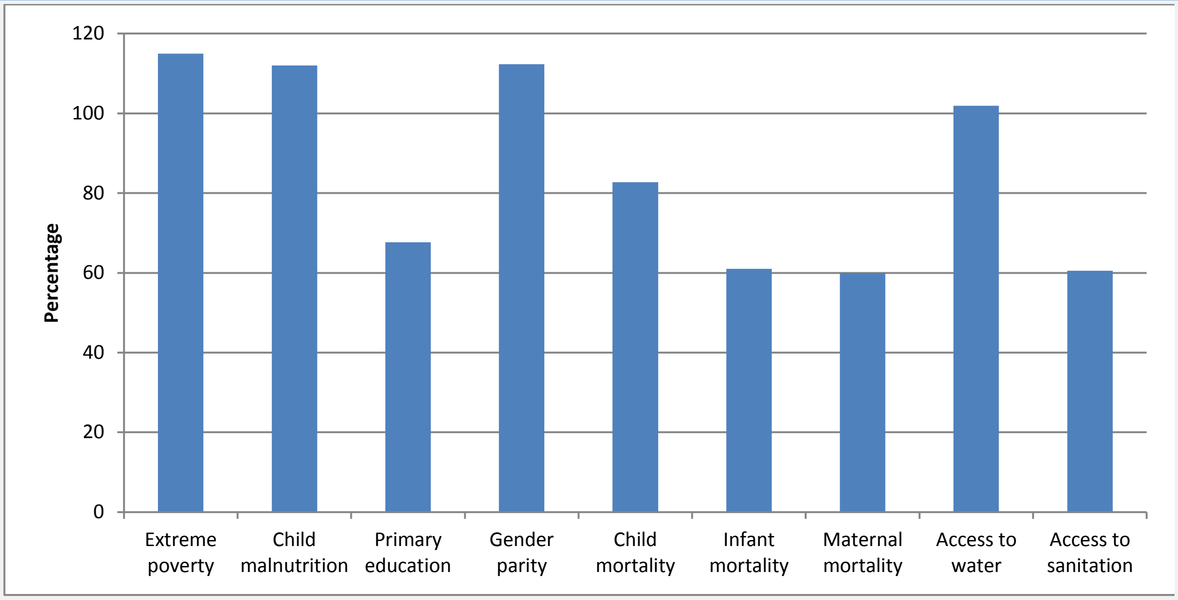
Highlights

- Recent poverty reduction is mostly attributable to the country's economic performance, with a much smaller role played by redistributive policies.
- The Bank's previous success in supporting health and education reforms came to a virtual halt when the government of President Morales came to power and the ministries became politicized with frequent change of leadership and no clear strategy.
- Although the Bank's strategies in the human development sectors remained largely unchanged, its support program increasingly lost traction.

The Plurinational State of Bolivia has been among the poorest countries in Latin America over the past two decades. The robust growth since then has led to a substantial reduction in poverty, especially extreme poverty. In 2006, almost 60 percent of the population lived in poverty and 38 percent in extreme poverty. Levels of income inequality were very high as reflected by a Gini index of 0.56. Conditions were significantly worse in rural areas where poverty rates were 76 percent compared to 50 percent in urban areas, and the Gini index was 0.64 versus 0.51. Although incomparability between recent poverty data with the older data makes it difficult to say with precision the extent of poverty reduction, there is evidence of strong improvement in many human development indicators, which confirms significant social gains in recent years. For example, infant mortality rates have dropped from 49 per 1,000 live births in 2005 to 39 in 2011; maternal mortality has declined from 240 to 190 per 1,000 live births.

The recent poverty reduction in Bolivia was mostly attributable to its economic performance, which created many low skilled jobs in the nontradable sectors. A much smaller role was played by redistributive policies such as cash transfers to the elderly and conditional cash transfers (CCTs) to encourage primary school attendance and maternal and child health care. To ensure that revenues from natural resources are used for human development, the government has increased public investments significantly, earmarking 10 percent of hydrocarbon revenues for municipal capital investment in human development, especially for health care for the elderly. However, a lack of clarity in the intergovernmental framework has reduced the effectiveness of the mechanism. Tying health care for the elderly to hydrocarbon revenues also places this important safety net at risk should the revenues decline.

Figure 6. 1. Progress toward Achieving Millennium Development Goals



Source: UDAPE (2013).
Note: Data indicate progress toward meeting the relevant targets of the Millennium Development Goals; 100 percent = target met.

Progress in human development has been stronger in urban areas, and important challenges remain in improving quality and access to social services. In particular, developing institutions and policies to achieve President Morales's goals of improving household welfare has been made difficult with all the social sector ministries in a state of flux. For example, the Ministry of Development Planning changed ministers four times during 2007–2009 and the minister of health changed six times in the past few years. Developing coherent strategies and dialogue with partners has been very difficult under these circumstances.

World Bank Group Strategy

During the past decade, the Bank Group gave human development high priority in its country strategies for Bolivia. The 2004 Country Assistance Strategy (CAS) sought to improve the coverage and quality of health and education services, including maternal and child health and employment programs for youth (World Bank 2004). The 2006 Interim Strategy Note (ISN) placed Support for Providing Better Services to the Poor as a key pillar of the strategy (World Bank 2006). Specifically, it noted the goal of expanding coverage and quality of health services and secondary education and supporting the reform of the country's social protection and safety net strategy. The subsequent 2009 ISN upheld these objectives and defined three expected outcomes: (i) increased promotion rates in secondary education for the target population; (ii) a reduction of chronic malnutrition among children under two years of age and of critical maternal health risk factors in targeted rural areas; and (iii) an increased percentage of low-income youth in urban and peri-urban areas with regular employment and improved labor incomes (World Bank 2009).

The 2011 Country Partnership Strategy (CPS) dedicated the third results area to human development (World Bank 2011). Once again, it focused on access to social services and safety nets to address health and education challenges as well as the problem of youth urban migration and the disintegration of the informal safety net.[1] It highlighted the government initiatives to develop universal health insurance and medical infrastructure and equipment to promote the use of maternal and child health services, including through the CCT Bono Juana Azurduy. In addition, it aimed to improve coverage and quality of education. While broad strategic sectoral objectives were translated into specific targets for Bank projects, the results framework did not specify the results chains, including complementary efforts necessary to achieve the expected outcomes.

World Bank Group Program

The Bank program in human development areas changed dramatically during the evaluation period, evolving from being a best practice example during the previous decade to one having little traction. Although the Bank's previous support led to major achievements in the health and education sectors, poverty and inequality remained high, and the government blamed the Bank. As a result, it was not interested in Bank analytical or financial support on significant policy issues. Rather, it selectively sought support on various small investment or technical issues. Social protection offered more opportunity to engage fully given the government's stated interests. Yet, as the decade progressed, it became apparent that opportunities for input were also very constrained.

EDUCATION

During the evaluation period, Bank support shifted from national reforms to smaller-scale municipal pilots. During the previous decade, the Bank successfully supported primary education reform as well as education decentralization through lending. As the Morales government showed little interest in policy reform and Bank assistance, the Bank had to scale back its program. These approaches were relevant, but only somewhat effective.

The lending instruments included two investment loans and a technical assistance loan. The 1998 Education Quality Project was closed in 2007 and with little achievement. As the government was no longer interested in decentralized service provision that had been developed with Bank support, the Bank had to drop preparation of the 2008 Secondary Education Project which supported decentralization of secondary and higher education nationwide. Eventually, it was agreed that the Bank would continue the project as a pilot at the municipal level. Lessons from the 1998 Education Quality Project were brought in and the Bank's long-term engagement paid off as the municipal pilot project is achieving good results. Unfortunately, the ability of the pilot to serve as a testing ground for broader reforms has not materialized as the government has not shown interest in sectorwide reforms.

The nonlending instruments included the 2006 Education Sector Report, the 2009 Support to Ministry of Education as nonlending technical assistance (NLTA), and the 2011 Social Sector NLTA. Overall, this knowledge support had little impact. For example, the Bank's work on developing objective standards to assess educational attainment was rejected by the government. Similarly, only one out of three components of the 2009 Support to Ministry of Education NLTA project was completed, and there is no evidence to substantiate the Bank's claim that the project allowed reengaging in the education sector in Bolivia, strengthening a relation of trust and rapport, or engaging constructively on policy dialogue.

HEALTH

The Bank was strongly engaged in the health sector in the late 1990s and the first half of the 2000s. Since 2006, the Bank lost traction with the Ministry of Health and has provided modest investment support on specific items rather than a more comprehensive assistance involving policy dialogue for sectoral development. No health-related analytic and advisory activities (AAA) were delivered during this period.

The Bank supported the government's health sector reforms through a series of Adaptable Program Loans (APLs) over 12 years, including the 1999 Health Sector Reform Program APL, the 2001 Health Sector Reform APL II, and the 2008 Expanding Access to Reduce Health Inequalities (APL III). This support included the establishment of a health insurance program for mothers and children, an insurance scheme for the elderly, and a national program for extending coverage to rural areas. The Bank also supported performance agreements between the central government and nine regional departments to sharpen objectives and results. All of these have outlived many changes in government and are still its main health programs. However, this progress was made before the period under review.

Since 2006, the government has shown no interest in the Bank's broader policy analysis or advice. The ongoing APL III has encountered many difficulties, including instability of leadership and politicization of the sector. The government altered the criteria for targeting investments by insisting that certain areas (in the lowlands) not receive project benefits. One of the original components of the APL III was to support universal health insurance, but it was cancelled because the government no longer wanted to transfer the required greater share of fiscal revenue to the municipalities. Even technical components, such as development of information systems, have become politicized as the Ministry of Health did not want to provide tools to the localities. As a result, the project has advanced little, with only 15 percent of the commitment disbursed after five years of execution.

The 2008 Investing in Children and Youth Project had two components, one of which supported maternal and child health via Bono Juana Azurduy. However, it was cancelled because at mid-term review the Bank and the government agreed that the component's objectives would not be achieved at project closing.[2] Finally, the 2008 National Food Fortification Program, a small nutrition project, achieved very few of its objectives. Over half of the committed funds were cancelled due to implementation difficulties.

SOCIAL PROTECTION

This is the one area of human development where Bank engagement has accelerated since 2006, but without commensurate results. With President Morales's discourse focused on reducing inequality and poverty ("Vivir Bien"), the Bank viewed this as an opportunity to expand involvement. Since ministers, institutions, and policies were in flux, the Bank designed a multiyear, flexible, and programmatic AAA program which was implemented in four phases between 2008 and 2011, namely, the Social Safety Net I–IV.

Starting with poverty and vulnerability analysis, the program did a number of things. It assessed the roles of subnational agencies, developed a map of existing programs, provided technical assistance to national and local governments to help implement the Social Protection strategy, and continued to develop a Youth Employment Program for Urban Areas. However, as the government continued to change and interest in supporting local governments waned, the Bank's potential for impact declined as well. Although these AAA efforts evolved into financial support for the Investing in Children and Youth Project, the impact was not realized. The Bank had designed this lending project to include two very different components—a CCT program to promote maternal and child health and a youth employment program—partly as a hedge because it was not sure which component would have traction. The program was complex and difficult to expand nationally.[3] Eventually, the CCT component was cancelled due to "reputational risk" (e.g., difficulties in fulfilling minimum audit requirements). Also, as the government program changed from a targeted program envisioned during Bank project design to a universal program, inadequate funds reached intended beneficiaries. The youth employment component continued but faced implementation challenges.

Assessment and Lessons

The Bank's objective in the human development area consistently sought to improve access to better quality social services and help develop the social protection system and safety nets. Yet, the Bank's projects did not strongly align with achieving these objectives. The Bank's objectives were determined on the basis of important country development needs and government goals. However, these objectives became unrealistic over time as Bank projects were modified significantly (because of political interference) and faced implementation challenges (from both the government execution and the Bank's supervision). In the end, the Bank was supporting areas where it could but contributed very little toward the stated objectives in the strategy documents. Government officials complained about the difficulty of working with the Bank, which was compounded by the lack of sufficient local support in the La Paz office. Compared to the Inter-American Development Bank and the Andean Development Corporation, the Bank's in-country staff presence is much smaller, which led to problems in the Bolivian context. *The Bank Group's contribution to the outcomes in pillar 4 is rated as unsatisfactory.*

Throughout the decade, the Bank's support to education transitioned from national reforms to pilot projects at the municipal level. Given the political transition, the government's stated goal of improving equality, and the Bank's profound knowledge and experience in the sector, it was relevant for the Bank to seek creative instruments for maintaining engagement and being able to respond to the government's technical needs in a flexible way. However, the government has not shown an interest in learning from the pilots or in possible scaling-up. When this is done at the municipal level within a weak intergovernmental framework, the Bank's support could be counterproductive as it would lead to larger fiscal responsibilities for the municipalities to support the operation of these investments.

In the health sector, the Bank's relevance and effectiveness was very low during the evaluation period. Issues such as universal insurance and decentralized (and adequately funded) health care provision were no longer of interest to the government, despite their relevance for broad-based access to services. As a result, the Bank's efforts became increasingly distanced from the strategic objectives as areas for Bank involvement dwindled. Moreover, the Bank did not address an important risk with regard to health care financing. In Bolivia, the financing of municipal health services depends on revenues from hydrocarbons, which creates vulnerability in health care provision should the price of energy decline. This risk was addressed in the Bank's work on decentralization, which had little traction, but it was not raised in the Bank's work in the social sectors. Failure to link the municipal finance issues with project support meant that the Bank lent funds in a potentially vulnerable situation.

The Bank's programmatic knowledge support in social protection was highly relevant. However, as the actual program was driven by political realities, the impact of the Bank's technical work was reduced. The government was keen to address poverty and inequality and sought technical inputs. Bank support helped technicians strengthen capacity for poverty analysis and program formulation. The AAA led into the formation of the Investing in Children and Youth Project, reflecting a strategic alignment of Bank instruments. However, to maintain some degree of government interest in its support, the Bank had to accept significant changes in project design, adopting a much more selective approach and staying away from comprehensive health sector reform. The obvious politicization of the project also forced the Bank to reduce the scope of its support program.

Table 6.1 Summary Rating for Human Capital Development

Areas	Outcomes	Bank Group Contribution	Ratings
Education	There was an overall improvement in education outcomes, mainly from increased public investments using hydrocarbon revenues. The politicized management of the sector may have exaggerated the results.	Bank projects and NLTA aimed at sectorwide reform through decentralization, greater equity in resource allocation, and more transparency and accountability. The objectives were not achieved as Bank projects were cut back to pilots without follow-up.	*Unsatisfactory*
Health	Health sector outcomes improved as the strong improvement in government revenues and in the overall economy brought more resources to the sector and to households. The distribution of resources within the health sector was politically driven and often did not follow the distribution of social needs.	Despite substantial Bank efforts, the relevance and effectiveness of Bank support for health sector were reduced dramatically during the evaluation period. The risk of politicized distribution of funding required the Bank to reduce its financial support in the sector.	*Unsatisfactory*

Areas	Outcomes	Bank Group Contribution	Ratings
Social Protection	The government put many resources into social protection programs, which helped to reduce poverty and malnutrition. The distribution of funds is not well targeted and the overall fiscal costs are potentially unsustainable.	The Bank started a strong AAA program and helped the government initiate a CCT program. The effectiveness and reception of the AAA faded over the period. The Bank had to end its support for the cash transfer program because of concerns of reputational risk.	*Moderately unsatisfactory*
Overall Rating			***Unsatisfactory***

Note: AAA = analytic and advisory activities; CCT = conditional cash transfer; NLTA = nonlending technical assistance.

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[1] The results area also included access to basic services such as electricity, water, and sanitation, which are addressed in chapter 5.

[2] The government changed the originally intended targeting and basically made it a universal program. The Bank's supervision report indicated that households were not reliably receiving the grants, and the amounts varied greatly.

[3] Although program design involved targeting Bono Juana Azurduy to address malnutrition and maternal and child health issues in the poorest areas, the government wanted the program to become universal.

7. Cross-Cutting Issues

Highlights

- ❖ The Plurinational State of Bolivia faces growing pressures on its fragile natural environment. World Bank Group strategies targeted climate change and disaster risk management. The assistance was small and contributed to building the institutions and organizations required to protect the environment and to deal with natural hazards, but it had little impact on reducing the overall environmental pressures.
- ❖ On gender, despite recent improvements, Bolivian women face multiple challenges. Bank Group strategies paid increasing attention to gender issues, and many projects incorporated gender components. Indicators were important for maintaining a focus on women whereas outcomes depended on the overall success of the projects.

Two of the common challenges arising from a country's high dependency on natural resources involve the cross-cutting issues of environment and gender.

Environment

The Plurinational State of Bolivia faces growing pressures on its natural and environmental resources from overgrazing, the expansion of the agricultural frontier, and unregulated small-scale mining. In the highlands, the expansion of livestock herds has led to overgrazing with subsequent erosion and desertification. In the eastern lowlands, the expansion of soy cultivation has accelerated the degradation and deforestation of the Amazon forest. Forest losses have reduced biodiversity and the potential for carbon sequestration, and now constitute the largest source of greenhouse gas emissions in Bolivia. In addition, the expansion of small-scale mines, mostly without proper tailings disposal and water treatment systems, has led to a growing contamination of rivers and water bodies close to urban areas.[1] The country's topography has also made it highly vulnerable to climate change. There has been increased frequency and intensity of floods and droughts, such as those associated with El Niño and La Niña, as well as glacier retreat. The government is taking measures to improve environmental management, investing in water supply and sanitation, education and hygiene programs, and the restructuring of the legal framework for managing natural resources.

ENVIRONMENT IN WORLD BANK GROUP STRATEGIES

The coverage and substance of the Bank Group involvement in the environment changed during the review period. The 2004 Country Assistance Strategy (CAS) identified three important challenges—expanding the potential of the natural resource base to promote growth; avoiding negative environmental impacts from productive activities; and using and managing water resources (World Bank 2004). However, it did not propose any interventions because there was no demand. The 2006 Interim Strategy Note (ISN) mentioned a Global Environment Facility (GEF) project under preparation with further discussion (World Bank 2006). The 2009 ISN highlighted the importance of sustainable development by making it a stand-alone pillar (World Bank 2009). Specifically, it was focused on mitigating the effects of natural disasters and the environmental damage of productive activities; increasing knowledge about the impacts of climate change; and improving the capacity of public authorities to plan for and respond to change. Under the 2011 Country Partnership Strategy (CPS), climate change and disaster risk management continued to be a key engagement area (World Bank 2011). The CPS objectives sought to reduce social, economic, and environmental vulnerability to climate change and to restore access to basic infrastructure.

ENVIRONMENT IN WORLD BANK GROUP PROGRAMS

The Bank's assistance consisted of four grants for a total of $20 million, including an emergency recovery credit, and two nonlending technical assistance (NLTA) projects—all of which produced satisfactory results. The 2001 GEF Sustainability of Protected Areas grant for $15 million was the Bank's biggest intervention in the environment. It financed the first phase of a program aimed at consolidating the core functions for managing the National System of Protected Areas. The assistance succeeded in strengthening management capacity of Protected Areas National Service of Bolivia (SERNAP) and in establishing a financing mechanism through the Foundation for the Development of the National System of Protected Areas. The support helped to raise the visibility of the environmental problems in Bolivia. It led to the creation of 22 protected areas (out of a total of 49) which contain about 80 percent of Bolivia's biodiversity. However, despite a stronger system of protected areas and increased knowledge and technical capacity, some recent decisions to allow encroachment in a national park have raised serious concerns about the extent of the government's commitment to maintain the integrity of the protected areas.[2]

The 2003 GEF grant to Protección del Medio Ambiente Tarija (PROMETA), a Bolivian nongovernmental organization (NGO), demonstrated that private efforts can complement SERNAP's biodiversity conservation efforts. With support from the project, private parties identified and managed 90,000 hectares of land in seven areas critical for biodiversity. More than 100 private landowners became members of the Bolivian Private Conservation Forum. In particular, the project included collective landowners—mostly indigenous communities—who in the past had been overlooked for private conservation activities, and other social groups who were skeptical of the benefits of private activity in conservation.

The 2007 Urban Wastewater Methane Gas Capture grant to the Cooperativa de Servicios Públicos Santa Cruz, the provider of water and sanitation services in Santa Cruz commonly known as SAGUAPAC, helped to reduce carbon dioxide emissions by about 250,000 tons per year, exceeding the target of 44,000 tons. The 2011 grant from the Pilot Program for Climate Resilience Phase funded a pilot to demonstrate the improved management and control of fires in areas affected by slash and burn practices for land clearing. More importantly, together with the GEF grant to PROMETA, the grant demonstrated that NGOs and private parties could work together to manage natural hazards.

In response to extensive flood damage caused by the 2006 La Niña, the Bank approved the Emergency Recovery and Disaster Management Project plus additional financing to finance reconstruction works in the five affected regions. Prepared under Operational Policy 8.0 (Rapid Response to Crises and Emergencies) and in spite of a two-year delay in implementation, the project exceeded its targets in terms of rehabilitated infrastructure facilities and rural roads. In addition, with support from the project, the authorities developed a methodology to analyze risk and vulnerabilities and to develop prevention plans. Communities are more aware of what they can do for themselves versus what the central government can do for them.[3] These achievements portend a better response to future disasters, but the test will come when the emergencies arise.

Among the NLTA projects, the 2011 Water Related Adaptation to Climate Change built hydrological models of climate scenarios to assist policy makers in assessing vulnerabilities to climate change, developing strategies to adapt to such change, and defining response. The 2013 Strengthening Environmental Management delivered analysis and direct technical assistance to key Bolivian agencies that addressed sanitation, water resources, and mining pollution problems.

ASSESSMENT AND LESSONS

Bank assistance, though limited, generated positive results for strengthening Bolivia's capacity to manage its natural resources. In particular, it helped to create institutions and organizations needed to manage and conserve biodiversity and to respond to natural disasters. Although much more remains to be done and the country's development needs sometimes conflict with its nature conservation needs, the progress represents a small but important step in the right direction.

Gender

Women in Bolivia face multiple challenges: most are employed in the informal sector and face difficulties accessing credit; fewer of them own land compared to men; female wages are lower than male wages for similar jobs; and violence against women remains high. At the same time, Bolivia performs better on average than lower-middle-income countries with regard to several gender indicators, including births attended by skilled health staff and gender parity for secondary school enrollment. Laws have also been enacted to promote social inclusion and economic opportunities for women.[4] The recent boom in commerce has benefited indigenous women as traditionally they have engaged in trade while men work in agriculture.

GENDER IN WORLD BANK GROUP STRATEGIES

The Bank Group strategies paid increasing attention to gender issues over time. The 2004 CAS and the 2006 ISN made little mention of gender issues. The 2009 ISN raised the profile of gender by focusing on maternal and child issues under its human development pillar. It proposed a project (Investing in Children and Youth) to support the government's Social Protection and Integrated Community Development Strategy. It also emphasized gender issues through the Bono Madre-Niño program, which was part of the Zero Malnutrition Program. Gender gained further prominence in the 2011 CPS, which incorporated it as a cross-cutting theme in the strategy. Gender was to be mainstreamed into the portfolio and the CPS pointed to several projects having a gender dimension.[5] The CPS further suggested that all results areas have a gender focus, and that project design and implementation include voices of women through participatory mechanisms.

GENDER IN THE WORLD BANK GROUP PROGRAM

Consistent with Bank Group strategies, gender was incorporated into several Bank credits in education, health, and agriculture and rural development. Even though the emphasis on gender issues varied, most projects in these sectors addressed them, particularly including the number of female beneficiaries in the results matrix. Some of the Sustainable Business Advisory projects of the International Finance Corporation (IFC) emphasized working with women. However, the majority of IFC projects did not have a gender focus and did not include gender-disaggregated data for beneficiaries.

Education

The Second Education Transformation Project (2008) had a module on gender and equity that sought to raise awareness of civic values. The Early Childhood Care and Development in the Poorest and Most Vulnerable Urban Districts of La Paz and El Alto (2012) focused on reducing childcare constraints for unemployed and precariously employed young mothers, and supported early childhood development for their children. At project completion, women comprised half of the direct beneficiaries of the former project; there is no information about the latter.

Health

A strong gender focus was incorporated in the Expanding Access to Reduce Health Inequities Adaptable Program Loan (APL) series. Under the first two operations that were implemented prior to the evaluation period, an important set of policies and interventions included the establishment of a health insurance program for mothers and children. The APL III (2008) continued to focus on increasing access to good quality and culturally appropriate health services for the population in general and for mothers and children in particular. However, five years into project execution, it has met only two out of six maternal and child health care targets. Similarly, both the Investing in Children and Youth (2008) and the Global Alliance for Improved Nutrition (2008) projects originally supported maternal and child health objectives, only to see the relevant components cancelled or scaled back due to implementation problems.

Agriculture and Rural Development

Most projects in this area emphasized gender issues. The Rural Alliances Project (PAR) I (2005) and PAR II (2013) considered gender dimensions in addressing the constraints faced by rural communities. PAR I achieved a relatively high participation rate of women (women headed more than 30 percent of direct beneficiary households); PAR II sought to improve further by encouraging women to participate in capacity building activities, improving training activities with regard to language and method, and further adapting the communication strategy to women's daily activities and education levels. The results are highly positive. During a field visit of the IEG evaluation team in March 2014, women reported that the project-financed activity (pig rearing) changed household dynamics by allowing them to have more power and earn an income. Raising pigs at home, in particular, allowed them to multitask and take care of other household chores.

Protierras (2008) also had a strong gender focus and included indicators on female beneficiaries and participation of women on the board of productive associations and in training sessions. Gender issues and gender-differentiated impacts gained further attention after project restructuring.

The Second Participatory Rural Investment Project (2008) did not establish gender indicators at project design. During implementation, however, several gender-based challenges were identified. For example, men on average owned twice as much arable land as women and were often the decision makers representing the family in the local governance institutions and in water user associations (Tuchschneider and Stanley 2014). Subsequently, there was an attempt to set a target for women beneficiaries and to include women in training and negotiations. However, the lack of gender indicators from the beginning makes it difficult to assess gender actions. Experience showed that having more women in different phases of the project did not always translate into their effective participation (voice and decision making).

Finally, the 2012 Agricultural Innovation and Services Project and the 2012 Community Investment in Rural Areas Project are relatively new. The former does not have a specific gender focus but monitors the percentage of women farmers who are satisfied with the technical assistance provided. The latter is a community-driven development project with a clear intention to track women beneficiaries as well as their engagement.

Knowledge Services

Several Bank studies, such as the 2005 Bolivia poverty assessment (Arias and Bendini 2006), public policy note (Fretes-Cibils, Giugale, and Luff 2006) discussed the various aspects of gaps in wages, employment, earning differentials, legal and judiciary practices, and the informal business sector. As with most Bank analysis during this time, these studies did not have significant influence on government policies.

IFC Advisory Services

Projects such as Dress for Development, the Trickle-Up Program, Business Edge Bolivia, and Responsible Soy Bolivia targeted women as beneficiaries of financial and technical assistance. However, most IFC projects, although working with indigenous and farming communities as well as small and medium enterprises, did not explicitly incorporate gender dimensions by including gender-disaggregated data for project beneficiaries or tracking project impact on women.

ASSESSMENT AND LESSONS

There was increasing recognition of gender issues in the Bank Group's strategies as well as increasing efforts to include gender dimensions in project design and results measurement. Gender impact depended on overall project success. The Bank's focus on gender was manifested most explicitly through its interventions on maternal and child health. However, the failure of the Bank to gain traction in health in general meant that the expected outcomes were not achieved. Most of the Bank's interventions in agriculture and rural development had a gender dimension. However, results were mixed and depended on the projects' overall success at achieving project development goals. IFC implemented several advisory services projects that targeted women entrepreneurs, but gender issues were not mainstreamed in its interventions.

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[1] These problems have been present for a long time (McMahon and others 1999, 19–25).

[2] Law 3672 of April 23, 2007 exemplifies the problem. It approved the contract signed on October 25, 2006 between Yacimientos Petrolíferos Fiscales Bolivianos and two oil companies—Petrobras and Total—to explore for oil in the Territorio Indígena Parque

Nacional Isiboro Sécure. On August 15, 2011, indigenous people started a march from Trinidad (in the Beni lowlands) to La Paz in protest at the government's plans to build a road from Cochabamba to Trinidad passing through the park (Bolivia Information Forum 2011; Friedman-Rudovsky 2012; Picq 2011).

[3] Comparing the government's capacity to respond to disasters in 2007 and 2013, government officials think that they are better at managing disaster risks. They can assess vulnerability and plan for emergencies because they have preserved, systematized, and made accessible the necessary data. In addition, they have improved capacity to integrate land use and disaster risk management based on pilot risk-mapping exercises in Oruro and Alpacoma.

[4] For example, the Bolivian Land Reform Law (1996) allowed access to land for women even if they were not married or the head of household. The Regularization for Property Rights Law (2012) allowed property to be registered in the names of both spouses or partners (Lastarria-Cornhiel 2009).

[5] They are the Expanding Access to Reduce Health Inequalities APL III Project, Investing in Children and Youth Project, Japanese Social Development Fund Project, Urban Infrastructure Project, and Land and Agricultural Development Project.

8. Conclusions and Recommendations

The Plurinational State of Bolivia experienced a dramatic transformation during the evaluation period. Favorable terms of trade and prudent macroeconomic management led to unprecedented growth in gross domestic product, an accumulation of substantial fiscal and current account surpluses, and significant poverty reduction. Important social gains were made in access to basic services and transport infrastructure. At the same time, the period saw a reversal of many reforms that previous governments had initiated. Although some progress continued in the area of public financial management and procurement, decentralization process stalled, civil service became more politicized, and transparency and accountability weakened. Frequent changes in key ministry personnel made policy making difficult. Moreover, as private companies in key industries continued to be nationalized, uncertainties for private businesses increased and private investment stagnated, especially in the tradable sectors. Bolivia became more resource dependent.

Outcomes of World Bank Group Support

Given the high degree of uncertainties during much of the evaluation period, it was judicious for the World Bank Group to pursue strategies with a limited time horizon and commit to a longer-term strategy only when sufficient stability returned. Overall, the strategies had relevant objectives that were aligned with the government's development priorities. The interventions were generally well designed, but implementation faltered in many areas because of a challenging environment. The program became increasingly opportunistic and narrower in scope, reflecting an engagement with areas of support selected by the government. However, it was not always coherent for achieving the intended results outlined in the country strategies.

The Bank Group's support was effective in areas where its objectives and approaches were aligned with those of the government. More specifically, the Bank Group provided useful assistance in select aspects of public financial and investment management, agriculture and rural development, urban infrastructure, roads, and access to energy in rural areas. It also built some institutional capacity for managing natural resource and disaster risks. Furthermore, it made progress in mainstreaming gender issues in Bank-supported interventions but not in those supported by the International Finance Corporation (IFC).

The experience in rural development is informative about the importance of defining the right objectives and designing proper interventions to achieve results. The Land Administration Project, launched in 1995 and expanded in 2002, highlights the significance of supporting institution building with advice and financing. The gains achieved in improving the land administration system made it possible to distribute large amounts of land to indigenous groups and to landless peasants. The Protierras project, on the other hand, aimed at supporting land purchases for landless peasants. It succumbed to changes in government attitudes toward market mechanisms for distributing land as well as to the eventual irrelevance of the intervention.

The Bank's intervention in transport underscores the importance of focusing on areas in which the Bank has particular expertise for delivering results. The Road Rehabilitation and Maintenance Project was the Bank's only intervention in transport during the evaluation period. By focusing on road maintenance— where the government demands assistance and the Bank has the expertise to meet those demands—the project was able to introduce the idea of using microenterprises rather than government personnel for routine maintenance of the entire national road network. The success of this intervention suggests that the same model can be applied to managing the secondary road networks. However, it will require deeper institutional changes to ensure good coordination between the National Road Administration and state and local governments.

The Bank Group had virtually no influence in macroeconomic, resource management, and broad areas of governance during this period. In addition, it lost traction in the area of human development. The Bank was able to help improve data collection on spending and subnational investment design and procurement. However, it did little in all other areas of governance because there was no interest. In human development areas, although the government and the Bank shared the same goals and the Bank successfully implemented a small pilot in education, fundamental differences as to how to achieve the goals resulted in very little interest in Bank support.

Bank Group contributions to private sector development were also limited. The Bank's analytical work did not lead to a dialogue on promoting the private sector as a driver of growth and export diversification. IFC, with its traditional focus on large investments in key industries, struggled to find a role in Bolivia. It provided (or tried to provide) many different types of advisory services, leaving virtually no stone unturned. Ultimately, however, it could not achieve much impact.

Taking into consideration the relevance and effectiveness of the Bank Group program under the four pillars, this evaluation rates the overall outcome as moderately unsatisfactory.

Recommendations

The medium-term growth outlook for Bolivia is favorable. Prudent fiscal policies have saved a sizeable portion of the hydrocarbon revenue windfall, reducing the country's main vulnerabilities and providing ample buffers against external shocks. After nearly a century of absence, Bolivia successfully returned to international credit markets in 2013. It is a sign of investor confidence in the country and opens the door for future debt sales.

In the long run, however, Bolivia faces serious development challenges. Although the country enjoys a virtually guaranteed market (mainly from Brazil) for its gas exports, years of lack of investment threaten its capacity to meet contractual obligations. Because the country is flush with hydrocarbon revenues, the government has not yet felt the need to improve governance or to manage its natural resources more efficiently. At the same time, the growing role of the state and natural resources in the economy have discouraged private investment in other tradable sectors.

The Bank Group's experience in Bolivia over the last two decades has seen intense highs and lows, yielding lessons for a more mature relationship in the future. In the 1990s, the Bank had considerable influence over all major decisions of the government; after 2006, the Bank largely let the government dictate its program. Neither situation is optimal or sustainable. As Bolivia graduates from IDA and relies less on external resources to meet its financing needs, there is an opportunity for the Bank to construct a new type of partnership based on shared goals and mutual commitment.

The Bank Group strategy constitutes the first step toward establishing a formal program rather than tentative actions for staying engaged. The last two strategy documents called for selectivity in Bank Group interventions, and the support program has indeed become more focused. However, the selectivity has largely been exercised by the government, while both the Bank and IFC tried to engage wherever they could. This flexible approach was appropriate while the Bank Group explored entries for dialogue and possible future financing with a publically antagonistic client. It allowed the Bank Group to maintain a presence and deepen its engagement.[1] However, after eight years, the Bank Group should begin to exercise selectivity based on the strategic selection of goals and its comparative advantages for delivering results. For the Bank Group to provide effective support under these circumstances, the Independent Evaluation group makes five recommendations.

Recommendation 1: Develop long-term partnerships with the government as well as other groups outside of the government.

The Bank's engagement in Bolivia has focused strongly on working with the government and donors but has overlooked building partnerships with other local stakeholders. This has backfired in the past. Its close relationship with the governments before 2005 led to animosity and distrust of the Bank by many Bolivians, including the Morales government. Its recent emphasis on not antagonizing the administration in any way has been criticized as evading its role as an unbiased source of knowledge and trusted development partner. Keeping open communication with all major Bolivian stakeholders, including different political factions, academia, civil society, and the private sector, will help build understanding of and support for difficult reforms that the country needs for sustainable growth, but that it does not always recognize.

In this process, Bank Group management needs to recognize promptly the changing needs of Bolivia and adjust its assistance accordingly. During the early years of the evaluation period, the Bank Group continued to offer traditional types of support without fully understanding, or accepting, that Bolivia had different priorities and was searching for a different development model. The Bank Group accommodated the government's requests, but its flexibility was largely reactive. Going forward, the Bank Group should accept the country's desire to find an alternative path to prosperity and support its exploration constructively. This requires that the Bank Group abandon the belief that solutions may be universally applicable, reassess its offerings of assistance, and if needed, develop new products and approaches to help Bolivia meet its unique development challenges.

Recommendation 2: Scale up the good practice assistance programs in agriculture and help the government develop a strategy for raising agricultural productivity and developing the rural sector.

Most of the poor people in Bolivia live in rural areas. To achieve the goal of substantially reducing extreme poverty, the government has to focus on improving agricultural productivity and living standards in rural areas. The Bank's support program used various interventions that showed different results. The rural alliances projects succeeded in raising productivity and rural incomes at the farm level, thereby helping to reduce poverty among program participants. The participatory rural investments improved infrastructure and living conditions at the community level, but their impact on on-farm productivity is less clear. The Protierras program, still active, consists of a mixture of social assistance and productivity-enhancing interventions whose impact on poverty remains to be seen.

The Bank should take stock of these interventions and evaluate their impact on poverty reduction. In doing so, it is important to distinguish between social assistance and productivity enhancing aspects of the interventions. This stocktaking exercise should be undertaken together with the government in a broader context of identifying the main problems in the sector, diagnosing its causes, and setting priorities for a long-term development strategy for the sector.

Recommendation 3: Continue to focus on improving road and urban infrastructure where the Bank has expertise to complement the infrastructure programs of the government and other partners.

Inadequate transport infrastructure constitutes a major roadblock to creating a national market and to integrating Bolivia's economy with the world. The government is aware of the problem and has expanded its investment in roads. Bank assistance in transport, though small, has produced good results. Support for transport should continue to be a major part of Bank's program. The Bank can use its expertise in road maintenance programs to help improve the quality of the existing road network while the government continues expanding its transport infrastructure. To ensure smooth execution of the projects, the Bank must devote resources to help its Bolivian counterparts learn about and comply with Bank procedures, especially its procurement and contracting aspects.

Bank assistance in urban infrastructure has produced good results in La Paz, El Alto, and Santa Cruz. The gaps in basic services remain large, so there is room for more Bank support. The assistance is likely to be more effective if it is embodied in a government program, especially when the program has a national reach such as the Barrios de Verdad and where its scope can be expanded. Again, helping municipalities understand and comply with Bank procedures should be an integral part of Bank support, especially if the Bank wishes to reach less developed municipalities and to enhance the development effectiveness of the program.

Recommendation 4: Reassess whether and how to engage in governance, public institutions, and the human development sectors, and adjust the scope of Bank Group objectives and support programs accordingly.

During the evaluation period, the Bank put enormous emphasis on staying engaged and has maintained some connection in all of these sectors. Although this may have been appropriate for some transitional period, it may no longer be the right approach now given the lack of traction and competing needs. In broad governance areas, the Bank has already scaled back its engagement. However, in the human development sectors, particularly for health and education, the Bank has persisted in trying to provide support despite the lack of a policy dialogue and very minimal results. Careful consideration is required as to whether engagement should continue and how far one can bend the original criteria for project design without jeopardizing project effectiveness and incurring reputational risk from supporting politicized projects.

Going forward, the Bank should use analytic work to stay current on developments in these areas in Bolivia, and to respond to the government's requests for assistance on specific topics. For example, the Bank should continue to support the government's efforts to improve investment planning and procurement as well as its statistical capacity. The Bank should also continue to make known the benefits of developing impersonal institutions and using public accountability to citizens as a channel to enforce rules. However, it should not encourage reliance on the hope that individuals with discretionary power will continue to hold it and use it wisely. It should also not put more substantial resources into decentralization unless the government clarifies the intergovernmental framework. In this context, if the Bank decides to support decentralized service provision, for which municipalities want Bank financial and technical assistance (and this support has been implemented well in Bolivia), it should carefully consider the cost implications of investments undertaken by municipalities for both the central and municipal governments and help municipalities find sustainable solutions.

Recommendation 5: The International Finance Corporation should take a long-term view of its engagement and further adapt its products and processes to respond to the market demand of countries such as Bolivia.

Since 2006, the sovereign vision of a state-led economy has closed virtually all investment opportunities for IFC in the extractive industries and infrastructure sectors. Outside of these, the Bolivian economy consists mainly of small businesses that do not meet IFC's investment criteria. Abundant domestic liquidity and availability of alternative funding sources also reduced IFC's value proposition to Bolivian companies. IFC rightly emphasized advisory services for promoting private sector development, but many of the interventions never went beyond pilot stage with limited impact. In FY14, IFC decided to cancel the resident representative's position and substantially reduce its presence in Bolivia.

Given how little development impact it has achieved in the last decade, IFC's decision appears rational in a context of budget constraint. However, part of the reason for the lack of impact is that IFC's product offerings do not correspond to Bolivian market conditions today. With a reduced in-country presence, IFC will further lose its relevance and any potential development impact in Bolivia as it is difficult, if not impossible, to develop new businesses from afar. Meanwhile, as the Inter-American Investment Corporation example demonstrates (box 5.2), profitable business opportunities do exist, especially in the small-and medium-size (SME) sector. An increasing number of Bolivian private companies are optimistic that the government, in seeking to develop the productive sector, is gradually coming to terms with a bigger role of the private sector in the economy. To seize these opportunities, IFC has to be present and adapt its products and processes to Bolivian realities. Together with the Bank, IFC can help promote public-private dialogue and partnership in providing basic goods and services. IFC's recent decision to streamline the approval process for small investments in fragile and conflict-affected situations (FCS) is a welcome step in the right direction. The efforts to reduce project processing time and costs for small investments should not be limited to FCS.

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[1] A Development Policy Financing was approved in February 2015 to strengthen Bolivia's legal and institutional framework for the comprehensive management of disaster and climate risks. It was the first such public policy financing to which Bolivia is eligible in 10 years with equal shares of IDA and IBRD funds.

Appendix A. Country Program Evaluation Ratings Table

Areas	Outcomes	Bank Group Contribution	Ratings
I. Macroeconomic and Fiscal Stability			***Not Rated***
II. Governance and Institutions for the Effective Use of Resources			***Moderately Unsatisfactory***
(a) Public financial and investment management	There were improvements in planning and procurement for investment spending, but little attention to monitoring and evaluation of spending outcomes and effectiveness.	The Bank proposed and partly prepared several projects in this area, but they were dropped due to the government's lack of interest. A multiphase nonlending technical assistance (NLTA) program supported improvements at the agencies handling subnational investment.	
(b) Decentralization	The national government did not implement measures for meaningful decentralization. Allocation of responsibility and authority across levels of government became less clear; the geographic allocation of funds across subnational governments remained extremely unequal in per capita terms; and hydrocarbon revenues earmarked for subnational governments were effectively held back.	Despite good efforts by the Bank, the relevant analytic and advisory activities (AAA) and attempts at dialogue did not have a significant impact. The government largely ignored the advice and lessons from Bank experience on how to clarify the intergovernmental distribution of responsibilities and make per capita funding more equitable.	
(c) Transparency and institutional strengthening	Corruption and lack of transparency remained serious problems. The Government declined invitations to participate in Extractive Industries Transparency Initiative (EITI). Technical capacity improved at the statistical agency responsible for the census. However, populist policies to cut public salaries made it more difficult to attract and retain good quality middle- and upper-level civil servants.	The Bank provided technical training to various agencies, but this had marginal impact in the absence of a government-wide program, and in the face of high personnel turnover and corruption. A Public Expenditure and Financial Accountability (PEFA) report identified institutional weaknesses in transparency; these were not addressed.	
III. Economic Diversification and Job Creation			***Moderately Satisfactory***
1. Agriculture			*Satisfactory*
(a) Territorial development	More than 380 municipalities benefited from improved welfare.	Three Bank credits helped fill the gap that the rural communities had	

		in financing infrastructure projects and in their capacities to plan and execute them.	
(b) Land administration and land ownership	The land tenure situation was clarified and a more transparent and efficient land administration system was created. This made it possible to regularize land titles and transfer large tracts of land to indigenous people. Landless farmers carried out income-generating activities, but failed to acquire land.	Bank assistance consisted of two projects: a Land Administration System aimed at improving the organizations and institutions of land administration and Protierras that sought to help landless farmers acquire land.	
(c) Market access for rural producers	Groups of small farmers successfully established sustainable business relationships with buyers and raised their incomes.	Bank assistance helped design and implement an innovative approach to reducing poverty in rural areas. The assistance exceeded its targets and farmers' income rose substantially.	
2. Private sector development			Unsatisfactory
(a) Access to finance	Bolivia has a healthy financial sector and mature microfinance market. The government made a major push to expand access to finance for small and medium enterprises (SMEs) and rural producers.	Through studies and a Financial Sector Review, the Bank provided inputs to the government efforts, but there was little follow-up. The trade finance guarantees of the International Finance Corporation (IFC) were useful for increasing trade, but its small loans and advisory services to banks had no impact, whereas its support for leasing law reforms was useful.	
(b) Business environment	State interventions and legal uncertainties make the business environment very challenging.	IFC advisory services helped some municipalities streamline their administrative procedures and improve their capacity to implement business regulations, but there is little evidence of the reforms' impact on businesses.	
(c) SME development	Small and informal businesses greatly expanded, mostly in the unskilled sectors where productivity is low.	IFC provided a variety of assistance to small, artisanal, and indigenous businesses, but the lack of scaling-up meant that there was no broader impact of its interventions.	
3. Infrastructure			*Moderately Satisfactory*
(a) Urban development	Living conditions improved in the poor neighborhoods of La Paz, the water and sanitation system in Santa Cruz expanded its coverage,	One project supported the activities in La Paz, El Alto, and Santa Cruz. A second project supported	

	and transport congestion in El Alto declined. However, communities around Lake Titicaca have not seen improvements in infrastructure.	activities in communities around Lake Titicaca.	
(b) Transport	Transport infrastructure remains seriously lacking, although there is considerable effort by the government and donors to improve conditions.	The Bank had only one intervention in this area, but it helped to ensure that the entire primary road network was maintained adequately and the conditions of paved primary roads showed improvement. It also introduced a new model of road maintenance.	
(c) Energy	More than 30,000 households (about 9.8 percent of the households that lacked service in 2011) gained access to energy; an additional 13,000 households, including 5,705 of the poorest, received portable solar lanterns.	The Bank contributed to these outcomes through one credit, one grant (partially financed by IFC), and a NLTA project. IFC provided a short-term bridge loan and technical assistance to expand rural electification.	
IV. Human Capital Development			***Unsatisfactory***
1. Education	There was an improvement in overall education outcomes from increased public investments. The politicized management of the sector may have exaggerated the results.	Bank projects and NLTA aimed at sector-wide reform through decentralization, greater equity in resource allocation, and more transparency and accountability. These objectives were not achieved though, as Bank projects were cut back to pilots without follow-up.	***Unsatisfactory***
2. Health	Health sector outcomes improved as the strong improvement in government revenues and in the overall economy brought more resources to the sector and to households. The distribution of resources within the health sector was politically driven and often did not follow the distribution of social needs,	Despite substantial Bank efforts, the relevance and effectiveness of Bank support for the health sector were reduced dramatically during the evaluation period. The risk of politicized distribution of funding required the Bank to reduce its financial support to the sector.	***Unsatisfactory***
3. Social Protection	The government put many resources into social protection programs, which helped reduce poverty and malnutrition. The distribution of funds is not well targeted and the overall fiscal costs are potentially unsustainable.	The Bank started a strong AAA program and helped the government initiate a conditional cash transfer program. The effectiveness and reception of the AAA faded over the review period, and the Bank had to end its support for the cash transfer program as it became unconditional and poorly targeted, and lacked the fiscal planning to assure sustainability.	***Moderately Unsatisfactory***

Appendix B. Reference Tables

Table B.1 Select Bolivia Economic Indicators

Series Name	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Growth and Inflation										
GDP growth (annual %)	4.2	4.4	4.8	4.6	6.1	3.4	4.1	5.2	5.2	..
GDP per capita growth (annual %)	2.2	2.6	3.0	2.8	4.4	1.7	2.5	3.5	3.5	..
GNI, Atlas method (US$ billions)	8.660 9	9.396 9	10.417 5	11.7068	14.3403	16.0504	17.9246	20.266	23.298 9	..
GNI per capita, PPP (international $)	3,690	3,920.0	4,180.0	4,400.0	4,710.0	4,800.0	4,950.0	5,200.0	5,400.0	..
Inflation, consumer prices (annual %)	4.4	5.4	4.3	8.7	14.0	3.3	2.5	9.8	4.6	5.7
Composition of GDP										
Agriculture, value added (% of GDP)	15.4	14.4	13.9	12.9	13.5	13.8	12.9	12.5	13.0	..
Industry, value added (% of GDP)	31.0	32.0	35.1	36.4	38.4	36.2	37.3	38.9	38.7	..
Services, etc., value added (% of GDP)	53.7	53.6	51.0	50.7	48.2	49.9	49.9	48.5	48.3	..
External Accounts										
Exports of goods and services (% of GDP)	31.1	35.5	41.8	41.8	44.9	35.7	41.2	44.1	47.3	..
Imports of goods and services (% of GDP)	26.3	32.1	32.8	34.3	38.0	32.9	34.3	38.4	37.9	..
Current account balance (% of GDP)	..	6.5	11.5	12.1	12.0	4.7	4.4	2.2	7.9	..
Present value of external debt (% of GNI)	..	..	..	..	..	..	..	..	7.2	..
Total debt service (% of GNI)	6.2	5.8	3.9	6.0	5.9	3.6	3.5	2.0	2.6	..
Other Macroeconomic Indicators										
Gross fixed capital formation (% of GDP)	11.7	13.0	14.3	16.1	17.2	16.5	16.6	19.0	18.2	..
Gross fixed capital formation, private sector (% of GDP)	5.1	6.1	6.2	6.7	7.5	7.0	7.1	8.4	7.8	..
Gross domestic savings (% of GDP)	15.8	17.7	22.9	22.7	24.5	19.8	23.9	25.3	27.1	..
Gross savings (% of GDP)	17.0	19.9	26.6	28.6	29.0	22.9	25.0	25.3	25.7	..
Fiscal Accounts										
Revenue, excluding grants (% of GDP)	20.2	23.0	23.2	23.3	..	..	..	..	..	..
General government final consumption expenditure (% of GDP)	16.3	16.0	14.4	14.1	13.3	14.7	13.8	13.8	13.5	..
Gross national expenditure (% of GDP)	95.2	96.5	91.0	92.5	93.1	97.2	93.1	94.3	90.6	..
Cash surplus/deficit (% of GDP)	(5.4)	(3.7)	12.2	1.2	..	..	..	..	..	..
Social Indicators										
Life expectancy at birth, total (years)	64.4	64.7	65.0	65.4	65.7	66.0	66.3	66.6	66.9	..
Immunization, DPT (% of children ages 12-23 months)	84.0	85.0	83.0	82.0	83.0	85.0	80.0	82.0	80.0	..
Mortality rate, infants (per 1,000 live births)	46.9	44.5	42.3	40.3	38.4	36.8	35.3	34.0	32.8	..
Out-of-pocket health expenditures (% of private expenditure on health)	78.3	77.9	70.4	72.9	76.8	79.0	77.7	88.3	82.2	..
Health expenditures, public (% of GDP)	3.3	3.7	3.4	3.2	3.2	3.8	3.6	3.5	4.1	..
School enrollment, primary (% gross)	106.9	..	106.7	106.4	105.4	101.8	98.0	94.5	..	..
School enrollment, secondary (% gross)	..	..	80.2	79.5	78.9	77.7	77.5	77.3	..	..
School enrollment, tertiary (% gross)	39.6	..	..	37.7	..	..	..	..	..	..
Telephone lines (per 100 people)	6.8	6.9	7.0	7.0	8.0	8.0	8.4	8.5	8.4	..
Unemployment, total (% of total labor force) (national estimate)	4.3	5.4	5.3	5.2	2.9	3.4	..	..	..	..
Poverty headcount ratio at national poverty line (% of population)	..	59.6	59.9	60.1	57.3	51.3	..	..	..	..

Improved water source (% of population with access)	..	83.2	..	..	..	..	87.3	..	88.1	..
Improved sanitation facilities (% of population with access)	..	41.2	..	..	..	..	45.4	..	46.4	..
School enrollment, preprimary (% gross)	48.8	..	49.1	47.9	45.8	43.6	44.7	51.2	..	..
Population growth (annual %)	1.9	1.8	1.7	1.7	1.6	1.6	1.6	1.6	1.7	..
Population, female (% of total)	50.2	50.2	50.2	50.2	50.2	50.1	50.1	50.1	50.1	..
Population (Total mil)	9.19	9.35	9.52	9.68	9.83	9.99	10.16	10.32	10.50	..

Source: World Development Indicators.
Note: DPT = diphtheria, pertussis and tetanus; GDP = gross domestic product; GNI = gross national income; PPP = purchasing power parity.

Table B.2 Select Bolivia Indicators for Millennium Development Goals

Goal/Series Name	2004	2005	2006	2007	2008	2009	2010	2011	2012
Goal 1: Halve the rates for extreme poverty and malnutrition									
Poverty headcount ratio at $1.25 a day (PPP) (% of population)	..	18.2	16.2	13.1	15.6	..	..	..	..
Poverty headcount ratio at national poverty line (% of population)	..	59.6	59.9	60.1	57.3	51.3	..	..	..
Income share held by lowest 20%	..	2.0	2.2	2.6	2.1	..	..	..	..
Malnutrition prevalence, weight for age (% of children under 5)	..	..	..	..	4.5	..	..	..	..
Goal 2: Ensure that children are able to complete primary schooling									
School enrollment, primary (% net)	..	..	93.0	92.1	89.7	88.8	86.1	83.4	..
Primary completion rate, total (% of relevant age group)	..	..	99.1	96.1	97.1	92.3	92.9	92.3	..
Literacy rate, youth total (% of people ages 15-24)	..	..	..	99.4	99.1	99.4	..	..	..
Goal 3: Eliminate gender disparity in education and empower women									
Ratio of girls to boys in primary and secondary education (%)	..	..	98.1	98.5	98.7	99.0	99.0	99.3	..
Share of women employed in the nonagricultural sector (% of total nonagricultural employment)	36.1	37.7	42.4	38.1	..	36.5	..	..	..
Proportion of seats held by women in national parliaments (%)	19.2	16.9	16.9	16.9	16.9	22.3	25.4	25.4	25.4
Goal 4: Reduce under-5 mortality by two-thirds									
Mortality rate, under-5 (per 1,000)	61.9	58.4	55.1	52.0	49.3	47.0	44.9	43.1	41.4
Mortality rate, infant (per 1,000 live births)	46.9	44.5	42.3	40.3	38.4	36.8	35.3	34.0	32.8
Immunization, measles (% of children ages 12-23 months)	90.0	89.0	88.0	83.0	87.0	86.0	79.0	84.0	84.0
Goal 5: Reduce maternal mortality by three-thirds									
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	270.0	..	..	..	..	230.0	..	..
Births attended by skilled health staff (% of total)	..	..	..	..	71.1	..	..	..	..
Contraceptive prevalence (% of women ages 15-49)	58.4	..	..	..	60.6	..	..	..	..
Goal 6: Halt and begin to reserve the spread of HIV/AIDS and other major diseases									
Prevalence of HIV, total (% of population ages 15-49)	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3
Incidence of tuberculosis (per 100,000 people)	163.0	158.0	153.0	148.0	144.0	140.0	135.0	131.0	127.0
Tuberculosis case detection rate (%, all forms)	65.0	66.0	62.0	60.0	64.0	64.0	61.0	63.0	62.0
Goal 7: Halve the proportion of people without sustainable access to basic needs									
Improved water source (% of population with access)	..	83.2	..	..	..	..	87.3	..	88.1
Improved sanitation facilities (% of population with access)	..	41.2	..	..	..	..	45.4	..	46.4
Forest area (% of land area)	54.5	54.2	53.9	53.6	53.4	53.1	52.8	52.5	..
Terrestrial protected areas (% of total surface area)	18.5	18.5	18.5	18.5	18.5	18.5	20.8	..	20.8
CO_2 emissions (metric tons per capita)	1.4	1.3	1.6	1.3	1.4	1.4	1.5	..	..
GDP per unit of energy use (constant 2005 PPP $ per kg of oil equivalent)	11.3	8.3	7.0	8.7	8.3	8.3	7.3	7.3	..
Goal 8: Develop a global partnership for development									

Telephone lines (per 100 people)	6.8	6.9	7.0	7.0	8.0	8.0	8.4	8.5	8.4
Mobile cellular subscriptions (per 100 people)	19.6	25.9	30.2	33.6	51.2	64.7	70.7	80.9	90.4
Internet users (per 100 people)	4.4	5.2	6.2	10.5	12.5	16.8	22.4	30.0	34.2

Source: World Development Indicators.
Note: AIDS = acquired immune deficiency syndrome; CO_2= carbon dioxide; GDP= gross domestic product; HIV = human immunodeficiency virus; MDG = Millennium Development Goal; PPP = purchasing power parity.

Table B.3 Bolivia Comparators: Economic and Social indicators

Series Name	Bolivia	Ecuador	LAC	MIC	Nicaragua	Paraguay	Peru	World
Growth and Inflation								
GDP growth (annual %)	4.7	4.8	4.1	6.6	3.9	3.9	6.8	2.7
GDP per capita growth (annual %)	2.9	3.0	2.9	5.3	2.5	2.0	5.6	1.5
GNI, Atlas method (US$)	14.6736	55.4621	3590.023	13621.15	7.6617	13.8061	114.4728	57267.04
GNI per capita, PPP (international $)	4,583.3	8,233.3	11,383.1	7,010.6	3,593.3	5,872.2	8,422.2	11,579.5
Inflation, consumer prices (annual %)	6.3	4.0	4.9	5.5	9.0	6.1	2.9	4.4
Composition of GDP								
Agriculture, value added (% of GDP)	13.6	10.1	5.6	10.4	18.3	20.4	7.1	3.2
Industry, value added (% of GDP)	36.0	35.5	32.9	37.4	24.0	31.3	35.5	27.6
Services, etc., value added (% of GDP)	50.4	54.4	61.4	52.2	57.8	48.2	57.4	69.1
External Accounts								
Exports of goods and services (% of GDP)	40.4	29.5	23.2	31.6	32.3	53.5	26.1	28.9
Imports of goods and services (% of GDP)	34.1	30.6	23.2	30.6	52.4	47.3	21.7	28.7
Current account balance (% of GDP)	7.7	1.1			(13.2)	1.5	(0.8)	
Present value of external debt (% of GNI)	7.2	16.5			45.0	23.2	27.0	
Total debt service (% of GNI)	4.4	6.6	4.2	3.8	5.1	3.8	4.8	
Other Macroeconomic Indicators								
Gross fixed capital formation (% of GDP)	15.8	22.5	20.2	28.5	25.5	15.6	23.1	22.0
Gross fixed capital formation, private sector (% of GDP)	6.9		16.1	18.2	20.4		18.9	
Gross domestic savings (% of GDP)	22.2	23.6	21.1	31.3	7.8	22.2	27.8	22.7
Gross savings (% of GDP)	24.5	25.6	20.8	31.6	18.4	16.0	23.1	22.7
Fiscal Accounts								
Revenue, excluding grants (% of GDP)	22.4			18.9	14.8	19.4	18.8	23.7
General government final consumption expenditure (% of GDP)	14.4	12.0	15.1	13.7	8.6	10.0	9.5	17.5
Gross national expenditure (% of GDP)	93.7	101.0			120.1	93.8	95.6	
Cash surplus/deficit (% of GDP)	1.1				(0.6)	1.2	0.7	(3.6)
Social Indicators								
Life expectancy at birth, total (years)	65.7	75.2	73.5	69.2	73.0	71.7	73.3	69.8
Immunization, DPT (% of children ages 12-23 months)	82.7	97.3	92.7	80.5	92.8	91.1	93.3	81.3
Mortality rate, infant (per 1,000 live births)	39.0	22.2	19.1	38.7	23.7	21.3	18.2	40.0
Out-of-pocket health expenditure (% of private expenditure on health)	78.2	90.8	80.0	78.4	91.8	89.4	84.0	69.3

Health expenditure, public (% of GDP)	3.5	2.3	3.6	2.7	3.9	2.8	2.9	6.0
School enrollment, primary (% gross)	102.8	113.6	116.4	107.4	115.1	103.9	109.7	105.8
School enrollment, secondary (% gross)	78.5	73.1	88.8	67.2	67.0	66.9	88.2	67.4
School enrollment, tertiary (% gross)	38.7	38.9	35.4	21.7		33.6	36.0	26.7
Telephone lines (per 100 people)	7.7	13.3	17.5	13.6	4.5	5.8	10.2	18.3
Unemployment, total (% of total labor force) (national estimate)	4.4	6.4	7.4	5.7	6.1	5.8	4.4	6.2
Poverty headcount ratio at national poverty line (% of population)	57.6	35.7			45.4	37.3	40.1	
Improved water source (% of population with access)	86.2	84.7	92.8	88.6	84.3	89.2	85.3	87.8
Improved sanitation facilities (% of population with access)	44.4	79.8	79.4	58.1	51.5	76.0	70.7	62.1
School enrollment, preprimary (% gross)	47.3	107.2	67.8	45.9	48.9	34.8	71.0	44.1
Population growth (annual %)	1.7	1.7	1.2	1.2	1.3	1.8	1.1	1.2
Population, female (% of total)	50.2	49.9	50.8	49.2	50.4	49.5	49.9	49.6
Population (Total)	9.84	14.51	555.13	4,680.09	5.68	6.24	28.66	6,727.44

Source: World Development Indicators.
Note: DPT= diphtheria, pertussis, and tetanus; GDP= gross domestic product; GNI= gross national income; LAC= Latin America and Caribbean; MIC= middle-income country; PPP= purchasing power parity.

Appendix C. List of Projects and Economic Sector Work, FY04–13

Table C.1 IBRD Portfolio Status indicators for Bolivia, FY03–13

Indicator	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14
Number of projects	11	6	5	11	11	11	11	13	13	11
Net commitment amount	463	266	190	273	303	303	365	444	495	422
Number of projects at risk	4	2	2	1	5	5	3	4	4	6
Commitments at risk	127	105	97	20	142	149	56	66	87	247
Percentage of commitments at risk	28	40	51	7	47	49	15	15	18	59

Source: FY = fiscal year; IBRD = International Bank for Reconstruction and Development.

Table C.2 List of IEG-Rated Projects for Bolivia, Exit FY03–15

Fiscal Year	Project ID	Project Name	Date, Rev Closing	IEG Outcome Rating
FY95	P006181	Education Reform	7/30/2004	MS
FY95	P006197	Land Administration	6/30/2005	MS
FY98	P040085	Part Rural Investment Project	6/30/2006	MS
FY98	P006204	Education Quality	12/31/2006	MU
FY98	P057396	Regulatory Reform and Privatization (TA)	2/28/2005	MU
FY99	P055230	Abapo-Camiri Highway	10/31/2005	S
FY99	P062790	Institutional Reform	5/30/2007	U
FY00	P065902	Hydrocarbon Sector Social and Environmental Management Capacity Building Project (LIL)	4/30/2005	U
FY01	P060474	GEF Sustainability of Protected Areas	6/30/2006	MS
FY01	P074212	Health Sector Reform APL II	6/30/2008	MS
Fy01	P057416	Indigenous Peoples Development Project (LIL)	8/31/2005	U
FY02	P068968	Road Rehabilitation and Maintenance Project	6/30/2011	MS
FY03	P073367	Decentralized Infrastructure For Rural Transformation	5/27/2011	MU
FY04	P082781	First Programmatic Bank and Corporate Sector Restructuring Program	6/30/2006	MS
FY05	P091365	Social Sector Programmatic Credit II	5/31/2006	MU

Source: World Bank.
Note: APL = Adaptable Program Loan; GEF = Global Environment Facility; LIL = Learning and Innovation Loan; MS = moderately satisfactory; MU = moderately unsatisfactory; S = satisfactory; TA = technical assistance; U = unsatisfactory.

Table C.3 Bolivia: Analytic and Advisory Activities, FY05–14

Fiscal Year	Project ID	Project Name	Sector Board	Product Line
FY05	P078836	Poverty Assessment	Poverty Reduction	ESW
FY05	P087443	Insolvency Assessment (ROSC)	Financial and Private Sector Development	ESW
FY06	P083969	Education Sector Report	Education	ESW
FY06	P085242	Country Economic Memorandum (CEM)	Economic Policy	ESW
FY06	P090076	Institutional and Governance Review (IGR)	Public Sector Governance	ESW

FY06	P095703	Policy Notes	Economic Policy	ESW
FY07	P105970	Bolivia FPS- Social Fund (Joint)	Financial Management	NLTA
FY07	P097737	Country Social Analysis (CSA)	Social Development	ESW
FY07	P101331	Informality	Economic Policy	ESW
FY08	P106315	Productivity and Job Creation Advisory Services	Financial and Private Sector Development	NLTA
FY08	P100962	Social Safety Net	Social Protection	ESW
FY08	P104450	Water Quality Surveillance in Vulnerable Areas of Bolivia	Water	ESW
FY08	P106089	Economic Integration Multisector	Economic Policy	ESW
FY08	P106420	Social Safety Nets II	Social Protection	ESW
FY08	P111170	Gender Informality	Economic Policy	ESW
FY10	P105119	Strengthening Small Scale Off-grid Energy Suppliers	Energy and Mining	NLTA
FY10	P114530	Safety Net III	Social Protection	NLTA
FY10	P115937	Strengthening Public Investment	Public Sector Governance	NLTA
FY10	P113886	Distribution Impact of Food Inflation	Economic Policy	ESW
FY10	P117015	Public Expenditure and Financial Accountability	Financial Management	ESW
FY11	P115429	Multidimensional Poverty	Poverty Reduction	NLTA
FY11	P115558	Water-Related Adaptation to Climate Change	Environment	NLTA
FY11	P117376	Safety Net IV	Social Protection	NLTA
FY11	P117549	Private Sector Development/Urban Alliances	Financial and Private Sector Development	NLTA
FY11	P117881	Support to Ministry of Education	Education	NLTA
FY11	P122004	Bolivia South–South Experience Exchange	Poverty Reduction	NLTA
FY11	P106695	Municipal Service and Finance	Urban Development	ESW
FY11	P112045	Agricultural Public Expenditure Review	Agriculture and Rural Development	ESW
FY11	P119015	Financial Sector Review	Financial and Private Sector Development	ESW
FY11	P124769	FSAP Update Bolivia	Financial and Private Sector Development	ESW
FY12	P118228	Public Sector Governance	Public Sector Governance	NLTA
FY12	P123459	Multidimensional Poverty Phase II	Poverty Reduction	NLTA
FY12	P125266	Integrating Gender into Sustainable Development Pillar	Social Development	NLTA
FY12	P128635	StAR—Bolivia	Financial Systems Practice	NLTA
FY13	P123882	Strengthening Environmental Management	Environment	NLTA
FY13	P127413	Public Sector Governance II	Public Sector Governance	NLTA
FY13	P132484	Public Sector Governance III	Public Sector Governance	NLTA
FY13	P143776	JIT Pachakuti Solstice Event	Social Development	NLTA
FY14	P127577	Social Sector	Education	NLTA
FY14	P143524	JIT Financial Inclusion	Financial Inclusion Practice	NLTA
FY14	P145448	JIT MTDS	Economic Policy	NLTA
FY14	P146801	Tourism Strategy Development	Urban Development	NLTA
FY14	P148460	StAR—Bolivia Engagement	Financial Systems Practice	NLTA
FY14	P131941	Debt Management Performance Assessment	Economic Policy	ESW
FY14	P132349	Sources of Growth	Economic Policy	ESW
FY14	P133244	Urban Development	Urban Development	ESW
FY15	P132274	Revision of Water Sector Pre-investment Norms	Water	NLTA
FY15	P132280	Strengthening Water Sector Sustainable Services	Water	NLTA
FY15	P132327	Multidimensional Poverty Phase III	Poverty Reduction	NLTA
FY15	P147954	Rapid Assessment and Action Plan (RAAP) Regional Government of Santa Cruz	Public Sector Governance	NLTA

FY15	P150072	Strengthening Human Talent for Science, Technology, and Innovation (STI)	Education	NLTA
FY15	P125286	Bolivia ROSC Accounting and Auditing (A&A)	Financial Management	ESW
FY16	P132278	Peri-urban/small towns sanitation service	Water	NLTA

Source: World Bank Business Warehouse, database accessed June 6, 2014.
Note: ESW = economic and sector work; FSAP = Financial Sector Assessment Program; MDTS = medium-term debt management strategy; NLTA = nonlending technical assistance; ROSC = Reports on the Observance of Standards and Codes; StAR = Stolen Asset Recovery.

Table C.4 International Finance Corporation Program in Bolivia, 2004–2013 (US$ millions)

Project ID	Year	Project Status Name	Primary Sector Name	Sum of Original Commitment —IFC Balance	Sum of Loan and Equity Net Commitment— IFC Balance	Sum of Net	Sum of Loan and Equity Cancellation— IFC Balance
31242	2011	Active	Finance and Insurance	2.739	0	2.7	0
20099	2004	Closed	Finance and Insurance	6.0	6	6.0	0
24874	2006	Active	Finance and Insurance	35.3	0	35.31	0
24671	2008	Closed	Information	30.0	30.0	30.0	0
27294	2009	Closed	Finance and Insurance	10	0	0	10
28499	2010	Active	Finance and Insurance	27.0	0	27.0	0
10736	2006	Closed	Chemicals	10.5	0	0	10.5
20044	2004	Closed	Finance and Insurance	3.0	3.0	3.0	0
21318	2005	Active	Oil, Gas, and Mining	50.0	50.0	50.0	0
27085	2009	Active	Finance and Insurance	25.5	0	25.5	0
30573	2011	Active	Agriculture and Forestry	6.0	6.0	6.0	0
Grand Total				**206.1**	**95**	**185.6**	**20.5**

Source: International Finance Corporation.

Table C.5 International Finance Corporation (IFC) Advisory Program in Bolivia, 2005-2012

Project Id	PDS Approved Fiscal Yr	Project Name	Primary Business Line Code	Project Status Name	Total Project Cost	Prorated Total Funds Managed by IFC	Proposed Total Client Contributions	Prorated Cumulative Expense Amt
24155	2006	Banco Bisa S.A.	SBA	CLOSED	0	0	0	0
521548	2006	FFP Prodem (CBF)	A2F	CLOSED	0	0	0	0
521549	2005	CBF: Prodem Foundation Grant II (previously named SME Development Program)	SBA	CLOSED	0	0	0	0
523028	2007	Study of the Bolivian Labor Market	PPP	CLOSED	53,000	53,000	0	0
523467	2005	Sustainable Wood Sector Supply Chain Improvement Methodology Project	SBA	CLOSED	0	0	0	0
530728	2005	Guide to Administrative Procedures	IC	CLOSED	0	0	0	0
532000	2005	Indigenous Enterprise Development Program	SBA	CLOSED	166,000	166,000	0	124,875
532005	2005	Bolivia—Leasing Development Program	A2F	CLOSED	675,000	675,000	0	318,557
532026	2005	Simplifying Process at the Municipal Level (Trinidad, Tarija and Montero)	IC	CLOSED	55,865	55,865	0	59,341
533363	2006	Preliminary Design of Community Development Activity Involving Rural Electrification Services	PPP	CLOSED	0	0	0	107,967
534549	2005	Dress for Dev	SBA	CLOSED	75,732	75,732	0	98,914
535224	2005	Irupana's Strengthening	SBA	CLOSED	272,500	272,500	0	385,059
536043	2006	Expansion and consolidation of business registration reform at municipalities in Bolivia	IC	CLOSED	800,962	654,391	146,571	606,379
538904	2006	SRsp Electropaz	SBA	CLOSED	0	0	0	0
539083	2006	Trickle Up Program-Bolivia	SBA	CLOSED	83,366	83,366	0	83,791
541904	2006	Prodem Social Enterprise Fund	SBA	CLOSED	382,156	222,156	160,000	262,236
542265	2006	Wood Bolivia	SBA	CLOSED	1,851,563	1,242,074	0	1,206,905
543645	2008	Enhancing Benefits of Transierra's Indigenous Development Plan	SBA	CLOSED	380,000	117,000	213,000	116,880
564629	2009	Bolivia: Municipal Simplification for Construction Permits	IC	ACTIVE	632,575	576,575	78,000	566,837
576667	2010	Ganadero AS	A2F	TERMINATED	259,800	259,800	128,900	35,373
576707	2010	BE Bolivia	SBA	ACTIVE	377,369	344,869	38,072	344,636
585367	2012	Sustainable Wood Supply Bolivia	SBA	HOLD	1,365,547	1,317,747	284,602	470,619
590827	2012	Responsible Soy—Bolivia	SBA	ACTIVE	834,002	834,002	200,000	164,814

Source: IFC

Appendix D. Guide to Country Program Evaluation Methodology

This methodological note describes the key elements of country program evaluation (CPE) methodology of the Independent Evaluation Group (IEG). Sentences in bold and italic represent …

CPEs rate the outcomes of World Bank Group assistance programs, not the country's overall development progress.

A World Bank Group assistance program needs to be assessed on how well it met its particular objectives, which are typically a subset of the country's development objectives. If a Bank Group assistance program is large in relation to the country's total development effort, the program outcome should be similar to the country's overall development progress. However, most Bank Group assistance programs provide only a fraction of the total resources devoted to a country's development by development partners, stakeholders, and the government itself. In CPEs, the IEG rates only the outcome of the Bank Group's program, not the country's overall development outcome, although the latter is clearly relevant for judging the program's outcome.

The experience gained in CPEs confirms that Bank Group program outcomes sometimes diverge significantly from the country's overall development progress. CPEs have identified Bank Group assistance programs that had:

- Satisfactory outcomes matched by good country development;
- Unsatisfactory outcomes in countries which achieved good overall development results, notwithstanding the weak Bank Group program; and
- Satisfactory outcomes in countries that did not achieve satisfactory overall results during the period of program implementation.

Assessments of assistance program outcome and Bank Group performance are not the same.

By the same token, an unsatisfactory Bank Group assistance program outcome does not always mean that Bank Group performance was also unsatisfactory, and vice versa. This becomes clearer in considering that the Bank Group's contribution to the outcome of its assistance program is only part of the story. The assistance program's outcome is determined by the joint impact of four agents: (i) the country; (ii) the Bank Group; (iii) partners and other stakeholders; and (iv) exogenous forces (e.g., events of nature, international economic shocks). Under the right circumstances, a negative contribution from any one agent might overwhelm the positive contributions from the other three and lead to an unsatisfactory outcome.

IEG measures Bank Group performance primarily on the basis of contributory actions the Bank Group directly controlled. Judgments regarding Bank Group performance typically consider the relevance and implementation of the strategy, the design and supervision of the Bank Group's lending and financial support interventions, the scope, quality and follow-up of diagnostic work and other analytic and advisory activities (AAA), the consistency of the Bank Group's lending and financial support with its nonlending work and with its safeguard policies, and the Bank Group's partnership activities.

Rating Assistance Program Outcome

In rating the outcome (expected development impact) of an assistance program, IEG gauges the extent to which major strategic objectives were relevant and achieved, without any shortcomings. In other words, did the Bank Group do the right thing, and did it do it right. Programs typically express their goals in terms of higher-order objectives, such as poverty reduction. The country assistance strategy (CAS) may also establish intermediate goals, such as improved targeting of social services or promotion of integrated rural development, and specify how they are expected to contribute toward achieving the higher-order objective. IEG's task is then to validate whether the intermediate objectives were the right ones and whether they produced satisfactory net benefits, as well as whether the results chain specified in the CAS was valid. Where causal linkages were not fully specified in the CAS, it is the evaluator's task to reconstruct this causal chain from the available evidence and assess relevance, efficacy, and outcome with reference to the intermediate and higher-order objectives.

For each of the main objectives, the CPE evaluates the relevance of the objective; the relevance of the Bank Group's strategy toward meeting the objective, including the balance between lending and nonlending instruments; the efficacy with which the strategy was implemented; and the results achieved. This is done in two steps. The first is a top-down review of whether the Bank Group's program achieved a particular Bank Group objective or planned outcome and had a substantive impact on the country's development. The second step is a bottom-up review of the Bank Group's products and services (lending, AAA, and aid coordination) used to achieve the objective. Together these two steps test the consistency of findings from the products and services and the development impact dimensions. Subsequently, an assessment is made of the relative contribution to the results achieved by the Bank Group, other development partners, the government and exogenous factors.

Evaluators also assess the degree of country ownership of international development priorities, such as the Millennium Development Goals, and Bank Group corporate advocacy priorities, such as safeguards. Ideally, any differences on dealing with these issues would be identified and resolved by the CAS, enabling the evaluator to focus on whether the trade-offs adopted were appropriate. However, in other instances, the strategy may be found to have glossed over certain conflicts, or avoided addressing key country development constraints. In either case, the consequences could include a diminution of program relevance, a loss of country ownership, or unwelcome side effects, such as safeguard violations, all of which must be taken into account in judging program outcome.

Ratings Scale

IEG utilizes six rating categories for outcome, ranging from highly satisfactory to highly unsatisfactory:

Highly satisfactory:	The assistance program achieved at least acceptable progress toward all major relevant objectives, and had best practice development impact on one or more of them. No major shortcomings were identified.
Satisfactory:	The assistance program achieved acceptable progress toward all major relevant objectives. No best practice achievements or major shortcomings were identified.
Moderately satisfactory:	The assistance program achieved acceptable progress toward most of its major relevant objectives. No major shortcomings were identified.
Moderately unsatisfactory:	The assistance program did not make acceptable progress toward most of its major relevant objectives, or made acceptable progress on all of them, but either (i) did not take into adequate account a key development constraint or (ii) produced a major shortcoming, such as a safeguard violation.

Unsatisfactory:	The assistance program did not make acceptable progress toward most of its major relevant objectives, and either (i) did not take into adequate account a key development constraint or (ii) produced a major shortcoming, such as a safeguard violation.
Highly unsatisfactory:	The assistance program did not make acceptable progress toward any of its major relevant objectives and did not take into adequate account a key development constraint, while also producing at least one major shortcoming, such as a safeguard violation.

The institutional development impact can be rated at the project level as high, substantial, modest, or negligible. This measures the extent to which the program bolstered the country's ability to make more efficient, equitable and sustainable use of its human, financial, and natural resources. Examples of areas included in judging the institutional development impact of the program are:

- The soundness of economic management
- The structure of the public sector, and in particular, the civil service
- The institutional soundness of the financial sector
- The soundness of legal, regulatory, and judicial systems
- The extent of monitoring and evaluation systems
- The effectiveness of aid coordination
- The degree of financial accountability;
- The extent of building capacity in nongovernmental organizations
- The level of social and environmental capital.

IEG is, however, increasingly factoring institutional development impact ratings into program outcome ratings, rather than rating them separately.

Sustainability can be rated at the project level as highly likely, likely, unlikely, highly unlikely, or, if available information is insufficient, nonevaluable. Sustainability measures the resilience to risk of the development benefits of the country program over time, taking into account eight factors:

- Technical resilience
- Financial resilience (including policies on cost recovery)
- Economic resilience
- Social support (including conditions subject to safeguard policies)

- Environmental resilience
- Ownership by governments and other key stakeholders
- Institutional support (including a supportive legal/regulatory framework, and organizational and management effectiveness)
- Resilience to exogenous effects, such as international economic shocks or changes in the political and security environments.

At the program level, IEG is increasingly factoring sustainability into program outcome ratings, rather than rating them separately.

Risk to development outcome. According to the 2006 harmonized guidelines, sustainability has been replaced with a "risk to development outcome," defined as the risk, at the time of evaluation, that development outcomes (or expected outcomes) of a project or program will not be maintained (or realized). The risk to development outcome can be rated at the project level as high, significant, moderate, negligible to low, and nonevaluable.

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Appendix E. People Interviewed

Government

Raul	Kieffer G.	Director Ejecutivo	Camara Boliviana de Hidrocarburos y Energia
Diana	Sabillon Garay	Gerente RSE	Instituto Boliviano de Comercio Exterior
Steven	Magariños Terrazas	Asistente Gerencia de Promocion	Instituto Boliviano de Comercio Exterior
Monica	Jauregui Antelo	Gerente de Promocion	Instituto Boliviano de Comercio Exterior
Javier	Campero Martinez	Director Especial de Finanzas	Gobierno Autonomo Municipal de la Paz
Fernando	Caceres P.	Presidente	Camara Nacional de Comercio
Hugo	Siles Espada	Asesor de Presidencia y Gerencia	Camara Nacional de Industrias
Roger Edwin	Rojas Ulo	Viceministro del Tesoro y Credito Publico	Ministerio de Economia y Finanzas Publicas
Jose Luis	Aramayo	Especialista Ambiental	Ministerio de Desarrollo Rural y Tierras

Private Sector

Jorge	Nohorquez Hurtado	Gerente de Planificacion	Banco Desarrollo Productivo (BDP)
Ivan	Garron Banegas	Gerente de Negocios	BDP
Robert	Krutzfeldt Monasterio	Gerente de Planificacion y Proyecto	Banco Ganadero
Adolfo	Guzman Rodriguez	Gerente de Finanzas	Banco Ganadero
J. Ronald	Gutierrez Lopez	Gerente General	Banco Ganadero
Christian	Hausherr Ariñez	Gerente de Division Finanzas y Mercado de Capitales	Banco de Credito
Marcelo	Trigo Villegas	Gerente Division de Riesgos	Banco de Credito
Marco	Asbun M.	International Vice President and Country Treasurer	Banco Bisa
Martha	Cordero	Presidenta Ejecutiva	Irupana Andean Organic Food S.A
Franz E.	Huarachi Callapa	Consultor Financiero	
Carola	Capra Seaoane	Presidente Ejecutiva	Grupo Nueva Economia
Jaime	Hernandez Zamora	Gerente de Planificacion y Gestion	Asociacion de Productores de Oleaginosas y Trigo
Rolando	Zabala Moreno	Gerente General	Asociacion de Productores de Oleaginosas y Trigo
Sergio	Arce Lema	Gerente de Administracion y Finanzas	Transierra
Yuri	Terceros Linov	Gerente Comercial	Transierra
Claudia	Cronenbold Harnes	Gerente General	Transierra
Gabriel	Columba	Communications and Marketing Manager	Cainco
Patricia	Hurtado	Gerente de Estudios y Proyectos	Cainco

Susan	Cadena A.	Gerente	Camara Departamental de la Pequeña Industria y Artesania (CADEPIA)
Gabriel	Dabdoub Alvarez	Presidente	Federacion de Empresarios Provados de Santa Cruz
Fernando	Campero	Presidente	Saxxon
Juan Carlos	Requena P.	Asesor General	Sociedad Boliviana de Cemento S.A
Fernando	Catalano	Especialista FOMIN Senior	FOMIN
Ivette	Espinoza Vasquez	Directora de Normas y Principios	Autoridad de Supervision del Sistema Financiero
Romel	Antelo Mejia	Gerente General	Fundacion Bolivia Exporta
Jose A.	Cusicanqui Cortez	Gerente de Administracion y Finanzas	Fundacion Bolivia Exporta
Leonor	Calderon Zelaya	Directora nacional de Estadisticas y Analisis	Yacimientos Petroliferos Fiscales Bolivianos
Jaime A.	Fernandez Gantier	Gerente Nacional de Planificacion	Yacimientos Petroliferos Fiscales Bolivianos
Rafael	Boyan Tellez	Director	Banco Central de Bolivia
Marcelo	Zabalaga Estrada	Presidente	Banco Central de Bolivia
Marcelo	Barron Arce	Oficial Nacional de Programa	Schweizerische Eidgenossenschaft
Sofie	Van Renterghem	Professional Translator	
Gerardo	Velasco Tellez	Asesor General	Confederacion de Empresarios Privados de Bolivia
Eduardo	Hoffmann A.	Interprete/Consultor	Hoffmann Language Services
Jorge A.	Crespo Velasco	Presidente Ejecutivo	Servicios Integrales Agropecuarios
Lars-Henrik	Worsoe	Sub Jefe-Misnitro Consejero de Cooperacion	Embajada real de Dinamarca
Rodrigo	Cisneros M.	Coordinador para Bolivia	Banco Mundial—WSP, Programa de Agua y Saneamiento
Emilio	Uquillas	Director Representante Bolivia	Banco de Desarrollo de America Latina
Raul	Garafulic Lehm	Presidente Ejecutivo	Pagina Siete
Baudouin	Duquesne	Representante en Bolivia	(BID)
Jorge	Cossio Viorel	Analista de Operaciones	BID
Faris	Hadad-Zervos	Representante Residente	World Bank
Manuel	Rosini	Representante Residente	International Finance Corporation
Imke	Oetting J.		Fundacion para el Desarrollo del Sitema Nacional de Areas Protegidas
Serigio M.	Eguino Bustillos	Director Ejecutivo	Fundacion para el Desarrollo del Sitema Nacional de Areas Protegidas
Myragliha	Giles Castillo	Directora General de Gestion de Financiamiento Externo	Estado Plurinacional de Bolivia—Ministerio de Planificacion del Desarrolo
Xavier	Nogales	Director	Centennial Group
Mauricio	Navarro	Especialista en infraestructura	Banco Mundial