

Municipality of La Paz, Bolivia, at the forefront of continuous improvement of its public finance management through the PEFA methodology implementation.

Thanks to important structural reforms implemented in Bolivia since 1994, a process of administrative decentralization allowed municipalities to manage their own public finances. However, the Municipality of La Paz reached very high levels of indebtedness between 1997 and 1999. Since 2000, thanks to much-needed political stability and governance, it has been possible for the Municipality to achieve financial sustainability and fiscal stability, an outcome that allowed La Paz to showcase an image of financial solvency and gain access to new sources of domestic and foreign funding.

To objectively evaluate the progress achieved so far in terms of financial management in the Municipality of La Paz, funding was secured in 2014 from the Spanish Agency for International Development Cooperation to carry-out the first sub-national PEFA in Bolivia, with the political support of the Mayor of La Paz and the active participation of the Municipal Agency for Cooperation and the Municipal Secretariat of Finance. The main external partners were the Spanish Agency for International Development Cooperation (AECID), the World Bank (WB) and the Inter-American Development Bank (IADB).

In preparation for the assessment, a training workshop on the PEFA methodology was organized by the World Bank in June 2016 and the PEFA evaluation was carried out between January and April of 2017. During the evaluation, a process of management, supervision and follow-up was implemented with the active participation of the Municipality and the main partners (AECID, WB, IADB). A monitoring team was established and served as the evaluation team's counterpart and a follow-up committee acted as "peer-reviewers" of the evaluation relevant documents. The validation of the quality of the evaluation process, known as PEFA CHECK, awarded to the PEFA evaluation report of the Municipality of La Paz, meant that the process was carried out in line with required international good practices.

The evaluation identified a sound performance in financial management that, nevertheless, can be improved through the implementation of additional or complementary reform initiatives, it also demonstrated evidence of qualified staff working in the area of public finance management. Based on the evaluation main findings, the areas that have been given priority as future areas of reform are: results-oriented budgeting, own resources management, mid-term cash flow programming and commitment allocation programming.

To make the results of the Municipality financial management more transparent and accessible to the public, executive versions of the final PEFA Report were produced in both Spanish and English, and are available online in the Municipality and PEFA Secretariat's websites.

The overall results of the PEFA evaluation have helped the Municipality to strengthen its relationship with the international cooperation and private financial agents, thus creating a favourable environment for generating new funding mechanisms and exchange of good international practices.

The main lessons learned by the Municipality during the evaluation process under the PEFA methodology may be summarised as follow:

- a) Political support from the maximum authority of the Municipality is essential.
- b) It is important to have a preliminary self-assessment of all the requirements a PEFA evaluation encompasses.
- c) Well-trained personnel are required in all areas that will be part of the evaluation.
- d) It is extremely important to have training on the PEFA methodology before the process begins.
- e) All the necessary documentation (laws, regulations, data, etc) should be readily available.
- f) It is essential to have a specialized area in the management of international cooperation stakeholders.
- g) Results should be assimilated by the institution to allow providing proper feedback and facilitating the improvement of financial processes.

Finally, as noted by the key stakeholders that participated in the process:

“The Municipality of La Paz has been one of the pioneers in terms of the use of the new 2016 PEFA methodology, of which very few previous examples existed thus making its implementation a true challenge. In this sense, an adequate execution of the tasks was only possible thanks to the efforts and dedication of the Municipality’s team, as they assimilated the entire process and responded to the pressures, particularly in terms of the short period of time in which the evaluation took place. This exercise represents an example for other municipal governments, and La Paz has proved its leadership, with its ability to offer assistance and support to other municipalities interested in replicating this experience. As World Bank, we thank you for the possibility of participating in this evaluation and it has been a great exercise to have worked jointly with the Inter-American Development Bank and the Spanish Agency for International Development Cooperation” **(Lucas Carrer, Financial Management Specialist, Banco Mundial)**

“The Autonomous Municipal Government of La Paz, with the aim of becoming the first sub-national government to have ever been subject of a PEFA evaluation in Bolivia, has managed to benefit from the knowledge and expertise of its officers as well of that of its external partners in order to achieve a PEFA exercise in line with the quality standards certified by the PEFA Secretariat” **(Diana M. De León, Senior Associate in Financial Management, Inter-American Development Bank).**

“I would like to thank... for the submission of this important documentation with financial information that helps to present the economic situation of our Municipality of La Paz in a much more transparent way; this information will certainly will be of much help” **(Cecilia Chacón, City Council Member of the Municipality of La Paz).**