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PERFORMANCE AUDIT REPORT

BOLIVIA

STRUCTURAL ADJUSTMENT PROGRAM
(CREDIT 2298-BO)

PUBLIC FINANCIAL MANAGEMENT OPERATION I
(CREDIT 1809-BO)

ECONOMIC MANAGEMENT STRENGTHENING OPERATION
(CREDIT 1977-BO)

March 16 1999

Operations Evaluation Department

Currency Equivalents (annual averages)

Currency Unit = Bolivian Pesos (Bs)

1988	US$1.00	Bs 2.35	1993	US$1.00	Bs 4.27
1989	US$1.00	Bs 2.69	1994	US$1.00	Bs 4.62
1990	US$1.00	Bs 3.17	1995	US$1.00	Bs 4.80
1991	US$1.00	Bs 3.58	1996	US$1.00	Bs 5.07
1992	US$1.00	Bs 3.90	1997	US$1.00	Bs 5.25

Abbreviations

BAB	*Banco Agrícola de Bolivia* (Bolivian Agricultural Bank)
BAMIN	*Banco Minero* (Mining Bank)
BANEST	*Banco del Estado* (State Bank)
CGR	Comptroller General of the Republic
COMIBOL	*Corporación Minera de Bolivia* (Bolivian Mining Corporation)
ENDE	*Empresa Nacional de Electricidad* (National Electricity Company)
ENFE	*Empresa Nacional de Ferrocarriles* (National Railways Corporation)
ENTEL	*Empresa Nacional de Telecomunicaciones* (National Telecommunications Company)
ESAF	Enhanced Structural Adjustment Facility
ESMO	Economic Management Strengthening Operation
FDC	*Fondo de Desarrollo Campesino* (Farmers Development Fund)
FONDESIF	*Fondo de Desarrollo del Sistema Financiero y de Apoyo al Sector Productivo* (Fund for Development of the Financial System and Productive Sector)
FONEM	*Fondo Nacional de Exploración Minera* (National Fund for Mining Exploration)
FSAC	Financial Sector Adjustment Credit
GDP	Gross Domestic Product
GSF	Gerencia de Sistema Fianciero (Financial System Unit)
IDA	International Development Bank
IDB	Inter American Development Bank
IMF	International Monetary Fund
IRD	Internal Revenue Department
LAB	Lloyd Aéreo Boliviano (Bolivian Airline)
MP	Ministry of Planning
MPC	Ministry of Planning and Coordination
NAFIBO	Nacional Financiera de Bolivia (Bolivian Financial Institution)
NEP	National Economic Program
OECF	Japanese Overseas Cooperation Fund
PAR	Performance Audit Report
PC	Performance Contract
PFMO I	Public Financial Management Operation I
PIP	Public Investment Program
PIU	Public Investment Unit
PSM	Public Sector Management
RIC I	Reconstruction Import Credit I
SAC	Structural Adjustment Credit
SDR	Special Drawing Right
USAID	United States Agency for International Development
YPFB	*Yacimientos Petrolíferos Fiscales Bolivianos* (Bolivian Petroleum Corporation)

Fiscal Year

July 1 - June 30

DGO:	Mr. Robert Picciotto
Director	Ms. Elizabeth McAllister
Manager, OEDCR:	Mr. Ruben Lamdany
Task Manager:	Mr. Luis Ramirez
Peer Reviewer	Ms. Alice Galenson

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The World Bank
Washington, D.C. 20433
U.S.A.

Office of the Director-General
Operations Evaluation

March 16, 1999

MEMORANDUM TO THE EXECUTIVE DIRECTORS AND THE PRESIDENT

SUBJECT: Performance Audit Report on Bolivia—Structural Adjustment Credit (Credit 2298-BO), Public Financial Management Operation I (Credit 1809-BO), and Economic Management Strengthening Operation (Credit 1977-BO)

This is the Performance Audit Report (PAR) on the Public Financial Management Operation I (PFMO I), the Economic Management Strengthening Operation (EMSO) and the Structural Adjustment Credit (SAC). The Board approved PFMO I, for US$11.5 million equivalent on May 28, 1987. The credit closed on June 30, 1994, two years behind schedule. The Board approved EMSO for US$10 million equivalent on December 22, 1988. This credit closed on June 30, 1995, three years behind schedule. The Board approved SAC for US$40 million equivalent on September 17, 1991 and augmented it with four subsequent IDA reflows worth US$39.5 million equivalent. This credit closed on February 1996, 19 months behind schedule. The governments of Netherlands and Switzerland provided co-financing grants (US$10.8 and US$7.0 million equivalent respectively). IDB, USAID and the Government of Germany provided parallel financing tied to SAC disbursements (two loans for US$140 million by IDB, US$2.25 million by USAID and US$17.5 million equivalent by Germany). Overall, *total financing linked to SAC reforms reached US$257 million, or about five per cent of 1991 GDP.*

PFMO I and EMSO were technical assistance credits with the objective of restructuring state banks and improving banking supervision, tax administration, public investment, public administration, civil service, regional planning and statistical services. The SAC was a quick disbursing credit with the overarching objective of increasing the level and efficiency of investment in the Bolivian Economy. The SAC program intended to achieve this objective by reforming the financial sector, public enterprises, public sector investment, trade and registration procedures and social expenditures.

The PAR concludes that the Bank and the donor community provided excessive financing for a relatively weak reform program. The SAC aimed at valid goals in terms of Bank and Government objectives at the time, but it designed weak reforms and/or promoted activities with little relevant value added. The public enterprise component aimed at reforms to restructure rather than privatize public enterprises, and it failed. The public investment component of the SAC had no value added. Higher expenditures in health and education did not include reforms to these sectors. Financial sector objectives were accomplished and were relevant, but SAC merely finished activities left undone by two earlier Bank credits that had the same objectives. PFMO I completed most planned activities, but with serious shortcomings. EMSO completed its activities with long implementation delays and accomplished little towards its development objective.

The PAR rates the outcome of SAC as marginally satisfactory rather than satisfactory as in the ICR because of the PAR judgement of low relevance. SAC's public investment and public enterprise components lacked relevance because their design added little towards the objectives; and expenditures in health and education lacked relevance because of a lack of reform in the sectors. The outcome of financial sector reforms was satisfactory. The PAR rates Bank performance as unsatisfactory rather than satisfactory as in the ICR because of the Bank's role in coordinating donors aid and encouraging high financing while designing a weak reform program. In addition, the Bank did not monitor, during supervision or preparation of the ICR, the main objective of SAC as stated in the President's Report—to increase the level and efficiency of investment. Also, the Bank disbursed IDA reflows during suspension of disbursements. The PAR rates institutional development impact as substantial rather than modest as in the ICR because of the institutional improvements in the financial sector. Both the PAR and the ICR rated sustainability as likely.

The PAR rates the outcome of PFMO I as marginally satisfactory, institutional development impact as modest, sustainability as uncertain and Bank performance as satisfactory. These ratings are the same as those in the ICR, except that the latter rated outcome as satisfactory. The PAR concludes that PFMO should have focused more forcefully on improving enforcement capabilities to implement SAFCO, a highly advanced public administration system that looks good in the books but is toothless in practice. In addition, PFMO's design contributed to increase dependence upon foreign consultants to run day-to-day operations, and its financial sector component failed to restructure the state banks.

The PAR rates the outcome of EMSO as marginally unsatisfactory, institutional development impact as negligible, sustainability as uncertain and Bank performance as unsatisfactory. These ratings differ from those in the ICR, which rated outcome as satisfactory, institutional development impact as modest, sustainability as likely and Bank performance as satisfactory. The PAR found major implementation delays and little development outcome for each of the main components of EMSO. The most relevant components for EMSO, civil service reform and decentralization, were not a priority for several administrations during implementation. In addition, the PAR concluded that many government agencies accepted the project as budgetary support rather than as technical assistance.

Two main lessons emerge from this experience. First, excessive financing by the Bank and the donors may have slowed the pace of inevitable reforms. High financing provided before the SAC was used to restructure and/or capitalize the State Bank, the State Agricultural Bank, the Mining Bank and the National Fund for Mining Exploration. This lengthened the life of institutions that increased their non-performing portfolio and ultimately had to close. The SAC was then needed to finance a slower and costlier liquidation of these institutions. Foreign-financed consultants acting as line managers allowed high public officials to continue performing day-to-day operations without an urgent need to reform the civil service. High levels of financing related to SAC allowed a postponement of deeper reforms from 1991 to after 1994. Second, social sector reforms should have been targeted directly with separate operations rather than as a marginal appendix of SAC.

Contents

This report was prepared by Luis Ramirez (Task Manager), who audited the project in September 1997. Silvana Valle provided administrative support.

Preface

This is the Performance Audit Report (PAR) on the Structural Adjustment Credit (SAC, 2298-BO, FY92), the Economic Management Strengthening Operation (EMSO, 1977-BO, FY89), and the Public Financial Management Operation I (PFMO I, 1809-BO, FY87) for US$11.5 million.

On May 28, 1987, the Board approved the PFMO I, for US$11.5 million, a largely technical assistance operation geared toward strengthening controls over public expenditures and improving the "financial management"—accountability, integrity, and transparency—of the country's tax system, banking system, and public financial administration. On December 22, 1988, the Bank approved the EMSO, for US$10 million, a "companion" technical assistance operation to the Bank's PFMO I to enable the Government to enhance the efficiency of public-sector investment and management.

On September 17, 1991, the Board approved the SAC for SDR 30 million (US$40 million equivalent), which was augmented by four subsequent IDA reflows worth US$39.5 million equivalent. The credit included a technical assistance component of SDR 2.7 million (US$3.6 million equivalent), and was cofinanced by the governments of the Netherlands (a grant for 19.1 million Dutch guilders, equivalent to about US$10.8 million) and Switzerland (a grant for 10 million Swiss francs, equivalent to about US$7.0 million). IDB, USAID and the Government of Germany provided parallel financing: two fast disbursing loans by IDB, one for US$60 million including identical conditionality as that of the SAC and one for US$80 million to support a multisector line of credit; US$2.25 million from USAID to support the pension reform component; and DM27 million (about US$17.5 equivalent) from the Government of Germany, disbursed in three tranches tied to SAC tranches. Overall, *total financing linked to SAC reforms reached US$ 257 million, or about five per cent of 1991 GDP.*

This PAR focuses on the role and joint contribution of SAC, PFMO I and EMSO to Bolivia's structural adjustment efforts and development prospects. The audit builds on the Implementation Completion Report for SAC, issued on November 12, 1996, the Project Completion Report for PFMO I, issued on December 11, 1995 and the Implementation Completion Report for the EMSO, issued on November 12, 1996. The audit also builds on the full, appropriate range of Bank documentation—the President's reports, sector and economic reports, loan documents, program files and discussions with Bank staff—and OED missions which visited Bolivia in September and November 1997.

The PAR was sent to the Government on February 5, 1999. No comments were received.

Ratings and Responsibilities

Performance Ratings

	Structural Adjustment Program (Credit 2298-BO)	*Economic Management Strengthening Operation (Credit 1977-BO)*	*Public Financial Management Operation I (Credit 1809-BO)*
Outcome	Marginally satisfactory	Marginally unsatisfactory	Marginally satisfactory
Sustainability	Likely	Uncertain	Uncertain
Institutional Development	Substantial	Negligible	Modest
Borrower Performance	Satisfactory	Unsatisfactory	Unsatisfactory
Bank Performance	Unsatisfactory	Unsatisfactory	Satisfactory

Key Project Responsibilities

Structural Adjustment Program (Credit 2298-BO)

	Task Manager	*Division Chief*	*Director*
Appraisal	William Shaw	John Page	Ping-Chewing Oh
Completion	Vicente Fretes-Cibils	Dan Morrow	Paul Isenman

Economic Management Strengthening Operation (EMSO) (Credit 1977-BO)

	Task Manager	*Division Chief*	*Director*
Appraisal	Jocelyne Albert	Katherine Marshall	Ping-Cheung Loh
Completion	Deborah Bateman	Dan Morrow	Paul Isenman

Public Financial Management Operation I (Credit 1809-BO)

	Task Manager	*Division Chief*	*Director*
Appraisal	Nancy Barry	Katherine Marshall	Andre R. Gue
Completion	Jit B.S. Gill	Krishna Challa	Yoshiaki Abe

1. Background

1.1 Between Bolivia's revolution in 1952, when Victor Paz Estenssoro seized control of the Presidency, and 1985, when he returned to the office, Bolivia had collapsed economically and socially. During the period, the Government had progressively increased its involvement in the country's productive and financial sectors. By the mid-1970s, the public-sector consisted of 520 agencies—120 federal, 350 regional and municipal, and 50 public enterprises and financial institutions. By 1985, the public sector was responsible for 65 percent of all mining production and 80 percent of all hydrocarbons output. It also had 70 percent of energy production, more than 50 percent of the assets of the banking system and more than 70 percent of all air passenger transport. This bloated Government structure bred inefficiencies, misinvestment, and undercapitalization. In parallel with this increasing Government role in productive activities, civil society underwent severe political turmoil: between 1979 and 1985 Bolivia had three elections, six presidents, three coups that succeeded, and twice as many that failed.

1.2 By 1985, Bolivia was facing the biggest economic crisis of its history. Annual inflation was more than 20,000 percent in FY85 (with an annual rate of 60,000 percent between May and August 1985). GDP per capita had fallen by 3.8 percent annually since 1980, reaching about US$740 in 1985 (measured in 1990 prices and exchange rates). Exports had plummeted by one-third and the financial sector was in shambles, with a deteriorating lending portfolio, inadequate prudential regulation, and an absence of mechanisms for dealing with problem banks. The country's total external debt had reached US$4.2 billion in 1986, about 8 percent higher than total GDP of that year. The tax system had degenerated into 400 separate surcharges, yielding revenue of just 1 percent of GDP in 1985. Both public and private investment had collapsed. Investment fell from 14.3 percent as a proportion of GDP in 1980 to 7.2 percent in 1985. The collapse in savings was even larger—from 18.7 percent of GDP in 1980 to 8.5 percent in 1985.

1.3 In August 1985, President Estenssoro's Government implemented the National Economic Program (NEP)—a series of measures that the Bank called "audacious" and laid the basis for "sustained growth in the future." After a six-year hiatus in lending (1980-86), the Bank responded to the Government's NEP by focusing on rehabilitation of Bolivia's principal public export sector. The thrust of the Bank strategy was to reactivate export production in the potentially lucrative but inefficient mining and natural-gas sectors—thereby increasing the country's capacity to service its external debt and restoring its creditworthiness. The Bank was optimistic that the Government's first-year efforts to restructure and rehabilitate its public enterprises—and COMIBOL, the Bolivian Mining Corporation, in particular—would translate into speedy growth in mining, hydrocarbons and the country's nascent agriculture sector.

1.4 Related lending operations preceding the Structural Adjustment Credit (SAC). The Bank's first lending operation in 1986 was a *Reconstruction Import Credit (RIC I, US$55 million).* It was conceived as quick-disbursing financing with minimal conditionalities. The objective was to enable COMIBOL, the state mining company, and YPFB, the Bolivian Petroleum Corporation, to procure capital equipment and spare parts. An additional objective was to provide the means for the country's agro-based industries to procure inputs to be processed into exportable goods. The RIC was a catalyst for other donor support, enabling the Bank to take the lead in mobilizing external financing and sponsoring Bolivia for debt rescheduling—a role that the Bank has sustained and fathered since. In May 1987, the Bank approved *Public Financial Management Operation I (FPMO I, US$11.5 million)* to rehabilitate the country's tax system, banking system, and public financial management. A month later, it approved another import credit *(RIC I, US$45 million).* And in December 1988, the Bank approved a FPMO I "sister" technical assistance operation, the *Economic Management Strengthening Operation (EMSO, US$10 million),* to help the Government increase the efficiency of public investment programming mechanisms.

1.5 The banking-system component of FPMO I I led to further participation of IDA in the Bolivian financial sector. In June 1988, the Board approved a *Financial Sector Adjustment Credit (FSAC, US$70 million)* to strengthen banking-system supervision, regulations and accounting practices, rehabilitate state-owned banks and establish measures for responding to financial-sector crises. The credit, including three supplemental IDA reflows for an additional US$36 million, was nearly fully disbursed by October 1991. The Government of Sweden provided a trust fund of US$0.9 million administered by IDA in connection with the FSAC. The Japanese Overseas Economic Cooperation Fund (OECF) lent US$70 million equivalent, with conditionality identical to that of the FSAC. *In total, about US$177 million were provided by different donors in support of FSAC reforms.* In addition to enabling the Government to liquidate its debt to commercial banks, its two key, overriding objectives were to rehabilitate or restructure the state-owned banks (already being targeted by PFMO I) and to strengthen the Central Bank. However, progress on bank restructuring and Central Bank strengthening was falling prey to internecine squabbles among interest groups, despite the Bank's rapid approval and disbursement of the FSAC.

1.6 By 1991, the Bank was concerned that "Bolivia was entering its fifth year of economic stabilization without significant growth" and that macroeconomic stability had not yet been assured because the structure of the economy had not changed substantially. Slow growth was in part due to a collapse in tin prices and a severe drought. But the larger problem, as correctly stated by the SAC's President Report, was the low level and impaired productivity of investment. This low investment productivity was due to (i) an inadequate legal framework to encourage private investment; (ii) misallocation of capital through the financial system; (iii) inefficient operation of public enterprises; (iv) weak institutions and cumbersome bureaucratic procedures; and (v) inadequate levels of infrastructure and social services. Therefore, the main reforms supported by the SAC included components in the *financial sector* to close or liquidate loss-making public banks; in the *public enterprise sector,* to improve operations of major state enterprises; and in the *public investment program,* to improve public investment decision-making. Other components of the SAC included modifications to trade and registration procedures and to the composition of Government expenditures.

2. Objectives And Design

Structural Adjustment Credit (SAC)

2.1 The SAC intended to consolidate what the Bank considered to be "a still-incomplete stabilization process" and give the country access to quick-disbursing credits to meet its import needs. Overall, total financing linked to SAC reforms reached US$257 million, or about five percent of 1991 GDP. The stated objective of the SAC in the President's Report was *to increase the level and efficiency of investment in the Bolivian Economy.* The SAC program intended to do this through, in order of importance, five broad components: (1) the *financial sector component*, which included similar objectives as the earlier FSAC loan (para. 1.5 above): it would improve regulation and supervision of the financial system, privatize or liquidate loss-making public banks, improve the allocation of donor-financed credit, establish a mechanism for handling bank crises, and improve the laws and regulations governing pension, insurance, and securities markets; (2) the *public enterprise component* would improve the efficiency of Government enterprises through the implementation of performance contracts in major public enterprises and through privatization of some small public enterprises; (3) the *public sector investment component* would improve Government's investment project selection; (4) *the trade and registration procedures component* would facilitate trade and remove bureaucratic procedures that impair investment by small businesses; and (5) the *social expenditures component* would support increased targets for expenditures on primary health care and basic education.

2.2 *The financial sector component.* SAC supported the Government in dealing with a long-standing problem faced by its state banks. In fact, Bank involvement on this issue started in 1987. Both the PFMO I and the FSAC included programs to restructure the State Bank (BANEST), the State Agriculture Bank (BAB), the Mining Bank (BAMIN), and the National Fund for Mining Exploration (FONEM). In spite of these efforts, the banks were in extremely poor financial condition in late 1990, with high levels of non-performing assets and inadequate credit approval procedures. The Government and the Bank agreed in 1991 that the only solution to this long-standing problem was to liquidate or privatize these banks. Consequently, as conditions of Board presentation under SAC, the Government issued Supreme Decrees to allow the closure of BAB, BAMIN, and FONEM, and to restrict BANEST functions. It also ensured that the Fondo de Desarrollo Campesino would not have access to development credit. In addition, before the last tranche release, the full program of recovery, sale, adjudication and liquidation of assets of these institutions should have been completed. SAC also called for the Government to limit the Central Bank's relationships with financial institutions and to strengthen the capacity of the Gerencia del Sistema Financiero (GSF) to certify institutions as financial intermediaries and to better manage potential financial crises.

2.3 *The public enterprise component.* By 1985, the non-financial public enterprise sector had grown to roughly 100 enterprises operating in markets that competed with the private sector. These included the two "giant" state enterprises in mining and petroleum—COMIBOL and YPFB in addition to the three "service monopoly" enterprises providing electric power (ENDE), transport (ENFE), and telecommunications (ENTEL). Despite some improvements during 1986-91, the productive and managerial inefficiency of PEs was still gobbling up the bulk of public investment funds from the center, crowding out private-sector investment. Yet, privatization of PEs was not an immediate option because of lack of government ownership. Instead, the SAC supported *performance contracts* (PCs) between the Government and YPFB, ENDE, ENFE, and ENTE, and it called for restructuring the transport monopoly, ENFE. It also called for improving the investment environment for YPFB and COMIBOL with regulations to promote joint public-private ventures in exploration and development.[1] And it pushed for better efficiency of the mining sector by simplifying licensing procedures, improving its tax regime, closing unprofitable mines, and reorganizing COMIBOL.

2.4 *The public sector investment component.* The Bank had performed annual reviews of the public investment program in support of the Consultative Group process since 1986. It had also

1. The Government's 1990 Hydrocarbons Law and 1991 Mining Law had permitted this limited private-sector involvement.

financed a US$10 million technical assistance (EMSO, see para. 2.8 below) to help the Government increase the efficiency of public investment programming mechanisms. In addition IDA administered a Swiss Grant in the amount of SwF 4 million (US$2.5 million) for the same purpose; IDB and the Governments of Italy and Bolivia cofinanced the project up to a total of US$16.6 million. Despite some improvements, the SAC President's Report concluded that there still remained projects with considerable political support that were too expensive or would involve the state in productive activities better left to the private sector. Yet, the SAC did not add much to the existing PIP process. The Government and the Bank agreed, through its SAC Policy Letter, that "the Government would exchange views with the World Bank on investments over US$10 million in the transportation, agriculture, and water and sanitation sectors."

2.5 *Shift of expenditures to health and education*. By 1990, the Government's successful Social Investment Fund had channeled funds into small investment projects in rural areas, particularly infrastructure. However, human resource development—health and education—had not yet been addressed. In late 1990, the Bank approved its first human resource project, the *Integrated Health Development Project* (US$20 million), which helped determine the minimum expenditure levels needed to support expected primary health care programs. To fulfill that need, the Government made a commitment to increase the share of expenditures devoted to the health sector from 3 percent of expenditures in 1989 to 3.8 percent by 1993. This commitment was part of the SAC Policy Letter agreed with the Bank. The Policy Letter also committed the Government to increase expenditures on text and teaching materials for primary education from close to zero in 1989 to 5 percent of primary education expenditures in 1992.

2.6 *Trade and registration procedures*. The New Economic Policy program (1985) had placed a high priority on trade deregulation. Still, by 1991, there were excessive regulatory restrictions on private-sector activity, as firms were required to register with an army of public-sector agencies and business organizations before they could begin operations. In addition, the customs service was inefficient and rife with fraud and duty evasion. SAC sought to improve trade and business registration procedures, and support customs reforms being undertaken by IDB and the Spanish Customs Service, including the design and presentation of a new customs law.

Public Financial Management Operation I (PFMO I)

2.7 The PFMO I had three main components: (a) *The tax administration component*, which was part of a broader effort involving IMF, IDB, UNDP, and USAID to enable the Government to implement its 1986 tax reform. IDA support was targeted at institutional strengthening and information processing. (b) *The banking system component* sought to strengthen the banking system by improving the supervisory role of the Central Bank and by restructuring the country's two major development banks—the Agriculture Bank (BAB) and the State Bank (BANEST). (c) *The public administration and ministerial control component* included two technical assistance elements: one, to support the design, creation, and implementation of a management information system to improve operational programming, budgeting, budget execution, cash and debt management, accounting, internal controls, and financial reporting; and two—by far the most critical objective of the PFMO I—to help the Government establish an executive-level council (CONSAFCO) and Executive Secretariat to assume management responsibility for Bolivia's new, modern financial administration and control system (SAFCO).

Economic Management Strengthening Operation (EMSO)

2.8 EMSO (and its sister PFMO I project) marked the beginning of IDA's intense supervisory efforts, one in which foreign consultants were heavily involved in administrative line responsibilities throughout the lending period. EMSO consisted of five specific components: (a) *a public investment component* to establish a rational, transparent system for selecting, budgeting, monitoring, and evaluating public investment projects, and to enhance institutional capacity to implement the system once established; (b) *a public sector management component* to rationalize the wage structure, create conditions for stable employment in the public sector and to prompt the Government towards a comprehensive civil service reform package; (c) *a regional planning and management component,* to help the Government work toward a strategy for regional planning and management, delineating the fiscal and institutional implications of decentralization, and identifying the resources necessary for implementing the strategy; (d) a component to *strengthen statistical services* to measure income, employment and poverty in Bolivia; and (e) a tax component to support work in tax administration reform (complementing PFMO I).

3. Implementation

Structural Adjustment Credit

3.1 *Overall implementation performance.* Slippages in compliance with macroeconomic objectives and in implementation of some components of the public enterprise program delayed the second and third tranche disbursements of the SAC. Disbursement of the second tranche (US$15.4 million) was suspended from February 1993 to March 1994. The Bank, however, disbursed IDA reflows of US$11.3 million in April 1993, which indicates that the Bank "expected" the suspension to be lifted before the end of the fiscal year.[2] This was not the case. It was not until late 1993 that a newly elected Government stepped up adjustment efforts considerably, met SAC conditionality and, in some important aspects (like privatization and decentralization), went beyond SAC objectives. The final closing date, July 1994, had to be postponed twice, up to December 1995.

3.2 In what follows, we describe the main issues that led to major implementation delays:

3.3 *Suspension of second tranche disbursement.* The Bank suspended the second tranche release of the SAC because of macroeconomic imbalances in 1992 and 1993 and because of delays in closing unprofitable mines of COMIBOL. The fiscal deficit in both years violated the macroeconomic policy framework agreed with the Bank and IMF's ESAF. The deficit of the non-financial public sector increased to 4.5 percent of GDP in 1992 and to 6.6 percent of GDP in 1993, leading to a postponement of the IMF ESAF review. The 1992 deficit was financed by donors—on concessional terms, while the 1993 deficit included, in addition to foreign financing, significant unplanned increases in domestic credit to the public sector. These high fiscal deficits, especially in 1993, led to a record BOP current account deficit of 9.5 percent of GDP that year. These imbalances were mostly due to high public expenditures before Congressional and

2. Management policy to disburse IDA reflows when a loan disbursement has been suspended requires a written statement by the Region indicating that the Region expects the suspension to be lifted before the end of the fiscal year. The Region did send a memorandum to that effect before IDA reflows were released.

Presidential elections in June 1993. After a new Government took office in August 1993, it restored fiscal discipline and reduced the fiscal deficit to 3.2 percent of GDP in 1994, putting the SAC on track again. A plan to reorganize COMIBOL was to be completed before February 1993, but faced delays due to institutional weaknesses. The Government completed the diagnostic study to prepare the action plan only in the second half of 1993 and began implementation in 1994.

3.4 *Delay of Central Bank reforms.* Similarly, despite initial enthusiasm and a very aggressive implementation strategy, Central Bank reform proved to be an arduous and prolonged affair. IDA provided technical advice early on, but Government ambivalence about the internal organization of the Central Bank continued for a while, as did ongoing conflicts with the Bank Superintendency. A Central Bank Law was finally approved in October 1995, increasing the Bank's independence and removing developmental financing from it.

3.5 *Protracted liquidation of public banks.* Actions on the public banks have a much longer story of delays that comes from well before the SAC entered the picture in 1991. Plans to restructure the banks started in 1987 when the Bank approved PFMO I to rehabilitate the country's tax system, banking system, and public financial management. Restructuring plans continued with the approval of the FSAC in June 1988. PFMO I failed to drive consensus on restructuring proposals for the public banks, and the FSAC was unsuccessful at picking up the pieces. As a conditionality for second-tranche FSAC disbursement, the Government was expected to present restructuring plans for the State Bank (BANEST) and the State Agriculture Bank (BAB). However, after presenting an action plan to fulfill the conditionality, the Government did not act on it. Instead, it recapitalized BANEST, which led to more bad loans. The financial conditions of the four public banks and funds in operation in 1991, BAB, Banco Minero (BAMIN), Fondo Nacional de Exploracion Minera (FONEM) and BANEST were extremely poor, with high levels of non-performing assets and inadequate credit approval procedures. The Government had agreed to deactivate FONEM under IDA's Mining Sector Rehabilitation Project, but, as the SAC President's Report indicated in 1991, "so far the Government has resisted liquidation of FONEM." Most of the losses of all these public financial institutions were being absorbed by the Treasury, although the Government failed to correct their problems of mismanagement.

3.6 *The banks closed after restructuring failed.* The failed restructuring of the public banks led the Government to close their operations in the second half of 1991, before implementation of the SAC. The main contribution of the SAC, action plans for the recovery, sale, legal adjudication or liquidation of the financial and fixed assets of BAB, BAMIN, FONEM, and BANEST, was set as a condition for the second tranche release. These actions fell behind schedule. It took more time than expected to complete the valuation of assets and liabilities (end 1992), to complete the liquidation of most real assets (end 1993), and to finalize the liquidation of all financial assets and liabilities (end 1994). BANEST operations were closed in the second half of 1992, but the liquidation of assets and liabilities continued up to late 1994. The final resolution of most pending issues before the second and third tranche releases was achieved with the help of a highly intensified program of supervision missions. There were ten supervision missions between effectiveness of the SAC in December 1991 and the release of the second tranche in March 1994—about one supervision mission every three months. This frequency continued up to the closing of the project, with five more supervision missions between June 1994 and December 1995.

Public Financial Management Operation I

3.7 *Marginally satisfactory implementation.* The Bank disbursed most of the project on time between FY88 and FY90, although the closing date was extended for two years to facilitate preparation of a following credit, the PFMO II. The Government implemented most of the project satisfactorily, but delayed the implementation of some components like the establishment of the Accountant General's Office and the creation of a separate Ministry of Tax Collections. In addition, as mentioned above, restructuring of the two state development banks was tabled because of a lack of political consensus on a restructuring plan. Furthermore, movement on SAFCO (para. 2.7 above) would prove to be an Achilles heel throughout the lending period. Only in 1990 did this "international Bible" for public administration become law. Moreover, as of 1998, it has still not become fully operational due primarily to political interference and mismanagement in the civil service and the Judiciary.

Economic Management Strengthening Operation

3.8 *Significant delays.* The EMSO project encountered major implementation delays. The Bank had to extend the closing date three times between the original date on June 30, 1992 and the actual closing on June 30, 1995. The main difficulties arose because the project was negotiated with one Government administration in 1987 and implemented by two successive administrations from 1989–95. Each change in administration brought consequent shifts in policy priorities, program personnel, and the roles of operating agencies, leading to redesign of project components and objectives.

3.9 *Public Investment Program (PIP) difficulties.* Most notably, the PIP component started with methodologies that were too complicated for Bolivia's institutional environment; these methodologies had to be scrapped. By the end of 1992, four years after the initiation of the project, Bank ESW (*Public Sector Investment Program Review*, Report No. 11124-BO) noted little implementation of the PIP component. About 95 percent of the projects in the investment budgets had not been evaluated according to established procedures; and the information systems developed served as a registry rather than as an instrument for managing public investment. Most importantly, the country did not have clear rules for PIP implementation, since SAFCO regulations had not yet been developed. The Bank noted these points in an aide memoire of December 1992, and reiterated them in project discussions in May 1993; regulations were finally issued late in 1995. Additional complications arose when a new Government came to power in August 1993 and eliminated the Ministry of Planning (MP). The new Government distributed MP functions to other ministries. It also enacted a Popular Participation Law—approved in April 1994, which transferred most investment decisions to local governments. These changes made previous PIP endeavors obsolete.

3.10 The *public sector management (PSM) component* also experienced substantial delays. PSM started in late 1987. Immediately afterwards the Bank and the Government made promising proposals about PSM to the Consultative Group Meeting of 1988. However, PSM slowed during 1990-92 due to disruptions caused by shifts in the institutional responsibility of the program from the Ministry of Planning to the Ministry of Finance and by a lack of Program Director during 1991-92. After the change in Government in August 1993, the scope of the civil service reform sub-program was reassessed, leading to a comprehensive review that the Government expected to finance through a new IDA operation in 1997. A Bank panel of evaluators, however, found the quality of the new project (at entry) as marginally satisfactory. The project achieved this low rating in spite of having been under preparation for at least 3.5 years at a cost of over US$800,000. The panel concluded that the Civil Service Reform Program "had been under active preparation under at least two governments, three ministers of finance under the present Government, as well as under two task managers, and three division chiefs or equivalent in an ever changing Bank environment." Nevertheless, the main explanation for slow progress has been an apparent lack of Government ownership of civil service reform during the period under review. High Government officials had little incentives to reform. With the blessing of the donor community, most financing had been programmed to remunerate consultants who acted as line managers. In fact, in 1997, donors were financing about 700 consultants serving in line managerial positions at an annual cost of about US$10 million. Consequently, high public officials were able to continue to perform day-to-day operations without a demanding need to reform the civil service. By 1998, after more than ten years of implementation of PSM, the Civil Service Reform Program is again on the design board. The new program is expected to include civil service reform at the municipal and prefecture level. This new design has led the Bank to be concerned—rightly—about the capacity of the Government to assume the future fiscal responsibilities inherent to the program.

3.11 The *regional planning and management component* experienced substantial delays. In the first phase of the project, consultants working for the Ministry of Planning (MP) prepared studies to promote decentralization. Legislation to support decentralization, however, was not a priority for the Government at the time. The succeeding administration revisited the issue, but did not assume a leadership role due to political considerations. The 1992 supervisory mission recognized that this work prepared by EMSO was at risk of having a moot impact on the process of designing legislation, and raised the issue with the Government. It also took actions in this area, such as appointing someone to the post of area coordinator, a condition for further extension of the project. The Government became more involved thereafter and presented legislation to Congress. IDA reviewed this legislation and noted to the Government that it lacked meaningful content. The essential contention was that the Government was not proposing to establish a new fiscal structure, but rather that it was merely transferring execution of certain activities to the regional level. Congress did not approve the legislation. The failure of this regional planning component of EMSO may have contributed to strengthening the hand of a new Government, with new ideas for decentralization. In effect, after the new Government took power in 1993, it formulated a new decentralization strategy in 1994, which radically changed this EMSO component. With the passage of a Popular Participation Law in April 1994, EMSO support now went to developing financial systems for municipalities. In addition, EMSO support went to strengthen municipal capability to manage the transfer of infrastructure responsibility. However, the complexity of the new tasks necessitated defining new operations, which IDA did, with the *Municipal Sector Development Project (FY94)* and the *Rural Communities Development Project (FY96)*. In summary, after many delays, the decentralization strategy prepared with the support of EMSO was not implemented, but EMSO provided limited support to a new strategy which is still in its early stages of implementation.

3.12 The EMSO component to *strengthen Statistical Services*, primarily through computers, personnel, and vehicles, also experienced significant delays mainly due to frequent changes in management and staff. Although the program began in late 1988, there still exists substantial work in 1998 to fully achieve its main objective of monitoring the impact of economic policies on the most vulnerable groups of the population. The EMSO *tax administration component* was marginal, mainly to complement actions implemented by PFMO I, together with UNDP and IDB and later with PMFO II. Most of this component was implemented successfully and on a timely basis. Some delays, however, were encountered in implementing the large taxpayer offices in Cochabamba and Santa Cruz and in developing tax enforcement programs.

4. Overall Assessment

Relevance

4.1 *Structural Adjustment Credit.* The SAC (FY92) was appropriate in terms of Bank and Government objectives at the time, but it was weak in design and value added. Of the five SAC components described above (para. 2.1), three were major in substance, but included little value added, and the other two were relatively minor in substance. The *financial sector component* aimed at highly relevant objectives, but its additional contribution to already ongoing reforms was small. It merely picked up on what had not been done by—and repeated some components of—earlier operations aimed at the same objectives. It included conditionalities that made the Government step up actions to liquidate state banks and to complete other financial sector activities already covered by the PFMO I and the FSAC. The objective of the *public enterprise component* was also major in substance, but the design of the program not forceful enough to promote privatization, which the Bank considered necessary but unfeasible. Three years later, privatization proved not only feasible, but it was actually achieved through an innovative privatization/capitalization program conceptualized by the Government on its own. SAC had been resigned to continue floating major inefficient public enterprises with weak restructuring efforts rather than urging full privatization—while the Bank's ESW had suggested that privatization was essential to achieve a higher rate of economic growth. The *public investment component* aimed, through the SAC's Policy Letter (not through formal conditionality), at a weak agreement. It agreed that "the Government would exchange views with the Bank on all investments over US$10 million in the transportation, agriculture, and water and sanitation sectors." This component had no value added. The Bank had already been "exchanging views" through consultations and annual reviews of the public investment program (PIP). The Bank had done this in support of the Consultative Group process, which met every year since December 1986 and had already financed EMSO to improve the public investment program. The SAC did not modify or add to this already existing PIP component. Finally, the SAC sought to improve *trade registration procedures* and to increase the share of expenditures in health and education, components that, although needed, were minor in relative importance compared to the other objectives of SAC.

4.2 The *Public Financial Management Operation I* (FY87) was appropriate in terms of objectives, but the design of the operation was faulty in at least two important aspects. First, the formulation of restructuring plans for the main two development banks, Banco Agricola and Banco del Estado, was an ill-conceived idea. It created expectations and pressures to provide financing for further restructuring through the Financial Sector Adjustment Credit (FY88). While being restructured, the Bank's kept accumulating bad loans. This led to financial deterioration and to a final liquidation of the banks in 1992, for which additional financing had to be provided through the SAC (FY92). And second, the formulation of SAFCO, one of the most advanced financial administration and control systems of Latin America, did not anticipate early enough the need to aggressively develop institutions to implement and enforce it. Consequently, SAFCO was toothless, great on paper, but weak in practice. The tax administration component, the rest of the banking system component and the emergency program providing information on non-financial public sector transactions were relevant components, with appropriate objectives and relatively adequate design.

4.3 The *Economic Management Strengthening Operation* (FY89) included relevant objectives but poor design. The main weakness in the design of the project was its excessive reliance on foreign consultants to run day-to-day operations of each of the different sub-components of the program. While the main objective of EMSO was to develop institutional capacity, the design was especially perverse in developing institutional dependence, especially in the civil service reform program. Donor financing was used to pay for consultants acting as line managers, which allowed high public officials to continue performing without a demanding need for civil service reform. The public investment program also relied heavily on foreign consultants and led to methodologies too complicated for Bolivia's institutional environment. In addition, the design of the PIP did not include provisions to create clear rules for its implementation. The decentralization component was designed by foreign consultants who elaborated many studies leading to proposals that did not get priority from the Government and, under pressure from the Bank, led to legislation that lacked meaningful content. The tax administration component and the statistical services component were also highly dependent on foreign consultants, but did relatively better in transferring technology to local professionals.

Efficacy and Efficiency of Outcome

Structural Adjustment Credit

4.4 SAC achievements need to be judged in conjunction with the achievements of other Bank credits and of aid provided by other donors with similar objectives as those of the SAC. This is necessary because, as mentioned earlier, some objectives achieved by SAC were merely added to complete earlier credits aiming at the same objectives (financial sector). Some objectives not achieved by SAC were later accomplished by a new Government with the aid of other Bank credits and donors support (public enterprises). In addition, some objectives, like improving the efficiency of the Public Investment Program (PIP), were included in the SAC without any modification or value added to the already existing PIP that was pursued anyway in the absence of SAC. Furthermore, decentralization and privatization changed the nature of the problems faced by the PIP. New programs and credits to regulate privatized public enterprises and to deal with decentralization were now needed to substitute for SAC's earlier objectives.

4.5 *SAC had mixed development outcome.* The project achieved most of its goals in the financial sector component, but with major shortcomings. The project did not achieve its goals in the public enterprise component; but a new Government, with a stronger hand after SAC's failure, went beyond SAC objectives as it implemented its own program. The project added nothing to the public investment component (PIP). The project achieved its goal to increase expenditures towards health and education. Nevertheless, the development outcome of these expenditures has been minor since the education sector is in disarray, with an educational reform that is only starting, and the health sector lacks a coherent strategy. Finally, the project did achieve some marginal improvements in trade and registration procedures. More importantly, all these components included activities to be carried out, as the President Report stated, "to increase the level and efficiency of investment in Bolivia." OED did not find any evidence of either an increase in the level or and increase in the efficiency of investment.[3] Total investment, as a percentage of GDP remained unchanged. In addition, OED agrees with the ICR conclusion that the systems developed in Bolivia to monitor public investment do not capture efficiency improvements. We develop these arguments in what follows.

Table 4.1: Bolivia—Public and Private Investment (As percentage of GDP)

	1991	*1992*	*1993*	*1994*	*1995*	*1996*
Total Public Sector	8.6	9.6	8.5	8.2	8.0	8.3
General Enterprises	5.3	5.7	5.4	5.8	5.8	6.6
Public Enterprises	3.3	3.9	3.0	2.4	2.1	1.7
Private Sector	6.8	6.4	6.8	4.9	6.3	6.8
Total Investment Expenditures	15.4	15.9	15.3	13.1	14.3	15.1

Source: UDAPE (Unidad de Analisis de Politicas Economicas) Report, Volume 7, August 1997.

4.6 *Financial sector reform: improved banking regulation and supervision.* With support from SAC, the Government presented to Congress and Congress approved a new Banking Law. This law endowed the Central Bank with powers to manage bank crises—preventive surveillance, intervention in non-complying banks, and rules for intervening in cases of short-term liquidity problems. The Government issued complementary regulations regarding the classification of loans, disclosure of information and provisioning. It also introduced innovative mechanisms to auction development credit, to broaden the eligibility of financial intermediaries and to set prudential regulations to qualify and continue to be an intermediary of development credit. It increased the independence of the Bank and created a new non-bank financial intermediary (*Nacional Financiera de Bolivia*) as a joint venture between the Central Bank and private investors to on-lend developing credit to commercial banks. In addition, to deal further with liquidity problems, the Government created an umbrella fund (*Fondo de Desarrollo del Sistema Financiero y de Apoyo al Sector Productivo*). These were major developments in the financial sector, but with little value added attributable exclusively to SAC. Many of the same actions had been delayed or not done before under PFMO I and FSAC, which included many similar activities as SAC. In addition, some of these activities continued to be delayed under SAC. In particular, conflicts between the Central Bank and the Bank Superintendence about their respective roles delayed reforms until a Central Bank Law was finally approved in October 1995.

4.7 *Financial sector reform: inefficient liquidation of public banks.* The closing and final liquidation of the state banks were major accomplishments of the Government of Bolivia with financial support from SAC. But the Government achieved these objectives only after bank restructuring plans—financed by prior credits—had failed and there was no other alternative but to close the banks. *Without prior financing by the Bank and other donors, the state banks would have failed and closed at least three years earlier, with a lower liquidation cost (*see para. 3.4). It was the capacity of the Treasury, assisted by donor financing, to cover state banks losses—while implementing restructuring plans bound to fail—that allowed the banks to prolong their survival. Eventually, the Government had to close and liquidate the banks. Partial financing from the SAC (US$257 million, including other donors) was now utilized to achieve the banks' final liquidation. Although plans agreed under SAC for the recovery, sale, legal adjudication or liquidation of assets fell behind schedule, the liquidation of all financial assets and liabilities was finally achieved by the end of 1994. *In summary, the Government achieved SAC objectives in the*

3 OED interpreted the President's Report statement as a goal to increase the level and efficiency of investment with respect to existing levels before the time of SAC approval.

financial sector, but not before an expensive and tortuous process that could have been substantially shorter and cheaper.

4.8 *Public enterprise reforms: SAC failed to achieve most of its objectives.* SAC supported the implementation of performance contracts (PCs) to improve the efficiency of ENDE (electricity), ENFE (railroads), ENTEL (telecommunications), and YPFB (hydrocarbons), and the preparation of diagnostic studies and action plans to restructure COMIBOL (mining). The implementation of these PCs failed. The Government recognized this failure and halted implementation of the PCs in 1992 (with the exception of ENDE, which had signed a PC for five years). The PCs had set up poorly defined targets to improve efficiency, particularly labor productivity targets that eventually led to perverse incentives resulting in larger than programmed increases in salaries. In spite of these failures, the Government achieved some partial successes, especially by eliminating all debt arrears among, and all transfers to, public enterprises. However, as mentioned before, after 1993, outside the context of the SAC, the Government created its own alternative to the program of management contracts supported by the SAC. This was the Capitalization Program, which was supported with several self-standing new credit operations (para. 4.9 below). Some moderate privatization was done under SAC though. The passage of a Privatization Law in 1992 met SAC conditionality. In addition, for the second tranche, the Government was expected to bring to the point of sale either (1) Lloyd Aéreo Boliviano (LAB), two large enterprises, and three smaller enterprises or (2) three large enterprises and five smaller enterprises. For the third tranche, the conditionality was either (1) LAB, four large enterprises, and five smaller enterprises or (2) five large enterprises and six small enterprises. By 1994, just two large and three small enterprises were sold. These actions were sufficient to have met SAC's formal conditionality, which did not require to sell the enterprises, but just to bring them "to the point of sale."

4.9 *Capitalization.* When the Sanchez de Lozada Administration took office in 1993, it soon offered its own alternative to replace the program of management contracts that had been supported by the SAC. This was the Capitalization Program, an innovative, ambitious program to transfer management control and up to 50 percent of ownership of the key public enterprises (with the exception of COMIBOL) to strategic investors. The state would cede its share (the other half) to the people in the form of a pension fund. Each Bolivian adult was to receive one share each of the companies to be capitalized in an individualized pension account. The distribution of shares to individual accounts would be completed by the second half of 1996, after all companies had been capitalized. IDA supported this effort with several self-standing operations: *Regulatory Reform and Capitalization Technical Assistance (US$14.7 million, FY95), Hydrocarbons Sector Reform and Capitalization Technical Assistance (US$10.6 million, FY96), Power Sector Reform Technical Assistance (US$5.1 million, FY96), and Capitalization Program Adjustment Credit (US$64 million, FY96).*

4.10 *Public investment program.* OED concluded that the final PIP outcome would have been the same, with or without including this issue in the SAC's Policy Letter. The SAC did not include any additional specific measure or modification to improve the public investment program system. It just reinforced the need for consultation by the Government with the Bank and the donor community concerning the selection of investment projects. The Government had been carrying out consultations about the PIP with the Bank and the donor community every year since the revival of the Consultative Group in December 1986 and had approved EMSO in 1988 for the same purpose.

4.11 *Shift of public investment to health and education.* As the capitalization/ privatization program unfolded, the share of public expenditures allocated to the productive sectors declined and the share of expenditures allocated to the social sectors increased. By 1994, the share of central Government expenditure allocated to primary and secondary education had increased from 3 percent of total public expenditures in 1990 to 10 percent later and then to 12.5 percent in 1995. OED concluded, however, that the successful reallocation of spending to health and education has not yet produced much development outcome (human development indicators have not changed significantly). This is largely because real results from investment in human capital can only be seen in a very long term. Also because badly needed reforms to the education system started late, in 1995/96, and a much needed national health strategy has not yet been formulated.

4.12 *Trade and registration procedures.* Streamlining registration and control procedures for exporters was badly needed to facilitate trade and reduce opportunities for corruption. SAC helped the Government streamline these procedures—enabling the country to begin to adhere to GATT requirements by as early as 1993. Firm registration and control procedures have been simplified with the *ventanilla unica*—a single office where exporters can satisfy registration-type requirements. Some limited progress was also made at simplifying internal licensing, company registration, and transactions with the public sector. And, despite success at attracting private agents to manage customs houses covering about 90 percent of registered trade, Bolivia's customs regime is still one of the greatest source of corruption in the public sector. Although private agents have improved the management of customs sites, they do not have the implementation power to prevent contraband from passing by their installations during the night, with the complicity of local institutions, or to control duty-free border crossings. In summary, the efficacy of the actions supported by SAC to improve trade and registration procedures has been relatively satisfactory, but has been diminished by the lack of stronger institutions for law enforcement. The capacity of the Government to prevent trade from moving outside custom installations, to enforce the law and to implement judicial action continuous to be weak.

Public Financial Management Operation I

4.13 OED concluded that the project successfully completed most planned activities and advanced towards achieving its objectives, but had major shortcomings. (a) *Tax administration* improved significantly, but tax auditing, enforcement of tax laws, and control of corruption in some regional offices continue to be serious problems. (b) *Banking system reform* accomplished a lot, but through a long and expensive process supported by several Bank credits, and it failed at restructuring the state banks. And (c) *financial administration and control* created an emergency program and a long-term framework for public financial management (SAFCO), but with major enforcement shortcomings. We elaborate these issues below.

4.14 The *tax administration* component can be called successful from a broad perspective, as domestic tax collections increased from about 1 percent of GDP in 1984 to 7.8 percent of GDP by 1992, and then to 10 percent in 1995. This impressive increase in tax collections was primarily the result of macroeconomic stabilization and of the introduction of a tax reform law in 1986. Improvements in tax administration also contributed to tax collections, but much less than expected since this component of PFMO I experienced several implementation problems. Tax collection improved as this task was given to commercial banks. Nevertheless, the efficiency of the banks in handling tax collections was much less than expected. The Internal Revenue Department (IRD) was restructured after a transitory Ministry of Tax Collections was merged with the Ministry of Finance in late 1988. Nonetheless, IRD suffered from staffing constraints and low salaries. These deficiencies affected processing of information received from the banks and reduced IRD's capacity to monitor and audit taxpayers, especially the large ones (the Government is still in the process of consolidating the large taxpayer units of 500). Most importantly, the lack of progress in Civil Service Reform, Judicial Reform, and Customs Reform severely limits progress in tax administration. Weaknesses in the Judicial System obstruct enforcement of tax laws against tax evaders and corruption in Customs and in some regional offices continues to be high. Still, the development outcome of this component of PFMO I was satisfactory in the sense that it dealt with the initial stages of tax administration reform. As concluded by the PCR and agreed with by this PAR, this component of PFMO I (along with EMSO and support from USAID, IDB and the Swiss) contributed to creating a good base for further improvements in tax administration effectiveness. Further efforts to improve tax administration are necessary and are still underway—particularly auditing and investigation. In addition, as Bolivia's oil and gas monopolies continue to shift to private sector operations, their tax contributions will also shift, which will require attention to new problems of tax administration and enforcement.

4.15 The *banking system* component helped creating a successful Bank Superintendency and Central Bank reform. In the beginning, problems were encountered with the distribution of responsibilities between the Central Bank and the Superintendency. These issues have been smoothed out over time. Currently, financial regulation is coordinated by a General Financial Superintendency (SIREFI), covering four financial sector superintendencies: banking, insurance, pensions, and securities. The Government reorganized the Central Bank, strengthened its core divisions, and computerized its accounting systems. The Bank provided technical assistance for the supervision of audits of commercial banks. Yet, these activities necessitated the intervention of three separate operations over a period of 10 years, and thus cannot be ascribed fully or solely to the PFMO I. Most importantly, PFMO I failed at restructuring the state banks. Its restructuring proposals for the two major development banks—the Agriculture Bank (BAB) and the State Bank (BANEST) had to be shelved because of a lack of political consensus on a restructuring plan. Later, the FSAC also failed at restructuring the banks, but continued to provide financing. Afterwards, the banks had to be liquidated as part of the implementation of the SAC between 1991 and 1995, but not before incurring enormous losses in the process (see paras. 3.4-3.5 above).

4.16 The *Financial Administration and Control* component helped create an integrated accounting system and implement it in the central administration. It also introduced important procedural changes in budget formulation, execution, treasury disbursements, and accounting. It supported the restructuring of the Ministry of Finance and the Comptroller General of the Republic (CGR), and the establishment of the Accountant General's Office, and contributed to the reform of auditing procedures. It also supported the commission of four financial management computer systems, and helped train about 3,000 officials in financial management. Nevertheless, most importantly, the *Emergency Program* subcomponent greatly enhanced the Treasury's ability to manage public finances by providing valuable income, expenditure, and cash-flow data. The program covered almost 95 percent of resource flows in the nonfinancial public—more than the original target of 35 public sector entities. Work on an integrated financial system was also initiated.

4.17 The *SAFCO* subcomponent has so far been an unfortunate story. SAFCO has been considered by most experts as "the International Bible for Public Administration," but after ten years since its inception, SAFCO has still not become fully operational. The law, approved in

1990, created a modern framework for effective public financial management. It helped establish norms and procedures for budgeting, budget execution, public credit, accounting, internal control, and auditing. CGR—an independent, apolitical body—enforces SAFCO across the entire public sector. The accounting books and operations of all entities subject to Government control are open at all times to examination by auditors from the *Contraloria,* which reviews some 500 public institutions annually. However, in 1998, only three of SAFCO's seven systems are operating at acceptable levels, but even these three systems cannot be fully enforced in case of conflict because of institutional weaknesses and corruption in the judicial system. Consequently, the eight-year-long SAFCO law is still "on the books" and toothless. Several problems are delaying implementation: The continued segregation of systems and information across functional areas, due not just to the complexity of the law but also to resistance by those who stand to lose with improved accountability; a disconnection between regulatory and operating functions; an absence of oversight and monitoring functions, since the unit charged with overseeing standards (DONPA) has no power to enforce regulations; and a personnel infrastructure that suffers from high turnover, marginal pay, and the same lack of incentives that plagues the entire civil service. In addition, public audits are still subject to political pressure. This happens because auditors internal to public entities have a competing loyalty—although their work is to conform to the *Contraloria's* audit standards, they owe their pay and their professional positions to the entities that employ them. Although the law stipulates that internal auditors cannot be removed for cause without the *Contraloria's* approval, the threat of organizational ostracism weighs heavily. Internal auditors have been loathe to issue hard-hitting audits that cast parent organizations in bad light. Despite all this, SAFCO and the Contraloria continues to produce high-quality audits. The audits conform to sufficiently high standards that in 1996 a quality control review found that the Contraloria is qualified to perform studies on international financing institutions—only the second such recognition and certification in Latin America. But, without follow-through, judicial rulings to back it up and enforcement capabilities to implement their findings, SAFCO's importance, effectiveness, and development outcome is extraordinary on paper, but nil in practice.

Economic Management Strengthening Operation

4.18 *Minimal development outcome*. OED concluded that the project completed most of its activities with major implementation delays and accomplished little towards achievement of its development objectives. Of its relevant components, the PIP had little influence in practice (para. 3.8 above) and the Civil Service Reform is still in the drawing board after about 10 years of implementation (para. 3.9). The regional planning component of EMSO also achieved little, but Government, after the Popular Participation Law of 1994, has been implementing a promising decentralization strategy with the help of other Bank operations (para. 3.10). The statistical services and the tax administration components performed better, but the value added of EMSO was relatively small, with most of its development outcome shared with PFMO I, UNDP, IDB and later with PMFO II (para 3.11).

5. Ratings

Structural Adjustment Credit

5.1 *Outcome: marginally satisfactory.* OED rates the outcome of the SAC as marginally satisfactory. The SAC achieved its major relevant objective, the financial sector component, although with major shortcomings, as described in paras. 3.3-3.5 (project implementation) and paras. 4.4-4.7 (efficacy of outcome). SAC failed to achieve its second relevant objective, the public enterprise component. A new government, though, went beyond SAC objectives. The new government rejected the idea of implementing management contracts as supported by SAC and implemented its own innovative capitalization/privatization program that was supported by other Bank credits. SAC activities towards the next relevant objective, the public investment component, had no value added to the already existing PIP, which in turn did not significantly affect public investment decision-making. The other two objectives, improving trade and registration procedures and changing the allocation of expenditures to health and education had mixed outcome, but SAC activities in these areas were relatively less relevant in terms of long-term structural reform. Finally, this PAR could not find any evidence that the main objective of the SAC—as stated in the President's Report—"to increase the level and efficiency of investment," has so far been achieved with the help of SAC (para. 4.5 above).

5.2 *Bank performance: unsatisfactory.* IDA played a central role in coordinating the Government, IMF, and IDB to identify and design the structural adjustment program supported by SAC. Good quality ESW correctly identified the main issues that needed attention to transit from stabilization to sustained growth. This knowledge, however, was not applied to the design of the SAC program. In fact, the design of the SAC included little value added towards structural reform. The program was relevant in the financial sector. But an important part of it, the closing and liquidation of the state banks, was a direct consequence of past restructuring failures financed by the donor community. The SAC was not forceful enough in the other components, especially the public enterprise component. Bank management did not follow the recommendations of ESW to promote a meaningful reduction of the role of the state in productive activities. Instead, the program supported implementation of management contracts with the main public enterprises, a strategy that failed in less than a year of approval of the SAC. The Bank faced a difficult position at the time by having to settle for a less than optimal design due to a lack of Government commitment to privatize. In spite of this low commitment to reform, the Bank took a leadership role in putting together an abnormally large financial package amounting to about 5 percent of 1991 GDP. In view of such a weak reform package, the Bank should have promoted a more limited financial package. Excessive financing of a weak action program facilitated postponing—rather than accelerating—unavoidable reforms. The failure of SAC, however, might have strengthened the hand of a more reform-oriented government later. In fact, three years later, when a new Government was committed to privatization, the Bank was ready to help again, but with a totally different group of self standing operations. The design of other components of SAC, public investment, trade and regulations procedures and changes in expenditures for health and education added little to long-term structural reforms. In addition, macroeconomic imbalances and a lack of commitment to carry out even this sup-optimal reform package led to a suspension of the second tranche disbursement from February 1993 to March 1994. The Bank, however, disbursed the second IDA reflow in March 1993, de-facto canceling part of the effect of the suspension. Continuous implementation problems forced the Bank to extend the number of supervision missions, which increased the cost of operating a credit that added little to long-term structural change. Finally, although the main objective of the SAC was "to increase the level and efficiency of investment in Bolivia," the Bank did not monitor the overall level and efficiency of investment during project supervision or during ICR preparation.

5.3 *Government performance: satisfactory.* Government performance was highly satisfactory after 1993, but mostly unsatisfactory before that year. Most remarkably, Government performance in the financial sector before SAC, especially while restructuring and capitalizing state banks and financing their losses while bad loans were increasing, was clearly unsatisfactory. The lack of Government commitment to privatize large PEs during SAC identification and preparation was also unsatisfactory performance. The slowness to complete critical aspects of SAC during the first year and a half of its implementation, the loss of fiscal equilibrium in 1992 and 1993 and the sluggishness in resolving conflicts between the Central Bank and the Bank Superintendency were also unsatisfactory performance. The Government, however, did attempt to improve the efficiency of COMIBOL and YPFB with efforts that proved more difficult than expected. *Performance after 1993 was completely different and highly satisfactory.* The Government completed implementation of SAC with particularly strong commitment in the financial sector component. It acted forcefully to complete the liquidation of the two main development banks. It also rejected SAC's management contracts and went beyond SAC by designing its innovative capitalization/privatization program. It established a Ministry of Capitalization in 1993 and, by early 1996, it had already awarded management of four of the six major public enterprises to private investors. These actions went well beyond what had been envisioned by SAC. Furthermore, the Government tied its new capitalization initiative to pension reform, also moving beyond SAC.

5.4 *Institutional development impact: substantial.* SAC contributed to institutional development in the financial sector by closing and liquidating the state banks and funds, by strengthening the Central Bank and the Bank Superintendency and improving the Government's capacity to regulate and supervise the banking system. In addition, by developing and implementing its capitalization/privatization program instead of implementing SAC management contracts, the Government achieved the most significant institutional development impact since Bolivia initiated its National Economic Program in 1985. Institutional development in other significant areas included in the SAC as health, education, public investments program and customs were rather modest.

5.5 *Project sustainability: likely.* OED rates the probability of maintaining the achievements generated in the banking system and in the capitalization/privatization program as high. The probability of maintaining the methodologies for public investment decisions in a decentralized system is rather low. The probability of maintaining the share of expenditures in health and education will depend upon short-term budget circumstances. Most importantly, the probability of maintaining the *efficacy* of the activities financed with these expenditures is uncertain; this is so because the expected outcome of the educational reform is uncertain and because the country lacks an integrated national health strategy. Overall, since the probability of maintaining the most important achievements of SAC is high, OED rates the overall sustainability of SAC as likely. It is unclear, however, whether the expected greater economic growth originated by the reforms will translate soon into significant poverty reduction and, therefore, whether political support for the remaining agenda will continue in the face of "reform fatigue." The political culture, however, has changed on the economic front. The state has reduced its involvement as a direct supplier of financial services in the economy, and the closure of the state banks has opened possibilities for the expansion of financial intermediation by the private sector. The State has also strengthened its role as regulator and supervisor of the banking sector, and has been ceding control over productive activity and investment. Other reforms are also unlikely to be reversed—privatization of small- and medium-size commercial public enterprises, increased private-sector investment in the hydrocarbons sector as YPFB is capitalized, and growing private sector investment in the mining sector. In addition, most importantly, the capitalization/privatization of large PEs done after the SAC is unlikely to be reversed.

Public Financial Management Operation I

5.6 *Outcome: marginally satisfactory*. The project achieved relevant objectives in the tax administration and the banking system components. The project also achieved good results in the emergency program (a sub-component of the financial administration and control component). The project, however, did not achieve its most important long-term relevant objective, the highly advanced public administration system developed by SAFCO. Unless enforcement capabilities improve in Bolivia and the judicial and civil service reforms advance, SAFCO will not be able to develop its potential to attain satisfactory results. Meanwhile, SAFCO is an excellent public administration proposal, but in the books, not yet fully operational and toothless. In addition, the restructuring proposal of the state banks financed by PFMO was a serious shortcoming that led to expensive restructuring (para. 4.7 above).

5.7 *Bank performance: satisfactory*. OED agrees with the finding of the Project Completion Report that Bank performance in project preparation was satisfactory. The project was complex. It was prudent for the Bank to seek the help of high-caliber-international consultants to design the many components of the project; and it was advisable to coordinate extensively with the IDB, IMF, UNDP, and USAID. The Bank was successful at both of these activities. Nonetheless, the design of the project led—together with EMSO—to excessive dependence upon foreign consultants to run day to day operations. With the benefit of hindsight, the Bank should have paid more attention earlier to the role that foreign consultants were playing in running day to day operations rather than contributing to strengthen institutional development. In addition, Bank supervision should have focused forcefully on improving enforcement capabilities to implement SAFCO (para 4.17 above). Supervision was satisfactory on other aspects. The Bank was flexible and continued to adjust to new circumstances to solve implementation problems that were slowing disbursements. Therefore, about 95 percent of all the credit was disbursed earlier than anticipated, but the closing date was postponed for two years to facilitate preparation of a follow-up credit the PFMO II.

5.8 *Government performance: unsatisfactory*. Although the Government achieved successes in the tax administration program, it moved slowly in those components that implied long-term structural solutions, like the establishment of the Accountant General's Office and the creation of a Ministry of Tax Collections. Tax auditing, enforcement of tax laws, and corruption in regional offices continues to need major attention. In addition, although the banking system component helped create a successful Bank Superintendency and Central Bank reform, the Government showed little determination in resolving conflicts between the Central Bank and the Superintendency. This delayed implementation and increased the cost of urgently needed reforms in the financial sector. The restructuring of the state banks was an expensive endeavor that prolonged financial distress rather than accelerated structural change. The SAFCO subcomponent, considered by experts as a model for public administration, has remained toothless in practice. The Contraloria is a special case of this general problem of SAFCO: An institution with excellent auditing capabilities, but de-facto ineffective because of lack of enforcement capabilities.

5.9 *Institutional development impact: modest.* The lack of progress in Civil Service Reform, Judicial Reform, and Custom Reform severely limits the institutional development impact of the tax administration, the financial sector, and the SAFCO programs supported by FPMO. Tax administration has experienced staffing constraints and low salaries for employees of the Internal Revenue Department, which hampers gathering and processing of tax information and interfere with monitoring and auditing of taxpayers. Enforcement of tax laws is obstructed by problems of governance and corruption in the judicial system. Collection of trade taxes is below potential due to corruption in customs. The restructuring of the state banks supported by PFMO left no institutional development, since these institutions had to be closed later. In addition, the enforcement power of resolutions issued by the Office of the Comptroller and by the several superintendencies is practically nonexistent due to institutional weaknesses and problems of governance in the court system.

5.10 *Project sustainability: uncertain.* OED rates the probability of maintaining the achievements generated or expected to be generated in the tax administration and in the SAFCO program as uncertain. The sustainability of these achievements is highly correlated to institutional developments in the Civil Service Reform System and in the Judicial System, which have so far been modest. The probability of maintaining the achievements generated in financial regulation through the banking, insurance, pensions, securities and general financial superintendencies is high, but their relative importance is diminished by the lack of progress in the judicial system reform.

Economic Management Strengthening Operation

5.11 *Outcome: marginally unsatisfactory.* The project completed most of its activities with major implementation delays, did not achieve its most relevant objectives, and is not expected to yield substantial development results. The project had some relatively minor successes, however, in tax administration, registration of public investment and statistical services. Its most relevant components, the PIP and the Civil Service Reform Program, have so far not shown significant development outcomes. The PIP served as a registry of investments, which is an improvement over the pre-existing situation, but the PIP has not substantially affected public investment decisions. In 1995, just before closing the project, however, there was some improvement in developing norms and regulations affecting public investment. But the development outcome of these measures is still to be seen. The emergency component of tax administration produced positive results, but no permanent changes affecting development outcome. The public sector management component has experienced extensive delays, leading to a Civil Service Reform Program that is again on the design board after ten years since it started. The regional planning component also faced major implementation delays and helped finance studies that were shelved. It also led to non-meaningful legislation and it was not sufficient to provide assistance to the decentralization strategy implemented by a new Government after the Popular Participation Law of 1994. The statistical services component produced useful results, but has been unable to deliver its main relevant objective, i.e., to monitor the impact of economic policies on the most vulnerable groups of the population.

5.12 *Bank performance: unsatisfactory.* The Bank played a central role in coordinating the donor community to identify and design technical assistance to support the Government with its structural reform program. This was a complex endeavor and the Bank did the right thing by seeking the help of high caliber consultants. EMSO (and its sister PFMO project), however, marked the beginning of an intense dependency of the Government on foreign consultants who became heavily involved in administrative line responsibilities throughout the lending period. With the benefit of hindsight, this has probably been the most significant contribution of the donor community to delay (rather than accelerate) major reforms to the institutional system in Bolivia. The Government has had no real incentives to reform the Civil Service. By 1998, after more than ten years of implementation, the Civil Service Reform Program is again on the design board (paras. 3.9 and 4.3 above). In addition, some other significant contributions of EMSO have been left on paper, without implementation. The methodologies developed to implement the PIP were too complicated for the institutional environment of Bolivia and did not significantly affect investment decision-making. Studies prepared through the regional planning and management component led to recommendations that had no Government priority at the time. The Bank's efforts to promote decentralization led to legislation without meaningful content—but the Bank was helpful with new credits after a new Government initiated later its own decentralization program. Finally, most contributions to tax administration and statistical services continue to be dependent on foreign assistance, leaving sustainability of the program in doubt.

5.13 *Government performance: unsatisfactory.* OED agrees with the findings of the ICR that the reforms supported by the project—primarily civil service and decentralization—were generally not in the list of priorities of each new successive administration during the life of the project. The Bank identified the project in late 1986, but approved the project almost at the end of the administration of President Paz Estenssoro (1985-89). It implemented the project under the administrations of President Paz Zamora (1989-93) and President Sanchez de Lozada (1993-97). The project has been on the design board again in 1998, under the administration of President Hugo Banzer (1997-2001). Each new Government changed priorities, personnel, project management and the role played by different Government agencies. Most implementing agencies perceived the project as "budgetary support" to finance day-to-day activities of the Government. In that sense, the main problems arose from a poorly designed project by the Bank. Nevertheless, it was the responsibility of the Government to have made greater efforts to use TA fund appropriately and to carry out day-to-day activities using Treasury resources rather than foreign technical assistance funds.

5.14 *Institutional development impact: negligible.* The project generated negligible improvements in local capacities in each one of its components. The PIP component was mostly designed to support the Public Investment Unit (PIU) of the Ministry of Planning and Coordination (MPC). However, MPC was dissolved in 1993. Pre-investment studies are now the responsibility of the Ministry of Sustainable Development, public investment registry and information are now in the Ministry of Finance, and social sector investments are in the Ministry of Human Development. In addition, the Popular Participation Law of 1994 gave major investment decision-making responsibilities to the municipalities, changing the role of PIU into helping the municipalities to prepare for their new role. As such, the institutional development impact of the public investment component of EMSO is still developing, but has had negligible impact so far. The other major component of the project, the Civil Service Reform Program, has so far had no major institutional development impact. Most importantly, because of its negligible institutional impact, the project continues to be heavily dependent on consultants to carry out its different tasks.

5.15 *Project sustainability: uncertain.* Most of the activities supported by the project continue to be dependent upon foreign financing. The sustainability of the program, therefore, is highly dependent upon donors participation or upon a radical departure that would allow self-sufficiency in the future, both outcomes being uncertain at this moment. OED does not agree with the conclusion of the ICR that some activities, like public investment planning and statistical services, are "essential" and therefore will have to be continued even in the absence of project financing. Essential activities might be discontinued, creating essential problems. In fact, OED agrees with the ICR conclusion that the sustainability of the PSM component, i.e., the Civil Service Reform Program, is questionable. Nevertheless, OED considers Civil Service Reform to be essential to all components of the Structural Reform Program in Bolivia.

6. Lessons

Financing by the Bank and Other Donors to Restructure/Capitalize State Banks May Have Postponed Unavoidable Reforms and Increased the Cost of Reforming the Financial Sector.

6.1 Most financing provided to restructure and capitalize BAB, BAMIN, FONEM and BANEST helped to lengthen the life of institutions that ultimately closed. The Bank provided financing from PFMO I that led to restructuring proposals which were not implemented because of lack of political support. Later, in 1989, the Bank and other donors provided US$177 million (FSAC) to restructure and capitalize the same banks that continued to increase bad lending. This worsened their financial performance until the banks eventually failed and had to be closed in 1992. Financing by the Treasury to cover bank losses prolonged their existence and increased the cost of liquidation later. *Without pre-SAC financing by the Bank and other donors, the state banks would have failed and closed at least three years earlier.* Then, a high proportion of a relatively high SAC (US$257 million, including other donors or about 5 percent of 1991 GDP) had to be utilized for the banks final liquidation.

The Use of Foreign-Financed Consultants to Act as Line Managers Delayed Rather Than Accelerated Reforms, Especially to the Civil Service.

6.2 The public sector management component of EMSO started in late 1987 and included Civil Service Reform as its major element of structural reform. The program slowed down on several occasions and it has been reformulated more than once. Eleven years later, it is again on the design board. The PAR concluded that the main explanation for slow progress has been the lack of incentives for the Government to reform, since donor financing has been used to pay consultants to act as line managers. This allowed high public officials to continue performing day-to-day operations without civil service reform. This PAR agrees with the ICR in concluding that "for implementing agencies, technical assistance projects have often been seen as budgetary support." In summary, OED concluded that financing of foreign consultants to intensively participate in the PIP, tax administration, decentralization and Civil Service Reform generated *institutional dependence*—on foreign consultants—rather than *institutional capacity,* and delayed rather than accelerated institutional reforms.

The Amount and Timing of Financing Was Not Proportional to the Government's Commitment to Reform.

6.3 This PAR agrees with the conclusion of the Implementation Completion Report that "the design of the program and the selection of instruments were constrained by the lack of commitment of the Government in 1991 to privatize large public enterprises." But this PAR also concludes that, because the amount of financing was not proportionally constrained, the Bank lost an opportunity to accelerate PEs reforms. In fact, the overall reform program supported by SAC was weak. Nevertheless, the total amount of financing approved by the Bank and the donor community in support of the SAC was a record high at US$257 million, or about five percent of 1991 GDP. In addition, the Bank disbursed IDA reflows while disbursements had been suspended. This experience confirms one major lesson in development aid: Excessive financing for a weak reform program may *enable postponement rather than accelerate implementation* of unavoidable reforms.

Sector-wide Reforms Should Be Targeted Directly Rather Than as an Appendix of SAC

6.4 In Bolivia, SAC's strategy for human resource development was predicated on shifting public investment from state intervention in productive activities to expenditures in health and education. But this "spin-off" strategy was not enough to address the country's poor human resource indicators. Social sector issues are better dealt with directly—either with a carefully designed subprogram or with a separate operation—and not included as just a marginal element of a structural adjustment program.

Basic Data Sheet

STRUCTURAL ADJUSTMENT PROJECT (CREDIT 2298-BO)

Key Project Data *(amounts in US$ million)*

	Appraisal estimate	*Actual or current estimate*	*Actual as % of appraisal estimate*
Total project costs	257.04	---	---
Loan amount	79.49	84.75	106.6
Cofinancing	17.80	---	---
Parallel financing	159.75	---	---
Cancellation	---	0.15	

Cumulative Estimated and Actual Disbursements

	FY92	*FY93*	*FY94*	*FY95*	*FY96*	*Total*
Appraisal estimate (US$M)	16.8	16.8	6.4	---	---	40
Actual (US$M)	16.102	12.167	27.160	19.979	9.377	84.785
Actual as % of appraisal	96	72	424	---	---	212
Date of final disbursement: October 12, 1995						

Project Dates

	Original	*Actual*
Initiating memorandum		01/91
Negotiations		05/91
Board approval		09/91
Signing		09/91
Effectiveness	10/91	12/91
Approval of Second Tranche Release	02/93	03/94
Signing of First Reflow Agreement		04/92
Signing of Second Reflow Agreement		03/93
Signing of Third Reflow Agreement		05/94
Signing of Fourth Reflow Agreement		02/95
Approval of Third Tranche Release	01/94	05/95
Closing date	07/94	12/95

Staff Inputs (staff weeks)

	FY90	*FY91*	*FY92*	*FY93*	*FY94*	*FY95*	*FY96*	*Total*
Preappraisal	54.3							54.3
Appraisal		40.0	11.1					51.1
Negotiations		6.0						6.0
Supervision			51.3	33.7	19.7	11.7		116.4
Completion							3.0	3.0
Total	54.3	46.0	62.4	33.7	19.7	11.7	3.0	230.8

Mission Data

	Date (month/year)
Identification/ Preparation	05-06/90
Appraisal	01-02/91
Supervision I	10-11/91
Supervision II	01/92
Supervision III	03-04/92
Supervision IV	08-09/92
Supervision V	12/92
Supervision VI	06/93
Supervision VII	09/93
Supervision VIII	11/93
Supervision IX	03/94
Supervision X	06-07/94
Supervision XI	11-12/94
Supervision XII	03/95
Supervision XIII	06/95
Supervision XIV	12/95

Other Project Data

Borrower/Executing Agency: Government of Bolivia

Operation	Purpose	Year of Approval	Status
PRECEDING OPERATIONS			
Financial Sector Adjustment Credit (Credit 1925-BO)	Strengthen banking system by improving regulations and supervision.	FY88	Closed
Mining Sector Rehabilitation Credit (Credit 2013-BO)	Promote new private mining investment and restructure COMIBOL into a holding company.	FY89	
Economic Management Strengthening Operation (Credit 1977-BO)	Strengthen economic management capabilities, including improvements in public investment programming.	FY89	Closed
FOLLOW-ON OPERATIONS			
Regulatory Reform and Capitalization TA Operation (Credit 2647-B)	Support establishment of new regulatory framework and capitalization in aviation and telecommunications.	FY95	
Hydrocarbons Sector Reform and Capitalization TA Operation (Credit 2762-BO)	Support establishment of new legal framework in hydrocarbons sector and capitalization of YPFB.	FY95	
Power Sector Reform TA Project (Credit 2790-BO)	Support capitalization of ENDE.	FY96	
Capitalization Program Adjustment Credit (Credit 2761-BO)	Support overall capitalization program and establishment of regulatory environment.	FY96	
Financial Market and Pension Reform TA Project (Credit 2789-BO)	Support further strengthening of financial sector and implementation of pension reform.	FY96	
Judicial Reform Project (Credit 2705-BO)	Support improvements to judicial system to improve environment for private investors.	FY95	
Education Reform Project (Credit 2650-BO)	Support improvements in primary and secondary education, including rationalizing institutional structure	FY95	

Basic Data Sheet

PUBLIC FINANCIAL MANAGEMENT OPERATION I (CREDIT 1809-BO)

Key Project Data *(amounts in US$ Thousands)*

	Appraisal estimate	*Actual or current estimate*	*Actual as % of appraisal estimate*
Total project costs	24,560	24,982	101.7
Loan amount	11,500	11,857	103.1
Cofinancing			
- IDB/UNDP (parallel cofinancing)	1,600	1,473	92.0
- USAID	3,060	3,252	106.2
- Government of Bolivia	8,400	8,400	100.0
Cancellation		2	

Cumulative Estimated and Actual Disbursements *(amount in US$ thousands)*

	FY88	*FY89*	*FY90*	*FY91*	*FY92*	*FY93*	*FY94*	*FY95*	*Total*
Appraisal estimate	3,400	4,800	3,300	--	--	--	--	--	11,500
Actual	3,510	4,790	1,950	850	380	170	140	70	11,860
Actual as % of appraisal	103	100	59	--	--	--	--	--	103.1
Date of final disbursement:	August 5, 1994								

Project Dates

	Original	*Actual*
Identification (Executive Project Summary)	02/86	
Preparation	05/86	
Appraisal	02/87	
Negotiations	04/87	
Board approval	05/28/87	
Signing	07/31/87	
Effectiveness	09/87	12/15/87
Closing date	06/30/92	06/30/94
Completion	12/91	06/30/94

Staff Inputs (staff weeks)

	Planned	*Revised*	*Actual*
Preappraisal	20.0	40.0	53.6
Appraisal through Board Approval	16.0	16.0	13.1
Board approval through Effectiveness	6.0	3.0	0.6
Supervision	65.0	75.0	88.4
Completion	14.0	18.0	15.3
Total			

Mission Data

	Date (month/year)	*No. of persons*	*Staff days in field*	*Specializations represented*	*Performance rating*	*Types of problems*
Through appraisal	3/84 5/86 10/86	10	29	Task management; auditing; accounting; central banking; tax administration; legal	n.a.	
Appraisal through Board Approval	4/87	4	3	Task management	n.a.	
Supervision	10/87 4/88 11/88 3/90 1/91 2/92 6/94	16	77	Task management; budgeting; accounting; treasury; public credit; auditing; institutional development; central banking; tax administration	1 to 2	Managerial, technical
Completion	6/94	1	10	Task management; tax administration	1	

Performance ratings: 1 - Problem free/minor problems; 2 - Moderate problems; 3 - Major problems.

Other Project Data

Borrower/Executing Agency: Government of Bolivia

FOLLOW-ON OPERATIONS

Operation	*Purpose*	*Year of Approval*	*Status*
La Paz Municipal Development Project	Related components: Financial management computerization (includes budgeting, accounting, investment planning).	1987	
Economic Management Strengthening Operation	Related components: Public investment programming, tax administration, regional and public sector management strengthening.	1988	
Financial Sector Adjustment Credit	Related components: Strengthening of banking system including banking supervision/regulation.	1989	
Public Financial Management Operation II	Related component: Project is continuation of PFMO I, with more emphasis on implementation of computerized IFMS.	1991	
Structural Adjustment Credit	Related components: Budget transfer mechanisms from central to local governments.	1991	

Basic Data Sheet

ECONOMIC MANAGEMENT STRENGTHENING OPERATION (CREDIT 1977-BO)

Key Project Data *(amounts in US$ millions)*

	Appraisal estimate	*Actual or current estimate*	*Actual as % of appraisal estimate*
Total project costs			
Loan amount	9.70	9.59	98.86
Cofinancing			
- Switzerland	2.50	2.72	108.8
- IDB/Government of Italy	4.38		

Cumulative Estimated and Actual Disbursements

	FY88	*FY89*	*FY90*	*FY91*	*FY92*	*FY93*	*FY94*	*FY95*	*Total*
Appraisal estimate (US$M)	1.00	4.30	2.30	2.10	---	---	---	---	9.70
Actual (US$M)		1.76	1.01	1.00	2.62	3.00	0.05	0.15	9.59
Actual as % of appraisal		40.9	43.9	47.6	---	---	---	---	98.9
Date of final disbursement: July 6, 1995									

Project Dates

	Original	*Actual*
Pre-appraisal		05-06/88
Appraisal		06/88
Negotiations		11/88
Board approval		12/22/88
Signing		01/01/89
Effectiveness	02/89	05/24/89
Closing date	06/30/92	06/30/95

Staff Inputs (staff weeks)

	FY88	*FY89*	*FY90*	*FY91*	*FY92*	*FY93*	*FY94*	*FY95*	*FY96*
Preappraisal	97.5								
Appraisal	17.6	17.6							
Negotiations		6.6							
Supervision		18.9	33.3	20.4	33.4	33.6	19.4	13.1	
Completion									4.0
Total	115.1	43.1	33.3	20.4	33.4	33.6	19.4	13.1	4.0

Mission Data

	Date (month/year)
Identification/Preparation	04/87 05-06/87
Appraisal	06/88
Supervision I	09/88
Supervision II	03/89
Supervision III	09/89
Supervision IV	03-04/90
Supervision V	10/90
Supervision VI	01/91
Supervision VII	07/91
Supervision VIII	09/91
Supervision IX	03/92
Supervision X	12/92
Supervision XI	02/93
Supervision XII	04/93
Supervision XIII	11/93
Supervision XIV	03/94
Supervision XV	06/94
Supervision XVI	11/94
Supervision XVII	03/95
Completion	06/30/95

Other Project Data

Borrower/Executing Agency: Government of Bolivia

Operation	*Purpose.*	*Year of approval*	*Status*
PRECEDING OPERATION			
Public Financial Management (Credit 1809-BO)	Improve government's financial management ability, including tax collection.	1987	Closed
FOLLOW-ON OPERATION			
Public Financial Management II (Credit 2279-BO)	Continue strengthening financial management ability.	1991	
Municipal Sector Development Project (Credit 2560-BO)	Improve municipal management, including civil service.	1994	
Rural Communities Development Project (Credit 2772-BO)	Support to participatory planning process.	1995	
Civil Service and Administrative Reform	Implementation of civil service reform.	1997	