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From: The Secretary

Subject: Strategic Agreement between Bolivia and the IDB Group. Country Strategy 2026-2030

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STRATEGIC AGREEMENT BETWEEN BOLIVIA AND THE IDB GROUP

COUNTRY STRATEGY

2026-2030

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ABBREVIATIONS

Acronym	Meaning
CAF	Development Bank of Latin America
ESG	Environmental, Social and Governance
FCCV	Fragility, conflict, and criminal violence
FFF	Flexible Financing Facility
IMF	International Monetary Fund
INE	Instituto Nacional de Estadística (National Statistics Institute)
M&E	Monitoring and evaluation
MSME	Micro, small, and medium-sized enterprise
NBSCI	Normas Básicas del Sistema de Contabilidad Integrada (Basic Standards of the Integrated Accounting System)
PDESA	Plan de Desarrollo Económico, Social y Ambiental (Economic, Social, and Environmental Development Plan)
SIGEP	Sistema de Gestión Pública (Public Management System)
SPIE	Sistema de Planificación Integral del Estado (Comprehensive State Planning System)

INTRODUCTION

Bolivia’s priority: economic recovery

Bolivia’spotential

Bolivia stands at a decisive juncture in its development. After more than a decade of mounting fiscal and external imbalances, depleting international reserves, slowing economic momentum, and rising poverty, the country is facing the need to move toward a new growth model. Benefitting the country, economic growth driven by the commodity cycle helped reduce monetary poverty from 57.3% in 2008 to 38.6% in 2015. However, with an economic slowdown and recession in recent years, poverty reduction stagnated, with levels slightly below 40% between 2020 and 2024.

Mounting fiscal and external imbalances (reflected in prolonged fiscal deficits, a significant increase in public debt, and depleting international reserves) have shrunk economic policy space and weakened the country’s capacity to absorb shocks. Against this backdrop, the economy faces a recessionary cycle, with growing inflationary and exchange rate pressures, risks of shortages (particularly of foreign currency and fuel), and a deterioration in social conditions reflected in the increase in the population living in poverty in 2025, which stood at 44.7%. These dynamics reflect an exhausted growth model based on the public sector’s predominant role and natural resource exploitation, thus highlighting the need for a transition to a new development model.

What makes this time different is not only the change in administration, but also the government’s expressed commitment to advancing a reform agenda aimed at restoring macroeconomic stability, strengthening institutions, and creating the conditions for the private sector to assume a more dynamic role as a driver of growth.

This transformation will not be easy. It will require major efforts in fiscal consolidation, institutional reforms, and social consensus-building in a context of high economic vulnerability and social tensions that have already manifested taken shape in episodes of conflict and blockades. The outcome of this process remains uncertain: if the reforms take hold, Bolivia could lay the groundwork for more sustainable, resilient, and inclusive growth; if they fail or lose momentum, the cumulative imbalances could become entrenched and further limit the country’s development prospects. In this context, a window of opportunity is opening to support a structural economic transformation.

Macroeconomic stabilization is a prerequisite for returning to the path of poverty reduction, restoring economic momentum and confidence, reducing uncertainty, and reviving investment. In this connection, Bolivia’s economic recovery requires an adjustment process that combines fiscal discipline, institution-strengthening, and the creation of enabling conditions for the private sector to play a greater role as a driver of growth.

Country strategy approach: strategic selectivity

In light of these constraints, the IDB Group country strategy for the 2026–2030 period adopts a strategic selectivity approach aimed at maximizing the impact of its interventions in an environment of severe fiscal constraints and institutional challenges. This approach meets the need to concentrate resources and capacities in areas with the greatest potential for impact, scalability, and sustainability, avoiding the fragmentation of efforts seen in previous strategies while taking into account an analysis of operational evidence and risks.

The strategy is based on the convergence of the IDB Group strategy (Impact+), the business plans of IDB Invest and IDB Lab, the national priorities set out in the 2026–2030 Economic, Social, and Environmental Development Plan (PDESA),[1] the Country Diagnostics for Impact document, and the IDB Group's comparative advantages in the country. The selective approach strengthens programmatic coherence, improves implementation quality, and ensures that interventions are aligned with the country's structural constraints, thereby increasing the likelihood of generating sustainable results over time.

Priority areas for impact:

The country strategy is organized around three priority areas and two crosscutting areas that together seek to foster economic recovery and sustainable, inclusive, and resilient growth.

(1) **Promote fiscal sustainability and institutional capacity,** contributing to macroeconomic stability by strengthening the fiscal framework, improving the efficiency of public expenditure, and modernizing government administration. This strategic area forms the foundation for rebuilding confidence, reducing uncertainty, and creating the conditions necessary for growth.

(2) **Create enabling conditions for private investment** by improving the regulatory environment, reducing administrative barriers, strengthening access to finance, and promoting investment. This component is key to boosting productivity and strengthening the private sector's role as a driver of growth.

(3) **Strengthen social welfare** to reduce poverty and narrow persistent gaps in access to quality basic services by strengthening social protection systems, developing human capital, and expanding opportunities for economic inclusion for the most vulnerable groups. These interventions will help build household resilience, promote greater equity, and foster a sustainable reduction in poverty and inequality.

The strategy takes a crosscutting approach focused on economic inclusion, the reduction of regional inequalities, and building resilience to climate risks and natural disasters, recognizing that these factors bear on the impact and sustainability of the interventions.

IDB Group support package

For the 2026–2030 period, the IDB Group estimates an indicative support package of up to US$5.72 billion to support implementation of the country strategy, of which approximately US$4.862 billion would come from the IDB, US$850 million from IDB Invest, and US$8 million from IDB Lab. The base case scenario assumes the approval of a staff level agreement with the International

[1] The country strategy is framed by the priorities established by the Bolivian government and the PDESA 2026-2030, representing a contribution agreed upon between the government and the IDB Group targeted on those areas where the institution can effectively contribute financing, knowledge, and technical assistance. The strategy does not intend to cover all of the national development priorities but rather complements them with the IDB Group's mandate and capabilities.

Monetary Fund (IMF) in 2026 in a context that facilitates progress on the reforms necessary for economic stabilization. Should this program not materialize, the framework provides for an alternative scenario of approximately US$1.432 billion in IDB approvals, associated with a more limited reform environment, while maintaining the Bank's support for the country.

Collaborative IDB Group effort:

Implementation of the country strategy is based on a whole-of-Group approach that coordinates the capabilities and comparative advantages of the IDB, IDB Invest, and IDB Lab to maximize the impact of interventions.

The IDB will lead policy dialogue on key macroeconomic and sectoral reforms and build the government's capacity to implement them. The IDB will also mobilize sovereign financing to catalyze enabling productive investment for the private sector, while continuing to develop basic services and social welfare programs for the most vulnerable populations. IDB Invest will complement this approach by mobilizing private capital, providing direct financing, and developing instruments that facilitate investment in strategic sectors (such as agriculture and mining), thereby helping to translate regulatory improvements into concrete investments. IDB Lab will drive efforts to strengthen the country's entrepreneurial and innovation ecosystem and its venture capital industry, promoting the development and scaling of technology solutions that boost private sector productivity and expand economic opportunities and access to services for vulnerable populations. The synergies among these three windows are a core element of the strategy. This integrated approach makes it possible to combine financial instruments, technical cooperation, and knowledge generation into a coherent programmatic sequence that strengthens the sustainability of reforms and broadens the country strategy's impact, thus contributing to a transition toward a more dynamic, sustainable, and inclusive private sector-led growth model.

I. DEVELOPMENT OF A NEW COUNTRY STRATEGY: CONTEXT AND APPROACH

A. CONTEXT AND OUTLOOK: FISCAL CONSOLIDATION AND PRIVATE SECTOR-LED GROWTH

I.1 Bolivia stands at a critical turning point that presents both significant risks and a window of opportunity to drive sustainable economic transformation. Over the past decade, the country has undergone a sustained deterioration in its macroeconomic fundamentals, characterized by persistent fiscal deficits, a rapid increase in public debt, and a diminished capacity to absorb external shocks. These imbalances reflect a combination of prolonged expansion of public expenditure, growing reliance on government financing to sustain economic activity, and a gradual decline in revenues from the hydrocarbon sector, linked to falling natural gas production and exports. Furthermore, adverse external shocks and a less favorable international environment have reduced sources of finance and the headroom for economic policy. Coupled with persistent structural constraints, the further entrenchment of macroeconomic imbalances has weakened growth fundamentals; in this context, a transition to a sustainable growth model—compatible with fiscal sustainability and a greater role for the private sector—is necessary.

In particular, the country has built up more than a decade of high fiscal deficits, with an average of 9.3% of GDP between 2016 and 2025,[2] which drove a rapid increase in public debt to levels close to 100% of GDP. Financing this debt led to a marked erosion of external liquidity and greater use of domestic resources, reflected in the decline in net international reserves from about 50% of GDP in 2014 to approximately 4% in 2024. It also increased domestic debt and expanded the money supply, leading to greater inflationary pressures.

I.2 These macroeconomic imbalances have resulted in growing pressures on price stability and the foreign exchange market. Following a prolonged period of low inflation sustained by subsidies,[3] price controls, and a fixed exchange rate, inflation rose significantly in 2025,[4] while foreign currency shortages led to the emergence of a parallel exchange market[5] with substantial spreads relative to the official exchange rate.[6]

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2 This information corresponds to the ratio of the fiscal balance to GDP, taking into account the national accounts with a baseline year of 1990.

3 The Bolivian government provided subsidies for fuel and certain basic food items in the household food basket. By 2024, fuel subsidies accounted for approximately 4% of GDP.

4 Following the five-year period over 2019–2023 (which saw average inflation of less than 2%), inflation rose to 10% and 20% in 2024 and 2025, respectively, because the fixed exchange rate and fuel subsidy policies could not be sustained, leading to fiscal and external imbalances, as well as black markets.

5 The parallel exchange rate corresponds to prices observed in informal markets and on digital platforms, which are used as a reference given restrictions on access to foreign currency within the formal financial system.

6 Starting in 2023, restrictions were imposed on foreign currency transactions within the Bolivian financial system due to a shortage of foreign currency, leading to the emergence of a parallel exchange rate that aligned with

I.3 Economic growth has lost momentum and remains constrained by structurally low levels of productivity, which has limited poverty reduction and thus increased vulnerability. Bolivia exhibits a pattern of volatile growth influenced by external shocks such as extreme weather events and disasters associated with natural hazards, reflected in the long periods required to double its economic output compared to other developing countries.[7] [8] Given the slower pace of economic activity over the past decade, monetary poverty stagnated at levels close to 40% between 2016 and 2025.

Beyond macroeconomic imbalances, the country faces a set of interrelated structural constraints that limit its potential for growth and poverty reduction:

- Institutional weaknesses and restrictive regulatory frameworks that create disproportionate costs and unintended adverse effects, affecting business activity and incentives for private investment.[9] [10] [11] [12] [13]
- Low levels of private investment and limited financial deepening, in an environment characterized by regulatory uncertainty and limited predictability.[14] [15]
- Persistent social and territorial gaps in access to basic services, particularly in areas highly exposed to climate-related hazards and natural disasters.[16] [17]

In this context, the growth model based on the predominant role of the public sector and income from natural resource exploitation[18] has revealed its limitations.[19] Macroeconomic stabilization and a return to

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cryptocurrencies such as Tether (USDT). In 2024, the spread between the official and parallel exchange rates exceeded 50%, and in 2025, it averaged over 90%.

7 The volatility of Bolivia's output is influenced by its exposure to the international market, both in terms of its output and its public finances (Kehoe et al., 2019). In 2015, it had one of the highest growth rates in Latin America and the Caribbean (6%), whereas in 2025 it was the worst-performing economy in the region (World Economic Outlook, October 2025).

8 During the COVID-19 pandemic, the Bolivian economy contracted by 12.7% in 2020 and grew by 10% in 2021.

9 Bolivia ranks 131st out of 142 countries on the Rule of Law Index (World Justice Project, 2024).

10 In terms of the World Bank's Worldwide Governance Indicators (Worldwide Governance Indicators, 2024), Bolivia scored 22 on a scale from 0 (worst) to 100 (best) in control of corruption, while Latin America and the Caribbean averaged 49.

11 In terms of the World Bank's Governance Indicators (Worldwide Governance Indicators, 2024), Bolivia's score in regulatory quality has continued to decline since 2014, falling from 35 to 20 on a scale of 0 (worst) to 100 (best).

12 In the World Bank's latest Doing Business report (2019), Bolivia ranked 150th out of 190 countries in the ease of doing business.

13 According to the Heritage Foundation's Index of Economic Freedom, Bolivia's economy is considered repressed, with a score of 44 out of 100.

14 Between 2014 and 2024, foreign direct investment in Bolivia averaged 0.5% of GDP, compared to 3.3% of GDP in Latin America and the Caribbean (World Bank's World Development Indicators, 2024).

15 Overall, 40% of companies report being fully or partially restricted in their access to credit (Enterprise Survey 2024–2025), compared to 25% in Latin America and the Caribbean.

16 During the decade from 2015–2024, Bolivia's monetary poverty rate stood at nearly 40% (National Statistics Institute (INE), household surveys, 2024).

17 According to the INE's 2024 population and housing census, the percentage of the population living in poverty as measured by unmet basic needs was 30%. Broken down by area, 16% of the urban population is poor as measured by unmet basic needs, compared to 62% of the rural population.

18 Bolivia is home one of the most significant reserves of natural capital heritage in Latin America, with extensive forests, wetlands, watersheds, and productive ecosystems that support key economic activities such as agriculture, livestock, nontimber forestry products, and nature-based tourism. This natural capital stands as a chief source of welfare, resilience, and opportunities for the country's sustainable development. At the same time, growing pressures associated with land-use change and certain productive activities pose challenges to ensuring its long-term conservation and sustainable use. Strengthening the management of natural capital and promoting incentives that recognize its economic, environmental, and social value are essential to preserving the ecosystem services that underpin productivity, water security, and people's livelihoods, while also opening up opportunities to mobilize innovative financing geared toward conservation and sustainable development.

19 In Bolivia, approximately 67 state-owned enterprises were created, 80% of them by decree. Since 2012, consolidated operations have reported fiscal deficits of up to 3.8% of GDP (2016). Data from the Oficina Técnica para el Fortalecimiento de la Empresa Pública (Technical Office for the Strengthening of State-owned Enterprises), which reports to the Ministry of the Interior, indicate that 36 of the 67 are in a critical financial position (https://www.ofep.gob.bo/informacion_empresas_publicas).

growth will require a structural transformation that combines credible fiscal consolidation with the creation of enabling conditions for private investment. In response to these challenges, the IDB Group is supporting reforms aimed primarily at strengthening fiscal sustainability and improving conditions for private investment. The country strategy will support these efforts through finance, technical cooperation, policy dialogue, and knowledge generation in priority areas for the country's development.

I.4 Macroeconomic stability (particularly fiscal and external sustainability) is a prerequisite for restoring confidence, reducing uncertainty, and reviving investment. On this basis, the country strategy will channel the IDB Group's support toward fiscal sustainability, institution-strengthening, and the promotion of private sector-led growth capable of creating high-quality jobs, improving productivity, and narrowing social gaps against a backdrop of high structural vulnerability and growing exposure to climate risks and disasters.

B. KEY LESSONS LEARNED FROM THE 2021–2025 STRATEGY

I.5 The implementation period of the 2022–2025 country strategy was marked by a macroeconomic and political deterioration that undermined governance and diminished the country's ability to advance reforms and projects. The country program in Bolivia was implemented in an exceptionally adverse economic, political, and social context, characterized by persistent macroeconomic imbalances, fiscal and external pressures, and a polarized political environment that constrained governance and public management capacity. This deterioration affected the composition and dynamics of the IDB Group's portfolio in Bolivia. In the specific case of IDB Invest, diminished regulatory predictability, inadequate investment protection, and a deteriorating investment climate limited the viability of longer-term, higher-risk support.

I.6 The country strategy proved to be adequately aligned with the country's development needs and the priorities of the government and the Bank, but it had significant limitations in terms of selectivity, evaluation, and macroeconomic risk management. Although it remained consistent with the Economic and Social Development Plan[20] and with the Bank's corporate pillars, the large number of strategic objectives and expected outcomes diluted its operational focus. Furthermore, while alignment with the country strategy's strategic objectives and expected outcomes was high in most cases, coverage was less developed for strategic objective 5 (startups associated with innovation, science, and technology) and strategic objective 10 (social protection), where operations were smaller in scale and scope. The strategy achieved adequate alignment with the country's main challenges; however, the large number of strategic objectives and expected outcomes limited the targeting of its efforts and reduced the depth of interventions, thus demonstrating the need to adopt a more selective and prioritized approach. The strategy anticipated the likelihood of macroeconomic deterioration, but this materialized early and constrained programming. Institutional weakness was also identified, leading to the inclusion of institution-strengthening as a crosscutting theme; however, for the next strategy, this should be designated as a strategic area given its importance to the country.

LESSONS LEARNED

I.7 At the <u>strategic level</u>, it is important to explicitly acknowledge the structural constraints of the macroeconomic and institutional context when designing the program. As the first lesson learned, the Country Program Review: Bolivia 2022–2025[21] conducted by the country team finds it essential to include these constraints when structuring the scope, pace, and composition of interventions during the program's execution period, itself characterized by fiscal constraints, external vulnerabilities, and varying institutional capacities. These conditions have a decisive impact on both programming and execution; accordingly, a realistic, context-adapted design is essential to ensure the viability and sustainability of results. Furthermore, in adverse macroeconomic environments, IDB Invest experience finds that it is

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20 Economic and Social Development Plan 2021–2025.

21 Country Program Review: Bolivia 2022–2025, available in the links. This review was conducted by the country team and validated by the Office of Evaluation and Oversight.

necessary to act proactively, tailoring the operation's terms to clients' needs in order to alleviate financial pressures, preserve the continuity of their operations, and achieve the intended development impact. At the same time, it is crucial to deepen upstream efforts to address structural constraints that currently limit private investment in Bolivia. These efforts should focus on clarifying regulatory and contractual frameworks, gradually strengthening market functioning, preparing and structuring projects, and building a more strategic, realistic pipeline aligned with the state of market maturity.

I.8 At the <u>strategic level</u>, experience highlights the need to strengthen strategic selectivity. The previous strategy proved to be adequately aligned with the country's development needs and the priorities of the government and the Bank; however, the large number of strategic objectives and expected outcomes diluted its operational focus. Thus, for example, strategic objectives related to startups in innovation, science and technology, and social protection were only slightly covered due to the presence of operations of lesser scale and scope. Limiting the number of strategic objectives allows the Group to concentrate its resources and capabilities, thereby strengthening the programmatic approach and facilitating deeper and more sustainable impacts as macroeconomic and institutional conditions improve. In addition, continuing and consolidating efforts in sectors where the IDB Group has proven expertise and a solid track record of results helps to expand its effectiveness and enhance its added value in the country.

I.9 At the <u>operational level</u>, proactive programmatic management focused on operational efficiency is of paramount importance. Effective implementation of the strategy requires active portfolio management to be able to anticipate bottlenecks, reduce delays in execution, and make timely progress toward results. During project design (especially for infrastructure projects), investing more in the pre-investment phase will help accelerate the start of execution. Likewise, providing regular training to project teams on fiduciary policies and contract management will help minimize delays in critical processes. Promoting greater competition in bidding processes through strategic dialogue with construction associations and the private sector will contribute to the success of key tenders. Lastly, coupled with proactive financial management, a review of execution frameworks to ensure more efficient institutional arrangements will foster a more agile and effective implementation of the portfolio. Particularly in environments with limited institutional capacity, the emphasis on institution-strengthening—in both loan operations and technical cooperation—is essential to strengthen the preparation of operations, support executing agencies, and mitigate implementation risks, particularly in sectors exposed to climate risks and disasters that could affect the continuity and sustainability of the investments.

I.10 In terms of outcomes, the country program's contribution was moderate, with more consistent progress toward the strategic objectives of economic reconstruction and agricultural productivity, and less progress in diversification of production, innovation, and certain outcomes related to social services. The operations with the highest degree of maturity and verifiable evidence demonstrated concrete impacts in financing for micro, small, and medium-sized enterprises (MSMEs), formal job creation, land titling, irrigation, and rural electrification. In this context, the IDB Group's contribution reflected a combination of sovereign and private sector interventions, with contributions from IDB Invest focused primarily on expanding access to finance, supporting productive sectors facing credit constraints, and facilitating access to essential inputs, thereby complementing public support. In contrast, outcomes were more limited in sectors such as innovation, digital transformation, urban development, and urban transportation, where the portfolio was younger or more dependent on technical cooperation, with advances primarily in institution-strengthening and project preparation, but without sufficient evidence of outcomes yet. However, certain operations in some sectors with a more established track record, such as health and water and sanitation, faced execution challenges, hindering the timely achievement of outcomes. Key factors included the deterioration of the macroeconomic environment, delays in ratification, limited institutional capacity, delays in procurement processes, and high staff turnover.

I.11 The experience of the previous strategy underscores the value of a comprehensive approach by the IDB Group. Together with the complementary use of financial and nonfinancial instruments, coordination between sovereign and non-sovereign financing has proven key to sustaining the Group's presence and its contribution to the development of the productive sector, even within an environment of significant constraints. Similarly, the country's growing exposure to climate risks and disasters underscores the importance of mainstreaming resilience and financial risk management across the Group's interventions. This integrated approach makes it possible to maximize impact, expand sources of finance, and strengthen cooperation with the private sector. Furthermore, greater coordination between the IDB and IDB Invest in the development of policies and regulatory reforms—including, where feasible, the strengthening of frameworks for public-private partnerships—can expand future opportunities beyond short-term, low-risk instruments, provided the existence of enabling conditions, appropriate risk allocation, and bankable projects.

C. FOCUS ON SELECTIVITY

WHY SELECTIVITY TO ACHIEVE IMPACT?

I.12 The new country strategy is based on application of the IDB Group's strategic selectivity framework. The objective is to concentrate resources and capabilities in areas with the greatest potential for impact, scalability, and sustainability. For Bolivia, this approach responds to a context marked by limited fiscal space, deep macroeconomic imbalances, and persistent institutional constraints, which limit the public sector's capacity to intervene and the viability of operations.

In this environment, selectivity allows the IDB Group to focus its efforts, while also becoming a prerequisite for maximizing its contribution to the country's economic growth and productivity. By concentrating interventions on viable priority areas, the strategy seeks to ensure greater impact, programmatic consistency, and the sustainability of results, in line with the structural constraints and national development objectives within the framework of the Plan Bolivia, which includes the PDESA.[22]

HOW DO WE REFINE THE APPROACH?

I.13 The IDB Group strategy is the result of a process that begins with a diagnostic analysis of the economy. The IDB Group Country Strategy with Bolivia is the result of an analytical convergence process that integrates the IDB Group strategy (Impact+), the business plans of IDB Invest and IDB Lab, the national government's priorities within the framework of the PDESA, the Country Diagnostics for Impact document, and the IDB Group's comparative advantages in the country. The exercise began with the Country Diagnostics for Impact document, which identifies fiscal unsustainability, constraints on private investment, institutional gaps, and persistent social and territorial disparities as the main challenges. On this basis, an exercise was conducted for convergence between the government's priorities—as reflected in the 2026–2030 PDESA—and the IDB Group's institutional and sectoral priorities, including its regional initiatives.

I.14 The IDB Group's strategic positioning[23] in Bolivia reaffirms its leadership as the country's primary development partner. An analysis of this strategic positioning confirms that the IDB is currently Bolivia's leading multilateral development creditor, with a 31% share of the country's external debt in 2025[24] and a sustained track record of financing that combines scale, programmatic continuity, and sectoral diversity. This track record is reflected in a longstanding presence in key sectors such as energy and transportation, where the IDB has exercised technical and financial leadership, facilitating the implementation of high-impact operations. Through IDB Invest, the Group has also remained closely engaged in financing the private sector—particularly MSMEs, trade and supply chains, manufacturing, agribusiness, and financial intermediation—and thus contributing to financial inclusion and value chain

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22 Included in Plan Bolivia, which is still being drafted. The Bolivian government has also prepared the General Plan for Economic and Social Development 2026–2035.

23 See link 7 on strategic positioning for more details on the IDB Group's role in Bolivia.

24 During the decade from 2014–2024, Bolivia's public debt rose from 38% to 98% of GDP, primarily due to an increase in domestic debt. External debt rose from 20% to 30% of GDP, and by 2025 had fallen to 23% of GDP. The IDB held a 30% share of multilateral debt and of total external debt.

development. Playing a more catalytic than scaling role in the expansion of private financing, its contribution has been particularly significant in solutions tailored to Bolivia, including shorter-term instruments, operations with financial intermediaries, and guarantees.[25] IDB Lab has promoted innovative solutions in sectors such as health, agriculture, the bioeconomy, and water, leveraging entrepreneurship and technology to expand market frontiers and generate impact for vulnerable populations. This intersection made it possible to identify a limited set of strategic areas where national priorities, the Group's comparative advantage, and the greatest potential for impact converge, thereby laying the foundation for a targeted, programmatic, and results-oriented strategy.

I.15 Operational experience shows that the best results were concentrated in sectors where the IDB had an established presence, long-term institutional relationships, experienced technical teams, and mature operations. However, it also highlights the need to prioritize support for economic recovery. A review of the IDB Group's operational experience in Bolivia shows that the Group's experience has spanned a broad swath of sectors where scale, track record, and execution capacity converge, including energy, health, water and sanitation, agriculture and rural development, and transportation—sectors where interventions have maintained continuity and sustained contributions over time. In contrast, areas with a younger portfolio, delays in ratification or execution, or less cumulative experience, such as innovation and entrepreneurship, digital transformation, and productive diversification, showed more limited contributions. Other sectors, such as institution-strengthening and fiscal management, have not had large-scale operations in the past and have been driven solely through cooperation and technical assistance. However, in the current context and given the government's demand, they are emerging as strategic areas with high potential for future interventions.

Against a backdrop of fiscal constraints, the evidence also points to the need to consolidate a programmatic approach that maximizes scale and impact by diversifying financial instruments, prioritizing PDESA-aligned interventions, and strengthening dialogue with the authorities. Additionally, in the face of fiscal consolidation, the private sector needs to play a more prominent role in stimulating investment and growth, including, where enabling conditions exist, private sector participation arrangements and capital mobilization mechanisms in which IDB Invest could selectively participate. Performance in the private sector has sought resilience amid an adverse macroeconomic environment. Operations have maintained levels of effectiveness comparable to the institutional average, with a focus on financing the financial sector and on select corporate initiatives that provide liquidity and support to local manufacturing. However, challenges persist due to macroeconomic instability, liquidity constraints, foreign currency shortages, and limitations in the investment climate, which have affected both project origination and supervision. Moving forward, the Group's strengthened approach will be geared toward improving the investment environment and market functioning. This approach will be key to expanding IDB Invest's impact, with opportunities in sectors such as energy, mining, agribusiness, logistics, tourism, and financial markets.

I.16 The selectivity framework incorporates an assessment of the risks that affect implementation of the strategy and its ability to generate results. On the political front, social[26] tensions and governance challenges—including political fragmentation and a lack of consensus—can affect the continuity of reforms and their implementation timelines, requiring ongoing policy dialogue as well as support for effective communication mechanisms and social protection.

In macroeconomic and financial terms, persistent exposure to external shocks, low availability of international reserves, and fiscal imbalances place pressure on external liquidity, macroeconomic stability,

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[25] In line with this approach, IDB Invest has used instruments tailored to Bolivia, including guarantees; for example, in 2024 it approved a partial credit guarantee of up to US$15 million to back a US$30 million issue to expand finance for micro and small enterprises and women-led businesses.

[26] Since April, Bolivia has endured 53 days of road blockades led by social sectors with a list of diverse demands ranging from material issues to calls for the executive branch to resign. Estimated at US$2 billion, the economic and social toll resulting from the disruption of food, oxygen, and medicine supply chains has been considerable, with consequences felt nationwide, albeit concentrated primarily in the capital.

and sovereign financing capacity, which affects both the performance of operations and private investment dynamics. These risks are addressed through a combination of programmatic instruments, strengthened macroeconomic monitoring, and the strategic use of technical cooperation to backstop the IDB Group's presence and protect the quality of the portfolio. At the same time, risks associated with external liquidity and access to credit (stemming from low reserve levels, dependence on volatile sources of finance, and vulnerability to external shocks) require diversified sources of finance and access to contingency instruments, along with close monitoring of lending conditions and emerging risks.

Combined with budgetary restrictions, institutional and execution-related constraints can affect the capacity to implement projects and the viability of the project pipeline; this is addressed through institutional capacity-building, more intensive oversight, and the use of technical assistance and policy-based operations. Lastly, high exposure to environmental, climate, and natural disaster risks (including ecosystem degradation and vulnerability to extreme events) can lead to significant fiscal and operational impacts; accordingly, the strategy prioritizes resilient designs, climate risk-based planning, and strengthened disaster management. Taken together, these risks will be monitored on an ongoing basis to allow for dynamic adjustments in the strategy's implementation and to ensure that its objectives are met.

I.17 Use of the selectivity framework made it possible to identify the areas where the IDB Group can generate the greatest impact in Bolivia. The results of the selectivity framework made it possible to prioritize sectors with a proven track record, solid performance, and growth potential, such as energy, transportation, and water and sanitation. It also incorporates key recent areas with shorter track records but that are critical to the macroeconomic situation, such as the fiscal sector (FMM) and institution-strengthening (ICS). In the private sector, the Connectivity, Markets, and Finance Division (CMF) will play a complementary role in supporting the financial sector by strengthening the regulatory framework and promoting financing and guarantee instruments channeled through financial intermediaries; IDB Invest will seek to support the financial sector and select corporate initiatives, while gradually expanding its scope to strategic sectors such as energy, mining, agribusiness, and logistics, provided there are clear regulatory frameworks, solvent demand, and bankable projects. IDB Lab will help strengthen the entrepreneurial and innovation ecosystem and develop the venture capital industry, promoting innovative solutions that catalyze scalable and inclusive business models. Overall, this approach aligns the strategy with the country's macroeconomic constraints, leveraging the IDB Group's comparative advantages, and maximizing impact through selective, evidence-based, and results-oriented programming.

IDB Group support package

To support implementation of this country strategy, the IDB Group estimates an indicative financing package of up to US$5.72 billion for the 2026–2030 period, comprising IDB, IDB Invest, and IDB Lab operations. The base case scenario assumes the approval of a staff level agreement with the IMF in 2026 and reflects the level of support that the IDB Group could mobilize to support the reform and investment agenda the country needs to drive the transformation of its economic model. Should this assumption not materialize, the Bank provides for an alternative scenario with a lower level of sovereign financing, associated with a more limited reform environment but still maintaining the Bank's presence in key sectors.

Table 1 presents the indicative distribution of the support package by window and year. The amounts are subject to the country's demand, changes in macroeconomic and fiscal conditions, the capacity to implement operations, and the Bank's internal programming and approval processes. For a detailed description of the assumptions, scenarios, and estimates of the financial framework, see Annex IV – Estimated Financing Framework.

TABLE 1. IDB Group approvals for the 2026–2030 period

Year	IDB total	IDB Invest	IDB Lab	IDB Group
	(US$ millions)			
2026	1,732.2	50.0	3.3	**1,765.5**
2027	860.0	100.0	1.2	**961.2**
2028	1,310.0	150.0	1.2	**1,491.2**
2029	530.0	225.0	1.2	**781.2**
2030	430.0	325.0	1.2	**721.2**
Total, 2026–2030 strategy*	**4,862.2**	**850.0**	**8.0**	**5,720.2**

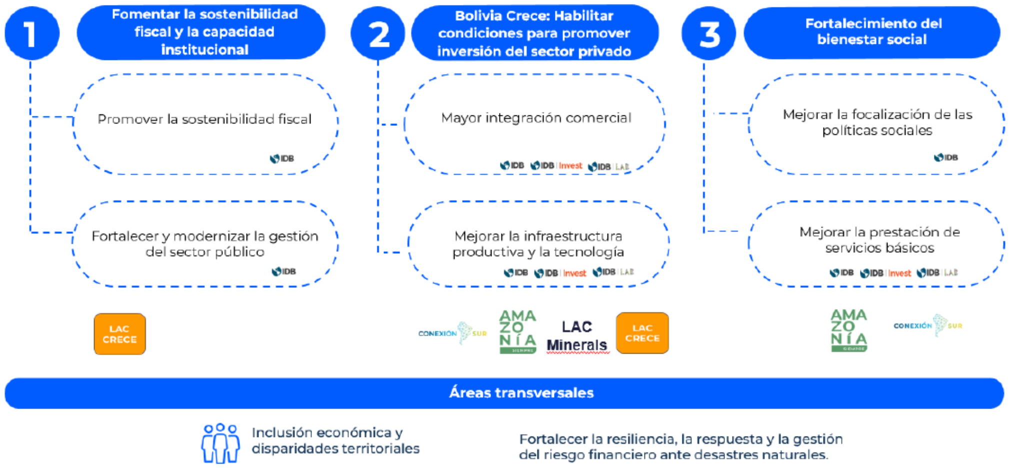
II. PRIORITY AREAS AND EXPECTED OUTCOMES

II.1 The objective of the 2026–2030 country strategy is to contribute to fiscal sustainability with a view to fostering sustainable economic growth, reducing poverty, and promoting a transition toward a private sector-led model. The strategy is organized into three priority areas: (i) strengthening fiscal sustainability and institutional capacity, (ii) creating enabling conditions for private investment, and (iii) strengthening social welfare. The strategy also incorporates two crosscutting areas aimed at reducing regional disparities, promoting economic inclusion, and strengthening resilience to climate risks and natural disasters.

These areas reinforce one another and collectively contribute to the goal of resilient growth. First, strengthening fiscal sustainability and institutional capacity lays the groundwork for advancing toward an environment of macroeconomic stability, more efficient public expenditure, and enhanced quality of government administration. Second, creating conditions for private investment drives productive transformation by strengthening the regulatory framework, improving the business climate, and increasing investment in strategic sectors.

Lastly, strengthening social welfare helps expand access to basic services and improve social protection systems, thereby reducing poverty and promoting greater inclusion and productivity. This integrated approach recognizes that sustainable growth depends on the interplay between macroeconomic stability, private investment, and social inclusion and guides the IDB Group's interventions through a programmatic and coordinated logic across its different windows. Strengthening social welfare plays a particularly important role within the strategy, as it contributes to the viability of reforms aimed at fiscal sustainability. Improving the targeting of social programs and strengthening social protection mechanisms will help mitigate the distributional impacts of the reforms and facilitate the consensus-building necessary for their implementation and long-term sustainability.

Table 1. Priority areas and strategic objectives of the IDB Group in Bolivia



Source: Prepared by the authors.

A. PRIORITY AREA I: PROMOTING FISCAL SUSTAINABILITY AND INSTITUTIONAL CAPACITY

WHY IS THIS IMPORTANT?

II.2 Bolivia's sluggish economic performance reflects cumulative macroeconomic vulnerabilities that limit sustained growth. Bolivia has recorded sustained balance-of-payments deficits for 10 consecutive years while also facing low levels of foreign direct investment and limited productivity. In addition to short-term volatility in international commodity prices, the country faces long-term challenges associated with both the gradual depletion of natural gas reserves (its main export) and changes in global demand for hydrocarbons resulting from the energy transition.

These external pressures contributed to a significant weakening of macroeconomic buffers.[27] In particular, net international reserves fell from about 46% of GDP in 2014 to approximately 4% in 2024, reflecting persistent macroeconomic imbalances. This deterioration in the external position restricts the country's ability to absorb shocks and limits its economic policy space, affecting both macroeconomic stability and investment conditions.[28] The country has accumulated 11 consecutive years of fiscal deficits, with a continuous deterioration that brought the deficit to 12.2% of GDP in 2025. This trend has also been driven by the decline in domestic production and the international price of hydrocarbons, which resulted in a sharp drop in tax revenues from this sector from US$7.2 billion in 2013 (equivalent to 48% of total tax revenues) to US$5 billion in 2024 (30% of tax revenues).[29] This has driven a rapid increase in debt, financed primarily through domestic borrowing, which has pushed public debt up to levels close to 100% of GDP. This dynamic not only reduces fiscal headroom but also increases the vulnerabilities of the financial system and macroeconomic risk.

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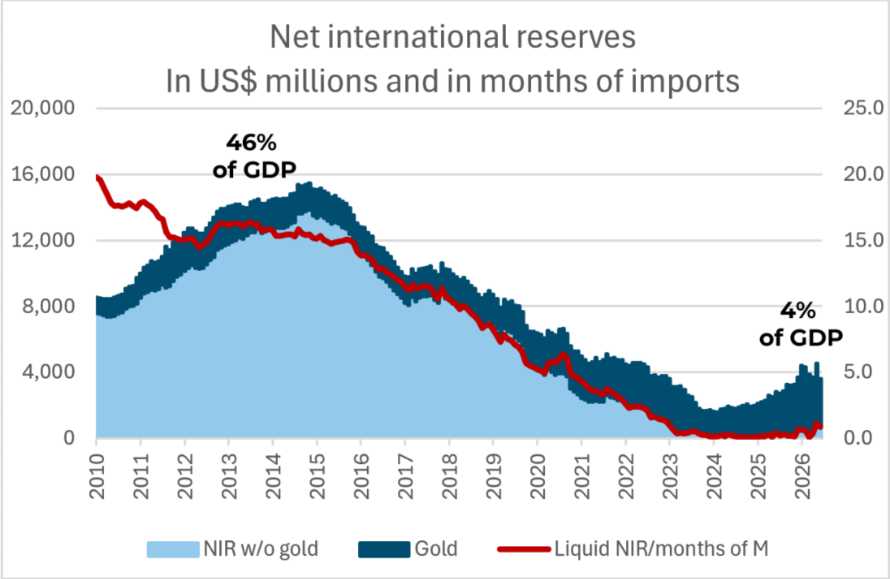
27 Macroeconomic buffers include international reserves, fiscal headroom, and access to external finance, which enable countries to respond to economic shocks.

28 Financing the fiscal deficit by depleting net international reserves and domestic savings (such as the pension fund) and increasing domestic debt, thereby weakening the currency, constitutes a first-generation balance-of-payments crisis.

29 Source: 2024 Fiscal Report (Ministry of Economy and Public Finance, 2025).

Figure 1. Net international reserves (2010–2026)



Source: Central Bank of Bolivia.

II.3 In addition, macroeconomic imbalances have begun to spill over into prices and the foreign exchange market, giving rise to growing economic and social pressures. Against a backdrop of less sustainable subsidies, exchange rate policies, and price controls, inflation, which had remained contained at an average of approximately 1.6% between 2018 and 2023, rose significantly, reaching 10% in 2024 and 20% in 2025.[30] Furthermore, a parallel foreign exchange market has emerged since 2023, with spreads of up to 180% above the official exchange rate, reflecting restrictions on access to foreign currency.
Taken together, these dynamics point to an increasingly constrained growth model characterized by low resilience to shocks, limited capacity to generate foreign currency, and growing fiscal and external imbalances. As a result, Bolivia faces a period of volatile and sluggish growth, in which it will take approximately 28 years to double GDP,[31] compared to an average of 15 years in peer-income countries.[32]

WHAT WE WILL DO

II.4 The IDB Group will support strengthening fiscal sustainability and institutional capacity in Bolivia as a prerequisite for restoring macroeconomic stability and creating an environment conducive to sustainable growth. In line with the Group's strategic selectivity framework and positioning, this pillar is focused on two strategic objectives: (i) promoting fiscal sustainability and (ii) strengthening and modernizing public sector management. To achieve these objectives, priority is given to interventions aimed at improving fiscal policy, strengthening macrofiscal frameworks (by incorporating energy transition risks into medium-term fiscal projections), optimizing the allocation and execution of public expenditure, strengthening management systems, and boosting the efficiency and quality of public expenditure and institutions' capacity to effectively formulate and implement public policies.

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30 Reported inflation relates to the annual change in the consumer price index, calculated by the INE.

31 Calculation using historical data from 1980 to 2025, applying the logarithmic rule (ln(2) = 0.7), which uses the geometric mean of growth to calculate the number of years, namely: geometric growth = (Π (1+g)^(1/T))-1, where T = $\frac{\ln(2)}{\ln(1+g)} = \frac{70}{g\ average\ x100}$, and g is the growth rate and T the number of years.

32 Bolivia is considered a lower-middle-income country—the only one in South America to fall into this category (World Bank, 2025).

II.5 To contribute to fiscal sustainability, the IDB Group will support strengthening the fiscal framework.[33] To do so, it will promote strengthened macrofiscal planning, the improved efficiency of macroeconomic and budgetary planning, an effective tax system, and fiscal consolidation. These actions will be complemented by interventions aimed at improving the quality of information and decision-making by strengthening national statistical systems and sectoral information and management systems (for example, in the social and educational sectors). Analytical frameworks will also be developed to better assess scenarios and fiscal sustainability, complemented by the mobilization of public resources and expenditure efficiency. Furthermore, support will be provided to improve the debt's financial profile, the mobilization of resources for development, and disaster risk financial management strategies that contribute to strengthening fiscal sustainability and resilience. As a complement, strengthening financial integrity will contribute to the fiscal framework by advancing financial transparency, ensuring the traceability of public resources, and preventing illicit financial flows, which affect the mobilization of domestic resources, fiscal sustainability, and trust in institutions.

II.6 At the same time, the IDB Group will support the strengthening and modernization of public sector management through actions aimed at improving expenditure efficiency, streamlining administrative processes, and building institutional capacities. In particular, initiatives will be promoted to streamline regulations, advance digitization, and strengthen the government's digital services and infrastructure with a view to improving the execution of public expenditure, reducing administrative costs, and boosting transparency. These actions will focus particular attention on sectors with significant budgetary weight and strategic importance, such as education and health, where improvements in expenditure effectiveness can lead to greater impacts on service quality and coverage. These actions will be complemented by efforts to strengthen planning, monitoring, and evaluation systems, thus contributing to more efficient and results-oriented public management. In addition, institution-strengthening will be addressed by reinforcing financial and public integrity systems, interagency coordination, and the strategic use of data. Likewise, the IDB Group will promote the strengthening of interagency and intergovernmental coordination mechanisms between the central government and autonomous subnational entities, contributing to more coordinated, efficient, and results-oriented public management. This coordination will help improve the territorial implementation of public policies and strategic investments. At the same time, capacity-building will be promoted for the use of emerging technologies, advanced data analytics tools, and digital solutions that help improve operational efficiency, the quality of public services, and evidence-based decision-making, in line with the principles of information security, transparency, and responsible data use.

Pillar 1 highlights the programmatic approach to the fiscal sector, through which the Bank sequentially supports the country's fiscal consolidation agenda: technical assistance prepares and strengthens institutional capacities, policy-based loans underpin the adoption of structural reforms, and special development lending supports macroeconomic stabilization needs. In coordination with the IMF, the World Bank, and the Development Bank of Latin America (CAF), this approach integrates technical assistance, finance, and policy dialogue to drive a sustainable fiscal consolidation that strengthens the credibility of fiscal policy, creates space for productive public investment, and lays the groundwork for greater private investment. These interventions will be implemented following a programmatic approach that combines financial and nonfinancial instruments, including investment operations, support for reforms, technical cooperation, and knowledge generation. Furthermore, through the Flexible Financing Facility (FFF) and standalone derivative instruments,[34] tools are provided to strengthen financial resilience by

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33 According to the 2025 PEFA Gender Assessment, gaps persist in systematically integrating a gender perspective into public financial management, particularly in linking the budget to expected outcomes and impacts, as well as in strengthening gender-sensitive planning, monitoring, and accountability.

34 The country can benefit from a strategic approach through the use of FFF financial instruments and standalone derivative instruments, which allows it to leverage the IDB's AAA credit rating. This approach not only maximizes access to favorable financing terms but also provides support and guidance in managing these tools. While use of the FFF does not require an agreement published by the International Swaps and Derivatives Association (ISDA),

mitigating vulnerabilities arising from fluctuations in exchange rates, interest rates, and commodity prices and from the impacts of natural disasters.

Furthermore, the CAsA (capacity-building, advisory services, and portfolio management) program facilitates institutional support for governments and official bodies, offering a platform to build public sector capacities in treasury management, financial risk management, and investment governance. This approach will facilitate gradual progress toward fiscal consolidation, thereby building institutional capacities and ensuring the sustainability of reforms over time.

The IDB will also support the institutional strengthening of financial authorities and the relevant regulatory frameworks to drive improvements in regulation, supervision, and technical capabilities from a prudential and market conduct perspective. Through a combination of technical assistance, knowledge generation, and support for public policy reforms, this support will help strengthen the financial system's stability, integrity, and resilience, as well as transparency, the protection of financial consumers, and the development of deeper and more inclusive markets. This also includes strengthening cybersecurity in the government's digital transformation efforts and data protection.

EXPECTED OUTCOMES

Greater public sector efficiency: The IDB Group will support initiatives aimed at optimizing public expenditure allocation and execution, thereby strengthening financial, budgetary, and public investment management systems and institutions' capacity to formulate and implement public policies more effectively.

Contribute to fiscal consolidation: The IDB Group will help strengthen the macrofiscal framework through the development of planning, monitoring, and evaluation tools and improvements in public expenditure quality. These interventions will seek to reduce fiscal imbalances, strengthen fiscal discipline, incorporate disaster risk financial management mechanisms, and improve the sustainability of public finances in the medium term, including the use of innovative financing instruments that improve the debt's financial profile and mobilize resources for development.

Promote administrative streamlining and digitization of the government: The IDB Group will support public management modernization by streamlining processes, digitalizing services, and strengthening the government's digital infrastructure, while promoting reforms aimed at building governance, transparency, and accountability. Along the same lines, strengthening public integrity, institutional interoperability, the traceability of public resources, and risk-based management will consolidate the modernization of the State. These actions will include building institutional capacities, strengthening national statistical systems, and improving the quality of information for decision-making in order to enhance operational efficiency, improve the efficiency of public expenditure allocation and execution, and reduce administrative costs. Likewise, the strategy will promote strengthening of the government's technology infrastructure, capacity-building in digital management, and the adoption of cybersecurity measures aimed at protecting critical systems, digital assets, and public services, contributing to operational continuity, information integrity, and public trust in digital processes.

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the Bank also offers the option of signing ISDA agreements to execute standalone derivatives that manage debt exposures not linked to financing provided by the Bank to the government and/or the central bank.

B. PRIORITY AREA II: BOLIVIA CRECE: ENABLING CONDITIONS TO PROMOTE PRIVATE SECTOR INVESTMENT

WHY IS THIS IMPORTANT?

II.7 Meager private investment in Bolivia reflects structural constraints linked to institutional weaknesses and restrictive regulatory frameworks. In particular, poor institutional quality and deficiencies in public governance limit private sector development and constrain the country's ability to attract investment and generate sustained growth. These factors affect the predictability of the business environment and increase the perception of risk, thereby restricting both domestic and foreign investment. Institutional weaknesses are reflected in governance indicators that lag behind those of the region. Ranking low on international governance indices, Bolivia has lagging levels of accountability and rule of law. In addition, indicators on control of corruption fall below regional averages, which limits trust in institutions and reduces the effectiveness of public policies. These factors hinder the implementation of reforms and affect the government's ability to create favorable conditions for private investment.

II.8 The complex institutional framework has kept the cost of doing business high, which constitutes a significant constraint on private sector development and productivity for long-term growth. The presence of complex regulations, lengthy administrative procedures, and limited institutional coordination increases operating costs and reduces companies' competitiveness. In this context, Bolivia's economy is classified as highly restricted in terms of economic freedom, reflecting an environment inconducive to investment and business growth. Furthermore, the financing gap for the productive sector is estimated at 21% of GDP,[35] and less than 20% of companies engage in R&D and technology adoption (World Bank, 2026). Financial constraints and low levels of innovation limit companies' ability to diversify their product offerings and participate in more dynamic value chains. The lack of incentives for investment in physical and human capital—particularly in nonextractive sectors—and public investment with low returns on production[36] have resulted in a decline in productivity, leaving the country with half the regional average of GDP per worker in 2024.[37] [38] [39]

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35 57% for companies led by women (SME Finance Forum, 2024).

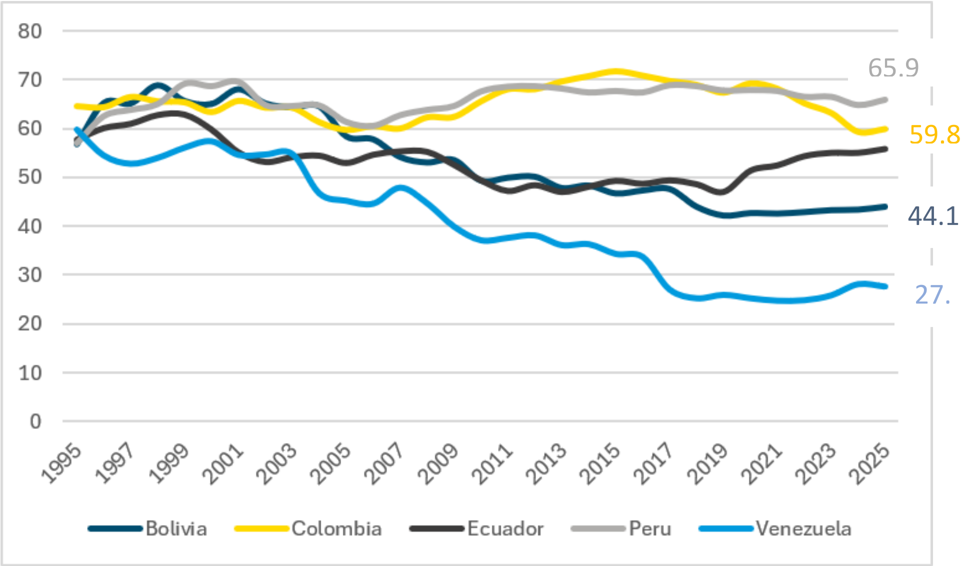
36 Public investment has focused on state-owned enterprises, extractive sectors, and infrastructure, with limitations on their economic returns (Machicado, 2020).

37 Total factor productivity declined by 1.1% over the past decade, compared to a 0.6% decline in Latin America and the Caribbean (Penn World Table, version 11.0).

38 Bolivia's GDP per worker in terms of purchasing power parity stood at US$21,296, compared to US$42,983 in Latin America and the Caribbean.

39 In 2021, Bolivia's total factor productivity was equivalent to just 14% of that of the United States, and no local sector exceeded 25% of this international benchmark (CAF, 2022).

Figure 2. High cost of doing business
Index of Economic Freedom, selected countries
(Index: 0 represents the worst score and 100 the best)



Source: The Heritage Foundation.

II.9 Furthermore, the quality of the regulatory framework has steadily declined in recent years, in contrast to trends observed in other countries in Latin America and the Caribbean. The persistence of regulatory barriers, along with challenges related to legal certainty, policy stability, and the protection of property rights, limits the private sector's ability to plan and invest for the long term. These constraints particularly affect participation in strategic sectors and reduce the potential for productive diversification. They also limit the bankability of projects and the possibility of mobilizing non-sovereign financing in sectors with growth potential. Taken together, these factors shape an environment that limits private investment, reduces productivity, and restricts sustainable economic growth. The interplay between institutional weakness, a heavy regulatory burden, and high operating costs creates a cycle that discourages investment and hinders the expansion of the private sector. This context underscores the need to move toward a more investment-friendly environment based on institution-strengthening, improved regulatory quality, and lower administrative barriers.

WHAT WE WILL DO

II.10 The IDB Group's support in this priority area will be implemented under the "Bolivia Crece" action plan, within the framework of the LAC Crece platform. Developed as part of the strategy, this operational action plan **seeks to remove constraints on economic growth through reforms, investments, and institution-strengthening measures that facilitate private investment, promote exports, and generate foreign currency.** Bolivia Crece will prioritize sectors with high potential for productivity, international integration, and territorial development, including agribusiness, energy, mining, logistics, and tourism. The IDB Group will also promote initiatives aimed at developing value chains linked to strategic natural resources, including critical minerals such as lithium, promoting greater levels of processing, innovation, technology transfer, and creation of value-added. These actions could contribute to the strengthening of strategic productive complexes and the development of productive and institutional capacities in relevant sectors for the productive transformation of the country. Under this approach, the IDB will support the creation of enabling conditions for private investment, through support for the development of a policy to attract and promote investments, while IDB Invest and IDB Lab will help mobilize finance, develop markets, and accelerate the adoption of innovation and technology. IDB Invest may provide financing or mobilize private capital when there are viable projects, proper frameworks, and market demand; and IDB Lab will contribute with innovation, entrepreneurship, and scalable technology solutions.

II.11 The IDB Group will support the creation of enabling conditions to promote private sector investment in Bolivia as a key element for boosting economic activity and overcoming structural constraints on growth. This strategic area is focused on two objectives: (i) greater trade integration and (ii) improving productive infrastructure and technology.[40] To achieve these objectives, priority is given to interventions aimed at strengthening the business environment, fostering innovation and entrepreneurship, lowering barriers to investment, and mobilizing resources toward strategic sectors, including market development and the strengthening of upstream efforts as a foundation for future non-sovereign operations. Efforts will also be made to consolidate financial solutions to support access to finance for MSMEs,[41] with these actions complemented by programs to strengthen managerial capacities, innovation, and digital technology adoption. In addition, the development of payment systems that facilitate transactions in general will be encouraged through interoperable systems with strengthened regulatory frameworks, supply chains, and international trade. In particular, a retail payment system will be promoted as a gateway to financial inclusion. Along with the identified interventions, the portfolio of operations currently in preparation and under execution will also contribute to achievement of the objectives defined for this priority area. Similarly, the IDB Group will promote mechanisms that facilitate technology adoption, innovation, and knowledge transfer between universities, research centers, technological institutions, and the productive sector, with the purpose of strengthening competitiveness, capacity-building, and economic diversification. The interventions may promote innovation ecosystems that coordinate public, academic, and private stakeholders to facilitate the generation, adaptation, and dissemination of technologies applied to strategic sectors. Moreover, technical cooperation will be used to pursue skills development and productive capacity-building to promote the industrialization of the economy.

Interventions aimed at increasing investment and productivity will aim to contribute to the creation of quality jobs and the development of higher value-added activities, while favoring a more inclusive economic transition.

II.12 To strengthen the policy and regulatory framework oriented toward promoting private investment and to improving trade conditions, the IDB Group will support reforms aimed at streamlining procedures, strengthening institutional coordination, and improving the quality of the policy framework. These actions will include the development of tools such as the single window for foreign trade, as well as the streamlining and improvement of regulatory frameworks to promote private investment and increase predictability. Improvements to the public policy and regulatory environment will contribute to the development of deeper and more inclusive financial markets. Reforms aimed at strengthening economic governance, improving legal certainty, and facilitating private sector participation in infrastructure, trade, and productive development projects will also be promoted in sectors and frameworks that are viable in regulatory, institutional, and financial terms. The strategy will also seek to capitalize on opportunities arising from Bolivia's participation in regional integration mechanisms, including the Andean Community (CAN) and the process of full accession to MERCOSUR. Against this backdrop, the IDB Group will support efforts aimed at promoting regulatory convergence, trade facilitation, system interoperability, logistics and energy integration, and strengthened public policy coordination at the subregional level. These actions will complement the objectives of the South Connection initiative and help improve competitiveness, regional integration, and conditions for investment and private sector-led growth. Within this framework, the joint work between the IDB and IDB Invest will not only seek to improve enabling conditions for investment but also to support the preparation of financial solutions with the potential to mobilize private capital, including thematic bond issues, foreign trade lines of credit, and risk transfer and management mechanisms. These actions will be particularly important for expanding MSMEs' access to

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41 Including women-led businesses.

finance, sustaining foreign trade, preserving liquidity in supply chains, and channeling capital market resources toward productive investments.

II.13 In addition, the IDB Group will support measures aimed at facilitating the formalization of businesses and workers by streamlining procedures, digitalizing services, and strengthening payment systems. These actions will help boost productivity and develop enabling conditions for private investment, productive transformation, and private sector-led growth. They will also aim to facilitate technology adoption by businesses and strengthen the productive sector's capacity to respond to new investment and trade opportunities.

II.14 In parallel, the IDB Group will use an integrated approach to promote initiatives aimed at improving productive infrastructure and technology. This approach will combine financing, institution-strengthening, and the development of strategic sectors. These actions will include greater access to finance for MSMEs, the strengthening of production chains, and the promotion of investment in high-potential sectors, such as energy, mining, agribusiness, logistics, and transportation. Strengthening governance, transparency, traceability, and financial integrity in line with international standards and the growing expectations of international investors and markets will be crucial to supporting these efforts. Support will also be provided to develop key infrastructure (including transportation, physical and digital connectivity, and energy), with an emphasis on mobilizing private investment and improving competitiveness through a suite of interventions that combine regulatory reforms, institution-strengthening, project preparation, resilience, the use of cost-effective nature-based solutions throughout the infrastructure's life cycle, and non-sovereign financing, where feasible.

Pillar 2 highlights the programmatic approach to the energy sector, which reflects the evolution of the Bank's support—from financing critical infrastructure to expand universal access—strengthen transmission, and advance the diversification of the electricity mix toward a second-generation agenda focused on creating an enabling environment for private investment. This new phase combines technical assistance, reforms to the legal and regulatory framework, institution-strengthening, risk mitigation instruments, and financing for strategic investments to mobilize public and private capital. Overall, this approach seeks to consolidate a sustainable energy transition that bolsters the country's energy security, promotes private sector participation, and lays the groundwork for low-carbon growth.

The IDB will contribute to strengthening the institutional framework and developing financial instruments and mechanisms that help correct market failures and create conditions for a greater mobilization of private investment. It will also promote actions aimed at facilitating the gradual transition of MSMEs toward formalization by lowering regulatory barriers, streamlining procedures, and increasing financial inclusion. Formalization is a key mechanism for improving productivity, expanding market access, and strengthening the resilience of productive units. In this context, IDB Invest will help mobilize private capital through direct financing, guarantees, foreign trade lines, working capital instruments, and technical assistance, prioritizing sectors where enabling conditions, market demand, and viable projects exist. This support will be developed in close coordination with the IDB to move forward on the development of regulatory frameworks and project preparation, so that the improvements in the business environment can gradually translate into financeable opportunities for the private sector.

In the short term, this agenda builds on IDB Invest's current portfolio in Bolivia, which includes: (i) a partial credit guarantee to support a thematic bond issue in the Bolivian market aimed at expanding financing for micro and small enterprises; (ii) financing for a financial institution with a strong presence in the micro and small enterprise segments, including rural areas, to expand credit to micro and small enterprises in commerce, industry, and services, supported by technical assistance in environmental and social management; (iii) working capital and foreign trade solutions to strengthen supply chains and finance private sector imports; and (iv) credit lines linked to trade facilitation with local banks to sustain foreign trade and trade integration operations. Throughout the period of the new strategy, IDB Invest will seek to advance this agenda by supporting new thematic issues in the capital markets, increased use of lines under the

Trade Finance Facilitation Program, developing climate risk assurance and transfer instruments with leading market actors, and mapping financing opportunities in agribusiness, manufacturing, mining, tourism, energy, and logistics, in coordination with IDB specialists and subject to enabling conditions, market demand, and the existence of viable and bankable projects. In energy and industry, IDB Invest may explore opportunities associated with generation, self-generation, or energy efficiency solutions that reduce costs and increase sustainability for productive users. In mining, logistics, and related infrastructure, its participation will be oriented toward opportunities with high regulatory, environmental, and social viability, bankability, and adequate risk allocation. In addition, the IDB and IDB Lab will work in coordination to strengthen the entrepreneurial and innovation ecosystem, combining support for regulatory reforms and the design of public instruments for innovative startups with financing solutions, specialized technical assistance, and support mechanisms aimed at early-stage technology companies. IDB Lab will also continue to promote the adoption of innovative solutions and technology in the private sector to boost productivity and competitiveness. This approach will help create more favorable conditions for investment, facilitating the transition toward a more dynamic, private sector-led growth model.

EXPECTED OUTCOMES

A strengthened policy and regulatory framework for private investment: The IDB Group will promote reforms aimed at streamlining administrative processes, reducing regulatory burdens, and strengthening institutional coordination with the goal of improving the business climate, increasing predictability, and facilitating private investment. These reforms will also seek to strengthen regulatory and financial supervision frameworks and lay a more solid foundation for the development of financial and market instruments that enable IDB Invest to participate in non-sovereign financing when feasible.

Promote access to finance for the private sector: The IDB Group will promote interventions to expand access to finance, especially for productive companies (including women-led companies) by strengthening the financial system and using instruments that mobilize resources toward productive investments. IDB Invest will contribute to this outcome through guarantees and financing for financial intermediaries and thematic issues aimed at expanding access to credit for MSMEs and through upstream and advisory services to strengthen institutional capacities and environmental and social management systems. These interventions will provide continuity to operations in the portfolio aimed at financing micro and small enterprises and production units in the trade, industry, and service sectors, as well as strengthening financial intermediaries with the capacity to address underserved segments. On a complementary basis, IDB Lab will contribute to this outcome through interventions aimed at expanding financing opportunities for innovative companies and strengthening the capacities of the entrepreneurial ecosystem.

Increase productive investment: The IDB Group will promote investments to develop key infrastructure in high-potential sectors, such as energy, mining, agribusiness, logistics, and transportation, with the aim of boosting productivity, improving competitiveness, and facilitating private sector development. It will also support actions aimed at building companies' productive capacities and fostering conditions that facilitate business formalization. When enabling conditions exist, IDB Invest may complement these actions by mapping and potentially structuring financing opportunities in these sectors and using instruments that support private investment and the adoption of technology and resilience solutions. In particular, IDB Invest may explore opportunities in export-oriented agroindustrial and manufacturing chains, working capital solutions for companies creating jobs and generating foreign currency, power generation or self-generation for productive users, and logistics infrastructure associated with mining and export chains, always subject to regulatory viability criteria, ESG criteria, bankability, and market demand. Within this framework, IDB Lab will contribute by promoting the development and adoption of innovative technologies and business models that boost private sector productivity and competitiveness.

Greater trade integration: The IDB Group will support initiatives aimed at strengthening Bolivia's integration into regional and international markets by improving the regulatory environment, facilitating trade, and lowering barriers to economic activity. These actions will help expand opportunities for the private sector and improve the country's integration into value chains. In this area, IDB Invest may complement the Group's efforts through foreign trade and working capital solutions that strengthen supply chains and productive imports by the private sector. These actions could include the use of trade facilitation lines and short-term solutions aimed at preserving liquidity, sustaining productive imports, and mitigating disruptions in supply chains, particularly in a context of restrictions on foreign currency and a shortage of working capital.

C. PRIORITY AREA III: STRENGTHENING SOCIAL WELFARE

WHY IS THIS IMPORTANT?

II.13 Despite progress in poverty reduction in previous decades, Bolivia continues to face persistent challenges in social welfare. In particular, poverty levels remain high, and significant gaps in access to basic services persist, limiting opportunities for development and economic inclusion. Based on available evidence, approximately 29.8% of the population lives in poverty as measured by unmet basic needs[42] and 44.7% in monetary poverty. These gaps are more pronounced in rural areas, where poverty as measured by unmet basic needs reaches approximately 61.8%, reflecting the persistence of structural vulnerabilities, especially among rural, Indigenous, and lower-income households.[43] These gaps are also reflected in unequal access to basic services, which remains a key challenge for social inclusion. Approximately 8% of the population lacks access to electricity (with greater disparities in rural areas), while nearly 28.8% of the population has inadequate access to water and sanitation services, thus highlighting significant limitations in the provision of basic infrastructure.[44] These shortcomings directly affect the population's quality of life and limit the development of productive capacities. These gaps are exacerbated in areas exposed to climate-related hazards and natural disasters, where the disruption of basic services and the impact on livelihoods further entrench the population's vulnerability, underscoring the importance of moving toward adaptive social protection approaches. This approach is consistent with the country's Nationally Determined Contribution, which identifies access to water and electricity as priority adaptation actions.

Despite progress in maternal health service coverage, the maternal mortality ratio stands at 146 deaths per 100,000 live births—the third highest in Latin America and the Caribbean, after Haiti and Venezuela.[45] This highlights persistent challenges in the quality and cultural relevance of care, particularly in rural areas where geographical, linguistic, and cultural barriers continue to limit effective access to timely obstetric services.

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42 Poverty as measured by unmet basic needs measures structural deprivations in housing, basic services, education, and household economic capacity.

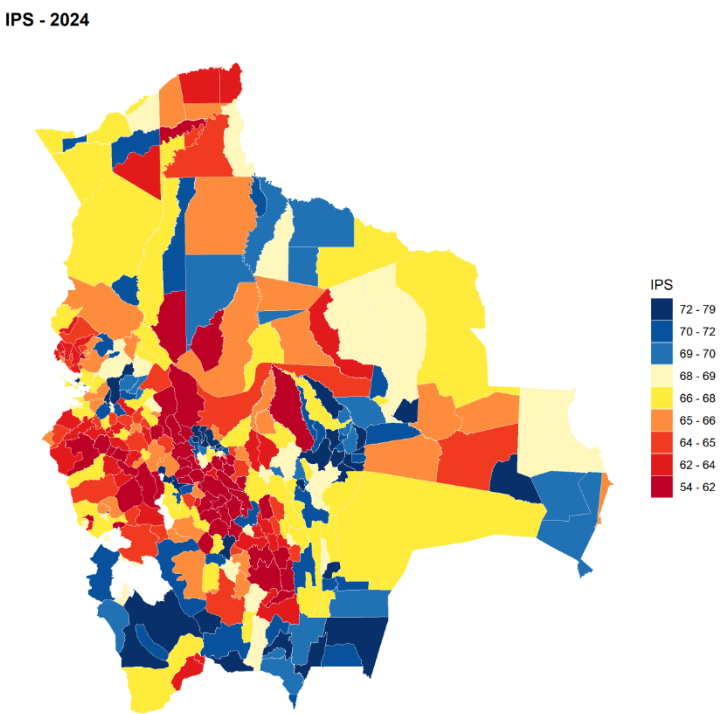
43 Both figures are for 2024 and are based on INE data. Poverty as measured by unmet basic needs is based on data from the population and housing census, and monetary poverty is based on data from the household survey.

44 Data from the 2024 population and housing census, section on unmet basic needs.

45 United Nations Population Fund, 2026. *Hilos de vida rotos: Desafíos de la mortalidad materna en Bolivia* (Broken Threads of Life: Challenges of Maternal Mortality in Bolivia).

II.14 Social progress exhibits marked territorial disparities, highlighting the existence of significant gaps between regions. Gaps in social outcomes—including access to basic services, the structural foundations of welfare, and the opportunity for individuals to reach their full potential—are more pronounced in rural and remote areas, reflecting heterogeneous needs at the subnational level.[46] This is reflected in the social progress index measured at the subnational level, where scores range from 0 (indicating the worst possible situation) to 100 (the best possible outcome) and which aggregates indicators exclusively related to social outcomes.[47] Notable in this regard is the high level of social progress in the major cities of the metropolitan corridor relative to other municipios. In addition to the administrative division of intraregional gaps, in rural areas, approximately 68.1% of the population self-identifies as Indigenous, reflecting the vulnerability of this population group. This fragmentation limits the effectiveness of public policies and highlights the need for interventions that prioritize social outcomes through more focused targeting and differentiated approaches using instruments that effectively steer and catalyze development.

Figure 3. 2024 Social Progress Index, 2024



Source: Bolivia subnational social progress index (2012–2024).

Note: The social progress scale from 0 to 100 was subdivided into three groups: high (blue), medium (yellow), and low.

46 Self-identification was a question included in the 2024 population and housing census, which allowed for multiple responses regarding different Indigenous nations and peoples.

47 The subnational social progress index is an indicator that, at the municipal level, measures: (i) society's capacity to meet basic needs; (ii) the ability to lay solid foundations that enable citizens and communities to improve and maintain their quality of life; and (iii) the creation of conditions that allow all individuals to reach their full potential (Serrate et al., 2026). It consists of more than 50 social outcome indicators (not inputs) measured at census intervals, for which the distance from a desired standard was standardized and calculated in coordination with the Ministry of Development Planning.

II.15 At the same time, significant challenges remain regarding the effectiveness of social protection systems. Despite the volume of resources allocated (with social programs and subsidies accounting for approximately 5.5% of GDP), high levels (exceeding 30%) of inclusion and exclusion errors are observed,[48] which reduces the effectiveness of social spending (World Bank, 2025; Apella and Blanco, 2015).[49] In addition, the lack of a single registry of beneficiaries limits the ability to adequately target interventions, affecting the efficiency and impact of social policies and hindering the development of adaptive social protection mechanisms.

Taken together, these factors create an environment in which social gaps, limited access to basic services, and deficiencies in social protection systems restrict economic inclusion and human capital development. This context underscores the importance of strengthening social welfare as a central component of the development strategy through interventions aimed at reducing inequalities, improving basic service coverage and quality, enhancing the efficiency of social spending, and promoting the development of adaptive social protection approaches.

WHAT WE WILL DO

II.16 The IDB Group will support efforts to strengthen social welfare in Bolivia in order to narrow poverty gaps and improve access to basic services,[50] with an emphasis on rural, Indigenous, and lower-income households. In line with the Group's strategic selectivity framework and positioning, this pillar is focused on two strategic objectives: (i) improving the targeting of social policies and (ii) improving the delivery of basic services. To achieve these objectives, priority is given to interventions aimed at expanding the coverage and improving the quality of services, as well as strengthening social spending efficiency and sustainability, relying heavily on the portfolio of operations under execution, which will facilitate the achievement of a significant portion of the expected outcomes. These interventions could be supported by the strengthening of information systems, digital tools, and monitoring mechanisms that facilitate the identification of needs, the targeting of beneficiaries, and the efficient delivery of services nationwide.

II.17 To improve the targeting of social policies, the IDB Group will support the creation and strengthening of a social protection system that expands the coverage of existing social programs and improves their targeting and efficiency, including cash transfers and incentives in sectors such as education. These actions will include the institutional strengthening of social protection systems through the creation of a social registry to efficiently manage government resources aimed at poverty alleviation and through the development of tools to improve beneficiary identification and reduce inclusion and exclusion errors.[51] Interventions seeking to expand access to social protection programs for vulnerable populations will also be promoted, thereby contributing to improved economic inclusion, resilience, and the incorporation of an adaptive social protection approach.

II.18 At the same time, the IDB Group will support improvements in basic service delivery through interventions aimed at expanding the coverage, quality, and sustainability of services such as water and sanitation, electricity, health, and urban infrastructure. These actions will include strengthening

48 Inclusion errors relate to beneficiaries who should not be receiving the benefit, while exclusion errors correspond to the eligible population that does not access the program.

49 Social transfer programs are estimated to account for 1.8% of GDP, with nearly universal coverage reaching 73% of households that receive at least one transfer. Of all transfer programs, the Renta Dignidad program accounts for 89% of the total cost of transfers and even benefits the highest-income deciles. In 2024, subsidies reached approximately 4% of GDP (World Bank, 2025b).

50 IDB support will fund investments aimed at expanding the coverage and improving the quality of basic services, with an emphasis on rural areas, Indigenous communities, and underserved regions.

51 IDB, 2026. Loan Proposal: Program for Strengthening of the Social Protection System in Bolivia I (BO-L1245).

basic infrastructure, with an emphasis on underserved territories at various subnational levels (including rural areas and Indigenous populations), incorporating nature-based solutions and criteria for resilience to climate risks and natural hazards, and improving service management and delivery. In water and sanitation, the IDB Group will prioritize institution-strengthening, the implementation of viable legal frameworks, project preparation, and the strengthening of operators and municipios. Where sustainable rate and payment frameworks exist, IDB Invest may selectively participate in operational efficiency plans, operation and maintenance, and other specific solutions with viable private sector participation. In health, the IDB will continue to lead efforts to strengthen institutions, improve the effectiveness of health service networks,[52] and enhance the quality, access, and effectiveness of health expenditure; IDB Invest may selectively explore opportunities in specialized equipment, digital health, or established private providers that complement public services, provided the existence of enabling regulatory frameworks and sustainable business models. IDB Lab will complement these efforts by deploying innovative solutions and technology to improve service delivery and efficiency in areas such as maternal health, water management, and sustainable urban development.

Pillar 3 highlights the programmatic approach to the social protection sector, which seeks to support the transition toward a more modern, efficient, and resilient social protection system. Building on more than two decades of support for the country and lessons learned from previous operations, the Bank coordinates an agenda of technical assistance and financing aimed at strengthening the social assistance roster, improving intervention targeting, and consolidating institutional capacities for an adaptive social policy. This approach combines short-term actions to protect the most vulnerable households during the fiscal consolidation process with medium- and long-term reforms aimed at laying the foundations for a targeted social protection system capable of responding more effectively to future crises and improving the efficiency of social spending.

The strategy's three priority areas are mutually reinforcing and, together, seek to lay the groundwork for more sustainable and inclusive growth. Strengthening macroeconomic stability will help create favorable conditions for investment and productive activity, while reforms aimed at improving the business environment, promoting private investment, and boosting productivity will drive the creation of formal jobs and better economic opportunities. In turn, strengthening social welfare and human capital will enable a larger proportion of the population to participate in and benefit from this growth process, contributing to higher income from labor, poverty reduction, and greater household resilience. Accordingly, the strategy lays out an integrated agenda in which macroeconomic stability, private sector-led productive development, and social inclusion reinforce one another to accelerate the country's development.

EXPECTED OUTCOMES

Create and strengthen a social protection system: The IDB will support the strengthening of the social protection system by developing tools to better identify beneficiaries and reduce inclusion and exclusion errors. These actions will help improve the efficiency of social spending and increase the programs' impact on vulnerable populations (which may include female-headed households, persons with disabilities, and Indigenous peoples).

Improve the quality of and access to water and sanitation services: With an emphasis on rural areas and underserved regions, the IDB will support investments aimed at expanding coverage and improving the quality of drinking water and sanitation services, thereby helping to improve people's living conditions and health. Where enabling conditions exist, the IDB Group may complement these actions with non-sovereign or innovative solutions through IDB Invest and IDB Lab.

Improve the quality of and access to rural electricity: The IDB will promote projects aimed at expanding access to electricity, especially in rural areas, by strengthening energy infrastructure and

culturally relevant approach to services.

promoting solutions that enable access to electricity through sustainable alternatives, where possible, and that contribute to economic inclusion.

Improve the quality of and access to health services: The IDB will support the strengthening of health services, including initiatives to improve coverage, quality, and efficiency in service delivery, as well as the development of digital health solutions aimed at improving interoperability, timely access, and quality of care. Where enabling conditions exist, these actions may be selectively complemented with digital solutions, specialized equipment, or complementary delivery by the private sector through the IDB Group.

Improve access to urban infrastructure: The IDB will support urban infrastructure development, including initiatives aimed at delivering and improving public spaces, urban facilities, and sustainable mobility solutions. Where enabling regulatory frameworks and viable private sector actors exist, these actions may be selectively complemented by digital, operational, or innovative solutions from IDB Invest.

D. CROSSCUTTING THEMES

WHY ARE THEY IMPORTANT?

Economic inclusion and territorial disparities

II.19 Crosscutting themes are essential for addressing structural gaps and maximizing the impact of interventions in strategic areas. In particular, reducing territorial disparities, promoting the economic inclusion of women and Indigenous peoples, and strengthening resilience to climate risks and natural disasters will pave the way to addressing persistent gaps affecting these economically vulnerable populations.

Reduce territorial disparities: Although Bolivia has made progress in improving the living conditions of its people, territorial disparities still persist, with significant lags among populations in remote, rural areas. These disparities particularly affect Indigenous populations, which account for 38.7% of the national population. These gaps are reflected in inequalities in access to basic services and in challenges to strengthening the institutional capacities of the regions, their subnational governments, and the native Indigenous peasant autonomous governments, thereby limiting development opportunities for these populations and their territories.

Promote economic inclusion: Bolivia has made progress in women's economic inclusion, but gaps persist that affect their autonomy and access to economic opportunities. Female labor force participation remains lower than male participation (71.8% versus 84.6%).[53] This is explained in part by an unequal distribution of unpaid care work, with women devoting nearly twice as much time as men to these tasks, and by high levels of domestic violence, where 74.7%[54] of women have experienced domestic violence at the hands of a partner at some point in their lives.

Strengthen resilience to, responsiveness to, and the financial risk management of natural disasters

II.20 Given Bolivia's vulnerability to climate risks and natural disasters, strengthening resilience is a key factor for the country's economy. Bolivia is one of the countries in the region most exposed to the effects of climate change and to hydrometeorological hazards such as floods, droughts, wildfires, landslides, and other extreme events associated with climate variability. These phenomena have recurring impacts on infrastructure, agricultural production, basic services, and people's livelihoods, disproportionately affecting the most vulnerable groups and widening territorial and social disparities.[55] Cost-effective and generating multiple cobenefits for development, nature-based solutions should be considered in this connection. At the same time, natural disasters place significant strain on public finances and reduce the government's capacity to sustain development investments and respond promptly to emergencies. Against this backdrop, strengthening resilience, preparedness, and financial risk management is a key condition for protecting development gains, reducing vulnerabilities, and promoting more sustainable and inclusive growth. The strategy thus incorporates this crosscutting theme to ensure that the IDB Group-supported investments, policies, and programs systematically integrate disaster risk management with a focus on resilience, equity, and social inclusion. Furthermore, the FFF's climate resilience debt clauses can provide immediate access to resources to respond to emergencies and improve countries' liquidity risk.

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53 Overall participation rate of the population aged 14 and older, calculated using data from the 2024 census.
54 INE, 2016. Survey on the prevalence and characteristics of violence against women.
55 In particular, women, persons with disabilities, and Indigenous peoples face higher levels of vulnerability due to structural inequalities, lower access to basic services, and limited participation in preparedness, response, and recovery mechanisms.

Economic inclusion and territorial disparities

II.21 Close territorial gaps through improved services and enhanced local management capacity: The strategy will help improve access to basic services and opportunities for rural populations, including native Indigenous peasant communities, and will build the institutional capacities of the native Indigenous peasant autonomous governments through training and the development of planning and investment management tools that enable more efficient public administration and a better response to the needs of their territories.

II.22 Promote enabling conditions to strengthen women's economic autonomy and reduce gender gaps: The IDB Group will support interventions aimed at promoting a better distribution of care work, strengthening shared responsibility, and contributing to progress toward a comprehensive care system that facilitates women's participation in the formal labor market. Through loan operations, it will also continue to support actions aimed at closing gender gaps. Additionally, it will strengthen institutional capacities for the prevention of, response to, and redress for violence against women[56] and will support data collection through surveys on the prevalence of violence and time use, which are essential to guiding evidence-based public policies. Furthermore, these actions may contribute to strengthening integrated pathways for victim assistance, including capacities for the detection, reception of complaints, referral, investigation, and prosecution of violence, including gender-based violence and technology-facilitated violence. To this end, interagency coordination will be promoted among the social protection, health, justice, and security sectors, along with the use of disaggregated data to guide evidence-based public policies.

Strengthen resilience to, responsiveness to, and the financial risk management of natural disasters

II.23 The IDB Group will promote the inclusion of criteria on resilience, disaster risk management, and climate change adaptation, with a focus on equity and inclusion, in interventions across the strategy's various pillars. In Priority Area I, support will be provided for institution-strengthening for comprehensive risk management, including information systems, hydrometeorological services, decision-making tools, and financial risk management mechanisms, and for capacity-building in the use of climate and risk information, taking into account the differences in exposure of vulnerable groups. In Priority Area II, resilience criteria will be incorporated into infrastructure and productive investments in strategic sectors, including climate information to reduce territorial[57] and social vulnerabilities and strengthen the sustainability of investments. In Priority Area III, support will be provided to strengthen basic services and resilient social infrastructure in exposed territories, recognizing that climate change may affect the availability and continuity of these services (Ferdowsi et al., 2024; Guihenneuc et al., 2023), and to drive actions to improve the responsiveness and recovery of social protection systems in the face of adverse events, with an emphasis on the most vulnerable households.

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56 Despite recent progress, Bolivia continues to have one of the highest rates of femicide in Latin America (1.4 per 100,000 women in 2024), ranking among the countries with the highest incidence of this crime in the region.

57 Vulnerability to climate change is distributed unevenly across Bolivia's municipios, according to the 2022 National Map of Current Vulnerability to Climate Change (Autoridad Plurinacional de la Madre Tierra, 2023).

III. HOW WE WILL DO IT

A. PROGRAMMATIC APPROACH

III.1 The IDB Group Country Strategy with Bolivia proposes a programmatic approach aimed at maximizing the impact of interventions on the recovery of the country's growth and macroeconomic sustainability. This approach coordinates the use of financial instruments, technical cooperation, knowledge generation, support for policy reforms, and solutions for the private sector, such that the various interventions reinforce one another to address the main constraints on growth. The agenda to promote private investment and improve trade conditions illustrates this logic. In an initial stage, interventions in the priority area of fiscal sustainability and institution-strengthening will help consolidate a more stable macroeconomic environment, strengthen public management, and improve the government's capacity to design and implement public policies, thereby creating more favorable conditions for private investment. Building on this foundation, interventions aimed at strengthening the regulatory framework for private investment, improving trade conditions, and boosting productive infrastructure and technology adoption will help alleviate the constraints that limit productivity and competitiveness. As these enabling conditions take hold, IDB Invest will be able to expand financing and the mobilization of private capital toward strategic sectors so that reforms and public investments progressively translate into greater investment, trade, and economic growth. This same logic of sequencing and complementarity will guide interventions in the strategy's other priority areas.

III.2 On this basis, potential budget support, financing to support policy reforms, and investment operations will help consolidate key reforms, improve regulatory frameworks, and finance strategic projects that boost productivity, resilience, and economic diversification. These interventions will be aimed at reducing the main regulatory, financial, and logistical constraints that limit private sector investment and growth. Complementarily, the IDB Group will promote greater mobilization of private resources through IDB Invest involvement and the use of risk mitigation instruments, including guarantees, primarily in sectors and operations with regulatory and market viability, bankable projects, and appropriate risk allocation. This will allow improvements in the regulatory environment and institutional capacities to be translated into concrete investments, particularly in sectors with the greatest potential, such as energy, logistics, agribusiness, and services. Following this logic, the strategy will foster synergies between sovereign and non-sovereign operations and across different sectoral areas, with the aim of generating cumulative impacts over time. The complementarity among instruments will help lower transaction costs, strengthen the enabling conditions for investment, and contribute to market creation, thereby promoting more sustained, inclusive, and resilient growth.

B. SYNERGIES

III.3 Synergies in the IDB Group Country Strategy with Bolivia will be realized through a combination of potential operations.[58] This approach aligns support for macroeconomic stability, private sector development, and social inclusion, recognizing their interdependence in achieving sustainable growth.

III.4 Synergies in *Strategic Area 1* focus on strengthening the macroeconomic framework and contributing to fiscal consolidation. IDB sovereign operations will support reforms aimed at improving fiscal sustainability and institutional quality. These reforms make IDB Invest's participation possible in Pillar 2, since attracting capital to the private sector requires a stable, predictable, and sustainable macroeconomic environment.

III.5 In *Strategic Area 2*, Bolivia CRECE serves as the primary mechanism for implementing the country strategy's *private sector-led growth* agenda, through an agenda that links reforms, institution-strengthening, capacity-building, and financial instruments together to attract private investment, promote exports, and boost productivity. The IDB will support strengthening for the legislative framework and regulatory streamlining, including instruments such as the foreign trade single window, while IDB Invest will help structure and finance projects in sectors such as energy, mining, agribusiness, financial markets, and, selectively, other strategic sectors (such as tourism), preceded by upstream work on improving legal and contractual frameworks, risk structuring, and institution-strengthening to facilitate private sector participation and enhance investment planning. IDB Lab will strengthen the entrepreneurial and innovation ecosystem, promoting solutions that improve productivity, technology adoption, and access to finance in underserved segments.[59]

III.6 Synergies in *Strategic Area 3* are reflected in the coordination of the IDB Group's windows to improve basic service delivery.[60] In particular, the IDB will support institution-strengthening, the development of regulatory frameworks, and project preparation to continue operations aimed at delivering basic services, while IDB Invest may selectively participate in social infrastructure and service solutions with financially sustainable models and viable private sector partners. IDB Lab will also contribute by supporting innovative solutions designed to improve access to and the quality of services, especially in underserved areas.

C. IDENTIFICATION OF REFORMS

III.7 The IDB Group will continue to provide specialized support and promote technical dialogue and knowledge generation around an agenda of structural reforms in areas critical to Bolivia's development. These areas of reform fall within the programmatic approach of the IDB Group's interventions described above and seek to strengthen the enabling conditions for macroeconomic stability, private investment, and social welfare. The prioritization of reforms is based on three criteria: (i) the relevance of the reforms to addressing the main constraints on economic recovery; (ii) the degree of progress and maturity of the dialogue with national authorities; and (iii) alignment with the government's priorities, as reflected in the 2026–2030 PDESA. Based on these criteria, priority areas for reform have been identified and organized by strategic pillar and level of maturity in the dialogue: (i) strengthening the fiscal framework and improving the efficiency of public expenditure; (ii) streamlining regulations and cutting red tape to facilitate public and private investment;[61] (iii) strengthening the investment environment in strategic sectors, including energy and minerals; (iv) facilitating trade and investment through

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[58] IDB Group support may be channeled through budget support, public policy operations, investment operations, technical cooperation, and knowledge products.

[59] This could include women-led businesses.

[60] Synergies in Strategic Area 3 are reflected in the coordination of the IDB Group's windows to improve basic service delivery in rural, Indigenous, and underserved areas.

[61] Framed within the PDESA and President Paz's Tranca Cero initiative to remove bureaucratic barriers.

improvements to regulatory frameworks; and (v) modernizing social protection systems. In these areas, the IDB Group will continue to promote potential policy-based financing, special development loans, nonreimbursable technical-cooperation funding, the transfer of knowledge and international good practices, and support for reform implementation, in close coordination with national authorities and other development partners.

III.8 Under Pillar 1, on fiscal sustainability and institutional capacity, support for reforms will focus on strengthening the macrofiscal framework, improving the efficiency of public expenditure, and strengthening and modernizing the State. With prior technical and analytical support, significant progress has been made on these reforms, and they are expected to be implemented in the early years of the strategy to lay the groundwork for the macroeconomic stabilization required to create the conditions for private investment (Pillar 2). In particular, these reforms will promote the strengthening of fiscal planning, monitoring, and control systems. These actions will seek to improve resource allocation, strengthen fiscal sustainability, and enhance the transparency and effectiveness of public management. Complementarily, initiatives to streamline regulations and cut red tape will be promoted to facilitate interaction between the public and private sectors, thereby helping to improve the business environment and lower transaction costs. In the same line as strengthening and modernizing the State, complementary actions could focus on enhancing financial integrity, preventing money laundering, promoting institutional interoperability, and utilizing data analytics for risk management. The expenditure efficiency agenda will also pay special attention to sectors with a high budgetary weight and greater potential for fiscal impact, yet also of strategic importance for economic growth, such as those related to human capital formation, including education. In these cases, the reforms will ensure that more efficient and effective management of resources frees up space to finance interventions that improve the quality of services.

III.9 Under Pillar 2, which aims to create conditions conducive to private investment, the IDB Group will support regulatory and sectoral reforms designed to attract investment and strengthen competitiveness. These reforms are currently being developed, with significant progress made in the dialogue, and are expected to be implemented in the second and third years of the strategy. This includes streamlining regulatory frameworks, eliminating red tape, and improving institutional coordination to attract investment. Reforms aimed at facilitating investment in strategic sectors (such as energy and minerals) will be promoted, supporting the diversification of the energy mix, the energy transition, and the sustainable use of resources such as lithium and other critical minerals. These reforms will also help strengthen the conditions for the industrialization of strategic natural resources and the development of supply chains, promoting higher levels of value-added, innovation, and technology transfer. In addition, support will be provided for reforms in the financial sector and the retail payment system as enablers of private sector growth, investment, and efficiency. These reforms will be complemented by financial instruments and upstream efforts to improve contractual frameworks, create market conditions, structure projects, and mobilize private capital in close coordination with IDB Invest. Efforts will also be made to strengthen the integrity of the business environment, including improvements in transparency, strengthening of the public procurement systems, and the development of institutional frameworks that contribute to greater investor confidence and legal certainty.

III.10 Under Pillar 3, which focuses on strengthening social welfare, the IDB Group will support reforms aimed at creating and strengthening social protection systems, with an emphasis on improving the targeting, coverage, and efficiency of social spending. These reforms have seen the greatest progress in terms of dialogue and preparation, given their contribution not only to Pillar 3 but also to the viability of Pillar 1 reforms, mitigating their effects on the most vulnerable families. In particular, tools will be developed to improve beneficiary identification and reduce inclusion and exclusion errors. This initiative, which seeks to offset measures such as the recent reduction in fuel subsidies,[62] will begin with the creation of a social assistance roster to improve targeting.

III.11 The IDB Group's crosscutting areas will support reforms in disaster management. The strategy will promote strengthening of the institutional and regulatory framework for comprehensive disaster risk management and climate resilience, recognizing the growing impacts of extreme weather events on fiscal sustainability and economic development. Support will be provided to include climate and disaster risk considerations in public planning and investment processes in order to bolster the resilience of infrastructure, public services, and productive sectors. Actions will also be promoted to strengthen the financial management of disaster risk, thus helping improve the State's capacity to prevent, absorb, and respond more effectively to natural and climate-related shocks.

D. IDB GROUP'S FLAGSHIP REGIONAL PROGRAMS

III.12 South Connection

The IDB Group's strategy in Bolivia aligns with the South Connection initiative by addressing the main bottlenecks that limit regional integration and productive development. In particular, interventions aimed at improving physical and digital logistics connectivity (such as at border crossings), strengthening transportation infrastructure, and integrating energy systems help to reduce trade costs and facilitate Bolivia's integration into regional and global markets. Actions to strengthen trade facilitation frameworks (including the modernization of institutional and regulatory systems) support the interoperability and efficiency of logistics chains. This approach is complemented by efforts to strengthen enabling conditions for private investment, thereby helping to improve the country's competitiveness within an integrated regional environment.

III.13 Amazonia Forever

The strategy aligns with the Amazonia Forever platform by promoting a sustainable and inclusive development approach in the country's strategic regions. In this context, the IDB Group will support interventions aimed at strengthening access to basic services (such as electricity) in Amazonian territories, as well as financing and promoting sustainable economic activities, including the bioeconomy. This approach is complemented by institutional capacity-building and the promotion of nature-based solutions, thereby helping to reduce deforestation and improve ecosystem resilience. Furthermore, efforts will be made to promote the economic inclusion of Indigenous peoples and local communities, ensuring that productive development in the region is sustainable and territorially balanced.

III.14 IDB LAC Minerals

The IDB Group's strategy in Bolivia aligns with the IDB LAC Minerals initiative, in recognizing the country's strategic potential in the production of critical minerals. In this connection, regulatory and institutional reforms will be promoted to strengthen governance in the mining sector, improve legal certainty, and facilitate private investment. Furthermore, initiatives aimed at developing sustainable value chains around strategic minerals will be promoted, thereby contributing to production-related diversification and the development of related industries. This approach will allow for more efficient use of the country's natural resources, maximizing their impact on economic growth and environmental sustainability.

[62] Supreme Decree 5516 (enacted and published in the Official Gazette of Bolivia) repeals Supreme Decree 5503 and consolidates economic and social measures. It maintains the partial removal of the subsidy on liquid fuels and preserves the newly set prices, while establishing compensation measures for vulnerable populations.

III.15 Ready and Resilient Americas

The proposed strategy for Bolivia aligns with the IDB Group's Ready and Resilient Americas regional program by contributing to strengthening resilience, responsiveness, and financial risk management in the face of natural disasters. Through its pillars of resilience, preparedness, and financial protection, the program will support institution-strengthening, fiscal risk management, and information systems for decision-making (Priority Area I); the resilience of infrastructure and strategic productive sectors (Priority Area II); and the improvement of basic services and resilient social protection systems (Priority Area III). Accordingly, the program provides tools, knowledge, and financial instruments that help to put into practice the crosscutting theme of resilience and disaster risk management incorporated into the country strategy.

III.16 Alliance for Security, Justice, and Development

When there is demand from the country and in coordination with national authorities, Bolivia may benefit from the mechanisms for dialogue, knowledge sharing, and technical cooperation associated with the Alliance for Security, Justice, and Development, particularly in areas such as institution-strengthening, data use, violence prevention, and the protection of vulnerable populations.

III.17 IDB Cares

The country strategy is aligned with the pillars of IDB Cares, an initiative that responds to the growing demand for care services as a strategic factor driving economic growth, productivity, and greater social equity. Within this framework, the country program aligns with objective of expanding quality care and support services through actions aimed at formalizing the caregiving workforce and providing training for caregivers. It also contributes to shared responsibility for care by incorporating interventions that promote the redistribution of domestic and caregiving tasks and behavioral changes aimed at a more equitable distribution of these responsibilities.

E. STRATEGIC PARTNERSHIPS

III.18 Through strategic partnerships, the IDB Group will enhance the impact of its program in Bolivia by mobilizing supplementary financing, leveraging technical capacities, and coordinating with multilateral and bilateral partners, climate funds, financial institutions, and the private sector. These partnerships will make it possible to expand the scope of interventions, support the implementation of structural reforms, and mobilize investment toward strategic sectors, including through blended finance instruments and technical cooperation. In line with the country strategy's programmatic approach, these partnerships will align with the three strategic pillars, ensuring coherence among the IDB Group's financial support, policy dialogue, and knowledge agenda.

III.19 Strategic Area 1: Fiscal sustainability and institutional capacity

In Strategic Area 1, the IDB Group will coordinate closely with international financial institutions and multilateral organizations to support macroeconomic stability and strengthen public sector capacities. In particular, collaboration with institutions such as the IMF, the World Bank, CAF, FONPLATA, and the Latin American Reserve Fund (FLAR) will be fostered to contribute to fiscal sustainability, debt management, and strengthened macrofiscal frameworks. These actions will be complemented by technical cooperation aimed at improving the efficiency of public expenditure—particularly in sectors such as health and education—and at strengthening public management, planning, and monitoring systems, thereby contributing to a more robust and effective institutional framework.

III.20 Strategic Area 2: Conditions for promoting private investment

In Strategic Area 2, the IDB Group will coordinate partnerships with multilateral and bilateral partners and climate funds to mobilize private investment and strengthen the business environment. In particular, it will coordinate with CAF, KfW, the European Commission, FONPLATA, and other strategic partners to finance and structure projects in logistics infrastructure, physical and digital connectivity, energy, and regional integration. It will also enter into partnerships with institutions such as the World Bank and CAF to support reforms aimed at improving trade facilitation, legal certainty, and access to finance.

Furthermore, IDB Invest will strengthen partnerships with international financial institutions, private investors, and asset managers to channel financing toward strategic sectors and develop market-based instruments. These actions will improve access to finance, strengthen capital markets, and boost investment in sectors such as energy, mining, logistics, and productive development. Resources from climate funds (such as the Climate Investment Funds) will also be leveraged to promote sustainable investments, including climate-resilient solutions and the development of the bioeconomy.

III.21 Strategic Area 3: Strengthening social welfare

In Strategic Area 3, the IDB Group will coordinate with multilateral and bilateral partners and cooperation agencies to improve the delivery of social services and strengthen social inclusion. In particular, partnerships with institutions such as CAF, the Japan International Cooperation Agency, GIZ, and the Spanish Agency for International Development Cooperation (AECID) will mobilize financing and technical-cooperation funding to improve access to and the quality of basic services. In addition, collaborations with international funds and organizations will improve the targeting and effectiveness of social protection and subsidy systems. These partnerships will enable innovative approaches to service delivery, including digital solutions, sustainable financing models, and more efficient management mechanisms. They will also help strengthen the inclusion of vulnerable populations (including women, Indigenous peoples, and rural communities) and improve the resilience of services in the face of climate risks and natural disasters.

III.22 Knowledge partnerships and civil society

As part of its knowledge agenda, the IDB Group will strengthen partnerships with research centers, universities, the private sector, and civil society in a crosscutting manner to coordinate and support evidence-building. In Bolivia, these partnerships will include national universities, research centers, and business and producer organizations (chambers of commerce), which will help in conducting studies, collecting data, and validating public policies.

F. FRAGILITY, CONFLICT, AND CRIMINAL VIOLENCE (FCCV)

III.23 The dynamics and challenges related to FCCV situations[63] in Bolivia were analyzed as part of the preparation of the country strategy. Although Bolivia does not experience widespread levels of criminal violence comparable to other countries in the region, certain territorial dynamics linked to illicit economies, localized violence, social conflict, and institutional weaknesses can affect territorial governance, service delivery, and the implementation of public policies. Within this framework and where appropriate, strategic monitoring of FCCV may include risk factors associated with criminal violence and illicit economies at the subnational level with the aim of adapting the design, supervision, and execution of interventions in territories with higher levels of vulnerability. The subnational analysis shows that fragility is more structural and widespread in nature, particularly in the eastern regions of the country and the Amazon. Concentrated in specific territories associated with social tensions, disputes over production, and particular territorial dynamics, conflict manifests itself in a more targeted manner. The overlap of these two dimensions makes it possible to identify territorial areas where institutional fragility and conflict reinforce one another, creating areas with greater risks for the implementation of public policies, economic activity, and the population's wellbeing.

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[63] For more details, see link 10.

III.24 Under the country strategy, the IDB Group will continue to support the Government of Bolivia through a programmatic approach that takes a differentiated territorial focus aimed at building institutional capacities and adapting interventions to contexts of greater fragility and conflict. For Bolivia, the FCCV approach is still in the knowledge-generation stage. Once this stage is complete, the Bank will incorporate specific considerations for implementing projects in the FCCV pockets, including adapting the design and execution mechanisms to address varying institutional capacities, and strengthening interagency coordination with national and subnational counterparts. This approach will ensure that interventions target areas where structural fragility and local conflict pose greater challenges to service delivery, social cohesion, and the sustainability of development. Building capacities to prevent and manage disasters in areas with higher levels of fragility also helps reduce vulnerabilities, strengthen institutions, and improve the continuity of public services and investments.

CONSIDERATIONS FOR IMPLEMENTATION AND CAPACITY-BUILDING

A. KNOWLEDGE

IV.1 The IDB Group will place special emphasis on deepening its knowledge agenda[64] to align it with the programmatic approach of the 2026–2030 country strategy. This agenda was developed through an iterative process based on the Country Diagnostics for Impact analysis, the validation of knowledge gaps through internal consultations, the creation of a pipeline of knowledge products (ensuring consistency between the country's demand and the institution's capacity to respond), and validation against the needs of the government and the network of universities. The knowledge products will seek to generate rigorous evidence to identify structural constraints, assess the impact of public policies, and strengthen the design and implementation of new operations. The agenda is also designed as a dynamic tool that will be updated periodically to respond to changes in the country's economic, institutional, and sectoral context, thus helping to close information gaps and strengthen the effectiveness of the IDB Group's operational program.

IV.2 Strategic Area 1: Fiscal sustainability and institutional capacity

The knowledge products in Strategic Area 1 will focus on thoroughly assessing issues relating to fiscal sustainability and the quality of public management. In particular, priority will be given to studies on tax elasticity and its impact on fiscal sustainability, analyses of the quality and efficiency of public expenditure, and diagnostic assessments of the state of subnational finances.

Research on institutional capacities will be conducted, including analyses of the civil service, monitoring and evaluation systems, the regulatory burden, and e-government strategies. Research will also focus on the financial management of risks and contingent liabilities, taking into account territorial heterogeneity, exposure, and the impact on public finances.

IV.3 Strategic Area 2: Conditions for private investment

In Strategic Area 2, the knowledge agenda will focus on building evidence to remove constraints on private investment, improve productivity, and facilitate the development of strategic sectors. Priority will be given to studies on access to credit and financial regulation, as well as analyses for the development of capital markets and private financing, business innovation, technology adoption, management practices, and financing.

At the sectoral level, the agenda will include analyses on trade facilitation, tourism competitiveness, the energy transition, and the governance of critical minerals, with the aim of guiding regulatory reforms, improving the business climate, and mobilizing private investment.

IV.4 Strategic Area 3: Social welfare

The Pillar 3 knowledge products will aim at strengthening social welfare by closing gaps in access to services, social inclusion, and territorial development. In particular, priority will be given to studies on the targeting and impact of social programs, access to basic services such as water, sanitation, health, and education, the efficiency of health spending, and the evaluation of flagship programs.

Analyses will also be conducted on urban planning, territorial accessibility, and climate resilience, including the use of geospatial information and census data to identify gaps at the subnational level.

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64 For the complete research agenda, see link 12.

IV.5 Crosscutting and regional agenda

The knowledge agenda will support coordination among the three pillars in a crosscutting manner through integrated analyses that combine macroeconomic, productive, and social dimensions. It will also promote international comparisons, studies on the determinants of productivity and inclusion, and impact evaluations of public policies at the subnational level, thereby strengthening the empirical basis for the design of interventions. The knowledge agenda may include studies and tools for territorial analysis of crime, violence, violence against women, and risk factors associated with fragility and conflict, with an emphasis on the availability, quality, interoperability, and strategic use of disaggregated data to guide evidence-based public policies.

B. MONITORING AND EVALUATION (M&E) CAPACITY

IV.6 Bolivia has a comprehensive regulatory framework and institutional structure that recognizes the importance of M&E throughout the public management cycle. M&E is formally incorporated into planning, budgeting, investment, and control systems, particularly through the Comprehensive State Planning System (SPIE). In this context, the process of preparing the new General Plan for Economic, Social, and Environmental Development and development of the SPIE, together with the strengthening of the Centro de Gobierno (central government monitoring system) as a strategic coordination platform, present a major opportunity to reinforce the alignment between national priorities, resource allocation, and results and to position M&E as a strategic tool to support results-oriented public decision-making.

IV.7 The system's main challenge lies in its operational fragmentation, which limits the ability to generate an overview of public sector performance. Although there are multiple subsystems and platforms (such as the SPIE/PIP SPIE integrated planning platform for planning, the Public Management System (SIGEP) for financial management, and the SISIN/SIPFE (investment information system/public investment and external financing system) for public investment, these operate in an uncoordinated manner, with different methodological frameworks, processes, and tools, as well as low interoperability. This situation hinders effective traceability between strategic plans, operational programming, budget allocations, and achieved outcomes. Monitoring focuses primarily on physical and financial execution, while the evaluation function is not institutionalized as a structured system; instead, it is carried out on an ad hoc basis without shared methodological standards. Furthermore, limitations persist in data quality, integration, and use, with gaps in technical and institutional capacities, which restrict the systematic use of evidence in public management.

IV.8 On this basis, Bolivia can move toward consolidating a more integrated and results-oriented M&E system through a phased agenda of institution-strengthening. In the short term, it is essential to establish a clear, government-wide M&E governance framework, strengthen the coordinating role of the Centro de Gobierno (Planning, Finance, and the Office of the President), standardize basic methodological guidelines, and drive forward the conceptual and functional design of SISIN, along with initial improvements in interoperability between PIP SPIE, SIGEP, and SISIN. In the medium term, the emphasis will shift toward operationalizing integration through pilot projects that link planning, budgeting, investment, and M&E; the development of new interoperable information systems; and the consolidation of an evaluation function to enable the systematic use of evidence to improve expenditure quality, results-based management, and public policy decision-making.

C. COUNTRY FIDUCIARY SYSTEMS

IV.9 For fiduciary management and oversight, the Bank relies on the country's official subsystems. For sovereign-guaranteed operations executed by the Government of Bolivia, the Bank relies on the country budget, treasury, accounting, and reporting subsystems for all its operations. The SICOES information system, administered by the Ministry of Economy and Public Finance, is used to publicize procurement opportunities.

IV.10 The IDB Group has supported the country in the progressive strengthening of its country systems, particularly through recent diagnostic assessments and evaluations related to implementation of the PEFA++ exercise in 2024, monitoring and support for updating the Basic Standards of the Integrated Accounting System (NBSCI) to address gaps with the International Public Sector Accounting Standards, and the strengthening of the SIGEP through a module that supports the preparation of financial reports to manage projects with external financing. As regards the country procurement system, the use of the shopping and individual consultant subsystems was approved in 2017; however, their implementation is contingent on measures that have not yet been adopted. Additionally, a diagnostic assessment of the procurement system was conducted, which identified significant gaps requiring substantial reforms; these gaps are expected to be considered by the new authorities as part of a potential reform. Dialogue will be promoted to support future actions aimed at strengthening country system use. To support the required actions, technical-cooperation resources will be made available to strengthen country systems.

IV.11 The Bank plans to support actions aimed at further strengthening the government's institutional capacity and narrowing gaps in the country financial management and procurement systems. Within this framework and following on the work detailed above, during the strategy period strategic actions will focus on: (i) continuing to strengthen the regulatory framework for public financial management by updating the NBSCI and narrowing gaps with respect to the International Public Sector Accounting Standards; (ii) continuing to develop the external financing module in SIGEP to generate reports to manage projects with external financing; (iii) conducting a diagnostic assessment of the current state of SIGEP's budget module to identify options for modernizing or potentially replacing the system, with a view to ensuring its long-term efficiency, reliability, and interoperability; (iv) strengthening institutional capacities through cooperation mechanisms and knowledge transfer in public finance and procurement; (v) supporting the reform and strengthening of the country public procurement system, within the framework of Bank-supported operations and programs, interagency coordination to close gaps with international standards, and the progressive promotion of procurement practices geared toward value for money; and (vi) updating the diagnostic assessments of fiduciary management (GUS) and the Methodology for Assessing Procurement Systems (MAPS) assessment of public procurement. Furthermore, the institution-strengthening and digitalization of the government will include considerations relating to cybersecurity and data protection. In addition, the IDB Group will support the government in designing and implementing reforms to the country public procurement system, providing technical assistance to strengthen the regulatory frameworks, procedures, institutional capacities, and operational tools necessary for effective implementation. This support will help facilitate the adoption of new procurement practices aligned with international standards, strengthen the transparency and efficiency of processes, and boost the capacity to execute public investments.

D. EMERGENCY RESPONSE

IV.12 The 2026–2030 country strategy incorporates an approach aimed at strengthening resilience, responsiveness, and financial risk management in the face of natural disasters, given Bolivia's high exposure to hydrometeorological hazards and the growing impacts associated with climate change. Droughts, floods, wildfires, and other extreme events cause recurring economic losses, affect infrastructure, basic services, and people's livelihoods, and place pressure on public finances. In this context, the interventions planned in the strategy's priority areas help reduce vulnerabilities and build the country's capacity to prepare for, respond to, and recover from emergencies, complementing existing financial protection mechanisms, such as the contingent credit line and the FFF's climate resilience debt clauses, which can provide immediate access to resources to respond to emergencies and improve countries' liquidity risk through the IDB Group's new financial and technical assistance instruments designed for crisis situations.

IV.13 Priority Area I: Fiscal sustainability and institutional capacity. Interventions aimed at institution-strengthening will help enhance the government's capacity to manage risks and respond to emergencies. The IDB Group will support the strengthening of information, monitoring, and decision-making systems, including capacities for financial disaster risk management and evidence-based planning. It will also promote mechanisms that help reduce fiscal vulnerability to the impact of extreme events and strengthen the institutional capacity to coordinate response and recovery efforts.

IV.14 Priority Area II: Enabling conditions for private investment. Actions aimed at improving infrastructure, productivity, and the investment environment will help strengthen the resilience of strategic sectors such as energy, transportation, logistics, and agribusiness. Incorporating resilience and risk management criteria into investments will help reduce economic disruptions associated with extreme events and improve the resilience of productive sectors and supply chains.

IV.15 Priority Area III: Strengthening social welfare. Interventions aimed at expanding access to and improving the quality of basic services will help reduce the population's vulnerability to emergencies. In particular, strengthening water and sanitation, electricity, social protection, and health services will foster greater resilience among households and communities, especially in areas that are more exposed and have higher levels of vulnerability. As a complement, the IDB Group may support Bolivia through financial instruments, technical assistance, and specialized cooperation to strengthen emergency preparedness, response, and recovery, promoting comprehensive disaster risk management and greater economic, social, and institutional resilience.

E. RISK ASSESSMENT

IV.16 The IDB Group Country Strategy with Bolivia identifies risks that could affect program execution in the coming years. These risks are classified as macroeconomic, political, institutional capacity, social conflict, private sector dynamism, and natural disasters. Of this set of risks, there are some that, by their very nature, cannot be fully mitigated.

IV.17 Macroeconomic risks. Bolivia faces a complex macroeconomic environment characterized by persistent fiscal imbalances, low levels of international reserves, external liquidity constraints, and high exposure to external shocks. Should these conditions persist or worsen, pressures on inflation, the exchange rate, and financial stability could intensify, affecting the public sector's ability to access finance, sustain investment, and meet its financial obligations. Furthermore, this context could limit private investment, increase the costs of executing operations, cause delays in procurement processes due to higher prices or lower availability of imported goods and inputs, and affect the timely achievement of the strategy's expected outcomes. To mitigate these risks, the IDB Group will maintain ongoing policy dialogue with the authorities and coordinate its support with the IMF and other multilateral organizations to help strengthen macroeconomic stability and the reform agenda. It will also support the strengthening of fiscal and public financial management, promote the use of financial instruments and budget support when conditions permit, and reinforce the monitoring of macroeconomic and portfolio execution risks, incorporating periodic reviews of costs, timelines, and flexibility measures in the design and execution of operations in response to significant changes in the economic context.

IV.18 Political risks. Political fragmentation, social tensions, and difficulty in reaching consensus may affect the continuity of structural reforms, the approval of operations, and the implementation of projects. In particular, fiscal adjustment processes, regulatory changes, and reforms aimed at improving expenditure efficiency and conditions for private investment could face social or political resistance, leading to delays or modifications in the scope of interventions. This risk is particularly significant in a context where the continuity of the programmatic agenda will depend on the authorities' ability to sustain political and social agreements. However, it is recognized that political risk in Bolivia cannot be fully mitigated; therefore, the strategy will incorporate flexibility mechanisms to adapt programming in response to changes in priorities, political timelines, and implementation conditions. Should this risk materialize, it could affect the timely ratification of financing operations and Bank-supported reforms. This could lead to delays in executing programs, limit the availability of certain financial instruments, and affect the achievement of expected outcomes. As a mitigation measure, the IDB Group will maintain ongoing dialogue with national and subnational authorities, as well as relevant stakeholders, supporting inclusive communication processes and promoting adequate institutional coordination and the identification of support alternatives compatible with the country's political and institutional context.

IV.19 Institutional capacity risks. Institutional weaknesses and varying levels of capacity among executing agencies can affect the preparation, implementation, and supervision of operations. These factors could result in delays in execution, difficulties in meeting disbursement schedules, reduced expenditure efficiency, and higher fiduciary, financial, and nonfinancial risks. Furthermore, institutional constraints may affect the bankability of projects and reduce the availability of viable opportunities for private sector and IDB Invest participation. Limitations in institutional capacities, public governance, and financial management systems could affect the timely implementation and sustainability of the interventions outlined in the strategy. Weaknesses in coordination, transparency, control, and accountability mechanisms could also cause delays in execution and reduce the effectiveness of the Bank-supported reforms. To mitigate these risks, the IDB Group will strengthen the preparation of operations, intensify technical and fiduciary supervision, and provide targeted technical assistance to executing agencies. Furthermore, to build institutional capacity, policy-based operations (financing instruments that support implementation of the regulatory and institutional reforms agreed on with the government) will be used, with more sustained engagement with executing agencies and private sector clients to support the effective sequencing and implementation of reforms. Results-based portfolio management will also be promoted, with continuous monitoring of physical and financial progress, early identification of bottlenecks, and timely adjustments to execution mechanisms. The selection of financial instruments and operational modalities will take into account the institutional capacity of the sectors and agencies involved to ensure that projects are designed realistically and in a manner consistent with implementation conditions.

IV.20 Social conflict risks. Social conflict, including protests, blockades, and tensions associated with reforms, can affect the execution of operations, implementation costs, and the continuity of critical activities. These events may also impact private sector participation, particularly when they affect supply chains, transportation, trade, or access to inputs. Although the risk of violence from organized crime is not as significant as it is in other countries in the region, the presence of illicit economies, localized conflict, and weakened institutional capacities may affect territorial governance and project implementation in specific areas. To mitigate these risks, the IDB Group will incorporate territorial context analysis into the design and supervision of operations, strengthen coordination with national and local authorities, and promote mechanisms for community engagement and communication where appropriate. In territories where institutional fragility, localized conflict, and illicit economies converge, the IDB Group may incorporate territorial context and risk analyses into the design and supervision of operations, as well as measures for interagency coordination, community engagement, and adaptive operational monitoring, in order to mitigate execution risks and safeguard the sustainability of interventions (see link 10).

IV.21 Private sector dynamism risks. There is a possibility that private investment might not respond to regulatory reforms and measures aimed at improving access to finance to the extent or at the pace expected. As a result, the transition toward a private sector-led growth model could be slower than anticipated, affecting the achievement of expected outcomes. As a mitigation measure, strategic dialogue with the leading chambers of commerce and private sector representatives will publicize and provide feedback on the IDB Group's key initiatives in the sectors of greatest interest. The IDB Group will also support the development of enabling regulatory frameworks that foster private sector participation, institution-strengthening, improved access to finance, and the preparation of projects that facilitate private investment mobilization.

IV.22 Natural disaster risks. Bolivia is highly exposed to natural and climate-related hazards, including floods, droughts, wildfires, landslides, and extreme events associated with climate variability. These events have recurring impacts on infrastructure, basic services, people's livelihoods, and public finances, affecting the country's ability to sustain economic growth and execute development investments. Mitigation measures include strengthening comprehensive disaster risk management, incorporating resilience criteria into infrastructure planning and design, strengthening early warning and response preparedness systems, supporting Nationally Determined Contributions and biodiversity commitments, and developing financial protection and fiscal risk management instruments to improve response and recovery capacity in the face of adverse events, including, where feasible, assurance and risk transfer solutions to support the resilience of the public and private sectors. Furthermore, the Bank will support policy dialogue, technical assistance, and investments aimed at sustainable spatial management, forest conservation, forest fire prevention and response, and the protection of strategic ecosystems.

IV.23 Taken together, these risks may affect the pace of the strategy's implementation, the IDB Group's ability to expand its support program for the country, and the sustainability of the expected outcomes. Given the dynamic nature of the context and the inherent limitations in mitigating certain external factors, the strategy will incorporate mechanisms for ongoing monitoring, adaptive management, and periodic scenario reviews. This monitoring will make it possible to perform timely adjustments to programming, prioritize appropriate instruments, safeguard portfolio quality, and adapt interventions to changes in the macroeconomic, political, institutional, and climate-related environment. Should substantial changes arise in the country's priorities or in implementation conditions, the midterm review will serve as a key opportunity to assess possible realignments of the strategic objectives, programming, and the IDB Group's portfolio in Bolivia.

ANNEX I – RESULTS MATRIX

TABLE A1. RESULTS MATRIX

PDESA	PRIORITY AREA	STRATEGIC OBJECTIVES	EXPECTED OUTCOMES	INDICATOR	BASELINE	SOURCE
Pillar 1: Bolivia—An Economy for the People. Component 1.1 Macroeconomic stability	1. Promote fiscal sustainability and institutional capacity	Promote fiscal sustainability	Greater public sector efficiency	Government effectiveness index[65]	43.8/100 (2024)	https://www.worldbank.org/en/publication/worldwide-governance-indicators
			Contribute to fiscal consolidation	Nonhydrocarbon tax revenue (% of GDP) Overall nonhydrocarbon fiscal balance (% of GDP) Hydrocarbon subsidies to state-owned enterprises	25.1% (2024) -11.4% (2025) 4.1% (2024)	Ministry of Economy and Public Finance[66]
Pillar 4: A Modern and Efficient Bolivia. Component 4.1 People-focused public services Component 4.2 e-Government and digital transformation		Strengthen and modernize public sector management	Improve administrative streamlining and digitization	Percentage of government services available online[67]	57.2% (2025)	World Bank – GovTech / Digital Government Indicators
Pillar 5: A Transparent Bolivia Component 5.3 Institutional transparency and a culture of integrity						

65 World Bank, Worldwide Governance Indicators.

66 The IMF's most recent public indicators, which use the new national accounts (2017=100) to calculate ratios relative to GDP, were used as the basis for this analysis. These indicators may be updated in the future with data from the Ministry of Economy and Public Finance. To calculate the hydrocarbon subsidy for state-owned enterprises, current transfers from the general government to YPFB were used.

67 GovTech Maturity Index.

PDESA	PRIORITY AREA	STRATEGIC OBJECTIVES	EXPECTED OUTCOMES	INDICATOR	BASELINE	SOURCE
Pillar 2: Bolivia Toward the World and the World Toward Bolivia. Component 2.2 External integration and international trade Component 2.4 Regional integration	2. Create conditions to promote private sector investment	Greater trade integration	Strengthened policy and regulatory framework to facilitate foreign trade	Trade Facilitation Indicator—Documents.[68]	0.667 (2025)	Organisation for Economic Co-operation and Development
Pillar 2: Bolivia Toward the World and the World Toward Bolivia. Component 2.1 Strategic positioning Component 2.3 Foreign investment Pillar 4: A Modern and Efficient Bolivia Component 4.1 People-focused public services			A strengthened policy and regulatory framework for private investment	Perception and quality of regulation[69]	41.6/100 (2024)	World Bank – Worldwide Governance Indicators
Pillar 1: Bolivia—An Economy for the People Component 1.3 Technology and innovation for productivity		Improvements in productive infrastructure and technology	Greater access to finance for the private sector	Domestic credit to the private sector (% of GDP)[70]	7.1% (2025)	Central Bank of Bolivia and INE
				Value of outstanding loans to micro and small enterprises led or owned by women (expressed in Bs)	6,685,774,883 (2025)	Development Indicators Matrix – IDB Invest
Pillar 1: Bolivia—An Economy for the People Component 1.2 Productive diversification			Increase productive investment	People with improved access to sustainable transportation infrastructure or services	0 (2026)	Impact Framework TSP

68 TFI-F (Documents) includes the perception (between 0 and 2) of the number of documents and procedures used in foreign trade in Bolivia and compares it with best practices. Available at https://sim.oecd.org/Simulator.ashx?lang=En&ds=TFI&d1c=lac&d2c=bol&d2cc=bp.

69 The Worldwide Governance Indicators are used due to the limited sector-specific information on regulations affecting the private and public sectors at the time when the baseline was set.

70 Banking system credit to the private sector as a percentage of GDP (in current prices).

PDESA	PRIORITY AREA	STRATEGIC OBJECTIVES	EXPECTED OUTCOMES	INDICATOR	BASELINE	SOURCE
				Private investment / GDP[71]	6.2% (2024)	INE
Pillar 6: Bolivia—Welfare for All Component 6.6 Social inclusion	3. Strengthening social welfare	Better targeting of social policies	Create and strengthen the social protection system	Households registered in the social assistance roster	0 households (2025)	Ministry of Economy
Pillar 6: Bolivia—Welfare for All Component 6.1 Human capital development Component 6.3 Decent habitat with universal basic services		Improve basic service delivery	Improvement of the quality of and access to water and sanitation services	% of the population with access to water (disaggregated by urban/rural) % of the population with access to improved sanitation[72] (disaggregated by urban/rural)	Urban: 95.7% Rural: 69.9% (2025) Urban: 73% Rural: 46.6% (2025)	Office of the Vice Ministry of Water Resources, Irrigation, Drinking Water, and Basic Sanitation, under the Ministry of Productive, Rural, and Water Development
			Improvement of the quality of and access to electricity in rural areas	Coverage of basic electricity service in rural areas (%)	74.7% (2025)	Ministry of Hydrocarbons and Energy[73]

71 Gross private fixed capital formation as a proportion of GDP (in constant prices, 1990=100). This figure will be updated with new national accounts when they become available.
72 Basic sanitation also includes solid waste management and stormwater drainage services.
73 2026 Public Accountability Report.

PDESA	PRIORITY AREA	STRATEGIC OBJECTIVES	EXPECTED OUTCOMES	INDICATOR	BASELINE	SOURCE
			Improvement of the quality of and access to health services	Outpatient visits at the primary care level % of births attended at health facilities % of pregnant women who receive at least four pregnancy checkups	13,108,742 (2023) 69.02% (2024) 68.71% (2024)	Ministry of Health and Sports unified health information system (SNIS-VE)[74]
			Access to urban infrastructure	Resident households in surrounding neighborhoods with access to high-quality public spaces within a 10-minute walk[75]	0 households (2023)	

[74] Information from the Ministry of Health and Sports, unified health information system (SUIS).

[75] Indicator 1.1 BO-L1212. Means of verification: Geographical analysis of beneficiaries in the area of influence based on census data. Calculation formula: sum of households in the surrounding neighborhoods with access to quality public spaces within a 10-minute walk (600 m).

TABLE A2. RESULTS MATRIX FOR CROSSCUTTING AREAS

CROSSCUTTING AREA	INDICATOR	BASELINE	SOURCE
Disaster risk management	Level of governance for comprehensive disaster risk management, as measured by the Index of Governance and Public Policy in Disaster Risk Management (%)	52.19%	Index of Governance and Public Policy in Disaster Risk Management
Economic inclusion and territorial disparities	Percentage of the population that self-identifies as belonging to an Indigenous, native, or rural farming nation or people and lives in monetary poverty	51.04%	Household survey

ANNEX II – ALIGNMENT OF THE IDB GROUP'S PORTFOLIO AND THE IDB'S INDICATIVE PROGRAM 2026–2027

TABLE A3. ALIGNMENT OF THE IDB GROUP'S PORTFOLIO AND THE IDB'S INDICATIVE PROGRAM 2026–2027

Strategic area	Strategic objective	Portfolio alignment	Indicative program 2026-2027
1. Promote fiscal sustainability and institutional capacity	1.1 Contribute to fiscal consolidation	BO-T1417, BO-T1418, BO-T1423, BO-T1443, BO-T1457	**BO-L1245** Program for Strengthening of the Social Protection System in Bolivia I (INV) **BO-L1246** Energy Consumption Protection Program for Vulnerable Populations in Bolivia (INV) **BO-L1247** Program to Support for Macroeconomic and fiscal Stability in Bolivia (SDL)** **BO-L1248** Bolivia Fiscal Sustainability Support Program (PBF) **BO-L1250** Program to Boost Investment in the Mining and Energy Sector for the Sustainable Growth of Bolivia (PBF)
	1.2 Strengthen and modernize public sector management	BO-T1411, BO-T1427, BO-T1444, BO-T1472, BO-T1474, BO-T1476, BO-L1220	**BO-L1248** Bolivia Fiscal Sustainability Support Program (PBF) **BO-L1251** Program to Strengthen Government Capacity to Facilitate Private Sector Development (PBF)
2. Enable conditions to promote private sector investment	2.1 Improve policy and regulatory framework to attract private investment	BO-T1396, BO-T1466	**BO-L1249** Support Program for Reforms for to Foster Growth, Critical Minerals, and Productive Investment in Bolivia (PBF) **BO-L1250** Program to Boost Investment in the Mining and Energy Sector for the Sustainable Growth of Bolivia (PBF) **BO-L1251** Program to Strengthen Government Capacity to Facilitate Private Sector Development (PBF)
	2.2 Increase productive investment	BO-L1102, BO-L1209; BO-L1225, BO-L1226; BO-L1290; BO-L1234* IDB Invest: 13059-02; 13441-01; 14388-01, BO-L1049; IDB Lab: BO-T1410, BO-G1007	**BO-L1243** Program for Access to Productive Financing (INV) **BO-L1249** Support Program for Reforms for to Foster Growth, Critical Minerals, and Productive Investment in Bolivia (PBF) **BO-LXXXX** Ocean Logistics Corridor (INV)

Strategic area	Strategic objective	Portfolio alignment	Indicative program 2026-2027
			BO-LXXXX Rural Development and Agricultural Productivity
3. Strengthen social welfare	3.1 Create and strengthen specific social protection systems	BO-L1220	**BO-L1245** Program for Strengthening of the Social Protection System in Bolivia I (INV) **BO-LXXXX** Strengthening of the Social Protection System II (INV) **BO-LXXXX** Efficiency of Social Spending on Education (INV)
	3.2 Improve the delivery of basic services, including health, water, electricity, and urban infrastructure	BO-L1118, BO-L1182, BO-L1184, BO-L1190, BO-L1191, BO-L1192, BO-L1198, BO-L1212, BO-L1219, BO-L1222, BO-L1233; BO-L1230*; BO-L1229* IDB Lab: BO-G1010, BO-T1405, BO-T1449	**BO-L1237** Water Security and Environmental Sanitation Program in Urban Areas of Bolivia (INV) **BO-L1238** Investment Program for the Energy Transition of Bolivia's Northern Amazon Region (INV) **BO-LXXXX** Integrated Solid Waste Management (INV)

* Pending legislative ratification. Source: Prepared by the author.

** Special development lending instruments require compliance with the Policy-based Financing Policy (GN-3246-18).

ANNEX III – COUNTRY SYSTEMS MATRIX

TABLE A4. COUNTRY SYSTEMS MATRIX

Strategic objective	Expected outcome	Indicator	Unit of measure	Baseline	Baseline year	Main objective	Time distribution
Increased use of country systems	Maintain use of the procurement subsystem	Information system	Percentage of the portfolio	100	2026	100	At the end of the strategy period
Closing gaps with international standards	Updating the NBSCI to align with the International Public Sector Accounting Standards	Standards developed for the consolidation of financial statements in the public sector under International Public Sector Accounting Standards	Standards issued and approved by the Ministry of Economy and Public Finance	0	2026	1	At the end of the strategy period
Strengthening of country systems	Submodule implemented to manage agreements in SIGEP (project/program registration, financing agreement registration, amendments to the project/program and/or agreement, components/categories, execution periods) *	Submodule for managing agreements implemented by the Ministry of Economy and Public Finance	Submodule for intergovernmental agreements implemented by the Ministry of Economy and Public Finance in SIGEP	0	2026	100%	At the end of the strategy period
	Submodule implemented for intergovernmental and interagency agreements in SIGEP (registration of intergovernmental and interagency agreements with external financing and resources from the General Treasury of the Nation (TGN)*	Submodule for intergovernmental agreements implemented by the Ministry of Economy and Public Finance	Submodule for intergovernmental agreements implemented by the Ministry of Economy and Public Finance in SIGEP	0	2026	100%	At the end of the strategy period
	Performance of a diagnostic assessment of the SIGEP budget subsystem for modernization or potential replacement.	Comprehensive diagnostic assessment of SIGEP report completed	Diagnostic report approved by the Ministry of Economy and Public Finance	0	2026	1	At the end of the strategy period

ANNEX IV – ESTIMATED FINANCING FRAMEWORK[76]

This annex on the estimated financing framework provides an indicative description of the volume of sovereign guaranteed lending that the IDB Group could make available to the Plurinational State of Bolivia during the 2026–2030 period in support of implementation of the country strategy. This framework is based on the recent history of the financial relationship between Bolivia and the IDB, the strategic priorities set out in the strategy, the Bank's operational capacity, and an analysis of the country's macroeconomic, fiscal, and debt sustainability context. On this basis, the IDB Group's financing package for the 2026–2030 period could reach up to an estimated US$5.72 billion. Broken down, IDB sovereign guaranteed lending could amount to approximately US$4.862 billion in approvals during the 2026–2030 period under the base case scenario. This scenario assumes approval of a staff level agreement with the IMF in 2026. However, should the program with the IMF not materialize, a low case scenario of US$1.432 billion is included, reflecting a more limited reform environment in which the IDB maintains a presence but does not increase its exposure. The difference between the scenarios stems primarily from different assumptions regarding the availability of unrestricted instruments and not from substantial differences in the investment program. Over the country strategy period, IDB Invest estimates an indicative level of support for Bolivia of US$850 million in its base case scenario. This amount reflects IDB Invest's ambition in the country for the coming years and is based on opportunities to promote private investment, mobilize capital, and expand private sector participation in sectors critical to economic growth and job creation. Its realization will depend on developments in the macroeconomic and regulatory environment, the development of a portfolio of viable projects for financing, and market conditions. Therefore, annual activity levels may vary based on the evolution of IDB Invest's business model and client demand. This framework is complemented by support from IDB Lab, which estimates an indicative level of financing of US$8 million to promote innovation, entrepreneurship, and the development of solutions that contribute to inclusive and sustainable economic growth.

TABLE A5. IDB GROUP APPROVALS FOR THE 2026–2027 PERIOD (BASE CASE SCENARIO)

Year	Approvals under base case scenario (US$ millions)					
	2026	2027	2028	2029	2030	Total 2026–2030
IDB [1/]	1,732.2	860.0	1,310.0	530.0	430.0	**4,862.2**
IDB Invest [2/]	50.0	100.0	150.0	225.0	325.0	**850.0**
BID Lab	3.3	1.2	1.2	1.2	1.2	**8.0**
IDB Group	**1,765.5**	**961.2**	**1,491.2**	**781.2**	**721.2**	**5,720.2**

Notes: [1/] IDB estimates assume the approval and disbursement of a program with the IMF in 2026.
[2/] IDB Invest estimates should be evaluated in light of the entire country strategy implementation period. Actual annual activity actually undertaken may differ from the estimates presented, as the implementation of IDB Invest's business model is expected to change over the course of the strategy period, and market conditions, client demand, and investment opportunities are expected to vary over time. Consequently, the annual figures should not be interpreted as annual targets.

The amounts presented are subject to the country's demand, changes in macroeconomic and fiscal conditions, the capacity to implement the planned operations, and the Bank's internal programming and approval processes. The scenarios consider different assumptions regarding access to unrestricted instruments, the approval of operations supporting policy reforms and development, and the disbursement profiles associated with the various financing modalities.

76 The financial scenario presented in the strategy is a response to technical assumptions used for the IDB Group's institutional programing and risk management purposes.

TABLE A6. ESTIMATED FINANCIAL FRAMEWORK

US$ millions	Strategy 2022-2025				
	2022	2023	2024	2025	TOTAL
Approvals	412	335	75	0	**822**
Disbursements	177	400	129	202	**908**
Repayment (principal)	98	109	166	180	**553**
Net capital flows	79	291	-36	22	**355**
Fees and interest	102	146	127	141	**517**
Net cash flows	-23	144	-164	-119	**-162**
IDB debt	4.012	4.302	4.262	4.388	
IDB debt/Multilateral debt	44%	46%	46%	43%	
IDB debt/Total external debt	30%	32%	32%	31%	
IDB debt/Total debt	11%	11%	9%	8%	

US$ millions	Strategy 2026-2030											
	2026		2027		2028		2029		2030 [1/]		TOTAL	
	Base	Low	Base	Low	Base	Low	Base	Low	Base	Low	Base	Low
Approvals	1,732	432	860	300	1,310	300	530	200	430	200	**4,862**	**1,432**
Disbursements	1,442	402	915	325	1,255	295	493	340	570	345	**4,674**	**1,707**
Repayment (principal)	105	105	117	117	124	124	177	177	185	185	**709**	**709**
Net capital flows	1,337	297	798	208	1,131	171	315	163	385	160	**3,966**	**998**
Fees and interest	121	121	157	157	162	162	160	160	155	155	**756**	**756**
Net cash flows	1,217	177	641	51	968	8	155	2	229	4	**3,209**	**242**
IDB debt	5,725	4,685	6,523	4,893	7,654	5,064	7,969	5,226	8,353	5,386		
IDB debt/Multilateral debt	44%	39%	48%	41%	54%	43%	58%	47%				
IDB debt/Total external debt	34%	29%	37%	31%	42%	32%	45%	35%				
IDB debt/Total debt	10%	8%	11%	9%	13%	9%	14%	10%				

Source: Calculations and projections by the IDB team based on data from the IDB's Finance Department and the Central Bank of Bolivia.

Note: [1/] Estimates for 2030 are pending an update once the corresponding debt service projections become available.

	TABLE A7. PIPELINE OF PROJECTS IN THE BANK'S COUNTRY STRATEGY FOR 2026–2027 (US$ MILLIONS – Source: ORDINARY CAPITAL)			
	2026		**2027**	
Instrument	**Low**	**Base**	**Low**	**Base**
Investment loans	432.2	732.2	300	500
Policy-based loans	0	500	0	360
Special development loans	0	500	0	0

Source: IDB team calculations and projections.

ANNEX V – DEVELOPMENT EFFECTIVENESS MATRIX

COUNTRY STRATEGY: BOLIVIA

STRATEGIC ALIGNMENT

This refers to the extent to which the country strategy's design and objectives are consistent with the country's development challenges and the government's priorities.

EFFECTIVENESS

This measures whether the country strategy is likely to achieve its objectives by examining three dimensions: (i) the quality of the diagnostic assessment on which the Bank's actions in each area of work are based; (ii) the quality of the results matrix for the strategy; and (iii) the use and strengthening of country systems.

Dimensions of effectiveness	
I. Country diagnostic assessment – Country Diagnostics for Impact document	Yes/No
- The Country Diagnostics for Impact document clearly identifies the main development challenges prioritized in the country strategy	Yes
- The key development challenges presented in the Country Diagnostics for Impact document are based on empirical evidence	Yes
II. Diagnostic assessment of priority areas in the country strategy**	%
- Identifies the main limitations and challenges in the priority area	100%
- Identifies the main factors/causes contributing to the specific limitations and challenges	100%
III. Results matrix*	%
- The strategic objectives are clearly defined.	100%
- Expected outcomes are clearly defined.	100%
- The expected objectives and outcomes are directly related to the main constraints identified in the diagnostic assessment.	100%
- The indicators are outcome indicators and are SMART.	100%
- The indicators have baselines.	100%
IV. Vertical logic	
- The country strategy** follows a vertical logic.	Yes

The country strategy includes the diagnostic assessment: As part of the IDB Group Country Strategy with Bolivia 2026–2030, a comprehensive diagnostic assessment of the country's main development challenges is presented. This assessment is grounded in empirical evidence and analytical work, drawing on the Country Diagnostics for Impact document, national development plans (particularly the 2026–2030 PDESA), and evaluation evidence from the IDB Group's program in the country. Based on this analysis and on technical dialogue with relevant authorities and stakeholders, the strategy focuses on three interrelated structural challenges: (i) macroeconomic constraints and institutional weaknesses that affect fiscal sustainability and the capacity of the State; (ii) limitations in the investment environment and low productivity associated with regulatory barriers, high costs, and limited access to finance; and (iii) persistent gaps in social welfare, including access to basic services, social protection, and regional inequalities. The assessment identifies and characterizes the main constraints affecting each of these areas, highlighting underlying factors such as fiscal and external imbalances, low institutional quality, regulatory complexity, limitations in productive infrastructure and physical and digital connectivity, as well as deficiencies in the delivery of social services and in the targeting of social spending. Based on this evidence, the strategy puts forward a set of targeted and selective interventions aimed at strengthening fiscal sustainability, improving enabling conditions for private investment, and closing social gaps through a programmatic, integrated approach tailored to the constraints of the context.

The results matrix consists of indicators that are meaningful and capture progress toward the expected outcomes.

The expected outcomes are derived from the strategic objectives. The country strategy's results matrix is structured around three strategic pillars that reflect the main constraints identified in the diagnostic assessment: (i) fiscal sustainability and institution-strengthening; (ii) enabling conditions to promote private investment; and (iii) the strengthening of social welfare. On the whole, the strategy includes a limited number of strategic objectives, expected outcomes, and indicators that allow for clear measurement of progress toward development objectives. All objectives are directly aligned with the constraints identified in the diagnostic assessment, ensuring consistency between the analysis and the strategy. The indicators have been defined following SMART criteria, have baselines, and allow for systematic monitoring of progress throughout the implementation period.

Country systems: Implementation of the strategy will be supported by country systems, including public financial management systems (which encompass budgeting, treasury, accounting, and external control functions) and the country public procurement system. These systems constitute the institutional framework for the execution of IDB Group-financed operations and will be complemented by technical assessments, fiduciary assistance, and institutional capacity-building. This approach seeks to promote the use and strengthening of country systems, contributing to their progressive improvement and to greater sustainability of the interventions.

Risks: The main risks to implementation of the country strategy in Bolivia include: (i) macroeconomic and financial risks associated with fiscal imbalances, external liquidity constraints, and exposure to shocks; (ii) political and governance risks that may affect the continuity of reforms and the execution of operations; (iii) institutional and execution capacity risks linked to limitations at executing agencies and in public management; (iv) risks of social conflict and territorial fragility; and (v) environmental, climate, and natural disaster risks, given the country's high exposure to extreme events. The strategy incorporates specific mitigation measures for each of these risks (where mitigation is possible), including strengthening project preparation and supervision, ongoing policy dialogue, the provision of targeted technical assistance, the use of context-appropriate financial instruments, and systematic monitoring of the macroeconomic, institutional, and climate environment. Furthermore, an adaptive, scenario-based approach is adopted to allow for adjustments to programming and operations based on changes in the context, thereby safeguarding the quality of the portfolio and ensuring the achievement of strategic objectives.

Source: Prepared by the authors.

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