



<b>1. Project Data :</b>
<b>OEDID:</b> C2013
<b>Project ID:</b> P006161
<b>Project Name:</b> Mining Rehabilitation Project
<b>Country:</b> Bolivia
<b>Sector:</b> Mining & Other Extractive
<b>L/C Number:</b> Credit 2013-BO
<b>Partners involved :</b> SIDA
<b>Prepared by:</b> David G. Greene (consultant), OEDCR
<b>Reviewed by:</b> Roger J. Robinson
<b>Group Manager:</b> Ruben Lamdany
<b>Date Posted:</b> 06/30/1998

**2. Project Objectives, Financing, Costs and Components :**

In 1986 the Bolivian government introduced a new mining sector strategy designed to encourage private investment in mining, strengthen government services to the sector, provide additional credit to private sector mining and rehabilitate the state mining company, COMIBOL, with a view to eventually transferring most of its operations to the private sector. The IDA Mining Sector Rehabilitation credit of 1989 was designed to support that strategy by providing SDR 26.5 million (US\$ 35 million equivalent) for: (1) technical assistance for improving services of government mining institutions; (2) credit to finance private mining investments; (3) and rehabilitation of COMIBOL. The last was to be the largest component of the project, accounting for 77%, financing critical investments, technical assistance, exploration and studies to support joint venture activities, and miner health and safety programs .

Within days after the credit was signed, a newly elected Government decided that rather than rehabilitating COMIBOL; it would immediately begin to prepare to transfer its operation to the private sector . This necessitated a series of six amendments to restructure and extend the closing date of the project . The first amendment, at the time of effectiveness, in mid 1990, required preparation of an Economic Restructuring Plan . It was not until 1992, however, that the legislation was passed permitting transformation of COMIBOL into an entity that could take in minority participation and leases properties to private companies . A key amendment (the fourth) in 1993 established that all COMIBOL investment and operational activity would be transferred to the private sector .

**3. Achievement of Relevant Objectives :**

Exploration for minerals and operation of mining properties was effectively shifted to the private sector . By the time the project was completed in 1996, the private sector accounted for about 96% of the value of mining output. The credit component was eventually canceled as it was determined that legal and institutional barriers, rather than the availability of specialized credit, was the main constraint . However, a new mining code permitted use of mining concessions as collateral for borrowing . The specialized Mining Exploration Fund and Mining Bank were closed . Institutional strengthening included implementation of a Mining Cadaster, modernization of the National Geological Survey, restructuring of the National Mining Secretariat, and improvement in the environmental management of the sector.

**4. Significant Achievements :**

During the first part of the 1990s, the role of the state was definitively shifted to promotion and regulation of mining activity, while exploration, investment and operation in mining became the province of the private sector . COMIBOL's employment was drastically reduced and its losses were stemmed . Environmental management also received increased attention .

**5. Significant Shortcomings :**

The option of fully privatizing COMIBOL assets through outright sale of its various properties, rather than leasing them or encouraging joint ventures, does not seem to have been considered . The sale of COMIBOL assets on an as-is-basis could have avoided the need to use IDA resources or government revenues to finance improvements . In addition, restructuring of COMIBOL was not completed . The company continues to operate two large mines and numerous non-mining properties. The original project did not foresee any project expenditures for "labor

rationalization." Yet the final cost presented in Table 8 A includes more than US\$ 100 million for this purpose (presumably severance pay), including US\$ 21 million of "extralegal" bonuses for workers in properties that had not yet been transferred to the private sector . Between 1988 and 1996, total mining sector employment declined by about 18,000 (p. 31). This implies an average payment of US\$ 5,500 per worker, if every job cut resulted in a payment being made.

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
<b>Outcome :</b>	Satisfactory	Satisfactory	
<b>Institutional Dev .:</b>	Substantial	Substantial	
<b>Sustainability :</b>	Likely	Likely	
<b>Bank Performance :</b>	Satisfactory	Satisfactory	
<b>Borrower Perf .:</b>	Satisfactory	Satisfactory	
<b>Quality of ICR :</b>		Unsatisfactory	

**7. Lessons of Broad Applicability :**

In case where a new government takes office before project implementation is very far along, and when that government has new objectives, it may be better to reconsider the project concept entirely and review all the options for accomplishing the government's objectives, than to attempt to amend the existing project . In particular, the option of outright sale, rather than leasing, might have been considered .

**8. Audit Recommended?**  Yes  No

**9. Comments on Quality of ICR :**

The ICR is less than entirely satisfactory . It does not make clear the rationale for the COMBOL component of the credit , after the decision had been made by the Government to shift responsibility for mining investment and operations to the private sector . IDA funds seem to have been used to upgrade mines and facilities "transferred" to the private sector . It is not clear what form this transfer took and whether the payment, if any, for the assets or the lease fees reflected the value of this investment . Finally, inclusion of Spanish language versions of the mission aide memoire and the borrower's contribution to the ICR is of limited value in a document that is meant to be useful to the bank community as a whole .