

Ex post evaluation – Bolivia

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Sector: Public sector policy and administrative management (CRS code: 1511000)
Programme/Project: National reform CP: Support of the National Compensation Policy II – Plan Vida I (BMZ no. 2003 65 643)*
Implementing agency: Fondo Nacional de Inversión Productiva y Social (FPS)



Ex post evaluation report: 2019

	(Planned)	(Actual)
Investment costs (total) in EUR million	9.4	9.4
Counterpart contribution in EUR million	2.0	2.0
Funding in EUR million	7.4	7.4
of which budget funds (BMZ) in EUR million	7.4	7.4

*) Random sample 2018

Summary: Building on the previous programme (National Compensation Policy I), the FC measure is an open programme that was handled by the Bolivian social investment fund FPS. The programme mainly focused on strengthening municipal self-government structures in order to improve public services at a local level. It also focused on poverty alleviation, primarily among the extremely poor and mostly indigenous population. Due to its heavy focus on poverty reduction, the programme addressed the poorest communities. GIZ (known then as GTZ) advised both the FPS in relation to improving the transparency of its processes vis-à-vis local governments as well as the municipalities themselves. Given the delays to the start of the programme under evaluation, cooperation with GIZ could not be completed as planned.

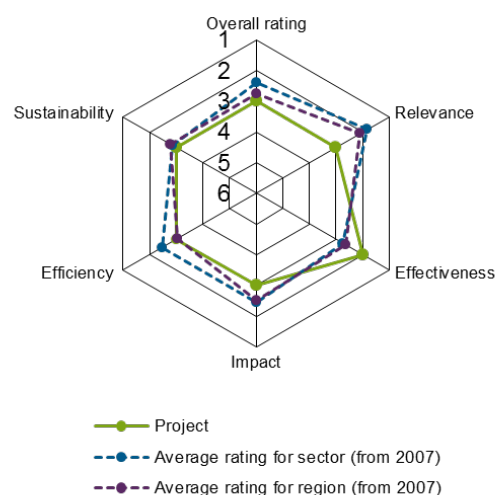
Development objectives: The outcome-level goals of the FC measure were (i) to increase the use of local public services and goods by improving their provision and to promote local economic development with small-scale projects, and (ii) to strengthen capacity in the promoted municipalities in terms of their use of transparent processes and in the planning, running and maintenance of local infrastructure. The aim of this approach was to help improve the target group's living conditions and alleviate poverty in the promoted areas, and to support improved local governance, which would strengthen the decentralisation process.

Target group: The programme's target group was around 100,000 beneficiaries (around 50% female) in 28 particularly poor rural districts in the Departamentos of Chuquisaca, Cochabamba, Oruro, Potosí and Santa Cruz.

Overall rating: 3

Rationale: The usage rates of the individual measures are high, and noticeable improvements were made to the target group's living conditions. However, there is a risk that the Morales government's (re-)centralisation efforts could reverse any progress made.

Highlights: The programme's preparation phase coincided with the political turbulence caused by the change in government (the Morales government took office in 2006), which significantly delayed the start of implementation and led to difficulties in establishing the relevant structures.



Rating according to DAC criteria

Overall rating: 3

Ratings:

Relevance	3
Effectiveness	2
Efficiency	3
Impact	3
Sustainability	3

Relevance

Despite significant economic development in recent years (Bolivia has been classed as a middle income country since 2010, with relatively constant economic growth rates of over 4%), Bolivia remains one of the poorest countries in Latin America with 36.4% of the population living below the national poverty line (2005: 59.6%) and with income distributed on a very uneven basis (Gini index: 0.458 in 2015 to 0.585 in 2005). In terms of general human development, no major changes have been identified since the project appraisal in 2005 (HDI 0.695 (2005) and 0.693 (2017)). Even from today's perspective, the deficits in the provision of local public services due to insufficient human and financial resources in the municipalities/districts and the resulting poor performance capacity – particularly in smaller municipalities – are a clear hallmark of the poverty profile. They are also the core problem, which is comprehensible and also highly relevant for large parts of Bolivia, even from today's perspective.

At the time of the appraisal, the aim was to integrate the project into the national compensation policy (Política Nacional de Compensación), which was developed in 2002 in an effort to improve the coordination of transfers between the state and the municipalities from the Bolivian social investment fund (FPS). However, the focus on decentralisation, in particular, became less important during the political transition brought about by the Morales government (2006) and was replaced by new policies. A new framework of legislation regarding autonomy and decentralisation was passed in 2010. While this legislation is still in place to this day, it stands in contrast to the Morales government's attempts to take control over an increasing number of duties and gain authority so as to secure its political influence. The subordinate levels are resisting these attempts and are resolute in their calls for national income to be split at a rate of 50% between the national government and the subordinate levels. At present, 80% of income remains with the national government. By contrast, the new government kept the focus area of poverty alleviation.

The project was based on the following impact logic: providing socio-economic infrastructure promotes local economic cycles and improves the living conditions for local populations. At the same time, municipal self-government structures become stronger as the municipalities bear responsibility – with external support – for planning and implementing infrastructure projects. These measures contribute to an improvement in local governance and a stronger decentralisation process. This argument is mainly logical at the time of the ex post evaluation. However, the expansion of capacities at a municipal level does not automatically strengthen decentralisation on a comprehensive scale, i.e. in all three dimensions (political, administrative and fiscal). The selection of the components (infrastructure projects, institutional reinforcement of the municipalities and the executing agency, consultancy support) was logical. In contrast to the previous project, the primary focus on measures related to economic infrastructure also appears suitable in principle in view of the municipalities' low income levels and is based around the target group's most urgent needs. The participatory approach to selecting the individual projects – as is conventional in Bolivia – clearly demonstrates that all of the investment options on offer (reservoirs, road repairs, stone walls (gabions), markets, bridges, small-scale irrigation systems) were relevant, even though there were distinct differences depending on the local context.

In terms of its concept, alignment with the processes and structures of the Bolivian social investment fund "Fondo Nacional de Inversión Productiva y Social" (FPS), and the executing agency's high standard of qualification, the project is easy to replicate. Since the appraisal, the executing agency has implemented a

number of other programmes with similar structures, a fact that also confirms the relevance of the selected approach.

The project's design corresponded with the efforts within German development cooperation to promote decentralisation and the country's poverty-oriented policy. Cooperation with GIZ's (then known as GTZ) municipality promotion programme (including support with creating monitoring systems, O&M, creation of a new transfer policy) did not take place due to the long delay to the start of implementation. Since the projects ran for different periods and were implemented in different areas, the potential for synergies resulting from better coordination between Technical and Financial Cooperation remained untapped.

The use of FPS as an executing agency and mechanism for implementation was appropriate despite being in question at the beginning of Morales' period in government. FPS was able to guarantee the implementation of the multi-sectoral project portfolio, while also ensuring a high degree of technical expertise, a focus on the relevant sector policies and experience in implementation. Nevertheless, in view of its dual role as a mechanism for both financing and implementation, the extent to which the approach was suitable for strengthening municipal structures is questionable. For instance, while the municipalities may have played an important role when selecting the projects to be financed and were also supposed to assume responsibility for tendering the construction work, some of the municipalities reported to the evaluation team that they even approached FPS for projects that are implemented outside of Plan Vida in order to receive support during the tendering and construction monitoring process. This reinforced the impression that FPS is without a doubt regarded as a strong partner by the municipalities but also perhaps because it will complete these tasks for them instead of merely providing training or support. On the governmental side of things, FPS has also become a much sought-after and well-regarded institution and has been entrusted with implementing countless government programmes.

Even though poverty alleviation in Bolivia is exceptionally important from today's perspective, we rate the measure's relevance as satisfactory. FPS's heavy involvement in implementing the individual projects doubtless improved their quality and also accommodated the changing national priorities. However, in light of the fact that the municipalities remain responsible for local infrastructure and that the low level of performance capacity (particularly in small municipalities) is still a typical feature of Bolivia's poverty profile (see Section 1), the shift away from the original plan to apply a "learning by doing" approach to reinforce municipal self-government structures led to a lower rating.

Relevance rating: 3

Effectiveness

The dual targets typical for decentralisation projects included increasing the use of local public services and goods by improving provision and promoting local economic development with small-scale projects (material target), and strengthening capacity in the promoted municipalities in terms of their use of transparent processes and in the planning, running and maintenance of local infrastructure (structural target). Achievement of the outcome-level target that the ex post evaluation (EPE) is based on can be summarised as follows:

Indicator	Status PA, target PA	Ex post evaluation
(1) Three years after the start-up of operation, the infrastructure is used as planned.	0%, 80%	Achieved: 83%
(2) Three years after the start-up of operation, the new infrastructure is run and maintained in an acceptable manner.	0%, 80%	Partially achieved: Operation: 83% Maintenance: 17%
(3) 75% of the individual measures are suitable for promoting local economic cycles.	0%, 75%	Achieved: 75%

(4) Annual publication of the municipal budget*	No; yes	Achieved
(5) Municipal development plans that have been drawn up in a participatory process are available	No; yes	Achieved

*) <https://dgsigif.sigma.gob.bo/index.php/2016/05/09/estadisticas-del-presupuesto/>

The indicators for the first sub-target were largely achieved. Maintenance is a more problematic issue than use (indicator 1) and operation. At present, none of the individual projects visited during the evaluation trip apply a preventive maintenance concept. However, poor maintenance has yet to have a negative impact on the condition of the infrastructure. For instance, small-scale repairs and cleaning jobs on the infrastructure are completed by the beneficiaries themselves, which also demonstrates the measures' high degree of benefit for the target group. Additional investments by the municipalities (15% of the municipalities contributed more than the required 15%) also showed that they share the same mindset regarding the promoted measures.

Roads and bridges make it easier for farmers to access markets, while reservoirs and small-scale irrigation systems enable fields to be watered, thereby increasing production. Thanks to the construction of protective walls, further fields could be opened up and more diversified products could be planted and sold (indicator 3). Overall, the local public services were improved by the implementation of the 70 infrastructure projects (6 types of investment in 28 municipalities). Nevertheless, there are deficiencies in the sizes of some types of investment. For example, a second, significantly larger market in Tapacari was built next to the market financed with project funds. Furthermore, all of the gabions visited were too short and low to restrain the river over the long term in view of predictions over climate change. Nevertheless, the style of construction will allow them to be topped up should the necessary funds become available (see Efficiency).

Achievement of the second sub-target is more difficult to assess. While all of the project municipalities publish their budgets, they still lack financial resources and technical staff. Although finances are transferred from a national to a municipal level, the majority of these funds are generated from the country's sale of raw materials, making them subject to heavy fluctuations – a condition that also applies to the national budget. In some instances, staff turnover is high and there is also a lack of institutionalised task delegation and training, which makes it more difficult to expand institutional knowledge. Furthermore, FPS itself was heavily involved in the implementation phase, so its role went far beyond that of a financing channel and technical backstop. Nevertheless, the accompanying support from FPS enabled capacity to be improved at some local administrative bodies. However, some municipalities still ask FPS to implement their projects, even though responsibility for use of funds has been transferred from a national to a municipal level. This indicates that local capacities are still too low in some cases to implement municipal infrastructure projects independently – despite the fact the situation has improved since the project appraisal.

Overall, effectiveness is rated as good in spite of the specified restrictions related to the structural goal.

Effectiveness rating: 2

Efficiency

In total, around EUR 7.4 million in the form of an FC grant was used for infrastructure projects and support for these projects. Around 100,000 beneficiaries were reached with this funding. The average costs per beneficiary are around EUR 74. The sizes of the individual projects vary from EUR 9,000 to EUR 280,000, with an average value of around EUR 94,000 and a median of EUR 81,000. The project funds were divided up using a transparent distribution formula, which takes the municipalities' level of poverty and population size into account.

A data survey performed by an independent consultant for the final inspection confirmed that around 94% of the individual projects remained within the original cost budget. The specific investment costs are typical for the sector and can be rated as appropriate according to the consultant's report and final inspection.

They were based around the standard costs defined by the Bolivian government. Nevertheless, these were very low and did not always correspond to actual prices. When combined with the specified maximum costs per municipality, this situation led to an undersizing of some of the projects (see Effectiveness) – this may significantly reduce the planned period of use in some instances. The production efficiency is rated as appropriate. The costs for the implementation consultant were significantly lower than calculated (EUR 260,000 instead of EUR 740,000). However, this was caused mainly by a major reduction in the size of the implementation consultant's task catalogue compared to the original draft as the Bolivian government did not approve of the plans. FPS's technical expertise and management capacities were described as professional and transparent. The respondents from the local governments highlighted their satisfaction with the institution and the support provided. The Morales government reduced FPS's administrative expenses from 15% to 5%, pushing the organisation to its limit in light of its large regional structure. At present, some donor-financed programmes are once again paying a management fee of 8%.

FPS's processes (project cycle) served as an important reference. Standardisation is regarded as an important source of added value. It is reflected in the high-quality building standards and the management structures, which have been described as professional. As a result, the programme managed to improve access to economic infrastructure for previously disadvantaged population groups with a reasonable amount of outlay (particularly given that some of the locations were exceptionally difficult to access). The distribution of the projects corresponded to Bolivia's poverty map. All 70 projects were implemented in the 28 poorest municipalities (data from the 2001 census). As such, the criterion of allocation efficiency is regarded as sufficient.

Taking seven years from approval to the financing contract, the project had a very long preparation phase, caused primarily by the coordination difficulties that have prevailed since Evo Morales took office in 2006. There were seven changes in minister at the Ministry for Planning between 2006 and 2010. In addition to this, there were also presidential elections in December 2009 and municipal elections in April 2010. Due to the large amount of coordination required, the difficulties in coordination between the Ministry for Planning and FPS, and additional bureaucratic obstacles, the implementation of the programme could not get underway until early 2011. Once the implementation process started, the programme was executed relatively quickly (an average of just two months' delay to individual construction contracts). Shorter delays were caused by the awarding of construction contracts and the provision of funds from the municipalities themselves. Almost 87% of the funds had been invested after four years (the planned total implementation period). However, the process for implementing the remaining 13% of the funds ran on from early 2015 to early 2017 (the last two projects did not begin operations until 2016). Overall, the efficiency is rated as satisfactory, particularly due to the good allocation efficiency and in spite of the markdowns for time-based efficiency.

The country's poor population is named as the central target group both at the impact level and in the target group definition. The programme was therefore implemented in Bolivia's 28 poorest municipalities (see Efficiency). Even though the ability to reach the target group alone is not evidence for the effects at impact level, it is plausible that the programme contributed to alleviating poverty in the project municipalities due to its focus on economic infrastructure.

Efficiency rating: 3

Impact

The measure's overall developmental objective was to help improve the target group's living conditions and alleviate poverty (material dimension) and to support improved local governance, which would strengthen the decentralisation process (structural dimension). The achievement of the impact indicators defined for the evaluation can be summarised as follows:

Indicator	Status PA, target PA	Ex post evaluation
(1) Share of the rural population living in poverty	63.9% (extreme poverty 2007)*, n.a.	33.3% (extreme poverty 2015)*

* http://www.udape.gob.bo/portales_html/dossierweb2017/htms/doss0706.html

Extreme poverty in rural regions fell by almost 50% during the project period, so the indicator is deemed fulfilled. And yet, this positive tendency for poverty development is not restricted exclusively to the project communities but applies to all rural regions in Bolivia, which makes it even more difficult to depict the programme's contribution to this development alone based on indicator 1. For this reason, a spot check was conducted during the evaluation to survey beneficiaries' perceptions of the change in living conditions. During this survey, representatives in six out of eight municipalities stated that the population's living conditions had improved over the past ten years. This improvement in living conditions cannot necessarily be traced back to the programme alone. However, in view of the high number of individual measures that were deemed suitable for promoting local economic cycles (see Effectiveness), it can be plausibly assumed that the programme was able to contribute to alleviating poverty and improving the target group's living conditions at an impact level. In relation to the sub-aspect of supporting improved local governance to reinforce the decentralisation process, it can be assumed that achieving the outcome indicators (4–5) demonstrates that a contribution was made at impact level in the municipalities that participated in the programme. However, particularly because it took such a fragmented approach, it cannot be assumed that the programme strengthened the decentralisation process as a whole (see Relevance) and beyond the municipalities that participated in the programme. Further statements, e.g. regarding the development of the municipalities' incomes in absolute terms, are not possible due to the lack of good data; however, their incomes have remained constant in relation to the total national income, which is heavily dependent on the price of oil. Despite its primary focus on economic infrastructure, no major streams of income were generated during the programme (apart from in markets). This is probably because most of the financed infrastructure was suitable for strengthening local economic cycles (see Effectiveness) but was not actually directly relevant for the municipalities' incomes. On the other hand, the 28 poorest municipalities were intentionally selected, which explains why the programme did not focus on increasing municipal income levels. A government effectiveness indicator recorded by the World Bank to reflect citizens' satisfaction with state services at an aggregated national level hardly improved during the period. For example, the indicator was -0.69 in 2005 and -0.57 in 2016¹. Based on the information available, it is not possible to make any statements regarding the development of citizens' satisfaction with municipal services in the project communities. On the whole, there is a risk that the (Morales) government's recentralisation efforts could reverse any progress made (see Relevance).

Since most of the investment types achieved an improvement to living conditions, the programme's impact is rated as just about satisfactory overall.

Impact rating: 3

Sustainability

The municipal governments' capacities were strengthened mainly as a result of staff training. However, the high staff turnover rate at a decentralised level combined with poor knowledge management means that a lot of knowledge is lost. Continuity of technical staff in local governments was described as one of the central challenges in all discussions. Normally, a change of mayor results in a change to the entire government team. The exodus of staff therefore has a very adverse effect on the capacities and knowledge established. Service and maintenance also pose a fundamental challenge for the municipalities. Since the infrastructure went into operation (two to five years since the handover), the high construction standards achieved in the financed projects have led to rather low outlays for maintenance. However, this could change over the next few years. Despite being part of the original concept, no operation and maintenance plans were drawn up, though suitable ad hoc maintenance measures have been observed. The village communities get involved in the repair work, particularly for small-scale jobs. Due to budget shortages, the municipalities often lack the funds needed for work that requires more capital. None of the projects visited had set aside any reserves for possible repairs or made any replacement investments. Apart from at the markets, no user fees are collected that could reduce financial problems and increase sustainability. The experience gained in terms of the problems observed – particularly the lack of operat-

¹ <https://info.worldbank.org/governance/wqi/#home>

The indicator reflects aspects including the perception of the quality of public services from a range of -2.5 (weak/poor) to +2.5 (strong/good).

ing and maintenance plans, including financing – was integrated into the programme's follow-up phase and is due to be incorporated into FPS's project cycle.

FPS itself has become stronger as a financing mechanism for municipal investments. The standardisation of the project implementation process, taking the form of the FPS project cycle, played a very important role in this development. Furthermore, national-income-based financial transfers from national to municipal level have also remained constant. However, national income is tied to oil prices, which are very volatile. The price of oil rose drastically in 2012 before collapsing in the period up until 2016, which led to an extreme shortage of funds both within the municipalities and in the national government.

Despite the various deficiencies at municipal level, sustainability is rated as satisfactory from today's perspective, particularly in light of the ad hoc repair work performed by the village communities in spite of a lack of maintenance and service plans as well as in light of the high construction standards, which mean that positive effects will likely last beyond the infrastructure's anticipated service life.

Sustainability rating: 3

Notes on the methods used to evaluate project success (project rating)

Projects (and programmes) are evaluated on a six-point scale, the criteria being **relevance, effectiveness, efficiency** and **overarching developmental impact**. The ratings are also used to arrive at a **final assessment** of a project's overall developmental efficacy. The scale is as follows:

Level 1	Very good result that clearly exceeds expectations
Level 2	Good result, fully in line with expectations and without any significant shortcomings
Level 3	Satisfactory result – project falls short of expectations but the positive results dominate
Level 4	Unsatisfactory result – significantly below expectations, with negative results dominating despite discernible positive results
Level 5	Clearly inadequate result – despite some positive partial results, the negative results clearly dominate
Level 6	The project has no impact or the situation has actually deteriorated

Rating levels 1-3 denote a positive assessment or successful project while rating levels 4-6 denote a negative assessment.

Sustainability is evaluated according to the following four-point scale:

Sustainability level 1 (very good sustainability): The developmental efficacy of the project (positive to date) is very likely to continue undiminished or even increase.

Sustainability level 2 (good sustainability): The developmental efficacy of the project (positive to date) is very likely to decline only minimally but remain positive overall. (This is what can normally be expected).

Sustainability level 3 (satisfactory sustainability): The developmental efficacy of the project (positive to date) is very likely to decline significantly but remain positive overall. This rating is also assigned if the sustainability of a project is considered inadequate up to the time of the ex post evaluation but is very likely to evolve positively so that the project will ultimately achieve positive developmental efficacy.

Sustainability level 4 (inadequate sustainability): The developmental efficacy of the project is inadequate up to the time of the ex post evaluation and is very unlikely to improve. This rating is also assigned if the sustainability that has been positively evaluated to date is very likely to deteriorate severely and no longer meet the level 3 criteria.

The **overall rating** on the six-point scale is compiled from a weighting of all five individual criteria as appropriate to the project in question. Rating levels 1-3 of the overall rating denote a "successful" project while rating levels 4-6 denote an "unsuccessful" project. It should be noted that a project can generally be considered developmentally "successful" only if the achievement of the project objective ("effectiveness"), the impact on the overall objective ("overarching developmental impact") and the sustainability are rated at least "satisfactory" (level 3).