

# IFC SUSTAINABLE INFRASTRUCTURE ADVISORY

## Guidance For Bolivia's Municipalities On Investing Natural Resource Royalties

Royalties paid by natural resources companies active in Bolivia are intended to support local community development. But often local communities that are impacted by projects do not receive critical benefits to improve their living conditions, such as access to basic services and infrastructure. This can create a difficult operating environment, with host communities looking to the company for provision of those services. Even well intended local governments may not have the skills needed for impactful investment management. This is where IFC—a member of the World Bank Group, steps in with a new series of guides on good investment practices.

### Our approach

Based on 10 years of experience helping local governments in Latin America, IFC adapted investment management guides to the Bolivian context. This collaboration with the Government of Canada and the Bolivian Chamber of Hydrocarbons & Energy (CBHE) was designed to build the skills and capacity of those involved in municipal investment management. Total Exploration & Production Bolivia (TEPBO) and The Bolivian Foundation for Social Development (FUNDESOC) partnered with IFC on a pilot project to implement the tools. The goal is to empower local governments so they can manage their investments more effectively, improve provision of basic services, and better address community development needs.

### Good investment practices for enhanced local benefits

The “Good Investment Practices for Municipalities in Bolivia” series addresses three common weaknesses present in small and rural local governments:

- Lack of coordination in prioritizing initiatives and implementing investment programs
- Skills gaps in developing multi-year investment plans
- Limited capacity to operationalize plans and priorities



Credit: Fundación Boliviana para el Desarrollo Social, FUNDESOC



Credit: Stephan Bachemheimer / World Bank

Building the capacity of municipal officers and authorities to manage natural resource royalties...

- ...Improves impact and effectiveness of royalty investments
- ...Enhances benefits for local communities
- ...Builds trust between companies and host communities
- ...Strengthens companies' operating environment

*“Now we have new tools that help us measure and quantify and accomplish our commitments to the people.”*

—MUNICIPAL OFFICIAL,  
MONTEAGUDO

IN PARTNERSHIP WITH

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CommDev  
Enhancing Benefits to Communities

IFC | International Finance Corporation  
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Creating Markets, Creating Opportunities

## Three investment practice guides

The three-volume set covers key areas related to the project cycle and addresses identified capacity gaps. Each user-friendly guide in Spanish provides step-by-step actions to take, customizable tools, and frameworks to monitor implementation and outcomes. In addition to supporting municipal authorities in Bolivian municipalities that receive royalties, the new guides also serve as a resource for royalty-contributing companies that want to help strengthen local governments' revenue management. These efforts can ensure that local communities share in the benefits from royalties paid.

### Guide 1 | Investment Management Committees

Local governments that deploy the recommended investment management committee approach can use their financial resources more effectively. This committee functions as a central hub, coordinating the activities of the various government units involved in undertaking investments. Guide 1 details the business case for creating such a committee, offers guidance on setting up and running the committee, and proposes a monitoring framework to measure progress. It shows how to spot problems, identify corrective actions, and address the issues, helping to minimize project delays. **View Guide 1 here.**



### Guide 2 | Multi-Year Investment Planning

Planning beyond the short term allows for better alignment of investment priorities and resource use with the needs of local communities. This guide lays out principles for mid-term investment planning (3-5 years). It details how to prioritize development objectives and projects, create and validate a multi-year investment plan, and evaluate and update the plan. **View Guide 2 here.**



### Guide 3 | Operational Planning

A focus on operational planning can reduce bottlenecks and improve internal processes such as procurement and budgeting. These efficiency enhancements will speed up time to implement priority projects, helping to increase community satisfaction. Guide 3 provides guidance to help organize the various steps investment projects have to go through so that they are aligned with the government's budgeting cycles. The guide shows users how to optimize the steps of the investment process and monitor project execution. **View Guide 3 here.**



### About Sustainable Infrastructure Advisory (SIA)

IFC's SIA team ensures that local communities share in the benefits of and remain vested in the success of energy, mining, transport, water & waste, telecom, and cities projects. Our solutions help companies address sustainability challenges, bolstering social license and a stable operating environment. For more information, visit us at [www.CommDev.org](http://www.CommDev.org).

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For more information on how to use the guides in Bolivia, please contact: [direccion.ejecutiva@fundesoc.org.bo](mailto:direccion.ejecutiva@fundesoc.org.bo).

### About IFC

IFC—a member of the World Bank Group—is the largest global development institution focused on the private sector in emerging markets. We work in more than 100 countries, using our capital, expertise, and influence to create markets and opportunities in developing countries. In fiscal year 2020, we invested \$22 billion in private companies and financial institutions in developing countries, leveraging the power of the private sector to end extreme poverty and boost shared prosperity. For more information, visit [www.ifc.org](http://www.ifc.org).