IMF Country Report No. 20/182

# BOLIVIA

May 2020

## REQUEST FOR PURCHASE UNDER THE RAPID FINANCING INSTRUMENT—PRESS RELEASE; STAFF REPORT

In the context of the Request for Purchase Under the Rapid Financing Instrument, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on April 17, 2020, following a staff visit March 6 – 13 to review economic developments and discussions that ended on April 10 with officials of Bolivia on policies underpinning the IMF arrangement under the Rapid Financing Instrument. Based on information available at the time of these discussions, the staff report was completed on April 13, 2020.
- A **Debt Sustainability Analysis** prepared by the staff of the IMF.

The documents listed below have been or will be separately released:

Letter of Intent sent to the IMF by the authorities of Bolivia*
*Also included in Staff Report

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

Copies of this report are available to the public from

International Monetary Fund • Publication Services
PO Box 92780 • Washington, D.C. 20090
Telephone: (202) 623-7430 • Fax: (202) 623-7201
E-mail: publications@imf.org  Web: http://www.imf.org
Price: $18.00 per printed copy

**International Monetary Fund**
**Washington, D.C.**

PR 20/170

# IMF Executive Board Approves US$ 327 Million in Emergency Support to Bolivia to Address the COVID-19 Pandemic

**FOR IMMEDIATE RELEASE**

- The IMF approved Bolivia's request for emergency financial assistance of about US$ 327 million under the Rapid Financing Instrument to combat the COVID-19 pandemic.
- This assistance will help Bolivia support urgently required medical spending and relief measures to preserve social protection spending.
- Additional support from other development partners will also be critical to help address Bolivia's fiscal and balance of payments needs.

**Washington, DC – April 17, 2020.** The Executive Board of the International Monetary Fund (IMF) approved Bolivia's request for emergency financial assistance of about US$ 327 million (SDR 240.1 million, 100 percent of quota) under the Rapid Financing Instrument (RFI) to help the country meet the balance of payments need stemming from the outbreak of the COVID-19 pandemic, and support urgently required medical spending and relief measures to protect the well-being of the population.

Following the Executive Board discussion of Bolivia's request, Mr. Mitsuhiro Furusawa, Deputy Managing Director and Acting Chair, made the following statement:

"The COVID-19 pandemic will have a severe impact on Bolivia. The economic cost will be substantial, as the combination of lower global energy prices, domestic quarantines, and a sudden stop in capital inflows leads to sharp reductions in exports, production, and fiscal revenues. The IMF's emergency assistance under the Rapid Financing Instrument will help to support urgently required medical spending and relief measures, while addressing the country's balance of payments needs.

"Bolivia's response to the pandemic has been timely, well-targeted, and appropriate. The authorities have acted to strengthen the ability of the country's health care system to confront the crisis and have quickly adopted social spending measures to support affected firms and households, particularly the most vulnerable. The central bank has taken steps to ensure continued liquidity and to mitigate the economic impact of the pandemic.

"The authorities have expressed their determination to ensure macroeconomic stability and debt sustainability once the crisis has passed. To this end, they are committed to reaching a sustainable fiscal deficit in the medium term, while continuing to maintain strong support for social spending, and to adopt other macro and financial measures as needed.

"Additional support from other development partners will also be critical to help address Bolivia's fiscal and balance of payments needs."

For information on the emergency financing requests approved by the IMF Executive Board, please see a link to the IMF Lending Tracker: https://www.imf.org/en/Topics/imf-and-covid19/COVID-Lending-Tracker

For upcoming discussions on the emergency financing requests, please see a link to the calendar of the IMF Executive Board meetings: https://www.imf.org/external/NP/SEC/bc/eng/index.aspx

INTERNATIONAL MONETARY FUND

# BOLIVIA

April 13, 2020

## REQUEST FOR PURCHASE UNDER THE RAPID FINANCING INSTRUMENT

## EXECUTIVE SUMMARY

**Summary:** Bolivia has requested a purchase under the RFI to cover the urgent balance of payments need arising from an ongoing shift in its terms of trade, slowdown in capital flows, and sudden increase in health care expenditure needs, precipitated by the COVID-19 epidemic. Staff assess that Bolivia meets the eligibility requirements for the RFI. Public debt is sustainable, and Bolivia has adequate capacity to repay the Fund.

**Balance of payments need**. The epidemic will have a substantial impact on Bolivia's economy, constraining domestic output, reducing export demand, lowering the price of its principal exports, curtailing external financing flows, squeezing fiscal revenues, and increasing expenditures for public health and social support. The net impact is calculated to create an external financing gap of 1.9 percent of GDP. It is currently estimated that these needs would be partially covered by the RFI resources of the Fund.

**Policies**. The authorities intend to fully accommodate the health care spending needed to mitigate the impact of the COVID-19 pandemic on the health and well-being of the population. The authorities also anticipate a need to increase social safety net spending to protect the most vulnerable. Active efforts are underway to shift fiscal resources from other lower-priority programs to accommodate these needs while containing the fiscal deficit to 7.3 percent of GDP in 2020. The authorities are committed to eliminating macro-fiscal imbalances over the medium term, once the immediate health crisis and associated economic effects have begun to wane. The authorities have underlined their commitment to maintaining stability in the exchange rate and to exercising prudent financial oversight to ensure continued financial system stability. Staff concur with the authorities' views on the need to maintain exchange rate stability through the crisis period, while considering that a gradual shift towards greater exchange rate flexibility over the medium term would help to relax fiscal constraints and relieve pressure on international reserves.

**Staff Assessment.** In staff's view, Bolivia's debt remains sustainable over the medium term (albeit subject to risks) and, while the outlook remains highly uncertain, Bolivia maintains an adequate capacity to repay the Fund. Staff therefore recommend Board approval of Bolivia's request for a purchase under the Rapid Financing Instrument of 100 percent of quota (SDR 240.1 million).

Approved By
**Nigel Chalk (WHD) and Maria Gonzalez (SPR)**

This report was prepared by Chris Walker (mission chief), Etibar Jafarov, Salma Khalid (all WHD), and Sergio Cárdenas (local economist), with assistance from Adriana Veras. Discussions were held with Finance Minister Parada, Central Bank Governor Aponte, other officials, and representatives of the private sector.

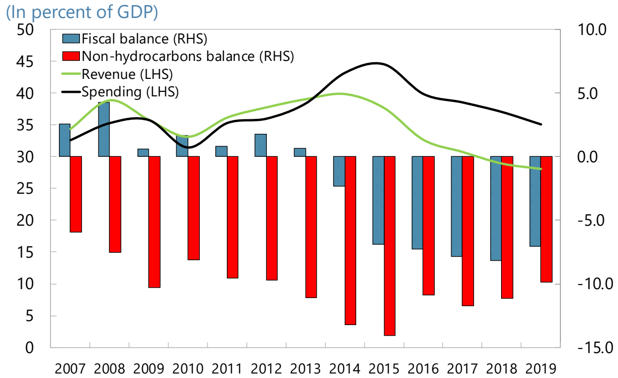
## CONTENTS

# RECENT DEVELOPMENTS

1. **Prior to the COVID-19 shock, security and economic conditions in Bolivia had stabilized following the civil unrest associated with the October 20 elections and subsequent resignation of President Evo Morales**. Under the transitional government of President Jeanine Áñez, the general election for the presidency and Congress was set for May 3 but has now been postponed until a date to be determined, as a result of the COVID-19 epidemic. After a decade of high growth (averaging 4.9 percent in 2006-2018), bolstered by high global commodity prices and expansionary fiscal policy, real GDP growth slowed to 2.8 percent in 2019. Inflation was 1.3 percent yoy in February 2020 and has been at relatively low levels (as a result of the *de facto* fixed exchange rate regime).

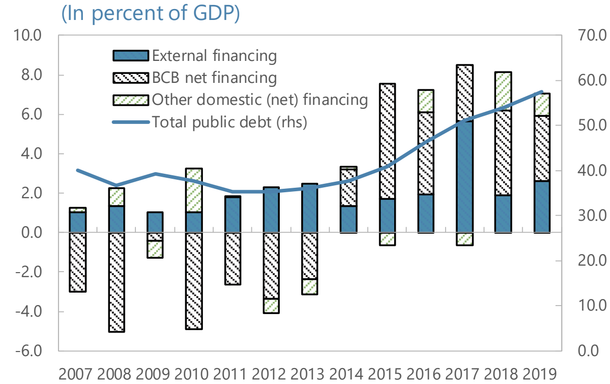
2. **Since assuming power in November, the transitional government has taken important steps to reduce the fiscal deficit**. The new government reduced investment by public enterprises to keep the nonfinancial public sector deficit to 7.2 percent of GDP in 2019. The government also announced its commitment to steadily reduce the fiscal deficit by about 1 percent of GDP a year to reach 4 percent of GDP by 2022 (text charts, Table 2, and Figure 2). Prior to this Bolivia had undergone a 5-year period of rising budget deficits and increasing central bank financing of those deficits (the fiscal deficit peaked at 8.1 percent of GDP in 2018, more than half of which was financed by the central bank).

**Fiscal Balances**
(In percent of GDP)

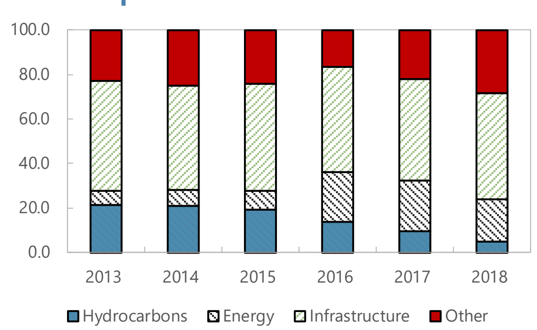



Sources: Bolivian authorities; and IMF staff estimates.

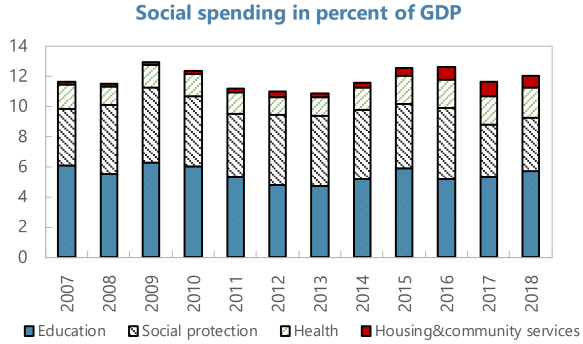
**NFPS Financing and Total Public Debt**
(In percent of GDP)




**Composition of NFPS Investments**

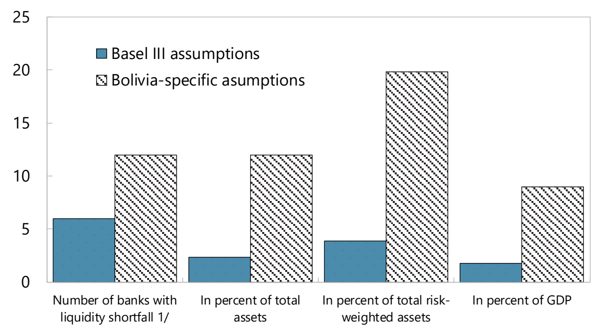



**Social spending in percent of GDP**



3. **The current account deficit narrowed in 2019 with a significant decline in capital goods imports offsetting weakness in hydrocarbons, mining, and agricultural exports**. The current account deficit is estimated at 3.2 percent of GDP in 2019, the lowest level in 5 years (Table 3 and Figure 3). However, declining inflows from multilateral loans, sovereign borrowing, and FDI resulted in reduction in international reserves over the past year (to US$ 6.3 billion at end February 2020, 88 percent of the ARA metric and US$2.2 billion lower than in the same month last year). The banking system is well-capitalized, with a relatively low rate of nonperforming loans (1.9 percent), but loan restructurings have risen and there are concerns that previous directed lending practices may have left some financial vulnerabilities. The banking system faced moderate deposit withdrawals during the October-November civil unrest, but half of that deposit outflow has now returned to the banking system.

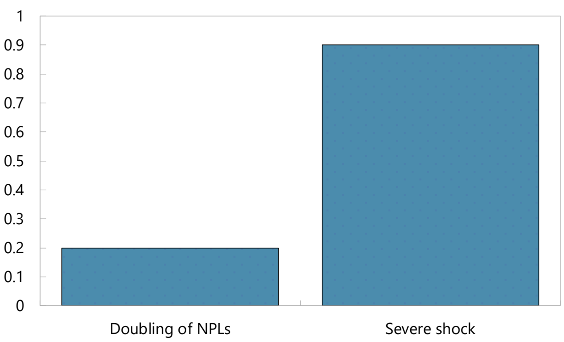
**Combined Liquidity Shortage of All Banks Under Stress Scenarios**
(Number; Percent)




Sources: Bolivian authorities, and IMF staff estimates.

1/ Under Basel III assumptions, 6 out of 14 banks would experience liquidity shortages.
Under the second (extreme but plausible) scenario, 12 out of 14 banks would have liquidity shortages.

**Capital Shortfall Under Stress Scenarios 1/**
(Percent of GDP)




1/ Under the first scenario, 6 out of 14 banks would need to raise capital.
Under the second (severeshock) scenario, 11 banks would need to raise capital.

# THE IMPACT OF COVID-19

4. **Bolivia is expected to be severely affected by the COVID-19 pandemic.** As of April 9, a total of 264 cases had been confirmed, with 18 deaths reported. In response, the government has ordered a generalized lockdown, entailing the temporary closure of many businesses. The authorities are focusing on strengthening Bolivia's health care system which, as in other countries, is likely to struggle to accommodate the demands arising from the pandemic. This will inevitably require significant fiscal expenditures and, even with reductions in lower-priority spending, will necessitate additional sources of financing.

5. **With Bolivia's terms of trade expected to deteriorate by 12.7 percent by end-2020, the trade balance will be moderately worse than previously projected and remittances will be lower.** Bolivia's leading export is natural gas, sold primarily to Argentina and Brazil under "take or pay" contracts with guaranteed quantities. Prices adjust partially to reflect changes in global oil prices with a lag of two quarters, implying that there will be a significant decline in the price of Bolivia's gas exports in the second half of 2020. Total exports are now projected to be 1.5 percent of GDP lower in 2020 than had been expected under the pre-COVID baseline, while net imports are also projected to fall as a result of weaker private domestic demand. Finally, remittance inflows,

which are provided primarily by Bolivians working in neighboring countries, are expected to decline sharply with the reductions in service sector activity in those countries.

6. **The availability of external financing has also been seriously compromised.** Staff expect substantial FDI outflows in 2020 and the prospects for official financing flows are extremely uncertain. Furthermore, international markets have effectively closed to issuance by the sovereign (which had raised US$1 billion in FX resources over the past three years from sovereign issuance). Bolivia is, however, advantaged by the fact that its outstanding external sovereign obligations are predominantly long-term and concessional.

**BOP Financing Gap (in $US millions)**

| | Pre-Covid | Covid | Difference |
|---|---|---|---|
| Trade Balance | -616 | -844 | -228 |
| *o/w Exports* | 8,777 | 8,135 | |
| *o/w Imports* | -9,393 | -8,979 | |
| Services | -1,458 | -1,346 | 112 |
| Remittances | 1,425 | 982 | -443 |
| Debt Service | -834 | -697 | 137 |
| FDI, net | -42 | -427 | -385 |
| Portfolio Inv | 63 | 178 | 115 |
| Other Inv Net | 248 | 124 | -124 |
| *o/w Multilateral lending (net)* | | | |
| Change in Reserves | 1,214 | 1,260 | 46 |
| **Total BOP Financing Gap** | | | **-769** |
| (percent of GDP) | | | -1.9 |
| ***Provision of Additional Resources*** | | | |
| RFI Disbursement | | 326 | 326 |
| Additional Support | | 443 | 443 |
| **Total Additional Resources from IFIs** | | | **769** |
| (percent of GDP) | | | 1.9 |
| *Memorandum: Public Sector External Financing Gap* | | | |
| Expected Disbursements | 832 | 797 | |
| Expected Amortizations | -470 | -527 | |
| Expected (Net) Available Financing | 362 | 270 | |
| Financing Need | 362 | 960 | |
| Shortfall | | 690 | |
| P.S. External Financing need | | | 690 |

7. **The impact of the COVID-19 on Bolivia's balance of payments will give rise to a significant external financing gap that would only be partially met by an RFI disbursement (see text table)**. To close this gap, the authorities are approaching other international financial institutions for support and have some limited scope to temporarily draw down their international reserve holdings (currently reserves are at 88 percent of the Fund's reserve adequacy metric).

**Fiscal Accounts in 2020: COVID-19 Impact**

| | Pre-COVID | Post COVID | Difference |
|---|---|---|---|
| | (In percent of GDP) | | |
| Revenue | 28.6 | 27.3 | -1.3 |
| Tax revenue | 23.2 | 21.3 | -1.9 |
| Non-tax revenue | 4.2 | 4.4 | 0.2 |
| Other (including operating balances of SOEs and grant: | 1.2 | 1.7 | 0.4 |
| Expenditure | 35.6 | 34.7 | -0.9 |
| Current | 25.5 | 27.3 | 1.8 |
| Of which: Wages | 11.8 | 12.7 | 0.9 |
| Of which: Goods and services | 3.8 | 4.0 | 0.2 |
| Of which: Social benefits | 6.4 | 6.8 | 0.4 |
| Of which: Interest expenditures | 1.2 | 1.5 | 0.3 |
| Capital | 10.2 | 7.3 | -2.9 |
| | | 34.7 | |
| Overall balance | -7.0 | -7.3 | -0.3 |
| In millions of dollars | -2,932 | -3,016 | -84 |
| | (In millions of US dollars) | | |
| Net domestic financing | 2,570 | 2,055 | -514 |
| Net external financing (non-COVID) | 362 | 270 | -92 |
| Total financing | 2,932 | 2,326 | -606 |
| Fiscal financing gap | ... | 690 | 690 |
| IMF (RFI) | ... | 362 | 362 |
| Other IFIs | ... | 328 | 328 |

Source: IMF staff estimates.

8. **This external financing shortfall has direct parallels in the fiscal accounts.** Staff expect the overall revenue loss will be around 1.2 percent of GDP for 2020 as tax revenues decline with the contraction in economic activity. Incremental health expenditures for COVID-19 care and emergency outlays on social assistance programs will amount to 1.2 and 0.6 percent of GDP, respectively. The authorities are committed to reallocate spending priorities during the remainder of the year in order to keep the fiscal deficit at 7.3 percent of GDP

in 2020, primarily by accelerating already-planned reductions in capital spending for public enterprises (table).

**9. The combined effects of increased health-related needs, measures taken to forestall the spread of COVID-19, a less advantageous terms of trade, and more binding financing constraints will cause a contraction of real GDP of -2.9 percent in 2020.** A combination of quarantine measures and reduced demand will lead to shortened working hours and correspondingly lower output in several key industries (including manufacturing, construction, retail, services, and transport). Stresses will carry over to the financial sector, potentially triggering a need for liquidity support to some institutions.

# AUTHORITIES' POLICIES TO ADDRESS THE CRISIS

**10. Bolivia is responding to the pandemic with a comprehensive package involving social distancing, targeted fiscal support, increased health spending, and measures to protect borrowers.** The authorities have adopted increasingly strict social distancing measures and movement restrictions, and have postponed the planned May 3 elections with the consent of all participating parties. To protect the more vulnerable, they have approved direct relief payments of about US$ 70 per child ("*Bono Familia*") to be paid to households with children in school, payment of a direct cash transfer ("*Canasta Familiar*") of about US$ 50 to each household, and a 3-month suspension of electricity charges to households with modest incomes. All told, the cost of the relief measures is projected at 0.6 percent of GDP. The extra expenditure will be accommodated by accelerating planned reductions in capital expenditures by public enterprises. Were the crisis to become deeper or more protracted, the authorities would seek to bring forward further reductions in SOE capital expenditures. The authorities have expressed continued support for the stabilized (de facto fixed) exchange rate, which they regard as a source of low inflation and macroeconomic stability for the country since its implementation in 2011.

**11. The authorities have taken some measures to support the financial sector.** To boost liquidity, the central bank has purchased bonds from the pension funds (3.5 billion bolivianos or about 0.5 percent of GDP). In an effort to protect households and small businesses, the authorities have declared a 2-month moratorium on loan repayments (principal) for natural persons and small companies.

**Bolivia: Measures Adopted to Contain Effects of Covid-19**

| Instrument | Measure | Cost (USD) | Beneficiaries |
|---|---|---|---|
| Targeted cash transfer | Family bonus (Bono Familia) for students of public initial and primary levels | 111 million | 1.5 million |
| | Family Basket (Canasta Familiar) for low income households | 62 million | 1.05 million |
| Targeted subsidies | Government to pay household electricity bills and 50 percent of potable water and gas bills for April, May and June (subsidy inversely proportional to total bill) | 71 million | 7.8 million |
| Health spending | Import of respiratory equipment | 200 million | |
| | Increasing ICU capacity | 297 million | |
| | *Total* | 741 million | |
| Loan deferral | Deferral of loan payments till October | | |
| Liquidity injections | Buying public paper (Bonos del Tesoro) from pension fund, which will invest in fixed-term deposits | | |
| Tax deferral | Payment of CIT deferred till May | | |
| | Independent workers permitted to receive tax deductions on health, schooling and food expenditures | | |

Source: Authorities and IMF staff estimates

# POLICY RECOMMENDATIONS

**12. Staff support the measures taken by the authorities to address the pandemic.** The near term reallocation of expenditures, including the temporary recourse to central bank funding to cover a portion of the deficit, is warranted by the immediate medical, humanitarian, and economic needs prompted by the crisis. At the same time, it will be important, in light of the limited fiscal space available, to protect other social welfare spending. Should health spending needs prove larger than expected, some limited margin for maneuver may be gained through additional reductions in public investment. Over the medium term, the authorities intend to ensure convergence to a sustainable fiscal position, without central bank financing of the fiscal deficit. Staff concur with the authorities' views on the need to maintain exchange rate stability through the crisis period, while considering that a gradual shift towards greater exchange rate flexibility over the medium term would help to relax fiscal constraints and relieve pressure on international reserves. Staff estimates place the long-term sustainable level of the overall fiscal deficit at around 3 percent of GDP, and indicate that a fixed exchange rate regime would require stricter budget control than would a flexible regime.

# RISKS

**13. The main risks to the outlook arise from a greater-than-expected severity of the pandemic, weaker-than-expected demand for hydrocarbons, declining international reserves, and possible social instability as Bolivia undertakes national elections**. The economic outlook is subject to an unusual degree of uncertainty related to the impact of COVID-19 on Bolivia and the global economy. Staff projections assume that the spread of the disease will be contained at moderate levels and activity will resume relatively rapidly as the health crisis begins to wane. However, the situation could evolve along a more negative trajectory. Should this occur, additional measures to strengthen domestic health services and provide support to vulnerable populations would be needed. These would be partially covered by the identified contingency measures of bringing forward planned reductions in SOE investments, while also being supported by additional external financing. Debt would be vulnerable if the authorities do not implement their fiscal consolidation plan, which could also endanger the sustainability of the stabilized exchange rate by inducing a rapid decline in international reserves. Continued declines in hydrocarbon prices and weakening external demand for Bolivia's hydrocarbon exports could induce strains beyond those included in the framework. While short-term options in response to such shocks are limited, over the medium term a decisive strategy to diversify away from energy and mineral exports would reduce vulnerability to energy shocks. Domestically, the uncertain timing of presidential elections could raise the risk of further political instability (such as those seen at the end of 2019), which could affect economic activity and confidence and impede an effective public health response to the pandemic. Finally, there is the risk that a successor government may place lower priority on the maintenance of sustainable policies than the present administration.

# DEBT SUSTAINABILITY

**14. Under the authorities' expected fiscal policy path, debt is deemed sustainable (see Annex I), although with risks that hinge on addressing macro imbalances.** Nonfinancial public sector debt at end 2019 was 58 percent of GDP and debt is projected to reach 66 percent of GDP in 2021, as the deficit rises to respond to the crisis. However, debt should start falling over the medium term as the government pursues a medium-term reform plan that will eliminate lower-priority public spending and steadily reduce the primary deficit. Bolivia's external public sector debt (which accounts for almost all external debt) is 26 percent of GDP, well within the norm for a lower middle income country. Furthermore, the long maturity of most loans (20 years and more) and relatively low interest rates reduces Bolivia's immediate financing needs, which are well below the gross financing needs benchmark for sustainability in the medium-to-longer term.

# MODALITIES OF SUPPORT

**15. Staff proposes to provide support to Bolivia of 100 percent of quota (SDR 240.1 million) under the RFI**. Bolivia meets the eligibility requirements for support under the RFI. It has an urgent balance of payments need which, if not addressed, will result in immediate and severe economic disruption. It is also not feasible at this stage to put in place an upper-credit-tranche Fund program due to the urgent needs facing Bolivia and the high degree of uncertainty regarding the duration and scale of the COVID-19 epidemic. On the basis of the authorities' track record and policy statements, staff is confident that the authorities will continue to cooperate with the Fund, and that they will pursue policies appropriate for addressing the impact of COVID-19 and for assuring macroeconomic stability over the medium term. Bolivia is assessed as having sustainable debt (see Annex 1) and adequate capacity to repay the Fund (see Table 5), with scheduled repayments of the RFI at no point in excess of 2 percent of exports or 8 percent of reserves. It has no external sovereign arrears to official or private creditors. Bolivia does not currently have an IMF arrangement and has no outstanding obligations to the IMF. Finally, access of 100 percent of quota is well within the applicable limits under the GRA.

**16. RFI purchases will be disbursed to the government to provide for fiscal financing and support virus-related spending**. All RFI funds allocated for procurement contracts in the health sector will be subject to independent third-party audits. The proposed access of 100 percent of quota covers almost half of the estimated financing gap. The authorities are actively seeking further support from bilateral and multilateral sources, and remaining needs are expected to be filled by other donors or by policy adjustments.

**17. The authorities commit to conducting a safeguards assessment which would need to be completed before Executive Board approval of any subsequent arrangement**. The authorities have indicated that will provide Fund staff with the necessary central bank audit reports and authorize the external auditors of the central bank to hold discussions with staff. In their Letter of Intent, the authorities confirm that they will establish a framework agreement between the central bank and ministry of finance that clarifies responsibility for servicing financial obligations to the IMF.

# AUTHORITIES' VIEWS

**18. The authorities emphasize the urgency of temporarily loosening fiscal constraints in the face of the COVID-19 epidemic.** In light of Bolivia's pressing need to upgrade health care services and protect the most vulnerable the authorities welcome the rapid assistance provided by the Fund to address balance of payments gaps arising from these requirements. They underline the importance of maintaining the current fixed exchange rate as an anchor of financial and economic stability, which is especially important during the present state of uncertainty. At the same time, they stress their commitment to adopt economic and financial policies that are consistent with medium-term stability.

# STAFF APPRAISAL

**19. Staff supports the proposed purchase under the RFI.** The request for a disbursement in the amount of 100 percent of quota is justified by the scale and severity of the COVID-19 shock to Bolivia and the impact of the shock on Bolivia's balance of payments. Characterizing the disbursement as direct budget support is warranted by the pressing healthcare and humanitarian needs facing the Bolivian government. Furthermore, the authorities' proposals for additional spending are well within the norms already established for responding to the pandemic, consistent with medium-term economic sustainability, and necessary to maintain social cohesion and to protect the most vulnerable during the crisis. In this context, the authorities have appropriately committed to adopt economic and financial policies necessary for the maintenance of macro stability over the medium term. Given the authorities' commitment to address macro imbalances in the medium term, Bolivia is assessed to have sustainable debt and adequate capacity to repay the Fund.

## Table 1. Bolivia: Selected Economic and Financial Indicators

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Projections | | | | | |
| **Income and prices** | | | | (Annual percentage changes) | | | | | |
| Real GDP | 4.2 | 4.2 | 2.8 | -2.9 | 2.8 | 4.2 | 4.0 | 3.7 | 3.7 |
| Nominal GDP | 10.5 | 7.4 | 4.2 | -2.6 | 6.8 | 7.4 | 7.8 | 7.3 | 7.3 |
| CPI inflation (period average) | 2.8 | 2.3 | 1.8 | 2.3 | 4.4 | 3.6 | 3.5 | 3.5 | 3.5 |
| **Investment and savings 1/** | | | | (In percent of GDP, unless otherwise indicated) | | | | | |
| Total investment | 22.2 | 20.6 | 19.5 | 15.8 | 16.2 | 15.6 | 14.8 | 14.4 | 14.1 |
| *Of which* : Public sector | 13.6 | 11.0 | 9.6 | 7.3 | 7.1 | 6.7 | 6.3 | 6.0 | 5.7 |
| Gross national savings | 16.2 | 16.1 | 15.7 | 10.7 | 10.9 | 10.9 | 10.6 | 9.8 | 9.2 |
| *Of which* : Public sector | 5.8 | 2.9 | 2.5 | 0.0 | 0.2 | 0.7 | 1.2 | 1.5 | 1.8 |
| **Combined public sector** | | | | | | | | | |
| Revenues and grants | 30.8 | 29.0 | 28.1 | 27.3 | 26.2 | 26.4 | 26.5 | 26.5 | 26.5 |
| *Of which* : Hydrocarbon related revenue | 4.8 | 4.8 | 4.7 | 3.8 | 2.5 | 2.7 | 2.9 | 3.0 | 3.1 |
| Expenditure | 38.6 | 37.1 | 35.1 | 34.7 | 33.1 | 32.4 | 31.7 | 31.0 | 30.4 |
| Current | 25.0 | 26.1 | 25.6 | 27.3 | 26.0 | 25.7 | 25.3 | 25.0 | 24.7 |
| Capital 2/ | 13.6 | 11.0 | 9.6 | 7.3 | 7.1 | 6.7 | 6.3 | 6.0 | 5.7 |
| Net lending/borrowing (overall balance) | -7.8 | -8.1 | -7.0 | -7.3 | -6.9 | -6.0 | -5.2 | -4.5 | -3.9 |
| *Of which* : Non-hydrocarbon balance | -11.7 | -11.1 | -9.9 | -9.1 | -7.5 | -7.0 | -6.4 | -5.9 | -5.5 |
| Total public sector debt (exc. BCB loans to NFPS) | 31.9 | 32.5 | 34.4 | 36.6 | 34.7 | 32.6 | 31.1 | 30.3 | 29.7 |
| Total gross NFPS debt 3/ | 51.3 | 53.8 | 57.5 | 64.9 | 66.1 | 66.3 | 66.1 | 65.8 | 65.2 |
| NFPS deposits | 14.0 | 12.3 | 10.7 | 9.5 | 7.4 | 5.6 | 4.6 | 4.0 | 3.7 |
| **External sector** | | | | | | | | | |
| Current account 1/ | -4.8 | -4.6 | -3.2 | -4.6 | -4.8 | -4.3 | -3.8 | -3.7 | -3.5 |
| Exports of goods and services | 25.3 | 25.4 | 24.3 | 23.2 | 21.5 | 21.3 | 21.2 | 20.8 | 20.4 |
| *Of which* : Natural gas | 6.8 | 7.3 | 6.4 | 5.6 | 4.0 | 4.1 | 4.1 | 4.1 | 4.1 |
| Imports of goods and services | 31.0 | 30.7 | 28.3 | 28.5 | 27.6 | 26.9 | 26.2 | 25.5 | 24.9 |
| Capital account | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Financial account | -6.1 | -4.5 | 0.6 | -1.6 | -2.5 | -3.1 | -3.3 | -3.0 | -2.8 |
| *Of which* : Direct investment net | -1.7 | -1.0 | 0.5 | 1.0 | -0.9 | -1.5 | -1.4 | -1.2 | -1.1 |
| Net errors and omissions | -2.0 | -2.9 | -2.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Terms of trade index (percent change) | 1.2 | -1.0 | -0.2 | -12.5 | 0.6 | 1.4 | 1.3 | 0.6 | 0.3 |
| **Central Bank gross foreign reserves 4/ 5/** | | | | | | | | | |
| In millions of U.S. dollars | 10,261 | 8,946 | 6,460 | 5,206 | 4,171 | 3,614 | 3,315 | 2,951 | 2,544 |
| In months of imports of goods and services | 9.9 | 9.0 | 6.6 | 5.1 | 3.9 | 3.3 | 2.8 | 2.4 | 2.1 |
| In percent of GDP | 27.2 | 22.0 | 15.3 | 12.6 | 9.5 | 7.6 | 6.5 | 5.4 | 4.3 |
| **Money and credit** | | | | | | | | | |
| Credit to the private sector | 12.8 | 11.2 | 7.2 | 0.5 | 6.8 | 8.3 | 8.8 | 9.0 | 9.0 |
| Credit to the private sector (percent of GDP) | 58.6 | 60.7 | 62.5 | 64.5 | 64.5 | 65.0 | 65.6 | 66.7 | 67.7 |
| Broad money (percent of GDP) | 81.2 | 79.8 | 81.0 | 82.6 | 83.9 | 85.7 | 87.1 | 88.4 | 89.7 |
| ***Memorandum items:*** | | | | | | | | | |
| Nominal GDP (in billions of U.S. dollars) | 37.8 | 40.6 | 42.3 | 41.2 | 44.0 | 47.2 | 50.9 | 54.7 | 58.7 |
| Exchange rates 6/ | | | | | | | | | |
| Bolivianos/U.S. dollar (end-of-period) 6/ | 6.9 | 6.9 | 6.9 | … | … | … | … | … | … |
| REER, period average (percent change) 7/ | -1.4 | 2.2 | 4.5 | … | … | … | … | … | … |
| Oil prices (in U.S. dollars per barrel) | 52.8 | 68.3 | 61.4 | 35.6 | 37.9 | 40.9 | 43.2 | 45.0 | 46.4 |

Sources: Bolivian authorities (MEFP, Ministry of Planning, BCB, INE, UDAPE); IMF; Fund staff calculations.

1/ The discrepancy between the current account and the savings-investment balance reflects methodological differences. For the projection years, the discrepancy is assumed to remain constant in dollar value.

2/ Includes nationalization costs and net lending.

3/ Public debt includes SOE's borrowing from the BCB (but not from other domestic institutions) and BCB loans to FINPRO and FNDR.

4/ Excludes reserves from the Latin American Reserve Fund (FLAR) and Offshore Liquidity Requirements (RAL).

5/ All foreign assets valued at market prices.

6/ Official (buy) exchange rate.

7/ The REER based on authorities' methodlogy is different from that of the IMF (see 2018 and 2017 Staff Reports).

## Table 2. Bolivia: Operations of the Combined Public Sector 1/

(In percentage of GDP, unless otherwise indicated)

| | | | | | Baseline projections | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| **Revenue** | **30.8** | **29.0** | **28.1** | **27.3** | **26.2** | **26.4** | **26.5** | **26.5** | **26.5** |
| Taxes | 24.0 | 23.8 | 21.9 | 21.3 | 20.6 | 20.6 | 20.7 | 20.7 | 20.6 |
| IDH and royalties | 3.8 | 4.3 | 3.5 | 2.8 | 2.0 | 2.1 | 2.1 | 2.2 | 2.2 |
| Indirect taxes | 15.8 | 15.1 | 14.1 | 14.1 | 14.2 | 14.2 | 14.2 | 14.2 | 14.1 |
| o/w: VAT | 7.8 | 7.5 | 7.0 | 7.0 | 7.1 | 7.2 | 7.2 | 7.2 | 7.2 |
| o/w: Excise tax on fuel | 1.2 | 1.1 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 |
| Grants | 0.1 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Other revenue | 6.7 | 5.0 | 6.1 | 5.9 | 5.4 | 5.6 | 5.7 | 5.7 | 5.8 |
| Nontax revenue | 5.2 | 4.1 | 4.3 | 4.4 | 4.4 | 4.4 | 4.4 | 4.5 | 4.5 |
| Public enterprises operating balance | 1.0 | 0.4 | 1.2 | 0.9 | 0.5 | 0.6 | 0.8 | 0.8 | 0.9 |
| Central bank operating balance | 0.4 | 0.4 | 0.6 | 0.6 | 0.5 | 0.5 | 0.5 | 0.4 | 0.4 |
| **Expenditure** | **38.6** | **37.1** | **35.1** | **34.7** | **33.1** | **32.4** | **31.7** | **31.0** | **30.4** |
| **Expense** | **25.0** | **26.1** | **25.6** | **27.3** | **26.0** | **25.7** | **25.3** | **25.0** | **24.7** |
| Compensation of employees | 11.7 | 12.6 | 12.1 | 12.7 | 12.3 | 11.9 | 11.5 | 11.2 | 10.9 |
| Purchases of goods and services | 3.8 | 3.9 | 3.7 | 4.0 | 3.6 | 3.5 | 3.5 | 3.5 | 3.5 |
| Interest | 1.1 | 1.2 | 1.3 | 1.5 | 1.6 | 1.7 | 1.8 | 1.8 | 1.9 |
| Domestic | 0.4 | 0.4 | 0.5 | 0.5 | 0.6 | 0.7 | 0.8 | 0.9 | 1.0 |
| Foreign | 0.7 | 0.8 | 0.9 | 1.0 | 1.0 | 1.0 | 0.9 | 0.9 | 0.9 |
| Energy-related subsidies to SOEs 2/ | 0.8 | 0.6 | 1.4 | 1.3 | 1.2 | 1.2 | 1.3 | 1.3 | 1.3 |
| Social benefits 3/ | 7.2 | 6.9 | 5.9 | 6.8 | 6.4 | 6.3 | 6.3 | 6.2 | 6.2 |
| Other expense | 0.4 | 0.8 | 1.1 | 1.1 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| **Net acquisition of nonfinancial assets 4/** | **13.6** | **11.0** | **9.6** | **7.3** | **7.1** | **6.7** | **6.3** | **6.0** | **5.7** |
| o/w: Public Enterprises | 4.4 | 3.1 | 2.1 | 1.0 | 1.0 | 1.0 | 0.9 | 0.9 | 0.9 |
| **Gross operating balance** | **5.8** | **2.9** | **2.5** | **0.0** | **0.2** | **0.7** | **1.2** | **1.5** | **1.8** |
| **Net lending/borrowing (overall balance)** | **-7.8** | **-8.1** | **-7.0** | **-7.3** | **-6.9** | **-6.0** | **-5.2** | **-4.5** | **-3.9** |
| **Net financial transactions** | **-7.8** | **-8.1** | **-7.0** | **-7.3** | **-6.9** | **-6.0** | **-5.2** | **-4.5** | **-3.9** |
| **Net incurrence of liabilities** | **7.8** | **8.1** | **7.0** | **7.3** | **6.9** | **6.0** | **5.2** | **4.5** | **3.9** |
| External | 5.6 | 1.9 | 2.6 | 0.7 | 2.2 | 1.9 | 1.8 | 1.7 | 1.7 |
| Disbursements | 6.3 | 2.9 | 3.6 | 3.6 | 3.6 | 3.3 | 3.3 | 3.4 | 3.3 |
| Amortizations | -0.9 | -0.9 | -1.0 | -1.3 | -1.4 | -1.4 | -1.5 | -1.7 | -1.6 |
| Other external | 0.2 | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Domestic | 2.2 | 6.3 | 4.4 | 5.0 | 4.7 | 4.1 | 3.4 | 2.8 | 2.3 |
| Banking system | 2.8 | 4.3 | 3.8 | 4.8 | 4.9 | 4.5 | 3.6 | 3.0 | 2.4 |
| Central Bank | 2.8 | 4.3 | 3.3 | 4.6 | 4.9 | 4.5 | 3.6 | 3.0 | 2.4 |
| Commercial banks | 0.0 | 0.0 | 0.5 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Pension funds | -0.4 | -0.5 | -0.5 | 0.2 | -0.2 | -0.4 | -0.3 | -0.2 | -0.2 |
| Other domestic | -0.3 | 2.5 | 1.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Fiscal financing gap | | | | 1.7 | | | | | |
| Fiscal financing gap in millions of US dollars | | | | 690.0 | | | | | |
| **Memorandum items:** | -0.7 | 2.0 | 0.6 | 0.2 | -0.2 | -0.40 | -0.2 | -0.2 | -0.2 |
| Primary balance | -6.7 | -7.0 | -5.7 | -5.8 | -5.3 | -4.4 | -3.4 | -2.7 | -2.0 |
| Overall balance before nationalization | -7.8 | -8.1 | -7.0 | -7.3 | -6.9 | -6.0 | -5.2 | -4.5 | -3.9 |
| o/w Non-hydrocarbon primary balance 5/ | -10.6 | -9.9 | -8.5 | -7.6 | -5.9 | -5.3 | -4.7 | -4.1 | -3.6 |
| Overall balance as a share of non-hydrocarbon GDP | -8.2 | -8.5 | -7.4 | -7.6 | -7.1 | -6.2 | -5.3 | -4.6 | -4.0 |
| Hydrocarbon related revenue 6/ | 4.8 | 4.8 | 4.7 | 3.8 | 2.5 | 2.7 | 2.9 | 3.0 | 3.1 |
| Nonfinancial public sector gross public debt 7/ | 51.3 | 53.8 | 57.5 | 64.9 | 66.1 | 66.3 | 66.1 | 65.8 | 65.2 |
| o/w gross foreign public debt 8/ | 24.2 | 24.4 | 26.0 | 29.0 | 29.4 | 29.3 | 29.0 | 28.7 | 28.4 |
| NFPS deposits | 14.0 | 12.3 | 10.7 | 9.5 | 7.4 | 5.6 | 4.6 | 4.0 | 3.7 |
| Nominal GDP in billions of Bolivianos | 259.2 | 278.4 | 290.1 | 282.6 | 301.9 | 324.1 | 349.3 | 374.9 | 402.4 |

Sources: Ministry of Economy and Public Finances and Fund staff calculations.

1/ The operation of mixed-ownership companies, primarily in the telecom, electricity and hydrocarbon sectors, are not included.

2/ Includes incentives for hydrocarbon exploration investments in the projection period.

3/ Includes pensions, cash transfers to households, and social investment programs (previously classified as capital expenditure).

4/ Includes net lending.

5/ Primary balance before nationalization costs minus hydrocarbon related balance (latter defined as the sum of direct hydrocarbon tax (IDH), royalties, and the operating balance of state oil/gas company (YPFB) minus YPFB investments.

6/ Hydrocarbon related revenues are defined as direct hydrocarbon tax (IDH), royalties, and the operating balance of state oil/gas company (YPFB)

7/ Public debt includes SOE's borrowing from the BCB but not from other domestic institutions.

8/ Gross foreign public debt includes sovereign bonds issued internationally but held by residents.

## Table 3. Bolivia: Summary Balance of Payments

| | | | | | Baseline projections | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| | | | | (in millions of U.S. dollars) | | | | | |
| **Current account balance** | **-1,818** | **-1,881** | **-1,362** | **-1,902** | **-2,120** | **-2,046** | **-1,960** | **-1,998** | **-2,042** |
| Goods and services | -2,143 | -2,132 | -1,706 | -2,187 | -2,691 | -2,651 | -2,565 | -2,598 | -2,659 |
| Goods | -516 | -460 | -289 | -841 | -1,358 | -1,339 | -1,292 | -1,361 | -1,475 |
| Exports | 8,105 | 8,895 | 8,779 | 8,135 | 7,943 | 8,475 | 9,043 | 9,505 | 9,960 |
| Imports | 8,621 | 9,354 | 9,068 | 8,976 | 9,301 | 9,813 | 10,334 | 10,866 | 11,435 |
| Extra medical supplies for Covid-19 | | | | 166 | | | | | |
| Other Imports | | | | 8,810 | | | | | |
| Services | -1,626 | -1,672 | -1,417 | -1,346 | -1,333 | -1,312 | -1,273 | -1,236 | -1,185 |
| Credit | 1,455 | 1,415 | 1,492 | 1,416 | 1,499 | 1,605 | 1,731 | 1,858 | 2,003 |
| Debit | 3,081 | 3,088 | 2,908 | 2,763 | 2,832 | 2,917 | 3,004 | 3,094 | 3,187 |
| Interest Payments, net | -1,060 | -999 | -795 | -697 | -587 | -613 | -692 | -784 | -857 |
| Remittances, net | 1,385 | 1,251 | 1,138 | 982 | 1,158 | 1,218 | 1,297 | 1,383 | 1,474 |
| **Financial account** | **2,319** | **1,830** | **-255** | **-124** | **1,081** | **1,486** | **1,659** | **1,633** | **1,633** |
| Foreign direct investment, net | 633 | 399 | -206 | -427 | 385 | 723 | 709 | 647 | 672 |
| Portfolio investment, net | 1,077 | 955 | 532 | 178 | -88 | -59 | -20 | -19 | -17 |
| Other investment, net | 609 | 476 | -581 | 124 | 784 | 823 | 969 | 1,004 | 978 |
| Multilateral loans, net | 835 | 584 | 527 | -102 | 647 | 586 | 388 | 468 | 498 |
| Bilateral loans, net | 241 | 225 | 277 | 293 | 305 | 297 | 322 | 347 | 392 |
| Other, net | -467 | -333 | -1,385 | -67 | -168 | -59 | 258 | 189 | 87 |
| **Net errors and omissions** | **-739** | **-1,192** | **-1,228** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Financing** | **239** | **1,240** | **2,845** | **1,257** | **1,038** | **559** | **301** | **366** | **409** |
| Change in reserve assets (increase = -) | 232 | 1,230 | 2,839 | 1,251 | 1,033 | 553 | 295 | 360 | 403 |
| Capital account | 7 | 10 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| **Financing Gap** | **0** | **0** | **0** | **769** | **0** | **0** | **0** | **0** | **0** |
| | | | | (in percent of GDP) | | | | | |
| **Current account balance** | **-4.8** | **-4.6** | **-3.2** | **-4.6** | **-4.8** | **-4.3** | **-3.8** | **-3.7** | **-3.5** |
| Goods and services | -5.7 | -5.3 | -4.0 | -5.3 | -6.1 | -5.6 | -5.0 | -4.8 | -4.5 |
| Goods | -1.4 | -1.1 | -0.7 | -2.0 | -3.1 | -2.8 | -2.5 | -2.5 | -2.5 |
| Exports | 21.5 | 21.9 | 20.8 | 19.7 | 18.1 | 17.9 | 17.8 | 17.4 | 17.0 |
| Imports | 22.8 | 23.1 | 21.4 | 21.8 | 21.1 | 20.8 | 20.3 | 19.9 | 19.5 |
| Extra medical supplies for Covid-19 | | | | 0.4 | | | | | |
| Other Imports | | | | 21.4 | | | | | |
| Services | -4.3 | -4.1 | -3.3 | -3.3 | -3.0 | -2.8 | -2.5 | -2.3 | -2.0 |
| Credit | 3.9 | 3.5 | 3.5 | 3.4 | 3.4 | 3.4 | 3.4 | 3.4 | 3.4 |
| Debit | 8.2 | 7.6 | 6.9 | 6.7 | 6.4 | 6.2 | 5.9 | 5.7 | 5.4 |
| Interest Payments, net | -2.8 | -2.5 | -1.9 | -1.7 | -1.3 | -1.3 | -1.4 | -1.4 | -1.5 |
| Remittances, net | 3.7 | 3.1 | 2.7 | 2.4 | 2.6 | 2.6 | 2.5 | 2.5 | 2.5 |
| **Financial account** | **6.1** | **4.5** | **-0.6** | **-0.3** | **2.5** | **3.1** | **3.3** | **3.0** | **2.8** |
| Foreign direct investment, net | 1.7 | 1.0 | -0.5 | -1.0 | 0.9 | 1.5 | 1.4 | 1.2 | 1.1 |
| Portfolio investment, net | 2.9 | 2.4 | 1.3 | 0.4 | -0.2 | -0.1 | 0.0 | 0.0 | 0.0 |
| Other investment, net | 1.6 | 1.2 | -1.4 | 0.3 | 1.8 | 1.7 | 1.9 | 1.8 | 1.7 |
| Multilateral loans, net | 2.2 | 1.4 | 1.2 | 1.6 | 1.5 | 1.2 | 0.8 | 0.9 | 0.8 |
| Bilateral loans, net | 0.6 | 0.6 | 0.7 | 0.7 | 0.7 | 0.6 | 0.6 | 0.6 | 0.7 |
| Other | -1.2 | -0.8 | -3.3 | -0.2 | -0.4 | -0.1 | 0.5 | 0.3 | 0.1 |
| **Net errors and omissions** | **-2.0** | **-2.9** | **-2.9** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** |
| **Financing** | **0.6** | **3.1** | **6.7** | **3.1** | **2.4** | **1.2** | **0.6** | **0.7** | **0.7** |
| Change in reserve assets | 0.6 | 3.0 | 6.7 | 3.0 | 2.3 | 1.2 | 0.6 | 0.7 | 0.7 |
| Capital account | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Financing Gap** | **0.0** | **0.0** | **0.0** | **1.9** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** |
| **Memorandum items:** | | | | | | | | | |
| Exports, c.i.f. (in millions of U.S. dollars) | 8,105 | 8,873 | 8,819 | 8,133 | 7,940 | 8,471 | 9,039 | 9,501 | 9,956 |
| Natural gas | 2,581 | 2,970 | 2,720 | 2,326 | 1,767 | 1,916 | 2,102 | 2,252 | 2,390 |
| Minerals | 3,890 | 3,999 | 3,850 | 3,794 | 3,887 | 4,001 | 4,087 | 4,194 | 4,246 |
| Soy-related | 698 | 806 | 716 | 662 | 744 | 819 | 945 | 1,017 | 1,091 |
| Other exports | 936 | 1,099 | 1,533 | 1,351 | 1,541 | 1,735 | 1,906 | | |
| Imports, c.i.f. (in millions of U.S. dollars) | 9,308 | 10,046 | 9,785 | 9,571 | 9,921 | 10,473 | 10,994 | 11,526 | 12,095 |
| Net BCB international reserves | 10,261 | 8,946 | 6,460 | 5,206 | 4,171 | 3,614 | 3,315 | 2,951 | 2,544 |
| In percent of GDP | 27.2 | 22.0 | 15.3 | 12.6 | 9.5 | 7.6 | 6.5 | 5.4 | 4.3 |
| In months of next year's imports of goods and services | 9.9 | 9.0 | 6.6 | 5.1 | 3.9 | 3.3 | 2.8 | 2.4 | 2.1 |
| APSP oil prices (U.S. dollars per barrel) | 52.8 | 68.3 | 61.4 | 35.6 | 37.9 | 40.9 | 43.2 | 45 | 46 |

Sources: Central Bank of Bolivia, National Institute of Statistics, and Fund staff calculations.

## Table 4. Bolivia: Monetary Indicators

| | | | | Baseline projections | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| | (Stocks in millions of Bolivianos, unless otherwise indicated) | | | | | | | | |
| **Central Bank** | | | | | | | | | |
| Net international reserves | 70,388 | 61,372 | 41,896 | 33,314 | 26,231 | 22,436 | 20,410 | 17,942 | 15,175 |
| (Stocks in millions of U.S. dollars) | 10,261 | 8,946 | 6,107 | 4,856 | 3,824 | 3,271 | 2,975 | 2,615 | 2,212 |
| Net domestic assets | 631 | 3,897 | 27,165 | 41,266 | 54,331 | 65,356 | 75,043 | 85,456 | 96,724 |
| Net credit to the nonfinancial public sector | -2,058 | 10,549 | 20,189 | 33,089 | 47,989 | 62,689 | 75,289 | 86,389 | 96,189 |
| Net credit to financial intermediaries | 5,733 | 5,320 | 19,693 | 21,696 | 20,585 | 17,832 | 15,789 | 16,091 | 18,460 |
| Other items (net) | -3,044 | -11,973 | -12,716 | -13,519 | -14,244 | -15,166 | -16,035 | -17,024 | -17,925 |
| Net medium and long-term foreign assets | -1,455 | 7,334 | 7,334 | 1,334 | 1,334 | 1,334 | 1,334 | 1,334 | 1,334 |
| Base money | 69,565 | 72,603 | 76,396 | 75,913 | 81,895 | 89,125 | 96,787 | 104,732 | 113,232 |
| Currency in circulation | 46,335 | 48,953 | 51,275 | 50,940 | 54,673 | 59,024 | 63,565 | 68,244 | 73,268 |
| Bank reserves | 23,230 | 23,650 | 25,121 | 24,973 | 27,222 | 30,101 | 33,222 | 36,487 | 39,964 |
| Legal reserves | 17,012 | 15,589 | 16,558 | 16,461 | 17,944 | 19,842 | 21,898 | 24,051 | 26,343 |
| **Financial System 1/** | | | | | | | | | |
| Net short-term foreign assets | 87,330 | 75,420 | 57,175 | 48,979 | 43,485 | 41,285 | 40,708 | 39,793 | 38,694 |
| (Stocks in millions of U.S. dollars) | 12,730 | 10,994 | 8,335 | 7,140 | 6,339 | 6,018 | 5,934 | 5,801 | 5,641 |
| Net domestic assets | 127,365 | 141,706 | 174,259 | 188,600 | 215,398 | 243,225 | 271,179 | 300,539 | 331,888 |
| Net credit to the public sector | -1,677 | 10,874 | 21,885 | 35,471 | 50,371 | 65,071 | 77,671 | 88,771 | 98,571 |
| Credit to the private sector | 151,923 | 168,973 | 181,211 | 182,172 | 194,571 | 210,700 | 229,221 | 249,957 | 272,570 |
| Other items (net) | -22,881 | -38,141 | -28,838 | -29,044 | -29,544 | -32,546 | -35,713 | -38,190 | -39,253 |
| Net medium and long-term foreign liabilities (increase -) | 4,175 | -5,125 | -3,548 | 4,029 | 5,606 | 6,655 | 7,703 | 8,752 | 9,801 |
| Broad money | 210,521 | 222,251 | 234,981 | 233,550 | 253,277 | 277,855 | 304,184 | 331,580 | 360,781 |
| Liabilities in domestic currency | 205,071 | 216,879 | 228,098 | 226,708 | 245,818 | 269,608 | 295,081 | 321,583 | 349,831 |
| Foreign currency deposits | 5,450 | 5,372 | 6,883 | 6,842 | 7,459 | 8,248 | 9,103 | 9,997 | 10,950 |
| | (Annual percentage changes) | | | | | | | | |
| Base money | 10.2 | 4.4 | 5.2 | -0.6 | 7.9 | 8.8 | 8.6 | 8.2 | 8.1 |
| Credit to the private sector | 12.8 | 11.2 | 7.2 | 0.5 | 6.8 | 8.3 | 8.8 | 9.0 | 9.0 |
| | (Changes in percent of broad money at the beginning of the period) | | | | | | | | |
| Net short-term foreign assets | 0.3 | -5.7 | -8.2 | -3.5 | -2.4 | -0.9 | -0.2 | -0.3 | -0.3 |
| Net domestic assets | 11.3 | 6.8 | 14.6 | 6.1 | 11.5 | 11.0 | 10.1 | 9.7 | 9.5 |
| Net credit to the public sector | 2.0 | 6.0 | 5.0 | 5.8 | 6.4 | 5.8 | 4.5 | 3.6 | 3.0 |
| Credit to the private sector | 9.0 | 8.1 | 5.5 | 0.4 | 5.3 | 6.4 | 6.7 | 6.8 | 6.8 |
| Net medium and long-term foreign liabilities | 1.4 | -4.4 | 0.7 | 3.2 | 0.7 | 0.4 | 0.4 | 0.3 | 0.3 |
| Broad money | 10.2 | 5.6 | 5.7 | -0.6 | 8.4 | 9.7 | 9.5 | 9.0 | 8.8 |
| Liabilities in domestic currency | 10.1 | 5.6 | 5.0 | -0.6 | 8.2 | 9.4 | 9.2 | 8.7 | 8.5 |
| Foreign currency deposits | 0.1 | 0.0 | 0.7 | 0.0 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |

Sources: Central Bank of Bolivia, and Fund staff calculations.

1/ The financial system comprises the central bank, commercial banks and nonbanks, and the Banco de Desarrollo Productivo (BDP), which is a state-owned second-tier bank.

## Table 5. Bolivia: Capacity to Repay Indicators

(In millions of SDRs, unless otherwise indicated)

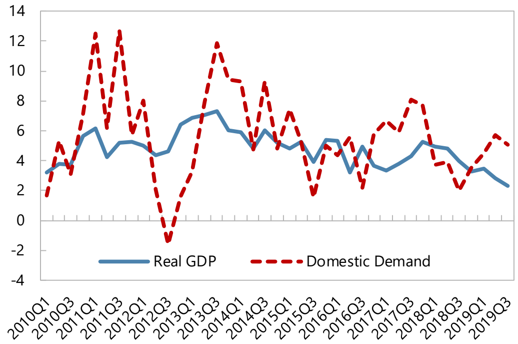
| | Apr 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|
| **Fund obligations based on prospective credit** | | | | | | |
| (In millions of SDRs) | | | | | | |
| Principal | 0.0 | 0.0 | 0.0 | 60.0 | 120.1 | 60.0 |
| Interest and Charges | 2.6 | 2.5 | 2.5 | 2.4 | 1.4 | 0.2 |
| **Total obligations based on prospective credit** | | | | | | |
| In millions of SDRs | 2.6 | 2.5 | 2.5 | 62.5 | 121.4 | 60.2 |
| In percent of exports | 0.0 | 0.0 | 0.0 | 0.9 | 1.7 | 0.8 |
| In percent of External Debt service | 0.2 | 0.2 | 0.1 | 3.0 | 5.4 | 2.6 |
| In percent of GDP | 0.0 | 0.0 | 0.0 | 0.2 | 0.3 | 0.1 |
| In percent of Net International Reserves | 0.1 | 0.1 | 0.1 | 2.6 | 5.6 | 3.2 |
| In percent of Quota | 1.1 | 1.0 | 1.0 | 26.0 | 50.6 | 25.1 |
| Memorandum items: | | | | | | |
| Exports, cif (USD millions) | 8,133 | 7,940 | 8,471 | 9,039 | 9,501 | 9,956 |
| External Debt Service (USD millions) | 1,429 | 1,899 | 2,587 | 2,857 | 3,046 | 3,182 |
| Nominal GDP (USD millions) | 41,200 | 44,004 | 47,250 | 50,920 | 54,652 | 58,657 |
| Net International Reserves (USD millions) | 5,206 | 4,171 | 3,614 | 3,315 | 2,951 | 2,544 |
| Quota (In SDR millions) | 240.1 | 240.1 | 240.1 | 240.1 | 240.1 | 240.1 |
| SDR to USD exchange rate (April 8 2020) | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 |

Source: IMF staff estimates

# Figure 1. Bolivia: Real Sector Developments

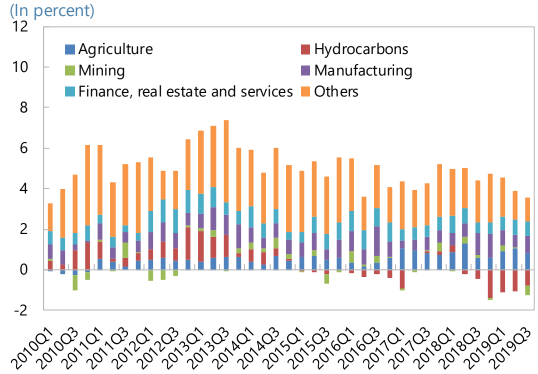
*Economic activity has been slowing due in part to declines in hydrocarbon exports...*

**Real GDP and Domestic Demand**
(In percent, y/y)



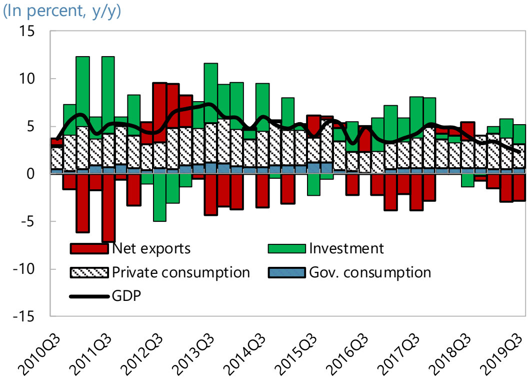

*...while growth in most other sectors were robust until recently.*

**Contributions to GDP Growth, Supply Side**
(In percent)



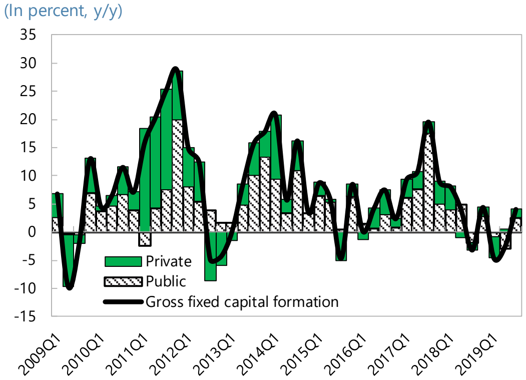

*On the demand side, private consumption continues to be the main driver of growth...*

**Contributions to Real GDP Growth, Demand Side**
(In percent, y/y)



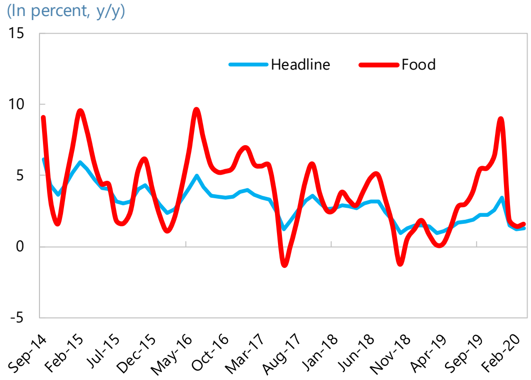

*....while investment has decelerated.*

**Contributions to Real Investment Growth**
(In percent, y/y)



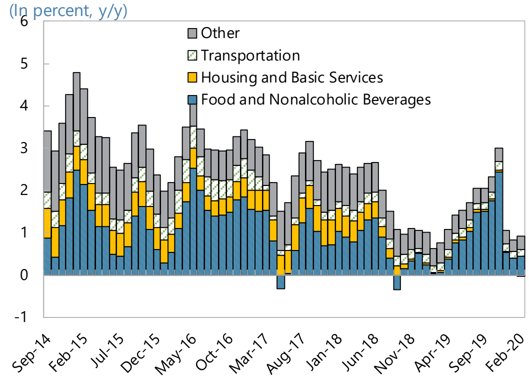

*Inflation has remained at low levels despite some volatility in food prices,*

**CPI Inflation**
(In percent, y/y)




*...which dominate movements in the headline number given their large weight.*

**Contribution to CPI Inflation**
(In percent, y/y)

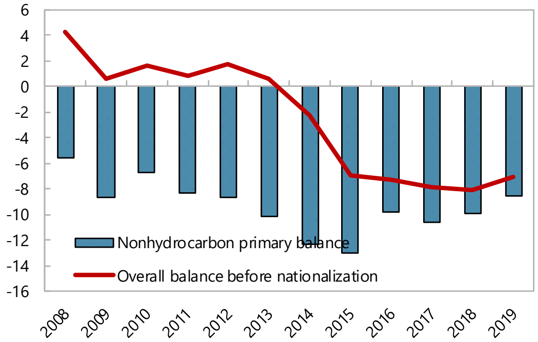



Sources: National Institute of Statistics, Central Bank of Bolivia, Haver Analytics, Inc., SEDLAC, World Bank, and Fund staff estimates.

## Figure 2. Bolivia: Fiscal Developments

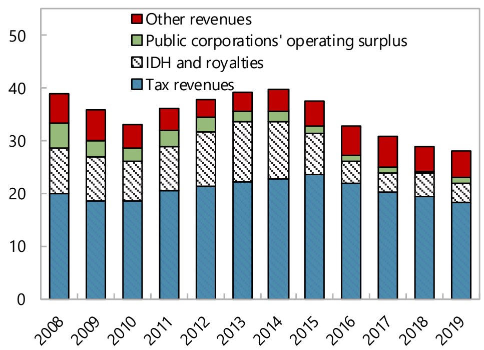
*Overall fiscal surpluses during 2006-2013 turned into sizable deficits...*

**Fiscal Balance**
(In percent of GDP)



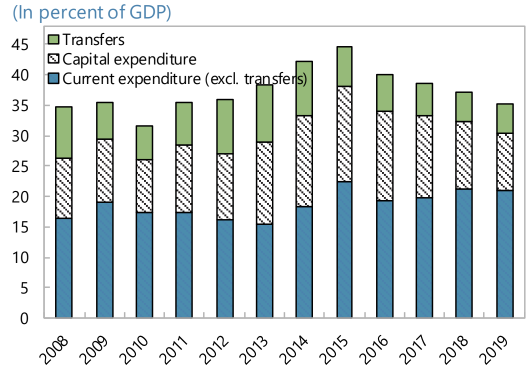

*... reflecting sharp declines in hydrocarbon revenues...*

**Total Revenue Composition**
(In percent of GDP)



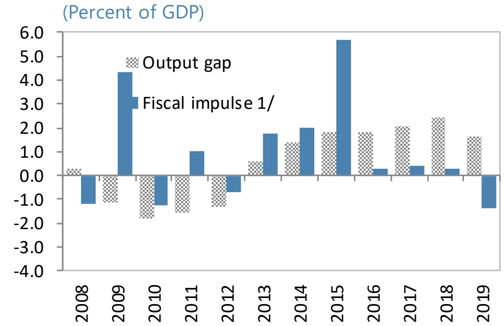

*... and continued high expenditures (until 2019).*

**Expenditure Composition**
(In percent of GDP)



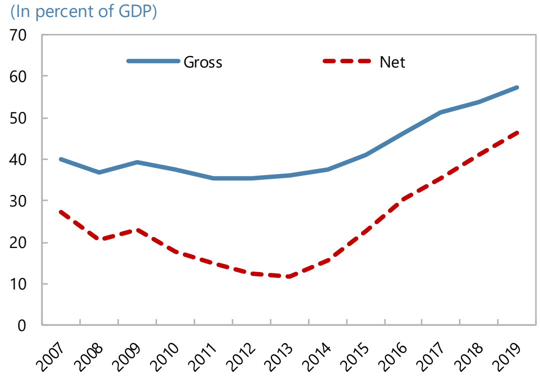

*The policy stance was expansionary until 2019.*

**Output Gap and Fiscal Impulse**
(Percent of GDP)



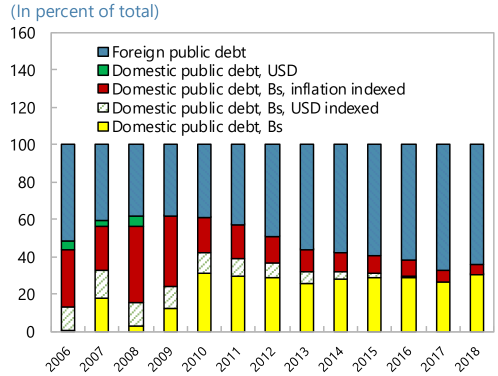

*Public debt ratios have risen since 2013.*

**Public Sector Debt**
(In percent of GDP)




*The share of general government foreign debt has increased in recent years.*

**Public Debt (excluding BCB loans to SOEs)**
(In percent of total)

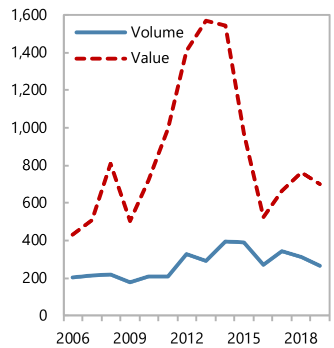



Sources: Ministry of the Economy and Public Finances, Central Bank of Bolivia and Fund staff estimates.
1/ The calculated fiscal impulse in 2017 is due mostly to a one-off calendar effect as advance payments of salaries and pensions into December 2015 from January 2016 reduced the deficit in 2016, implying a large change in the deficit in 2017. Excluding this effect implies a much smaller impulse.

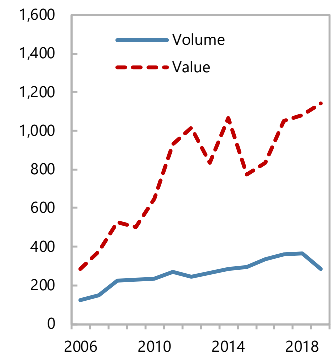
## Figure 3. Bolivia: External Sector Developments

*In 2019, Bolivia's exports of natural gas fell in volume and value.*

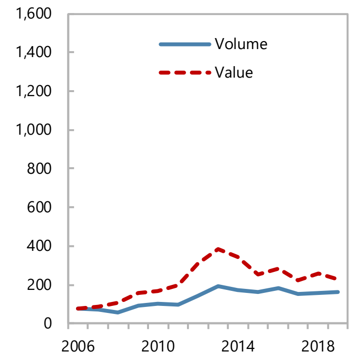
**Natural Gas**
(Indexes, 2003=100)




**Minerals, incl. Gold**
(Indexes, 2003=100)

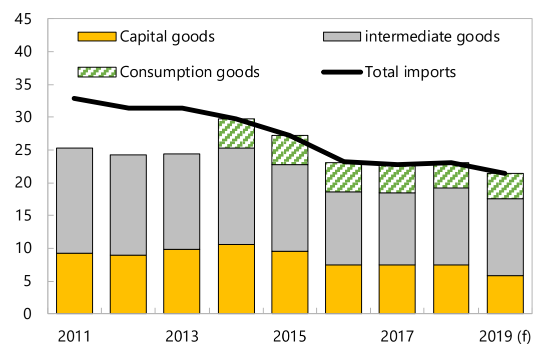



**Soybeans and Derivatives**
(Indexes, 2003=100)



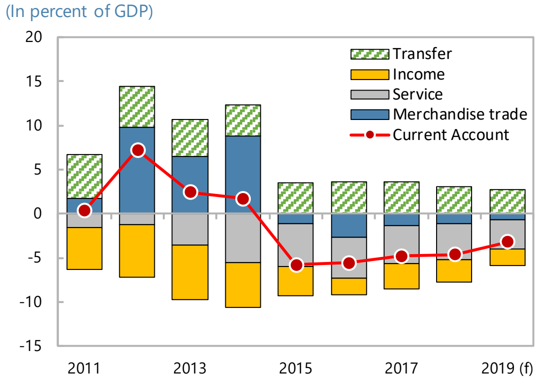

*Decline in capital good imports in 2019 reduced the overall*

**Imports of Goods**
(In percent of GDP)



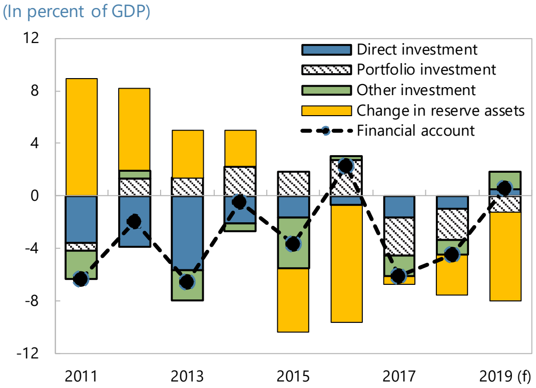

*The current account deficit narrowed to its lowest level since 2015.*

**Current Account**
(In percent of GDP)



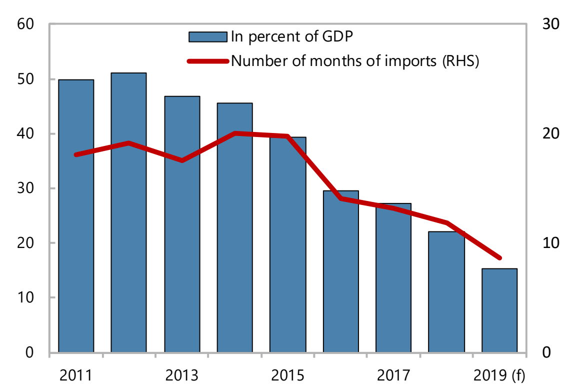

*Financial outflows accelerated in 2019 ...*

**Financial Account**
(In percent of GDP)




*... resulting in a very large drain on reserves.*

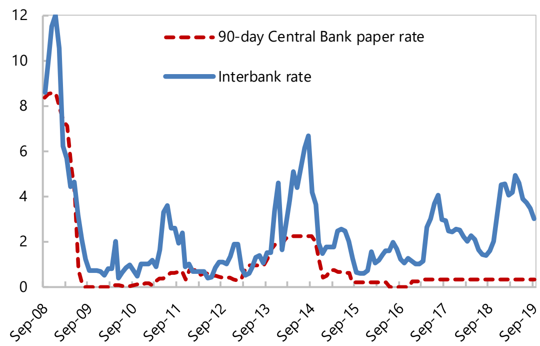
**Gross Reserves**



## Figure 4. Bolivia: Monetary Developments

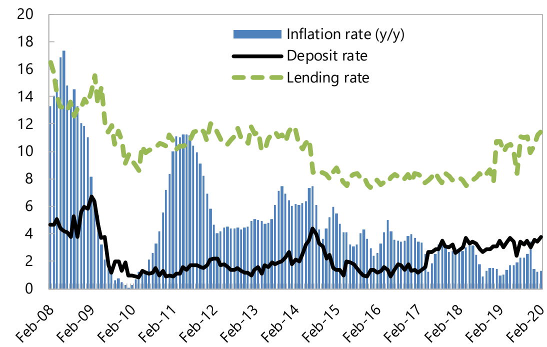
*Rates on Central Bank paper have remained low while interbank rates have risen significantly.*

**Policy Rate and Exchange Rate**
(In percent)



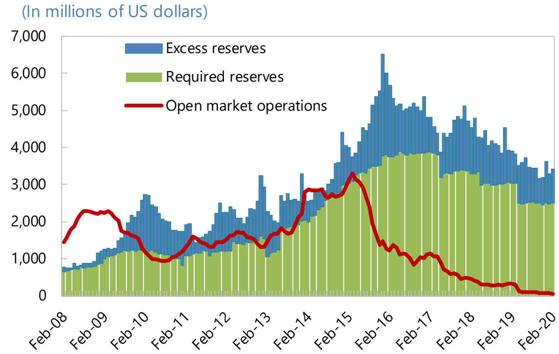

*Deposit rates have been increasing since early-2017.*

**Interest Rates and Inflation**
(In percent)



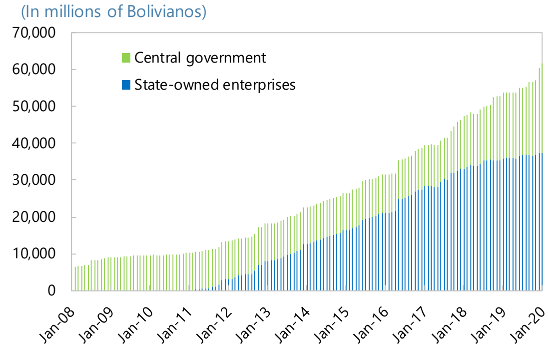

*Banks' excess reserves have stabilized while BCB open market operations have been limited in recent years.*

**Bank Reserves and Open Market Operations**
(In millions of US dollars)



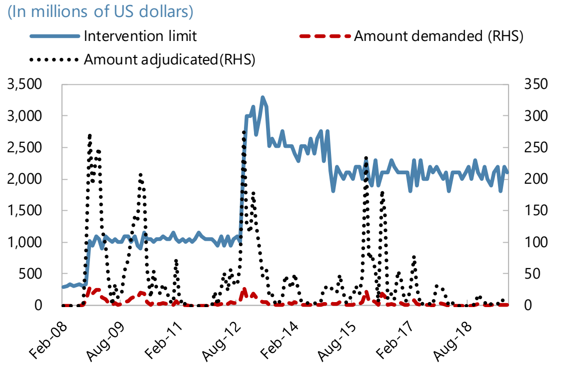

*Central bank credits to state-owned enterprises continue to expand.*

**Central Bank Lending to the Public Sector**
(In millions of Bolivianos)



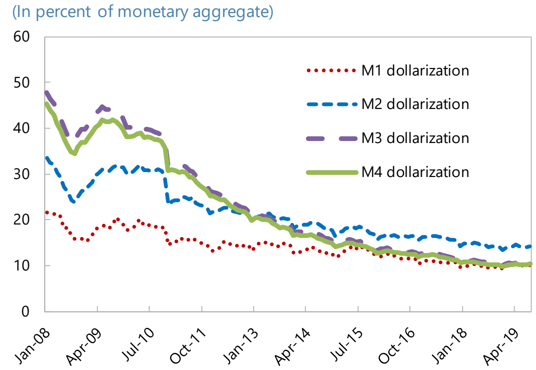

*Central bank foreign exchange interventions remain low.*

**Central Bank Intervention in FX Market**
(In millions of US dollars)




*Dollarization ratios have stabilized at low levels.*

**Monetary Aggregates Dollarization**
(In percent of monetary aggregate)

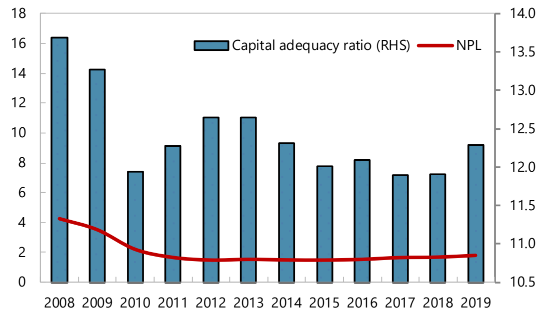



Sources: Central Bank of Bolivia, National Institute of Statistics, and Fund staff estimates.

# Figure 5. Bolivia: Financial Sector Developments

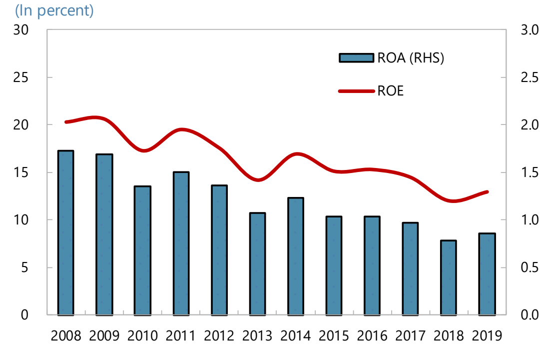
*Capital adequacy ratios are above the regulatory minimum, while NPLs remain low...*

**Capital Adequacy Ratio and Nonperforming Loans**
(In percent)



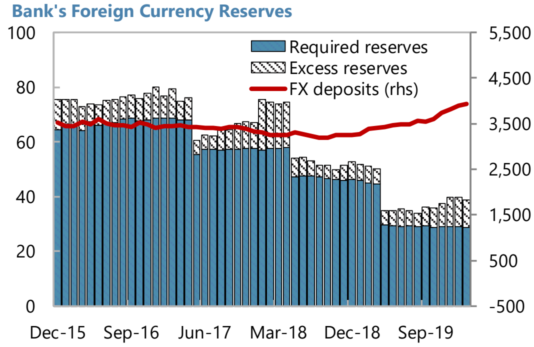

*...however, bank profitability has been declining.*

**Rates of Return**
(In percent)



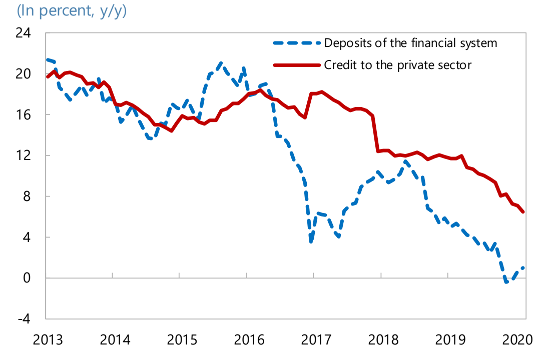

*The authorities reduced reserve requirements on FX deposits three times to support liquidity and lending.*

**Bank's Foreign Currency Reserves**



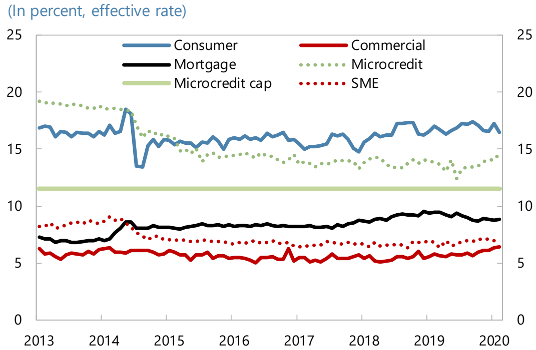

*...While moderating, overall credit sector growth remains robust, and deposits have started to grow again.*

**Deposits and Credit Growth 1/**
(In percent, y/y)



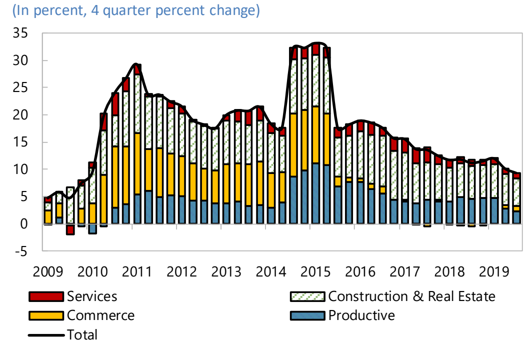

*The microcredit lending rate is the most affected by the FInancial Services law...*

**Bank Lending Rate by Type of Credit 2/**
(In percent, effective rate)




*...while lending to "non-productive sectors" had stalled until end-2019.*

**Contribution to Growth by Sector of Banking System Credit 3/**
(In percent, 4 quarter percent change)




Sources: ASFI and Fund staff calculations.
1/ Licensed institutions only.
2/ The estimations include credit extended by the addition of new financial instutitions created during the period, including development institutions (Instituciones Financieras de Desarrollo).
3/ Contributions refer to 2018M6 over 2017M6 levels.

# Annex I. Public Debt Sustainability Assessment (DSA)

**Bottomline:** Sustainable

### Baseline

| | |
|---|---|
| *The debt of the non-financial public sector (NFPS) net of its deposits at the central bank is projected to stay below 62 percent of GDP over the projection horizon. Its gross financing needs are projected to average around 9.3 percent of GDP. Neither debt nor GFN breach the MAC DSA thresholds. Total public debt, excluding the central bank's loans to the NFPS, was at 34.4 percent of GDP in 2019 and is projected to decline to 29.7 percent of GDP in 2025.* | The authorities are addressing the COVID-19 shock with additional temporary spending financed by re-prioritization of expenditures, a drawdown in deposits, central bank loans, and donor loans. The medium-term fiscal consolidation path is realistic, while the authorities envisage even a more ambitious tightening through streamlining public spending while increasing its efficiency. Given the long maturity of loans, the public debt service profile is smooth. External gross financing needs are moderate, and most of the external debt is owed to official creditors. |

### Stress Tests

| | |
|---|---|
| *Debt would exceed the high-risk threshold under the constant primary balance, contingent liability, and combined shock scenarios.*<br>*GFN would remain below the high-risk threshold in most standardized macro-fiscal stress tests, including under the combined macro-fiscal shock scenario.* | Debt would be vulnerable if the authorities do not implement their fiscal consolidation plan, which could also endanger the sustainability of the stabilized exchange rate. A depreciation (of 27 percent) would be a risk but a manageable one based on the stress test. Other key risks include weaker-than-expected demand for hydrocarbons, and possible social instability as Bolivia undertakes national elections. |

### Assumptions

| | |
|---|---|
| *The COVID-19 pandemic is expected to reduce Bolivia's real GDP growth rate to -2.9 percent in 2020, from the earlier IMF staff projection of 2.6 percent. In 2021, growth is projected to rebound to 2.8 percent although adverse effects of lower hydrocarbon prices on the NFPS balance will continue.* | The baseline assumes that that the spread of the disease will be contained at moderate levels and activity will resume relatively rapidly. A more protracted shock could further weaken GDP growth, reduce tax revenues and increase the fiscal and external current account deficits. |

## Coverage and Contingent Liabilities

The NFPS debt includes all financial obligations of the central government and subnational governments as well as central bank loans to non-financial SOEs and two public funds—Fondo Nacional de Desarrollo Regional, which supports local governments, and Fondo para la Revolución Industrial Productiva, which supports SOEs.

### Bolivia Public Sector Debt Sustainability Analysis (DSA) - Baseline Scenario

(in percent of GDP unless otherwise indicated)

#### Debt, Economic and Market Indicators [1/]

| | Actual | | | Projections | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2009-2017 [2/] | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| Nominal gross public debt | 40.0 | 53.8 | 57.5 | 64.9 | 66.1 | 66.3 | 66.1 | 65.8 | 65.2 |
| Public gross financing needs | 5.3 | 9.7 | 9.9 | 10.7 | 10.5 | 9.8 | 8.9 | 8.3 | 7.5 |
| Net public debt | 20.6 | 41.6 | 46.8 | 55.3 | 58.7 | 60.7 | 61.5 | 61.8 | 61.5 |
| Public debt (in percent of potential GDP) | 40.2 | 55.8 | 59.3 | 63.0 | 64.0 | 64.9 | 65.1 | 65.1 | 64.7 |
| Real GDP growth (in percent) | 4.8 | 4.2 | 2.8 | -2.9 | 2.8 | 4.2 | 4.0 | 3.7 | 3.7 |
| Inflation (GDP deflator, in percent) | 4.0 | 3.1 | 2.1 | 3.1 | 4.1 | 3.9 | 4.2 | 4.2 | 4.1 |
| Nominal GDP growth (in percent) | 9.1 | 7.4 | 4.2 | -2.6 | 6.8 | 7.4 | 7.8 | 7.3 | 7.3 |
| Effective interest rate (in percent) [4/] | 3.3 | 2.5 | 2.6 | 2.6 | 2.6 | 2.7 | 2.8 | 2.9 | 3.0 |

| As of March 10, 2020 | | |
|---|---|---|
| Sovereign Spreads | | |
| EMBIG (bp) 3/ | | 445 |
| 5Y CDS (bp) | | N/A |
| Ratings | Foreign | Local |
| Moody's | B1 | Ba3 |
| S&Ps | BB- | BB- |
| Fitch | B+ | BB- |

#### Contribution to Changes in Public Debt

| | Actual | | | Projections | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2009-2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | cumulative | debt-stabilizing primary balance [9/] |
| Change in gross public sector debt | 1.6 | 2.6 | 3.6 | 7.4 | 1.2 | 0.3 | -0.3 | -0.3 | -0.6 | 7.7 | |
| Identified debt-creating flows | -1.0 | 4.6 | 4.5 | 7.2 | 2.7 | 1.0 | 0.1 | -0.4 | -1.0 | 9.5 | |
| Primary deficit | 1.1 | 7.0 | 5.7 | 5.8 | 5.3 | 4.4 | 3.4 | 2.7 | 2.0 | 23.7 | -3.0 |
| Primary (noninterest) revenue + grants | 35.9 | 29.0 | 28.1 | 27.3 | 26.2 | 26.4 | 26.5 | 26.5 | 26.5 | 159.4 | |
| Primary (noninterest) expenditure | 37.0 | 35.9 | 33.8 | 33.2 | 31.5 | 30.7 | 29.9 | 29.2 | 28.5 | 183.0 | |
| Automatic debt dynamics [5/] | -2.0 | -2.3 | -1.2 | 1.4 | -2.7 | -3.4 | -3.4 | -3.1 | -3.0 | -14.2 | |
| Interest rate/growth differential [6/] | -1.9 | -2.3 | -1.2 | 1.4 | -2.7 | -3.4 | -3.4 | -3.1 | -3.0 | -14.2 | |
| Of which: real interest rate | -0.2 | -0.3 | 0.2 | -0.3 | -1.0 | -0.8 | -0.9 | -0.9 | -0.8 | -4.6 | |
| Of which: real GDP growth | -1.7 | -2.0 | -1.4 | 1.7 | -1.7 | -2.6 | -2.4 | -2.3 | -2.3 | -9.6 | |
| Exchange rate depreciation [7/] | 0.0 | 0.0 | 0.0 | ... | ... | ... | ... | ... | ... | ... | |
| Other identified debt-creating flows | -0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Fiscal, Expenditures, Nationalization cost (negative) | -0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Contingent liabilities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Please specify (2) (e.g., ESM and Euroarea loans) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Residual, including asset changes [8/] | 2.6 | -2.0 | -0.9 | 0.2 | -1.4 | -0.7 | -0.3 | 0.1 | 0.4 | -1.8 | |

Source: IMF staff.

1/ Public sector is defined as the consolidated public sector. Public debt includes SOEs' borrowing from the BCB but not from other domestic instituions.

2/ Based on available data.

3/ Long-term bond spread over U.S. bonds.

4/ Defined as interest payments divided by debt stock (excluding guarantees) at the end of previous year.

5/ Derived as [(r - π(1+g) - g + ae(1+r)]/(1+g+π+gπ)) times previous period debt ratio, with r = interest rate; π = growth rate of GDP deflator; g = real GDP growth rate; a = share of foreign-currency denominated debt; and e = nominal exchange rate depreciation (measured by increase in local currency value of U.S. dollar).

6/ The real interest rate contribution is derived from the numerator in footnote 5 as r - π (1+g) and the real growth contribution as -g.

7/ The exchange rate contribution is derived from the numerator in footnote 5 as ae(1+r).

8/ Includes changes in the stock of guarantees, asset changes, and interest revenues (if any). For projections, includes exchange rate changes during the projection period.

9/ Assumes that key variables (real GDP growth, real interest rate, and other identified debt-creating flows) remain at the level of the last projection year.

#### Heat Map

| | | | | | |
|---|---|---|---|---|---|
| Debt level [1/] | Real GDP Growth Shock | Primary Balance Shock | Real Interest Rate Shock | Exchange Rate Shock | Contingent Liability shock |
| Gross financing needs [2/] | Real GDP Growth Shock | Primary Balance Shock | Real Interest Rate Shock | Exchange Rate Shock | Contingent Liability Shock |
| Debt profile [3/] | Market Perception | External Financing Requirements | Change in the Share of Short-Term Debt | Public Debt Held by Non-Residents | Foreign Currency Debt |

# Appendix I. Letter of Intent

La Paz, Bolivia

April 12, 2020

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Ms. Georgieva,

1. Bolivia, like the rest of the world, has been greatly impacted by the Covid-19 pandemic. This is despite only having a small number of cases identified within the country. The main channels that have affected us already are two-fold. First, our terms of trade have worsened significantly as global oil prices have collapsed. We are advantaged by the fact that the pricing provisions in our gas contracts will reset only with a lag. Nonetheless, we anticipate a significant loss of foreign currency inflows from the lower global energy prices in the coming 6–12 months. Second, the extreme conditions in global financial markets has led to a sudden stop on capital inflows into Bolivia and will likely preclude us from accessing global financing for either private or public sector needs for an indeterminate amount of time.

2. In addition to these broad-based spillovers from global events, we are also facing a significant fiscal need in our own country that arises from the need to immediately increase outlays on both containment and treatment of those who have contracted Covid-19. Indeed, we have already announced plans to rapidly strengthen the capacity of our medical system, particularly in the handling of emergency respiratory cases. Beyond these direct steps to target public health priorities, we have also announced steps to support those most vulnerable among our population, including direct relief payments to vulnerable households with children, reductions in some utility fees, and a moratorium on the payments of debts owed by households and firms. We anticipate these spending needs alone will add 1.8 percent of GDP to our fiscal deficit at a time when activity is slowing markedly and revenue sources are being compromised as taxpayers struggle to manage their own difficult circumstances. With much of our medical equipment imported from other countries, these expenditures directly translate into upward pressures on our trade deficit.

3. Our preliminary projections suggest that real GDP growth in 2020 could decline to -2.9 percent owing to the adverse supply and demand shock represented by the Covid-19 pandemic. Our fiscal deficit is likely to reach 7.3 percent of GDP this year (from 7.2 percent of GDP in 2019) which will require substantial efforts to reallocate budgetary resources away from low priority expenditures. We expect the current account deficit could reach 4.6 percent of GDP this year. Our expectation, though, is that inflation will remain contained at around 2.3 percent in 2020.

4. Against this background, the government of Bolivia requests emergency financing from the IMF in the equivalent of SDR240.1 million (about US$332 million), corresponding to a purchase of 100 percent of our quota under the Rapid Financing Instrument (RFI). This IMF assistance will help meet the urgent balance of payments and fiscal needs that are associated with the increased health

spending needs, a worsening of our terms of trade, and an inability to finance on international markets. In this connection, we commit to adhere to best practices in procuring and awarding contracts related to the pandemic (including by publishing regularly documentation on procurement contracts on the government's website, together with ex-post validation of delivery along with the name of awarded companies and the name of their beneficial owners) as well as publishing an external independent audit report on virus-related expenditures once the crisis is over.

5. During the course of the epidemic our policy priorities will be to address the medical, social, humanitarian, and economic effects of the crisis. Accordingly, it will be necessary to implement targeted social measures such as income support to the most vulnerable, while maintaining other priority social programs. We envisage that about 1.2 percent of GDP will be dedicated to increased health spending, about 0.6 percent of GDP to measures in support of the vulnerable (including support for the elderly, primary school children, and the disabled, and subsidies directed at households of modest means), and 1.3 percent of GDP in deferrals of corporate tax payments. We will offset some of these needs frontloading a planned reduction in investment by our public enterprises for about 0.8 percent of GDP, with our overall NFPS deficit widening to 7.3 percent of GDP in 2020 (compared to the 6.6 percent of GDP deficit that was envisaged prior to the Covid-19 pandemic). We have also identified further contingency savings in non-priority spending that could be implemented should the crisis worsen or our revenue forecasts prove optimistic. While this will entail a temporary divergence from our envisioned path of public expenditure, we remain committed to our previously announced medium-term objective of reducing the fiscal deficit to 4.0 – 4.8 percent of GDP by 2022. Moreover, we will adopt economic and financial policies as needed to ensure consistency with medium-term macroeconomic stability and debt sustainability.

6. While the outlook is challenging, we remain committed to maintaining macroeconomic stability, fostering competitiveness and growth, and supporting the most vulnerable among our population. We are confident that, with the support of the international community, our fiscal operations will be fully financed during the course of this year. Indeed, we anticipate that emergency financing of US$1 billion, of which $US 700 million would be provided by the Interamerican Development Bank, and $US 300 million by CAF during the coming year. We are also committed, if needed and once the immediate health crisis has passed, to taking additional income and expenditure measures to ensure our fiscal position is consistent with the availability of financing and to underpin the continued sustainability of our public debt position.

7. Furthermore, the government of Bolivia intends to continue to maintain an open dialogue with the IMF to further explore solutions to our balance of payments difficulties in the coming weeks and months. We are committed to ensuring continued macroeconomic stability and we will avoid any measures or policies that may compound these difficulties. Bolivia will comply with the provisions of the Fund's Articles of Agreement—including those related to imposing new or intensifying existing restrictions on the making of payments and transfers for current international transactions, or entering into multiple currency practices, or entering into bilateral payments agreements which are inconsistent with our obligations under Article VIII—and will implement public policies under that framework. We also intend to avoid putting in place new trade restrictions for balance of payment purposes.

8. In line with the IMF's safeguards policy, we stand ready to collaborate with IMF staff in undertaking a safeguards assessment, providing IMF staff with the Central Bank of Bolivia's most recently completed external audit reports. We also intend to accommodate any need for meetings between IMF staff, staff in the Central Bank, and our external auditors. Given that financing from the IMF will be on-lent to the government, a framework agreement will be established between the government and the Central Bank on the respective responsibility for servicing financing obligations to the IMF.

9. The challenges and uncertainties ahead of us are unprecedented and will test our resolve and social cohesion. Nonetheless, we are determined to succeed and anticipate that the efforts of the Bolivian government and the support of the Bolivian people will allow us to emerge from this global crisis stronger and more unified as a country. We seek your support in our endeavors and also intend to do what we can to support you in your efforts at the IMF to mitigate the inevitable impact on the world economy arising from this pandemic. We look forward to an expeditious approval of our request for financial assistance and want to underline our appreciation for the speed and determination that the Fund has shown in responding to the needs of its membership.

10. We authorize the Fund to publish this letter and the request for a purchase under the RFI.

Sincerely yours,

| | |
|---|---|
| /s/ | /s/ |
| Guillermo Aponte | José Luis Parada |
| President of the Central Bank | Minister of Finance |