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Bolivia
Country Assistance Evaluation

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Abbreviations

BAB	*Banco Agrícola de Bolivia* (Bolivian Agricultural Bank)
BAMIN	*Banco Minero* (Mining Bank)
BANEST	*Banco del Estado* (State Bank)
CHF	Swiss Francs
CNV	*Comisión Nacional de Valores* (Stock Exchange Commission)
CONSAFCO	*Consejo para el Sistema de Administración Financiera y Control* (Council for the Financial administration and Control System
COMIBOL	*Corporación Minera de Bolivia* (Bolivian Mining Corporation)
CAE	Country Assistance Evaluation
CSP	Country Strategy Paper
CPAC	Capitalization Program Adjustment Credit
ELFEC	*Empresa de Luz y Fuerza Eléctrica Cochabamba* (Cochabamba Electricity Company)
EMV	*Empresa Metalúrgica Vinto* (Bolivian Smelting Company)
ENDE	*Empresa Nacional de Electricidad* (National Electricity Company)
ENFE	*Empresa Nacional de Ferrocarriles* (National Railways Corporation)
ENTEL	*Empresa Nacional de Telecomunicaciones* (National Telecommunications Company)
ESAF	Enhanced Structural Adjustment Facility
ESMO	Economic Management Strengthening Operation
FAR	Andean Reserve Fund
FDC	*Fondo de Desarrollo Campesino* (Farmers Development Fund)
FIS	*Fondo de Inversión Social* (Social Investment Fund)
FONDESIF	*Fondo de Desarrollo del Sistema Financiero y de Apoyo al Sector Productivo* (Fund for Development of the Financial System and Productive Sector)
FONEM	*Fondo Nacional de Exploración Minera* (Mining Fund for Mining Exploration)
FONPLATA	*Fondo para el Río de la Plata* (Fund for the River Plate)
FSA	Financial Sector Adjustment
FSAC	Financial Sector Adjustment Credit
GDP	Gross Domestic Product
GNP	*Programa Nacional de Emergencia* (National Emergency Program)
GSF	Gerencia de Sistema Fianciero (Financial System Unit)
GTZ	Deutsche Gesellsch
IBRD	International Bank for Reconstruction and Development
ICB	International Competitive Bidding
ICI	Institution Eligible to Intermediate Development Credit
IDA	International Development Bank
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
LAB	Lloyd Aéreo Boliviano (Bolivian Airline)
LDP	Letter of Development Policy
MIR	*Movimiento Revolucionario de Izquierda* (Movement of the Revolutionary Left)
MNR	*Movimiento Nacional Revolucionario* (National Revolutionary Movement)
MSA	Management Service Agreement
NAFIBO	Nacional Financiera de Bolivia (Bolivian Financial Institution)
NLG	Netherlands Guilders
PC	Performance Contract
PCU	Program Coordination Unit
PFP	Policy Framework Paper
PNP	*Partido Nacional Democrático* (The National Democratic Party)
PSIP	Public Sector Investment Program
PSMO	Public Sector Management Operation
RIC I	Reconstruction Import Credit I
RDC	Regional Development Corporation
SAC	Structural Adjustment Credit
SAP	Structural Adjustment Program
SBEF	*Superintendencia de Bancos y Entidades Financieras* (Superintendency of Banks and Financial Entities)
SDR	Special Drawing Right
SNSR	*Superintendencia Nacional de Seguros y Reaseguros* (National Superintendency of Insurance)
UNDP/OPS	United Nations Development Program—Office for Project Services
USAID	United States Agency for International Development
YPFB	*Yacimientos Petrolíferos Fiscales Bolivianos* (Bolivian Petroleum Corporation)

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MEMORANDUM TO THE EXECUTIVE DIRECTORS AND THE PRESIDENT

SUBJECT: Bolivia: Country Assistance Evaluation

Attached is the Report *Bolivia: Country Assistance Evaluation (CAE)* prepared by the Operations Evaluation Department. This CAE—an independent review done with the participation of USAID and Swiss Development Corporation—assesses the relevance, efficacy, and efficiency of the Bank's assistance strategy since 1986. A working draft of the CAE was sent to the Government of Bolivia. Their comments have been incorporated. A draft of this evaluation was discussed by CODE on June 10, 1998, and a report of that discussion is attached as Attachment 1. This report is now being re-issued for the purpose of public disclosure.

Poor economic management compounded by political instability led to the most serious crisis of Bolivia's history, lasting from 1980 to 1985. The Bolivian economy simply stopped functioning and society was disintegrating. In August 1985, Government undertook a New Economic Policy, introducing difficult austerity measures. Stabilization was achieved and growth resumed in the late 1980s, in spite of a sharp and continuous deterioration in Bolivia's terms of trade after 1987. The significance of these accomplishments cannot be overstated. But growth has remained concentrated on a few commodity exports subject to the volatility of world markets, and has been insufficient to compensate for population growth; consequently, poverty has not been significantly alleviated.

IDA resumed its assistance to Bolivia in 1986 after a six-year hiatus. Good-quality economic and sector work provided the foundation for identifying the enlarged and inefficient role of the state and the poor environment for private investment as main weaknesses. Translating this analysis into an effective structural reform program was hampered by: (i) weakly designed operations; (ii) lack of commitment by the Bolivian authorities; (iii) lack of institutional capacity; and (iv) weak governance. Over the following 10 years, until 1995, Bank support for adjustment continued to increase, but Government's progress beyond stabilization and trade liberalization were limited. Bank support for investment in human capital was insufficient, and safety net programs, although attaining visible results, did not reach the extreme poor to any significant degree. It was only in 1995/96 that reform accelerated, spurred by the Government's innovative program of capitalization-cum-privatization, supported by the Bank. Since then, prospects for private sector led growth have improved significantly.

OED rates the relevance, efficacy, and efficiency of the Bank's assistance strategy in Bolivia between 1986 and 1996 as marginally satisfactory. The Bank was instrumental in mobilizing support from the donor community and helping to stabilize the economy after the crisis. In view of the modest growth and limited poverty alleviation, however, this CAE finds that Bank resources might have been used more effectively. It is not clear that the Bank should have provided such a high level of financial support to inefficient public enterprises and government agencies; or whether it could have used resources more effectively by linking its support to progress in achieving structural reforms leading to private sector development.

The CAE recommends that the Bank should (a) give higher priority to *promoting private sector development* by developing the financial sector and helping the Government accelerate reforms of the judicial system and of the civil service; (b) assume *greater leadership in helping the Government of Bolivia combat corruption*; (c) develop a strategy for *sustainable natural resource management* and (d) target the altiplano and other rural areas by following the generic recommendations of the ESD's report, *Rural Development: From Vision to Action (1997).*

Robert Picciotto
by Gregory K. Ingram

Contents

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Preface

This Country Assistance Evaluation (CAE)—an OED independent review done with the participation of USAID and SDC—assesses the "development effectiveness of the Bank's assistance strategy" since 1986. The findings of this CAE were based upon a review of Bank documents, Country Strategy Papers (CSPs), Project Completion Reports (PCRs), Implementation Completion Reports (ICRs), supervision reports and project files; and upon interviews with Bolivian authorities, private sector representatives and research institutions visited during a trip to Bolivia in November 1997. The mission to Bolivia coordinated its activities with a Country Assistance Strategy (CAS) mission which visited the country at the same time. Preliminary findings of the CAE mission were discussed informally with selected public officials in La Paz and with a team of experts in Bolivia from SDC in Bern, Switzerland. Responsibility for the content and conclusions of this report, however, is exclusively of OED.

Several background reports to this CAE can be obtained upon request: (a) *World Bank Judicial Reform Project: An Evaluation*, Linn Hammergren, USAID; (b) *Rebuilding Bolivia's Financial System, 1985-1997: The Role of the World Bank,* Edgardo Barandiaran, EASFS; (c) *Corruption in Bolivia*, Lindsay Parris, consultant; (d) *Bolivia: Some specific thoughts about corruption*, Ronnie MacLean, Harvard HIID; (e) *Bolivia: Civil Service Reform*, Cressida McKean, IDB; (f) *Bolivia: A note on Institutional Constraints to Growth*, Bill Battaille, OEDCM; (g) *Bolivia Social Funds: An Evaluation*, Edgard Rodriguez, OEDCR; (h) *Bolivia: Education Sector and Reform,* Pietro Veglio, OEDCR; (i) *Bolivia: Natural Resources and Environmental Management*, Samuel P. Mauch, consultant; and (j) *Bolivia: Macroeconomic Performance in 1986-1996*, John Holsen, consultant.

Overview

1. Foreign aid was instrumental in reconstructing Bolivia after the most serious economic, political, and social crisis in its history in the mid-1980s. The Bank, led the donor community in supporting the efforts of four successive Bolivian governments to achieve and maintain macroeconomic stability. After years of falling GDP, Bolivia achieved moderate growth despite the adverse effects of the fall in world prices for the country's major exports. Yet, after twelve years of ongoing reform, progress in achieving *broad-based* growth, investing sufficiently in human capital, and targeting safety net programs adequately on the poor has not lived up to early expectations. The stronger economic performance in the last three years, may suggest that the reforms undertaken during the last decade are beginning to bear fruit. Faster broad-based growth, the key to poverty reduction, can only be achieved through private-sector development. The Bank must help Bolivia remove its remaining governance and institutional constraints against private-sector development and continue to develop its capital market. It must also help Bolivia strengthen its commitment to rural development, where 94 percent of its inhabitants are poor.

Recovery, Growth and Poverty Alleviation

2. *A Tough Development Challenge.* Bolivia was the second poorest country in Latin America and the Caribbean in the early eighties when droughts and floods devastated the country's nascent agriculture sector in 1983. Bolivia was among the countries with the shortest life expectancy, the highest infant mortality and the most rapid growth of population in South America, as well as having the most malnourished and most undereducated population. Against this socioeconomic backdrop, stood the perennial development challenge of Bolivia—overcoming the constraints of its geography to exploit its natural resources.

3. *Stabilization and Recovery.* In August 1985, a new government began to turn the economy around through implementation of the National Economic Program. A sharp depreciation of the exchange rate was followed by tight fiscal and monetary management to reduce the public deficit, sweeping decontrol of prices and of credit and interest rates, an overhaul of the tax system and liberalization of trade and payments. Stabilization was achieved and modest growth resumed. The significance of these accomplishments cannot be overstated, because the Bolivian economy in the mid-80s had simply stopped functioning by any normal standards and society was disintegrating.

4. *Growth Was Neither Sufficient Nor Broad-based.* Bolivia's average annual real GDP growth of 3.1 percent over the 1986-96 period is a vast improvement over the negative 2 percent GDP growth during the 1980–85 crisis period, especially considering the enormous deterioration of Bolivia's terms of trade after 1987. But growth has been insufficient to significantly reduce poverty since the population is growing at an average annual rate of 2.3 percent. In fact, per capita Gross Domestic Income (which adjusts GDP for the income effects of changes in the terms of trade) remained fairly constant between 1985 and 1996. In addition, growth has remained concentrated on a few commodity exports, primarily hydrocarbons, minerals, and soybeans, each subject to large price volatility.

5. *Inefficient Investment.* Real investment increased by 6 percent annually from 1985–96, but it was largely directed to ward inefficient public enterprises. As a consequence, the share of private investment in total investment fell from about 80 percent in 1984–85 to about 45 percent in 1995–96.

6. *Poverty Remains a Major Challenge.* Bolivia continues to be one of the most impoverished countries in the region. About 70 percent of the population live below the poverty line. About 17 percent of the population are illiterate (compared to 13 percent on average in the LAC region), infant mortality is about 69 per 1,000—far above the LAC average of 37, and life expectancy was 60 years of age as of 1995 compared to a LAC average of 69. Such basic needs as water and sanitation lag behind other LAC countries—only 60 percent of the population have access to safe water, compared with 80 percent in LAC and 78 percent across lower-middle income countries.

The Constraints on Growth and Poverty Alleviation

7. *Adverse Initial Conditions.* Poor economic management and political instability, compounded by Bolivia's difficult geography, had led to the most serious economic and social crisis of its history when the Bank resumed its assistance in 1986, after a six-year hiatus.

8. *Late Reforms.* Contrary to the general perception that Bolivia has continuously deepened its structural adjustments over a twelve year span the reform agenda has not always moved ahead expeditiously. Early reforms were limited to macroeconomic stabilization and trade liberalization. The capitalization *cum* privatization program materialized only in 1995–96 and is still incomplete. The Central Bank was restructured and the public commercial banks were liquidated in 1994, and three private banks were restructured in 1996–97. Social Security System reform was initiated in 1996, many other important aspects of the capital market are still underdeveloped, and the labor market has not yet been subject to significant reform.

9. *Institutional Constraints.* Governance problems and inefficient public institutions have thwarted private sector development and hence retarded economic growth. Vast rural areas and most of the Altiplano continue to be highly underdeveloped. Reform in the education sector has been tardy, and the Government has yet to adopt a credible health sector strategy. Social funds did reduce poverty but they were not successful in targeting to the extreme poor.

Bank Performance

10. IDA undertook competent and frequently compelling ESW to support its strategy. It was persuasive in describing the developmental challenges facing Bolivia and in suggesting how these obstacles could be overcome. But translating this broad vision into successful, high impact IDA operations was compromised by three factors: (1) poorly designed operations; (2) lack of full commitment by the Bolivian authorities, and (3) lack of institutional capacity.

11. *Relevance of the Strategy.* This CAE concludes that the relevance of the Bank's assistance strategy during 1985-1996 was marginally satisfactory. The strategy was based on a good diagnosis of Bolivia's development challenge and the need to overcome its poor economic management. The Bank correctly identified the *increased role of the state and its declined effectiveness*, and the *poor environment for private investment* as the main structural explanations for low domestic savings, investment and growth. But, with the benefit of hindsight, the Bank's early strategy, in 1985, placed excessive reliance on macroeconomic

stability to generate rapid growth. Paradoxically, the very success of the stabilization effort led to a less forceful stance by the Bank regarding the structural reforms needed to energize private sector development and pursue poverty alleviation objectives. By 1993-94, however, the Bank's assistance strategy became more relevant by correctly emphasizing structural reform.

12. *Efficacy of the Assistance Strategy.* The CAE concludes that the efficacy of the Bank's strategy in Bolivia was marginally satisfactory. High quality ESW lost efficacy because sound policy analyses did not translate into policies adopted by the Government or into project design and conditionality agreed with the Bank. Several factors reduced the efficacy of the strategy. The clear need for macroeconomic stability and to restore balance of payments viability led to efforts being initially directed at highly inefficient state enterprises. This meant that creating a suitable environment for private sector development did not proceed as expeditiously as possible. The financial sector adjustment (FSAC) and the structural adjustments credits (SACs)sought to promote fundamental reforms: but both had shortcomings. The FSAC approved in FY88 aimed at restructuring rather than liquidating non-performing public banks, while the SAC approved in FY92 aimed and failed at improving the Public Investment Program and reforming public enterprises even though the Bank's ESW had correctly identified inefficient public sector production as the most limiting factor constraining economic growth. While three Bank strategy documents argued that development in the Altiplano was essential to poverty alleviation, neither the Government nor the Bank formulated a specific strategy to tackle this fundamental problem. Finally, IDA failed to pay sufficient attention to institutional capacity and domestic governance issues and how those could thwart the structural reform agenda. Two positive exceptions to this picture were the Banking Sector Study of 1987 and the Transport Sector Study of 1988, both of which translated into projects with highly satisfactory outcomes.

13. *Efficiency of the Assistance Strategy.* OED rates this performance factor as marginally satisfactory. From a budgetary perspective, Bolivia compares favorably in relation to other countries in terms of lower expenditures in SYs per project, lending SYs per project, and ESW SYs as a percent of total SYs. However, these indicators may reflect underspending rather than efficiency, since QAG data shows that Bolivia has more projects at risk than other similar Latin America countries. In terms of value, almost 33 percent of total net commitments are "at risk", almost double that of similarly situated country portfolios.

Recommendations

14. The CAE recommends that the Bank should (a) give higher priority to *promoting private sector development* by developing the financial sector and helping the Government accelerate reforms of the judicial system and of the civil service; (b) in partnership with the Government, place a high priority on improving the quality of governance and necessary public regulation; (c) develop a strategy for *sustainable natural resource management* and (d) target the Altiplano and other rural areas by following the generic recommendations of the ESD's report, *Rural Development: From Vision to Action (1997).*

1. Government Reforms and Bank Strategy

Background

Adverse Initial Conditions

1.1 Between Bolivia's revolution in 1952, when Victor Paz Estenssoro seized control of the Presidency, and 1985, when he returned to office, Bolivia had collapsed economically and socially. During this period, the Government increased its involvement in the country's productive and financial sectors, particularly its leading export sectors—mining, natural gas, and agriculture. By the mid-1970s, the Government's public-sector consisted of 520 agencies—120 federal, 350 regional and municipal, and 50 *public enterprises and financial institutions*. In common with many developing countries, this public sector was characterized by inefficiency, misinvestment, and underfunding. In parallel with this increasing Government involvement in productive activities, civil society underwent significant deterioration. This was a period of severe political turmoil: between 1979 and 1985 Bolivia had three elections, six presidents, three coups that succeeded, and twice as many that failed.

1.2 Bolivia was the second poorest country in Latin America and the Caribbean in the early eighties when droughts and floods devastated the country's nascent agriculture sector in 1983. Despite inadequate social statistics, there are sufficient indications to suggest that Bolivia was among those countries with the shortest life expectancy, the highest infant mortality and the most rapid growth of population in South America, as well as the most malnourished and most undereducated population. By 1985, Bolivia was facing the biggest economic crisis of its history. Annual inflation was more than 20,000 percent from August 1984 to August 1985 (with an annual rate of 60,000 percent between May and August 1985); GDP per capita had fallen by 3.8 percent a year in 1980-85, to about US$740 in 1985 (measured in 1990 prices and exchange rates); exports had plummeted by one-third, and Central Government tax revenues had dropped from 9 percent of GDP in 1978 to 1.3 percent of GDP in 1985. The financial sector was in shambles, with a deteriorating lending portfolio, inadequate prudential regulation, and no mechanism for dealing with problem banks. The country's total external debt had reached US$4.2 billion in 1986, about 8 percent higher than GDP.

1.3 Against this socioeconomic backdrop stood the perennial development challenge of Bolivia—overcoming the constraints of its geography to exploit rich natural resources:

- Bolivia is landlocked. Its closest access to the sea is over the Andes mountains to Peru and Chile and thence to the Pacific Ocean. Exacerbating this challenge to gaining access to export markets is its poorly developed communications infrastructure, not only to neighboring countries but also within its own borders.
- About one-half of the economically active population are employed in agriculture. Most reside in the Altiplano—the vast, high, isolated, neglected, and sometimes desolate plateau between the western and eastern Andes, where subsistence farming dominates.
- The southeastern slopes of the Andes contain deposits of metals and minerals, but volatile prices for its major product—tin—and insufficient exploratory work to find other more lucrative resources have discouraged sectoral prospects.
- The semitropical Yungas contains dense, rich hardwood forests, but it lacks adequate roads and a suitable legal framework for private sector development.

- Its frontier lowlands to the east contain significant hydrocarbon resources, especially natural gas, but export prospects to Argentina are uncertain.
- The expansive, sparsely populated plains stretching further east—the Eastern Lowlands—offer plenty of room to accommodate agrarian expansion, but lack transportation infrastructure and adequate supporting services.

1.4 This spectrum of political, economic, social, and geographic challenges were those confronting the Bank when it resumed lending to Bolivia in 1986. Most have persisted throughout subsequent strategy documents and policy framework papers.

1985–86: Return to Macroeconomic Stability

The National Economic Program

1.5 Bolivia's reform progress of the last 12 years has been hampered by a fragmented social structure, reflected in complex and unstable political coalitions. Thus, in 1985, the National Democratic Party (PDN) of General Hugo Banzer captured a plurality of the popular vote, followed by former President Paz Estenssoro of the National Revolutionary Movement (MNR) and former Vice President Jaime Paz Zamora of the Movement of the Revolutionary Left (MIR). The MIR sided with the MNR, and Paz Estenssoro was chosen president in a congressional run-off—his fourth term in that office. The political tensions implicit in such coalitions help explain the hesitant pace at which any ruling government has been able to execute comprehensive structural reforms[1]. This obviously has resulted in a less than optimal growth path and a speedier reduction in poverty.

1.6 In August 1985, after six annual stabilization efforts, the new Government seemed determined to turn Bolivia around economically and implemented the New Economic Policy (NEP). A sharp depreciation of the exchange rate launched the NEP, and over the course of a year, the Government added more "aggressive" components: tight fiscal and monetary management that sharply reduced the deficit of the nonfinancial public sector; a sweeping decontrol of administered prices; removal of credit and interest rate controls; an overhaul of the tax system, and sweeping liberalization of the trade and payments systems, including the introduction of a uniform 20 percent tariff rate.

1.7 The Government also laid the groundwork for a financial administration and control system, known as SAFCO, designed to promote the legitimacy and transparency of public sector management. It eliminated subsidies to public enterprises, retrenched public sector workers, imposed a public sector hiring and wage freeze, and substantially increased the prices of public-sector goods and services. It also initiated a restructuring of the state mining enterprise (COMIBOL),with approximately 10,000 of its 30,000 workers being made redundant. Finally, to enable its unemployed miners and other "restructured" workers to withstand the economic hardships of these austerity measures, the Government established an Emergency Social Fund, which generated subsidized employment.

1. The Region considers that this is probably "the main explanation why Bolivia's reforms of the last 12 years, although admirable, have not moved fast enough to achieve higher growth and poverty alleviation." According to the Region, this "key point" is not emphasized enough in this CAE.

1.8 Even as early as three months after the launch of NEP, key economic indicators pointed to the success of the stabilization effort. Committed to maintaining a flexible, competitive exchange rate, the Government cut inflation to double digits and monetary emission to a single digit. International reserves built up. In response to this bold effort, the Bank geared up its lending program and provided strong support for the Government's program.

The Bank Reactivates its Assistance to Bolivia

1.9 After a six-year hiatus in lending, the Bank responded to the Government's NEP by focusing on rehabilitation of Bolivia's principal public and private export sectors. The thrust of Bank strategy was to reactivate export production in the potentially lucrative but inefficient mining and natural-gas sectors—thereby increasing the country's capacity to service its external debt and restoring its creditworthiness. The Bank was optimistic that the Government's first-year efforts to restructure and rehabilitate its public enterprises—and COMIBOL, in particular—would translate into speedy growth in its mining, hydrocarbons, and nascent agriculture sectors. The Bank's first lending operation was thus a ***Reconstruction Import Credit (RIC I) (US$55 million)*** on May 20, 1986, conceived as quick-disbursing financing with minimal conditionalities to enable COMIBOL and the state mining company (YPFB) to procure capital equipment and spare parts, and the country's emerging agro-based industries to procure inputs to be processed into exportable goods. Funding for RIC I was to be channeled through and disbursed by the Central Bank.

1.10 Recognizing also that Bolivia had to meet its own energy needs before it freed up natural-gas resources for export, the Bank approved the ***Vuelta Grande Gas Recycling Project (US$25 million)*** in June 1986. The Vuelta Grande was a dry-to-liquid gas transfer reservoir that had been in the Bank's operational pipeline for about five years and still needed unsecured financing for six new wells to be drilled to complete the operation.

1.11 The RIC was a catalyst for other donor support, enabling the Bank to take the lead in mobilizing external financing and sponsoring Bolivia for debt rescheduling—a role that the Bank has sustained and nurtured since. The Bank's ESW (Economic Memorandum of August 1985) argued that growth should follow successful adjustment, given the high levels of unutilized capacity in the economy. As events unfolded however, this objective proved to be overly optimistic.

1.12 In June 1986, the Bank helped Bolivia procure Paris Club debt rescheduling covering 100 percent refinancing for both principal and interest due for the period 1986-89. On June 2, 1986, the Government requested a Stand-By Arrangement from the IMF for SDR50 million (about US$59 million) and was coordinating with the Bank for a Structural Adjustment Credit for SDR43 million (about US$50 million). The Bank also indicated that bilateral funding from Argentina, the United States, Japan, and Germany would amount to approximately US$93 million, and that multilateral funding from the Fund for the River Plate (FONPLATA), the Andean Reserve Fund (FAR), and the International Fund for Agricultural Development (IAFD) would amount to US$158 million. IDB indicated that it would provide almost US$500 million. With this strong donor support for a Government that was fully committed to a new reform program came the revival of the Consultative Group, which met in December 1986.

1986–89: Execution of the Lending Program Faces Institutional Obstacles

1.13 The country's initial economic performance following the launch of the national recovery program was very good. But in October 1986, the collapse of world prices for tin and petroleum increased the vulnerability of the balance of payments and the Bank recognized that export diversification was a further development priority—to replace tin mining with gold, silver, zinc, and lithium, to encourage the exportation of natural gas to Brazil (the construction of and financing for a natural-gas pipeline between the two countries had already been in the works), and to diversify agriculture exports into nontraditional products (such as soybeans) by expanding agriculture into the Eastern Lowlands and encouraging the resettlement of unemployed miners into the valleys adjoining the Altiplano. The Bank outlined a medium-term economic framework in partnership with the Bolivia Government to consolidate on progress made in macroeconomic stabilization.

1.14 The Bank's initial engagement with Bolivia marked the beginning of a decade-long policy dialogue to reduce the public sectors presence in export production and financial intermediation—thereby creating a more favorable, attractive environment for private investment. Government commitment toward privatization was not uniformly strong during this period—arguing that interim steps were necessary to downsize the public sector, reorganize the Ministry of Finance and the Ministry of Planning and Coordination, and restructure the national railway enterprise and the national electricity company (ENDE). In the hydrocarbons sector, the Government did state its intent to shift some operations to the private sector and to foreign petroleum companies, and in the mining sector, the Government pledged to close unprofitable mines. The Government also planned to have both COMIBOL and YPFB engage in joint ventures with the private sector. The pace of this privatization effort was slow however due to strong domestic opposition from a variety of vested interests. Also the Government overestimated its own institutional capacity to manage this complex reform agenda.

1.15 Despite the absence of a full Government commitment to remove the public sector from the productive sectors, the Bank approved its second, follow-up ***Reconstruction Import Credit (RIC II) (US$45 million)*** in June 1987 to continue support for export development. In addition this operation included a technical assistance component to strengthen public investment programming and management, and to define policy responses to the social costs of adjustment. The underlying assumption was that by easing the import constraint on the major public enterprises this would generate a major recovery of GDP growth. This objective was risky, given the known inefficiency of Bolivia's public enterprises.

1.16 *The Infrastructure Sector.* The Bank's export strategy also sought to rehabilitate and modernize the transport sector to allow Bolivia to get its goods to external markets. Projects in the Bank pipeline were targeted at the Santa Cruz to Corumba railroads, river transportation to the River Plate and rail and road links to Chile and Peru. Yet, in the mid-1980s, the most pressing concern was to enable the state's electric company (ENDE)—a comparatively successful commercial enterprise—to overhaul its generating units and transmission system and connect it to the site of the Government's future agricultural expansion—Santa Cruz in the Eastern Lowlands. In June 1987, the Bank released the ***Power Sector Rehabilitation Loan*** **(US$7 million)**, a project that, although sometimes beset by bureaucratic inefficiencies, was to become a model of Bank-Government cooperation and lead to a subsequent TA power rehabilitation operation and to the creation of a management information system and a Power Expansion Master Plan.

1.17 *Public Sector Management.* The Bank recognized that many years of neglect had severely constrained the Government's budgetary, administrative, and program planning capabilities. In May 1987, the Bank approved the ***Public Sector Management Operation I (PSMO) (US$11.5 million)***, a technical assistance operation geared toward improving "financial management"—accountability, integrity, and transparency—of the country's three primary budgetary entities. One component targeted tax administration—supporting the actual implementation of the tax reforms enacted previously in May 1986, strengthening functions of the Internal Revenue Department, and streamlining tax administration. The Bank's TA was also meant to complement the support of UNDP and USAID in helping the Government implement guidelines for the administration of taxes (UNDP provided parallel financing of US$1.5 million, and USAID's Economic Support Fund provided US$3.2 million, which served as a source of local counterpart funds). Another component targeted banking sector reform—improving Central Bank's inspection, accounting, and internal control capacity and restructuring and rehabilitating two major development banks, the Agriculture Bank of Bolivia and the State Bank. This component was to feed into a more in-depth involvement of the Bank later on through a financial sector reform credit. At the end, however, both credits failed to successfully restructure these banks.

1.18 But the most crucial objective of the PSMO was to help the Government establish an executive-level council (CONSAFCO) and Executive Secretariat to assume overall management responsibility of Bolivia's new financial administration and control system, SAFCO—a promising set of "self-monitoring" tools for public sector management, which donors had taken as a strong indicator of Government's commitment to reform. Movement on this critical front was slow however. Only by 1990 did this new mode of public administration become law, and as of May 1998, it had not become fully operational.

1.19 In December 1988, the Bank approved a further TA operation, the ***Economic Management Strengthening Operation (ESMO) (US$10 million)***, to help the Government to increase the efficiency of public investment. **PSMO/ESMO** would mark the beginning of IDA's intense support for improving public sector management and the Public Investment Program. Progress in improving public investment planning was slow. In 1992 the Bank noted through its ESW (Public Sector Investment Program Review, Report No.11124-BO) that about 95 percent of the projects in the investment budget had not been evaluated according to established procedures.

1.20 *Financial Sector.* Years of hyperinflation, overborrowing, and prolonged interest and credit controls, inadequate banking supervision, and uncontrolled access by public enterprises and Government to Central Bank credit all contributed to a very poor financial sector. In 1987, IDA completed a Banking Sector Study which the Government largely adopted in its Banking Reactivation Decree. This decree called for audits of all private commercial banks, establishing a uniform loan classification system, closing insolvent banks, imposing more stringent prudential and capitalization standards on the remaining banks, and assuming the debts of the three major state-owned banks. The Decree was viewed as the starting point for a continuum of measures that would lead to a modern banking system. In addition to the banking sector component of PSMO-I, IDA approved the ***Financial Sector Adjustment Credit (FSAC)*** (US$70 million equivalent plus three supplemental reflow credits providing an additional US$ 36 million) in June 1988, confirming the Bank's willingness to help Bolivia implement the reform. Its purpose was to increase confidence in the banking system by strengthening supervision, regulatory and accounting practices, and measures for handling problem banks. It also sought a method for enabling the Government to liquidate its debt to commercial banks—in a process called "de-dollarization." But its two key, overriding objectives were to rehabilitate two state-owned banks (the same banks already targeted by PSMO) and strengthen the Central Bank. The FSAC had only partial success in this endeavor and the two state-owned banks remained highly inefficient.

1.21 *Ameliorating the Cost of Adjustment.* Thousands of miners had lost their jobs, and thousands more lined-up to lose them as restructuring continued and mines closed. The concern was that the miners, as well as peasant farmers who could no longer find subsistence in the Altiplano, would migrate to urban centers in search of jobs, thus swelling the already severe unemployment levels in Bolivia's major cities—La Paz, Cochabamba, Sucre and Santa Cruz. To ameliorate this, the Government created a program to identify, generate, and target thousands of small-scale employment, income-generating, and social assistance subprojects. Although the Bank had provided technical assistance to support program startup, its financial support came only two years after program implementation, with the ***Emergency Social Fund Credit (US$10 million)*** in June 1987. The ESP loan was a path-breaking project for IDA for which there had been no precedent, and, although it accomplished a great deal quickly after approval, it could only provide transitory employment for about 30,000 workers, while estimated unemployment reached about 96,000 workers in 1989.

1.22 *The Environment.* Given the Bank's mission in 1986—to get Bolivian exports and thus the economy up and running—it is perhaps understandable that the Bank did not target environmental and natural resource issues at the outset. But given Bolivia's topography, geology, and demography, it was inevitable that these issues would arise soon. Bolivia made the world's first debt-for-nature swap in 1987—a model for later swaps in Bolivia, Ecuador and Costa Rica. An international conservation organization retired US$650,000 of the nation's debt by purchasing its debt at a discount in exchange for a "buffer" zone around Bolivia's 135,000-hectare Beni Biosphere Reserve.

1989–92: Macroeconomic Stability Does Not Guarantee Growth

1.23 During 1987–89, Bolivia reversed its long trend of negative economic growth with its first positive growth in six years. The Government had continued to restructure COMIBOL, reducing its workforce even further from 20,000 to just 7,000, and a draft of legislative and regulatory reforms governing the investment regime of both the mining and hydrocarbons sectors were submitted to Congress. In parallel, the international community increased its support, in recognition of the Government's continuing commitment to improve economic management. UNDP, IDB, the Bank, and several bilateral assistance agencies led by USAID, Germany, and Japan had contributed US$202 million to total investment in 1988–89, largely for the Emergency Social Fund. Holland, Sweden, and Canada had also become donors. The IMF continued its support with a second Structural Adjustment Facility (US$212 million equivalent approved on July 1988[2]). In November 1988, the Paris Club creditors approved reschedulings of 100 percent of the debt service payments falling due between October 1, 1988 and December 31, 1989, as well as 100 percent of arrears as of September 30, 1988. In 1987–88, the Government was able to retire nearly 50 percent of its commercial debt (all commercial bank debt was finally retired in the early 1990s). The IMF's technical assistance had also supported Bolivia's budget execution and control, tax reform (along with the UNDP) and operational aspects of the auction-based exchange rate system. But the largest aid program came from IDB. As of March 1989, its active loans to Bolivia totaled US$793 million (with US$433 million yet to be disbursed)—primarily for roads, agricultural credit, energy, and the Emergency Social Fund.

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2. A SAF financial arrangement for about US$70 million equivalent had been approved in December 1986.

1.24 By July 1989, the Bank recognized that stabilization had been achieved and that crisis management was no longer an issue. The *Country Strategy Paper* of July 1989 noted: "Bolivia has completed four years of strong economic management under a democratic regime," and the NEP had been a "bold, coherent stabilization program." It also noted that "Bolivia's presidential election on May 7 (1989) *appears to have affirmed* the nation's commitment to the basic objectives of recent economic management and thus provides a foundation for continuation and deepening of those policies when a new government takes office in August 1989." All three leading candidates supported the NEP during their political campaign. Yet, as the CSP noted, "the outcome of the current election is unlikely to change the fragile, highly fragmented, and highly centralized political structure and decision-making process in Bolivia"—a premonition of the difficulties the Bank would face as it sought to deepen the reform process.

1.25 The institutional and governance mechanisms of Bolivia were now recognized as a major obstacle to further economic progress. SAFCO, still had not been enacted into law, thus continuing to undermine confidence in Bolivia's public sector. A lack of technical skills and institutional resources among Bolivia's agencies was forcing the Bank to continue its heavy involvement in public sector management . The legislative and regulatory reforms introduced to promote investment in the key export sectors had been tabled by Congress for its next session but it was still uncertain whether this would be enacted into law. The Public Investment Program continued to move sluggishly, and agricultural policy remained unclear. In the financial sector, progress on bank restructuring and Central Bank strengthening was slow.

1.26 The Emergency Social Fund did contribute to an amelioration of some of the social hardships brought on by the need for macroeconomic stabilization and public sector restructuring, but severe poverty remained. In May 1988, the Bank approved a follow up to the first ESF, the ***Emergency Social Fund II (US$32).*** The Bank recognized that the ESF was really an interim measure to address short term poverty alleviation, and that the Government still had to develop a coherent long term strategy for reducing poverty. Hence, the Bank's longer term social sector strategy was to replace the subsidized employment concept of the ESF by one that would provide investment for supporting income-generating opportunities for the poor, and shifting social resources toward tackling the country's deficient human resource development. In February 1990, the Bank approved its first human-resource project, ***Integrated Health Development Project (US$20 million)***, which has achieved some positive results in spite of serious administrative and implementation difficulties. In conformity with this new strategy, the remaining components of the ESF were placed into the country's new social service program, the Social Investment Fund. The Bank supported the program with its namesake, ***The Social Investment Fund project (US$20 million)*** to enable the Government to make the transition to a sustained social safety net.

1.27 The 1989 *Country Strategy Paper* was realistic. It recognized that, even with sound economic management, projected growth rates might be compromised by the country's high debt burden, low domestic savings, heavy dependence on a few primary exports, and deep-seated inefficiencies. In May 1989, the Bank supported its country strategy with a ***Mining Sector Rehabilitation Project (US$35 million)***—to create an enabling environment for private sector investment, and to reactivate private small and medium mining companies by giving them access to credit. Because of constitutional restrictions prohibiting private involvement in COMIBOL, Government's capacity to rapidly improve the environment for private sector investment in the sector was limited. As such the Bank could do little more than continue to help the Government restructure COMIBOL in the short term, and continue its calls for joint ventures, a modern investment code, and a simplified regulatory framework. Therefore, the project also sought to "rehabilitate and modernize" COMIBOL, although the Bank knew that anything less than full privatization was unlikely to yield strong improvements in operational efficiency.[3]

1.28 The 1989 CSP had also noted that "livestock, potatoes, and quina are among the commodities that can be produced, even within the prevailing subsistence farming systems in the Altiplano, " and it recommended that the Bank provide lending support for applied research, cooperative initiatives, and a better institutional environment. In March 1991, the Bank approved the ***Technology Development Project (US$21 million)*** to support technology development in the highlands agricultural sector. This project is one of the very few the implementation progress of which has been rated as unsatisfactory by the Region. The entire Altiplano remains contentious among analysts—and opinion is divided on whether income-generating opportunities are, or can be made, available to Bolivia's poorest, most rural, and most geographically challenged segments of the population.

Diversification

1.29 The Bank's strategy to change the sectoral focus of production and exports away from a preponderant reliance on tin and natural gas began having some important successes. In May 1989, the Bank approved the ***Export Corridor Project (US$35 million)***, which resolutely followed a diagnosis and strategy, established in its earlier ESW, a Transport Sector Study, produced in 1988. The major components included track and bridge rehabilitation, the purchase of telecommunications equipment for the country's western (Andean) and Eastern rail networks, the construction of a new freight terminal at Santa Cruz, engineering design for the Patacamaya–Tambo Quemado road, and improvements to the track from La Paz to the port of Arica, Chile.

1.30 But the most impressive success of the Bank's export diversification strategy was the expansion of Bolivia's agricultural production. The vast frontier of the Eastern Lowlands offered prime land for soya, wheat , and other export commodities, as well as substantial forest resources. And the Bank was perceptive to link development in the Lowlands with responsible policies and programs that would enable Bolivia to confront what had already become serious environmental problems to the east—poor water-resource management, increasing pollution and soil erosion, and growing competition for scarce water resources, as well as the unchecked deforestation of land unsuitable for agriculture. In FY 1990, the Bank approved the ***Eastern Lowlands Project (US$35 million)***. The project appears to have been successful at increasing agricultural exports from the region, but implementation of the environmental action plan for the Region is still uncertain.[4] An earlier review by OED in 1993, *Natural Resource Management in Bolivia: 30 Years of Experience*, warned that "the traditional assumption that the Lowlands have abundant resources and carrying capacity needs to be seriously questioned because... soil surveys have demonstrated that land is not abundant in terms of either quantity or quality, and... the [environmental control] instruments used by the Government are not effective enough, particularly because the quality of human and institutional capital is inadequate".

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3. In fairness, the issue of COMIBOL was very politically sensitive throughout the overall period, given the strong influence of the labor union, which systematically opposed reforms.

4. The Region has not yet produced an Implementation Completion Report, as the project closed only recently.

Further Efforts for Substantive Reform

1.31 By December 1990, the Bank was *again* concerned about the maintenance of macroeconomic stability. The fiscal deficit reached 4.4 percent of GDP in 1991-92 and 6.1 percent of GDP in 1993. Stability was restored, but not without large inflows of foreign capital: the BOP current account deficit reached 6.5, 10 and 9 percent of GDP in 1991, 92 and 93 respectively.

1.32 The Bank continued to be concerned about strengthening the financial sector, improving the performance of state enterprises, improving public sector investment, streamlining trade and registration procedures and increasing public expenditures in health and education. The Government had finally begun to engage in a privatization process that targeted 50 commercial and public enterprises under the control of regional development corporations throughout Bolivia. The Government was coming to recognize that the heart of its attempts to promote public enterprise efficiency—performance-based contracts—were simply not working, with consequent adverse effects on the productivity of the Government's own investment. But commitment to privatization of key publicly owned sectors was still deficient. The Government referred to constitutional clauses that prohibited the privatization of COMIBOL and YPFB, and to legislative directives against privatizing what were termed "key public services," including electricity, water, and telecommunications as reasons for limited progress.

1.33 In the financial sector, protracted losses by public banks and the weak portfolios of some private banks continued to create serious concerns. The US$106 million FSAC credit had indeed been successful at halting the slide of the banking sector into insolvency, thus averting a financial sector crisis. And the credit had also achieved its institutional goals—to establish a Bank Superintendency, thus strengthening banking supervision, and a Financial System Division in the Central Bank. But, ironically, some of the institutional goals proved counter-productive: Central Bank responsibilities overlapped with those of the Superintendency, causing frequent delays in receiving project audits from the Central Bank. These delays had in fact occasioned a temporary suspension of disbursements in 1990. The banking sector component of the PSMO - TA—a reorganization of the two development banks—failed to create a consensus on restructuring plans. Equally, the FSAC failed to promote the restructuring of the two state banks. Although the Government presented an action plan to fulfill the second tranche release of the FSAC, it did not act on it. Instead, one year after second tranche disbursement, the Government recapitalized BANEST, which led to more bad loans.

1.34 The 1991 Country Assistance Strategy underlying another Structural Adjustment Credit (US$80 million) intended to lay out a cogent, targeted plan for starting to promote economic growth beyond stabilization. Besides seeking to maintain sound macroeconomic management policies, the SAC also sought to increase the level and efficiency of investment. Progress in this was slow due in part to the lack of a legal mandate to implement the PIP. Later, the process of decentralization shifted most responsibilities for investment decisions to local authorities, further reducing the earlier relevance of the PIP. Since constitutional clauses prohibited the privatization of COMIBOL and YPFB, and the Government did not have enough administrative resources to regulate private companies in railways, electricity, and telecommunications, the Bank did not push strongly for privatization in those sections. With the benefit of hindsight, however, neither of these arguments proved to be a restriction when the Government itself conceptualized and implemented its own innovative capitalization *cum* privatization program in 1995, before the SAC was closed.

1993-97: The Reform Momentum Accelerates

1.35 By the early 1990's, Bolivia was highly dependent on both bilateral and multilateral concessionary credit. The Bank's early optimism in 1986 that an increase in Bolivia's export capacity would be enough to enable the country to begin financing its external debt without reschedulings and forgiveness proved elusive. Substantial debt relief and large foreign capital inflows were still necessary to maintain Bolivia's BOP and import requirements. In August 1991, the United States had written off most of its outstanding Bolivia debt, and the U.S. Government had concluded another Bolivia debt-for-nature swap. In 1992, the Paris Club had again rescheduled Bolivia's debt on concessional terms. At the Consultative Group meeting in that year, roughly 55 percent of the pledges that had been tabled were on concessional terms. Of those pledges, the United States and IDA accounted for about 45 percent.

1.36 By 1992, the Government had recognized that plans to restructure big public enterprises through management performance contracts (PCs) had failed. Their major flaw was their failure to address the structural problems inherent in the entities. Targets were subjective and it was difficult to measure performance improvements. As a result, the weakly defined efficiency criteria used in the PCs gave rise to perverse incentives that resulted in larger than programmed increases in salaries. PCs were finally abandoned, except for ENDE (electricity) which had just signed a PC for five years. A privatization law was passed in mid-1992 which provided a legal framework for privatizing all public enterprises, except YFPB and COMIBOL. Finally, in 1994, the Government passed a constitutional amendment to extend the capitalization cum privatization initiative to all public enterprises. In 1995, the Government sold four of its major public enterprises to private investors.

1.37 The single public enterprise holdout was YPFB, which had largely been immune to the type of restructuring which COMIBOL had been subjected to. In December 1995, the Bank released the ***Capitalization Program Adjustment Credit (US$66 million)*** to enable the Government to design a regulatory framework governing this new privatization cum capitalization program. And, to support the capitalization of YPFB, the Bank released a sister technical assistance operation, ***Hydrocarbons Sector Reform and Capitalization (for US$11 million)*** to help reform the country's hydrocarbons sector by moving distribution, refining, and service activities toward private sector hands. As a condition for one of the tranche releases from the Capitalization credit, the Government promulgated key regulations, and began work on pricing regulations, and a revenue-estimation system.

1.38 The two operations are due to close this December. Despite sound progress on what was considered unthinkable in 1991-1993—the Government's ceding its dominance in the hydrocarbons sector—the regulatory framework to govern the sector has still to be completed, and a new National Secretariat of Energy and the YPFB Contract and Negotiations Unit has not yet been staffed with sufficient expertise to enforce industry compliance with existing regulations and the timely payment of royalties. But the Government of Bolivia had finally eliminated a constraint that has been one of the major factors inhibiting growth in spite of 12 years of reforms. As such, the Capitalization Program is perhaps the most *remarkable achievement* of the overall period of reforms: an innovative, ambitious "made-in-Bolivia" program to transfer management control and up to 50 percent of ownership of the key public enterprises to strategic investors. The state would cede its share in the other half to the people in the form of a pension fund. Each Bolivian adult was to receive one share each of the companies to be capitalized in an individualized pension account.

1.39 Equally important, the Bank's *Country Strategy Paper* of 1993 and *Country Assistance Review* of 1994 focused strongly on the array of problems that continued to restrict growth. The cornerstone of the Bank's new strategy was to attack poverty with a series of second-generation reforms that would restructure and redirect the role of the state and give Bolivians universal access to health and education and income-generating employment opportunities. The proposed lending program would encourage deeper involvement in key reform areas—land administration, the civil service, the customs services, educational reform, indigenous infrastructure, the regulatory environment, and the judicial system.

1.40 *Civil Service Reform.* The 1993 strategy was particularly adamant about strengthening the country's weak, politicized public institutions that were essential to supporting the reform program. A civil service reform program was taking shape slowly. The Government had launched a "comprehensive" civil service reform initiative—the CSAR—which was being supported by one component of the Bank's ESMO TA operation, as well as with other donor funding. By 1997, the reform had progressed only to what was considered "an advanced stage of preparation," (at a cost of over US$800,000 for the last 3.5 years). The reform has now been redesigned and will extend beyond the 2,500 federal employees that had been targeted by the program and will include civil service reform at the municipal and prefecture level. There are concerns, however. One is whether the Treasury will be able to assume the fiscal responsibilities inherent in the reform program. Second, there are doubts about incentives for the reform , since the use of donor financing for consultants to act as line managers has so far allowed high public officials to continue performing without the reform.

1.41 *Judicial Reform.* Bank strategy also noted for the first time that the country's poorly functioning judicial system created an unpredictable environment for legal transactions and added to the perceived risks of doing business in the country. The poorly functioning judicial system was undermining the credibility of the overall reform agenda and was constraining private sector development. The Government announced its intentions to implement a career system that would include competitive selection and promotion procedures, ensuring integrity among judges. In July 1995, the Bank released its ***Judicial Reform Project (US$11 million)*** to support the Government's efforts. Progress in judicial reform has been slow largely due to stiff resistance by entrenched career interests. The most important area of the reform—the establishment of an oversight Judiciary Council—has only been created in 1998 and it is yet to become operational. Although a number of pilot efforts, including a judicial training program, offer interesting openings for future change, without a radically altered system of judicial governance (in which the creation of the council is only the first step) their full potential may not be realized.

1.42 *Investment in Human Capital.* The Bank has been active with two projects in the education sector. The first, the ***Integrated Child Development Project (US$51 million)***, was approved in June 1994 and sought to provide early child development services. Project implementation has been slow however, due to a variety of bureaucratic problems. The second, an ***Education Reform Project (US$40 million)***, was approved in April 1995 to support the Government's decentralization process in education, including infrastructure and office equipment, management information systems, books and teaching aids, curricular devices, and seminars for teachers, principals, and administrators. The reform agenda, however, has barely gotten off the ground. And though endorsed by civil society, the reform has adopted a vertical approach that has not nurtured the participation of parents and teachers, without whose support educational reform will have only a negligible impact.[5] ***In the health sector***, the Bank's contribution to FIS subprojects has been valuable. And its own project, the Integrated Health Development project initiated as far back as 1990 has provided medications, dental health, and blood banks throughout numerous local communities. But it, too, is not immune to bureaucratic impediments that have slowed implementation and forced the cancellation of several subprojects.

1.43 *Land Administration and Natural Resource Management.* In late 1995, the Bank approved a ***Land Administration Project (US$20 million)*** to establish a land registry agency (INRA) that would carry out land mapping on three million hectares, and to regularize the land tenure situation wherever possible. The project is moving slowly, although land registration is essential to make progress on the Government's fight for poverty alleviation. The Bank also approved an ***Environmental Industrial and Mining Project (US$11 million)*** in January 1997 to undertake regulatory studies of mining sector resources and environmental audits of COMIBOL's properties. Current Bank thought is that ***Bolivia's environmental agenda*** should extend to *both* the Altiplano and the Lowlands. There is a need to improve management of natural resources in the Eastern Lowlands, as rapid development is damaging soil and forests; to manage agriculture and land in the Altiplano, where peasant farming has led to overgrazing, overcropping, accelerated erosion, and reduced fertility; and to manage scarce water resources, with immense competition for water for agriculture, mining, and human consumption, particularly in the arid and semi-arid regions of the Altiplano and valleys.

2. Evaluation of Bank Assistance Strategy

Overall Country Performance

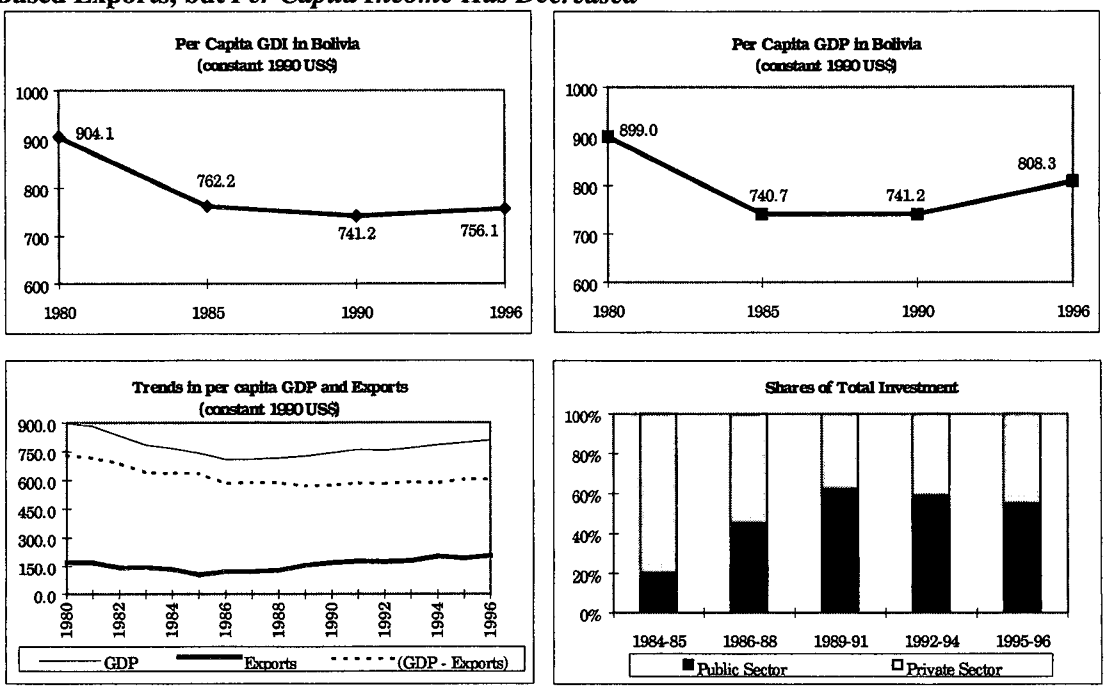
2.1 *Bolivia Has Made a Significant Recovery.* The Bank, in concert with the IMF and its development partners, was instrumental in reconstructing Bolivia after the most serious economic, political, and social crisis of its history. It helped the country achieve sustained growth over the next decade. Yet, despite a broad range of reforms, growth performance and poverty reduction have been disappointing. In part this has been due to the adverse movement in the country's terms of trade, but successive Governments postponed key reforms and crucial privatization initiatives. This reform momentum accelerated from the early nineties and lately there has been an improvement in growth and export performance. Nevertheless, much remains to be done given that the country's poverty and social-development profile remains among the worst in the region. Table 1 in the Annex provides a condensed rendition of the main structural reforms undertaken in the country from 1985 to 1997.

2.2 *Growth Was Insufficient and Narrowly Based*. Bolivia's average annual real GDP growth of 3.1 percent over the 1986–96 period was a vast improvement over the negative 2 percent GDP growth during the 1980–85 crisis period. But a 3.1 percent growth rate is insufficient to make a major impact on poverty when the population is growing at an average rate of 2.3 percent. Growth has been export-driven and concentrated in a few commodity exports, primarily hydrocarbons, minerals, and soybeans, each of which are subject to considerable volatility. Bolivia faced an enormous deterioration in its terms of trade after 1987, from an index of *105* in 1987 to *68* in 1996 (base 1986=100). As a consequence, *per capita*

5. The Region considers that progress has been more positive than indicated in the CAE.

Gross Domestic Income (which allows GDP to account for the income effects of changes in the terms of trade) decreased from US$762 in 1985 to US$756 in 1996 (in 1990 prices and exchange rate).

Figure 2.1: Bolivia—GDP Has Increased, Fueled by *Public* Investment and Resource-Based Exports, but *Per Capita Income Has Decreased*



2.3 Perhaps most revealing, average GDP growth in Bolivia during 1985-95 has not been significantly different from that of other Latin American lower middle income countries, despite the large external transfers. What is encouraging, however, is that this growth performance has accelerated in the nineties and private investment is increasing.

Table 2.1: L.A. Lower Middle Income Countries—GDP Growth and World Bank Net Flows per Capita

GDP at Market prices (constant 1987 US$)	*Average GDP Growth*			*Average Net Flows Per Capita (WB current US$)*		
	1980-85	*1985-95*	*1980-95*	*1985-1988*	*1989-92*	*1993-95*
Bolivia	-1.4%	3.1%	1.4%	4.1	5.2	8.5
Ecuador	2.7%	2.8%	2.7%	9.3	0.1	5.9
Guatemala	-0.3%	3.4%	2.0%	0.2	-2.0	-2.6
Paraguay	4.0%	3.5%	3.7%	-1.0	-7.1	-5.9
Peru	0.6%	2.3%	1.7%	2.3	-2.1	8.7
Average	1.3%	3.1%	2.4%	4.7	1.1	-1.8

Source: Annex 2

Adverse Initial Conditions

2.4 *Poor Policies.* Behind the poor economic performance of the early 1980s lay deep-seated structural problems. *Of primary importance was the increased role of the state and its inefficiency.* After the 1952 revolution, the Government's share in the economy increased rapidly. Numerous state enterprises were created which operated in an unclear policy environment without proper controls or support. Frequent changes of governments exacerbated uncertainties about the policy framework, organization, and procedures. Public sector management was exceptionally weak. The financial system was characterized by decreasing levels of resource mobilization, distorted credit allocation biased in favor of the public sector, growing solvency problems of the commercial banks, and increasing decapitalization of the state banks. The environment for private investment was poor, and the private sector focused on trading and other short-term activities. Capital flight was substantial and capacity was under-utilized by widening margins.

Late Reforms

2.5 *The main cause for the relatively low pace of growth and poverty alleviation* in the eighties has been a weak and uneven reform process:

- First, implementation of *Washington Consensus* reforms was incomplete—early on, it was limited primarily to macroeconomic stabilization and trade liberalization (from 1985–91), and it did not go further until the end of the lending period, and then only partially. Such is the case with the country's capitalization *cum* privatization program, which materialized only in 1995–96, and is still incomplete. It is also the case with the financial sector, in which reform came only incrementally. The Central Bank was restructured and the public banks were liquidated only in 1994; and the three private banks were restructured only in 1996–97. Similarly, Social Security reform was just initiated in 1996, and many other important aspects of the capital market are still largely underdeveloped. And the labor market has not been subject to any major reform.

- Second, growth has been limited because entrenched vested interest have been able to thwart private sector development. In Bolivia, conflict resolution mechanisms are not well developed, and property rights are systematically violated—creating in turn serious distortions in the incentive structure for legitimate business and thus hindering investment and growth. The country's inefficient civil service is plagued by rapid turnover, inadequate pay levels, and an absence of incentives and accountability. Despite substantial expenditure of time and resources pervasive reform of the civil service has not occurred. Key to private-sector development in Bolivia is to formulate and implement a comprehensive strategy to improve the transparency and legitimacy of the legal and regulatory environment, overhaul the judicial system, radically restructure the civil service, and to improve tax compliance.

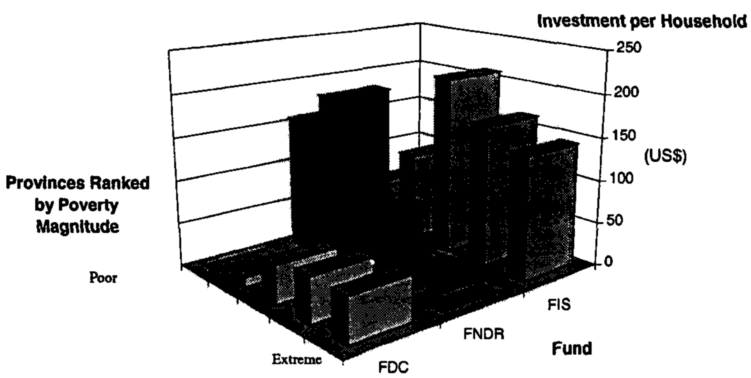
- Third, growth has not been broad based in part because its *regional balance* has been elusive. Vast rural areas and most of the Altiplano continue to be highly underdeveloped, and neither the Government nor the Bank have been able to formulate a specific strategy to develop them.[6] Urban centers and the opening of the Lowlands to commercial agriculture attracted less migration of the unemployed than expected (less than 5 percent of the 1992 rural population of about 2.7 million migrated to urban centers over 1988–93).[7] Yet, even this level of migration has posed serious environmental problems, exacerbated by poor institutional and human capital.[8]

Box 2.1: Bolivia's Social Funds Are Not Targeting the Very Poor

According to a 1992 map of poverty in Bolivia, investments by the three major Bolivian social funds (FNDR, FIS and FDC) appear to be regressive. When expressed in total dollars invested per household in provinces ranked by degree of poverty (from poor to extreme poor), the funds together gave the provinces with the two highest degrees of poverty less than US$250 dollars per household in investments between 1991 and 1997—far less than the amount targeted at provinces with the three lowest degrees of poverty. The distribution of investment across the three major Funds (figure) also favored provinces with the two lowest degrees of poverty:

Figure 1. The Funds (FNDR, FIS and FDC)

Total Investment per Household, 1991-97



Note: Not all projects can be identified as belonging to one particular province. 99% of FIS projects, 72% of FNDR projects and 87% of FDC projects can be identified by a single province as beneficiary. Poverty magnitude is defined by incidence and intensity. See details of methodology in UDAPSO (1993: 5-12).
Sources: FIS (1997); FNDR, Segunda Fase-Proyecto de Desarrollo del Sector Municipal, Propuesta, La Paz, September 1997, Table No. 28; FDC, unpublished statements, December 1997; UDAPSO (1993).

- The largest fund — FNDR— devoted more than 80 percent of its investment (and projects) to provinces with the two lowest degrees of poverty. The fund undertook zero investment in provinces containing the extreme poor.
- The FIS had better targeting success, although it still undertook almost 40 percent of all its investment (and a third of the number of its projects) in provinces with the two lowest degrees of poverty. Investment per household was below US$200 per household in provinces with the two highest degrees of poverty (FIS, 1997).
- The FDC —the smallest fund of all— performed "the best" in terms of targeting the poorest. Between 1993 and 1997, 54 percent of all investments went to provinces with the two highest degrees of poverty. FDC investment per household was slightly above US$50 per household in these provinces. But the major point is: the FDC was the smallest of the three social funds, implying that, along any measure, the rural poor in Bolivia—the most impoverished segment of the population—received fewer investment funds during the lending period.

Sources: Newman, J.; S. Jorgensen, and M. Pradhan (1991). "How Did Workers Benefit from Bolivia's Emergency Social Fund?", The World Bank Economic Review, Vol. 5, No. 2, pp. 367-393; VanDomelen, Julie (1989). *Geographical Targeting of Poverty by the Emergency Social Fund.* Mimeo. La Paz. Fondo de Inversion Social (1997). *El Nuevo Rol de los Fondos*. La Paz: FIS.

6. The Bank has not totally ignored the sector. It approved two projects in FY96, the Rural, Water, and Sanitation project (US$20 million) and the Rural Communities Development project (US$15 million), that are still ongoing and their supervision ratings show satisfactory progress so far.

7. *Bolivia: Poverty, Equity and Income. Selected Policies for Expanding Earning Opportunities of the Poor.* World Bank, Report No. 15272-BO, 1996, Latin America and the Caribbean Region, Vol. II.

8. *Natural Resource Management in Bolivia: 30 years of Experience*, the World Bank, Operations Evaluation Department, Report No 11891, May 19, 1993.

- Fourth, poverty alleviation has been slow because of *inadequate social safety net protection.* Social funds scored visible results, but targeting on the very poor has been a problem. These funds have contributed little to poverty alleviation efforts where poverty is most pervasive—in rural areas, where 94 percent of its inhabitants are poor. The rural poor have benefited only from the smallest and weakest of Bolivia's three social investment funds, the FDC. Most of the funds have gone to urban areas; but even there, a very low share of urban-area social investment has gone to those municipalities with the highest poverty index. Despite the huge amount of external funding for social investment, as well as an extensive network of NGOs, the ability to reach the poorest of Bolivia's poor has proven more difficult than anticipated.

- Fifth, growth and poverty alleviation have been slow because of *insufficient investment in human capital.* In the education sector, reform began late, in 1995–96, and has barely gotten off the ground. Though endorsed by civil society, reform has adopted a vertical approach that has not nurtured the participation of parents and teachers, without whose support it will have only a negligible impact. Only in 1993 did the Bank and the Government start to target human resource development in earnest. Although the Government has managed to reach tens of thousands of Bolivians with basic health and sanitation needs, this outreach has not been forward-looking—investment has been curative, and a nationally integrated health strategy has not yet emerged.

Outcomes

2.6 Throughout this period, IDA provided forceful, frequently compelling ESW. It was particularly persuasive when describing the developmental challenges facing Bolivia and in suggesting how they could be overcome. The focus of these strategies was: (1) to revive growth by increasing the level and efficiency of investment and by diversifying the export base; (2) to tackle the country's deficient indicators of human resource development by investing in health and education initiatives, and (3) to provide safety net protection to the extreme poor. The proposed strategy was sound given the country's developmental constraints, and it was deemed realistic given the Government's immediate progress on macroeconomic stabilization. But translating this diagnosis into effective IDA operations was compromised by three factors: (1) poor design in relation to the strategic goals, (2) lack of full borrower ownership for the reforms IDA was supporting, and (3) weak institutional capacity.

Relevance

2.7 The immediate objectives of the Bank assistance strategy were to achieve stabilization, higher domestic savings, increased investment efficiency, export diversification, and balance of payments viability. Attacking poverty would be achieved by expanding employment and income earning opportunities and improving the delivery of social services. These intermediate objectives were considered as vehicles to achieve the paramount goal of fostering growth and poverty alleviation. The objectives of the strategy are well described in the Bank's Country Economic Memorandum of 1985, Division Country Brief of 1986, policy framework papers of 1986 and 1988, the Country Strategy Paper of 1989, the Country Assistance Strategy of 1991, the policy framework paper of 1992, and Country Strategy Papers of 1993 and 1994. The last two Country Strategy Papers added special emphasis to *Poverty Reduction* as the paramount goal of the Bank assistance strategy.

2.8 *Relevance of the Strategy:* Following OED's rating system of evaluation, the relevance of the Bank's assistance strategy during 1985-1996 was marginally satisfactory. The strategy was based on a good diagnosis of Bolivia's development challenge, which called for a strategy to overcome Bolivia's landlocked geography and poor economic management. The Bank's diagnosis correctly emphasized the *excessive role of the state and its lack of effectiveness*, and the *poor environment for private investment* as the main structural explanation for low domestic savings, investment and growth. What was not fully appreciated by the Bank however, was the deeply entrenched nature of the poor governance environment and the weak institutional capacities in the country. Thus while macroeconomic stabilization was achieved speedily, the expected sectoral supply responses did not materialize rapidly, simply because key reform intentions were being thwarted by strong vested interests.

2.9 Macroeconomic stabilization became in practice the paramount objective of the Bank's assistance strategy during 1985-91. Decreasing the role of the state and improving the environment for the private sector were recognized, however, IDA perhaps did not fully appreciate the need to be more forceful in seeking Government commitment to a more rapid and pervasive state enterprise reform agenda. By 1991, the CAS was concerned about the need to tackle public sector inefficiencies, and by 1993-94, the Bank's assistance strategy gained further relevance by a stronger focus on *Poverty Reduction.*

Efficacy

2.10 *Marginal Efficacy.* A clear need for macroeconomic stability did diluted the effectiveness of other development initiatives. Mostly excellent ESW lost efficacy because some of its sound technical analysis did not translate into policies adopted by the Government or into actions supported by the Bank's lending instruments and lending often provided financing mostly to promote production by inefficient public enterprises. The concern for macroeconomic stabilization often blurred OED's own evaluation criteria, declaring development outcome as satisfactory in some cases because "the value of IDA support for Bolivia's adjustment effort was, by itself, of sufficient import to justify RIC I and II on development impact grounds, although the relevance of providing 90 percent of the combined RIC financing to Bolivia's major public enterprises can be questioned."

Table 2.2: Bolivia—Evaluation of Lending Portfolio (1986-1996)

Projects Completed and Evaluated		Projects On-Going	
Number of projects	14	Number of Projects	18
Total Commitments (US$ million)	$478	Total Commitments (US$ million)	$456
-. % Satisfactory Outcome	98%	-. % of Implementation Progress Sat. or H. Sat	63%
-. % Likely Sustainability	89%	-. % of Development Objectives Sat. or H. Sat	89%
-. % Substantial Institutional Dev.	32%		
Note: % are based on Total Commitments' amounts. **Source:** OIS, World Bank Intranet.			

2.11 The import credits to support the Bank's overarching early growth strategy—to revive export activity—were effective in the sense that exports responded. From 1985 to 1996, their volume increased by an impressive 149 percent, and their share of GDP rose from 17.4 percent to 30.9 percent. Yet, as development instruments, the credits were less effective because their design did not follow the recommendations of a well documented diagnosis of development constraints as presented in Bank's ESW: (a) the import needs financed by the Bank—for capital equipment to retool and reactivate the major export sectors—were being invested inefficiently because they were going to public enterprises still controlled by the Government. And, (b) they drove Bolivia into a precarious reliance on raw exports—primarily mining, hydrocarbons, and soybeans, which were highly vulnerable to changes in Bolivia's term of trade.[9] Thus, the 149 percent increase in exports was far less than the volume of imports that Bolivia could purchase with its export earnings—at only 54 percent because the increase in the volume of exports was offset by an almost continuous deterioration in the terms of trade. To be fair, in the period 1985 to 1990 there were not too many short term options to improve balance of payments viability. Furthermore, the deterioration in the country's terms of trade was an exogenous factor over which the Bank and successive Governments had no control. Also, it is far from clear whether the private sector was sufficiently developed to take advantage of export diversification initiatives.

2.12 The main objective behind stabilizing the economy and liberalizing trade—to open up the competitive environment for private-sector production, and to provide incentives for efficiency—was compromised by two factors. One, most of the two Bank's RICs (US$84 million) went to finance huge inefficient public enterprises—which, in turn, contracted for services and materials with inefficient private-sector enterprises, often protected by nontransparent procedures, thus crowding out more efficient legitimate private-sector activity. Two, the absence of effective institutions to enforce contracts and property rights discouraged private-sector activity overall. Although Bank's ESW had correctly diagnosed that weak institutions and excessive productive capacity in the hands of the public sector were the main constraints to growth and poverty alleviation, the Bank's assistance did not immediately address these constraints. This reduced the relevance and efficacy of the Bank's early lending and non-lending strategy.

2.13 Two other major credits—the FSAC and the SAC—were not fully effective because they were not forceful enough to promote reforms that the Bank considered indispensable. Credit support from the FSAC was successful in the sense that it kept the banking sector out of insolvency. But it lost some efficacy because in-depth financial sector reform came only after SAC conditionalities made the Government step up action to liquidate the state banks. As such, the SAC credit advanced financial sector reform, but valuable time had been lost when two earlier credits had failed to liquidate the state banks. These banks were recapitalized, which only led to even more bad loans, until they were finally liquidated in 1994. The SAC approved in 1991 continued to support the major, inefficient public enterprises with weak restructuring efforts and performance contracts that failed, rather than pushing for full privatization. The Bank's own diagnosis had suggested that privatization was essential, but obtaining Government commitment to this was not achieved at this time. But even before the credit closed, the Government itself conceptualized and implemented its own innovative privatization cum capitalization program.[10]

2.14 IDA's Eastern Lowlands project, which opened up the area to commercial agriculture development, proved to be a disappointment due mainly to environmental concerns. By focusing solely on development in the Lowlands, it neglected a developmental strategy for the Altiplano, despite the fact that three separate Bank strategy documents argued that development in the

9. As such, import-financed export growth did not filter down to the type of labor-intensive, higher valued-added manufacturers that have driven, for example, Chile's impressive growth of about 7 percent in real terms continuously over a long period of time.

10. According to the Region, the main issue here is that this shows, "how relatively fast political consensus / public opinion changed on the issue of privatization."

Altiplano could be profitable to inhabitants. Vast rural areas and most of the Altiplano continue to be highly underdeveloped, and neither the Government nor the Bank has been able to formulate a specific strategy to develop them. Meanwhile, the belief that urban centers and the opening of the Lowlands to commercial agriculture would attract a migration of unemployed poor from the rural Altiplano and Andean slopes did not materialize. The World bank (1996) found that over a period of six years, fewer than 150,000 rural inhabitants—less than 5 percent of Bolivia's 2.7 million rural population—moved to Bolivia's nine major cities.[11] At this pace, and provided that movement was unconstrained by environmental realities, it would take more than 100 years to absorb the rural poor into the fast-growing regions. But the fact is, even this rate of migration had already posed serious environmental problems. And, in the Lowlands, soil surveys have demonstrated that the "vast frontier" does not offer the abundant quality or quantity of land that was once thought, and the area now faces a host of environmental issues that have arisen because the use of natural resources has outpaced the institutional and human capital necessary to ensure their sustainability.[12]

2.15 *Insufficient Institutional Capacity Problems.* Even had conditions been ripe for broader-based growth—whether the Government would have been willing to unleash structural incentives for private sector investment and development or whether the Bank's credits were better targeted, or its projects implemented more smoothly, the absence of institutional capacity undermined the efficacy of IDA's developmental strategy and operations. As Sachs (1997) suggests, "the rule of law delivers growth" and this is regardless of whether a country is handicapped by its geography.[13]

Box 2.2: Overcoming Geographical Constraints

Sachs (1997) argues that increased globalization is increasing the challenges of economic performance in countries that have been dealt a "weak hand by geography." In particular, Sachs found that:

"Global patterns of growth during 1965-90 were shown to depend on four factors: initial conditions, physical geography, government policy, and demographic change. Initial conditions matter in the sense that, other things being equal, poorer countries tend to grow faster than coastal economies *(being entirely landlocked was found to subtract roughly 0.7 percentage points from a country's annual growth).*"

Yet Sachs makes a strong case that effective policy can overcome these constraints—particularly with policies targeted at the transportation and communications infrastructure—or one set of "second-generation" reforms. And he suggests that economic policies are crucial in three respects: "First, openness is decisive for growth. . . .Second, prudent fiscal policy is crucial. . . . Third the rule of law delivers growth. *Good government is not just a moral concern, or a basis for social stability and political legitimacy. Corruption, government breach of contract, expropriation, and inefficiency in public administration are found to harm growth.*"

2.16 Severe governance problems and pervasive corruption did constrain the effectiveness of Bank assistance. Early movement on tariff reductions, for example, has essentially been undone by customs duty evasion. Similarly, civil service reform has been a drawn-out process because the Government's salary-laden reform initiative has yet to develop a "critical mass" of highly

11. *Bolivia: Poverty, Equity and Income. Selected Policies for Expanding Earning Opportunities of the Poor.* World Bank, Report No. 15272-BO, 1996, Latin America and the Caribbean Region, Vol. II.

12. *Natural Resource Management in Bolivia: 30 years of Experience*, the World Bank, Operations Evaluation Department, Report No 11891, May 19, 1993.

13. Jeffrey Sachs, "Nature, Nurture, and Growth," *The Economist*, July 14, 1997.

qualified civil servants. Only 248 civil servants are in place in various ministries, while donors finance 700 consultants serving in-line positions at an annual cost of about $10 million. As a consequence, high-level public officials have no real incentive to "move" the Civil Service Reform, since consultants allow them to continue functioning without the reform.

Box 2.3: SAFCO—How Implementation of a Promising Concept Languishes in Bolivia

Now a law for eight years, SAFCO—the international bible of public administration—is designed to promote sound business practices and increase transparency with better controls, budgetary mechanisms, and oversight. The Controller General's Office (*Contraloria General de la Republica*)—an independent, apolitical body—enforces SAFCO across the entire public sector, and the accounting books and operations of all entities subject to Government control are open at all times to examination by auditors from the *Contraloria*, which reviews some 500 public institutions annually. Its audits are limited to technical findings of noncompliance, malfeasance, and mismanagement.

Although SAFCO's mandate is to improve management, thereby lending to institutional legitimacy and broad appeal as forces for the public good. But, today, several functionaries claim that only three of SAFCO's seven systems are operating at acceptable levels, leaving the 8-year-long SAFCO law "on the books" but toothless. Several problems are delaying implementation—the continued segregation of systems and information across functional areas, due not just to the complexity of the law but also to resistance by those who stand to lose with improved accountability; a disconnect between regulatory and operating functions; an absence of oversight and monitoring functions, since the unit charged with overseeing standards (DONPA) has no power to enforce regulations; and a personnel infrastructure that suffers from high turnover, marginal pay, and the same lack of incentives that plague the entire civil service.

But more pointedly, public audits are still subject to political pressure; in addition, because auditors internal to public entities have a competing loyalty—although their work is to conform to the *Contraloria's* audit standards, they owe their pay and their professional positions to the entities that employ them. Even though the law stipulates that internal auditors cannot be removed for cause without the *Contraloria's* approval, the threat of organizational ostracism weighs heavily, and internal auditors have been loathe to issue hard-hitting audits that cast parent organizations in bad light.

Despite all this, SAFCO and the Contraloria continues to produce high-quality audits, which an audit official of the World Bank found to be "among the best in Latin America." The audits conform to sufficiently high standards that in 1996 a quality control review found that the Contraloria is qualified to perform studies on international financing institutions—only the second such recognition and certification in Latin America. But , without follow-through and judicial rulings to back it, SAFCO's importance and effectiveness is diluted.

2.17 *Two Positive Exceptions.* There were, however, two notable positive exceptions of high efficacy in the assistance strategy: (a) In 1986, IDA had undertaken a series of missions whose conclusions were summarized in a Banking Sector Study circulated in mid-1987 and which the Government largely adopted one month later by promulgating them in its Banking Reactivation Decree, the start of many Supreme Decrees issued by the Government to regulate the banking system. And (b) In 1988, a *Transport Sector Study* correctly targeted infrastructure constraints—a deteriorating road network linking the three major populated areas (and particularly the absence of penetration roads to the Eastern Lowlands), inadequate railway and road access to the Atlantic and Pacific oceans, and haphazard and poorly coordinated investment by the railway-sector public enterprise—ENFE. In May 1989, the Bank approved the ***Export Corridor Project (US$35 million)***, resolutely followed this diagnosis and strategy with beneficial results.

2.18 *Donor Assistance.* Official transfers to the budget plus net lending —including exceptional financing— averaged US$356 million a year during 1986-1996.[14] This amounts to average concessional aid of about US$50 per capita *each year* during the period (in constant 1990 US$, Table 2.3). The efficacy of this large volume of donor assistance could be questioned given the relatively slow pace of reform and the poverty alleviation challenge remaining.

2.19 The efficacy of aid could also be questioned by observing that the average yearly concessional aid of US$50 per capita is a lot more than the average increase in GDP per capita of about US$15 during the period (table 2.3). This is because part of the foreign exchange received went to accumulation of reserves (about 20 percent of aid on average), part went to compensate for the deterioration of the terms of trade, and the rest went mostly to inefficient public enterprises or government agencies. What is clear, is that the efficiency of external assistance has improved from 1993 and this improvement seems to be accelerating.

Table 2.3: Bolivia—Per Capita Net Concessional Aid and Per Capita Change in GDP
(constant 1990 US$)

	86	*87*	*88*	*89*	*90*	*91*	*92*	*93*	*94*	*95*	*96*	*Average*
Change in per capita GDP (with respect to 1985)	-34	-31	-26	-16	-0.4	21	15	29	45	55	68	15
Per capita net concessional aid	57	43	29	47	49	52	67	62	56	49	52	51

Source: Annex 4.

Efficiency

2.20 Table 2.4 provide an indication of the number of staff years spent per approved project. Bolivia compares favorably with the outcome for the Bank as a whole, 5.9 SYs per project compared with 9.3 SY per project overall, almost 37 percent lower. If we look at lending SYs per approved project, Bolivia also compares favorably with Bank-wide norms, and is almost 35 percent lower in terms of staff time spent.

2.21 Although OED has used SYs per project as an indicator of efficiency, the indicator could be misleading if it is not compared with the quality of the portfolio. The lower expenditures in SYs per project and in lending SYs per project could be a reflection of underspending rather than of efficiency. It is notable that QAG data shows that Bolivia has more projects at risk than other similar Latin America countries. In term of value, almost 33 percent of total net commitments were found to be "at risk", which is almost double the average for a group of selected countries used as a comparator (countries with a similar level of high "policy performance index" and low "institutional quality index") and more than double than the percent of net commitments at risk in the overall LAC region (table 2.5).

14. Increasing from US$291 million in 1986 to US$483 million in 1992 and US$434 million in 1996 (Annex 4).

Table 2.4: Comparative Data on the Efficiency of Bank Assistance Programs (FY86-96)

Country	Total SYs	Lending SYs	No. of Projects	Commitments	Total SYs per project	Lending SYs per project	ESW as % of Total SYs
Bangladesh	638.2	226.3	46	3947	13.9	4.9	21.8%
Bolivia	***216.9***	***81.1***	***37***	***1067***	***5.9***	***2.2***	***18.3%***
Chile	139.3	56.7	27	2533	5.2	2.1	23.7%
Colombia	283.7	108.4	34	3738	8.3	3.2	22.1%
Cote d'Ivoire	249.7	106.1	32	2697	7.8	3.3	18.8%
Malaysia	131.5	53.9	22	1677	6.0	2.5	22.9%
Morocco	350.0	155.0	46	4969	7.6	3.4	19.9%
Nigeria	584.6	190.2	41	4423	14.3	4.6	21.1%
Pakistan	638.6	236.9	63	6821	10.1	3.8	17.9%
Philippines	388.9	162.8	45	5382	8.6	3.6	23.5%
Poland	262.5	111.1	23	4054	11.4	4.8	28.8%
Tunisia	243.9	103.9	33	2278	7.4	3.1	18.7%
All Countries	23801.7	8611.3	2550	229359	9.3	3.4	22.0%

Notes: 1. ESW SYs (Ec. and Sector Work staffyears) are yearly averages, based on data for FY86-96. SY data include borrower country-identified staffyears only. Commitments are in US$ million.
2. Lending SYs covers project development from identification to Board presentation; the other two main categories in the Total SYs are supervision and ESW. 3. ESW SYs are yearly averages, based on data for FY86-96. Source: PBD, Financial Database.

2.22 Table 2.4 also shows that SYs spent on ESW as a percentage of total SYs was lower in Bolivia than in all other countries in the sample, except for Pakistan. Bolivia's ESW was, in general, of high quality and very effective, but did not include sufficient SYs allocated to study constraints to private sector development. The survey done by WDR 1997 established major constraints for the private sector to operate in Bolivia, but this should have been done earlier in the context of the Region's ESW. This CAE concludes that both "efficiency" indicators, SYs per project and SYs of ESW as a percent of total SYs suggest a less than optimal allocation of resources to prepare and supervise projects, and to prepare sector and macroeconomic studies in Bolivia as a support to its policy dialogue and lending program.

Table 2.5: QAG ANALYSIS OF ONGOING PORTFOLIO

	Number of projects	Net commit. (US$M)	Number of projects at Risk	% Overall number of projects	Net commit. at Risk (US$M)	% Net commit. at Risk
Bolivia	19	507.9	4	21.1%	166.4	32.8%
Selected Group[1]	128	11094.2	25	19.5%	1849.8	16.7%
LAC Region	309	25416.4	61	19.7%	4034.2	15.9%
Overall Bank Group	1527	118464.5	391	25.6%	26545.6	22.4%

Source: QAG Web Site, Ratings as February 25, 1998.
[1] Selected Group refers to a group of countries that had High Policy Performance but Low Institutional Quality Index, it includes: Bolivia, Honduras, Indonesia, Peru and the Philippines. The calculations done in order to select these countries are based on the WDR97 framework.

Bank Performance

2.23 The relevance, efficacy, and efficiency of the Bank's assistance strategy in Bolivia during 1985-1996 were marginally satisfactory. The Bank was instrumental in mobilizing support from the donor community and reconstructing Bolivia after the most serious economic crisis in its history. Yet, in spite of its correct diagnosis in 1985 that the crisis was mainly the consequence of weak institutions, excessive role of the state and poor environment for private sector development, the Bank was not forceful enough to promote reforms in these areas. As a consequence, most of the benefits of successful stabilization and trade liberalization were not fully realized in the period under review, since most of the country's productive capacity continued in the hands of inefficient public enterprises until 1995-96. The Bank was also not forceful enough to promote an earlier reform of the education sector and to contribute to a comprehensive strategy for the health sector. Also, the Bank and the donor community's efforts to decrease poverty through safety nets achieved important successes, but less than was expected. Besides the macroeconomic stabilization support, the Bank achieved its most important successes supporting the transport and the banking sectors and, at the end of the period, as it supported the Government's initiative to privatize/capitalize its main public enterprises and to reform the social security system. The development benefits of these reforms are still forthcoming however..

3. Recommendations

3.1 Given the Bank's strong financial presence in Bolivia, IDA is positioned to play an important role in achieving poverty alleviation. Faster growth is a necessary condition, and this can only be achieved through speedier private sector development. Important components of the development agenda are additional reforms to the financial sector, institutional building, and a concerted effort, in partnership with the Government, to address deeply entrenched governance issues. More attention also should be directed to rural development.

Private Sector Development

3.2 *Judicial Reform.* The research underlying this report found that judicial reform is key to private sector development in Bolivia. The Bank's Judicial Reform Project was aimed in this direction, but has thus far produced little toward ensuring judicial integrity. A more rigorous approach is justified to ensure that the Judiciary Council, that has just recently been established as the regulatory body to govern judicial reform, becomes fully operational. This will require concerted technical assistance to the new body, especially in regards to its reform of the entire judicial administrative system, the introduction of a judicial career, and the creation of mechanisms to monitor judicial performance and that of administrative support staff. Benchmarks tracking these accomplishments should also be added as conditions for future disbursements.

3.3 *Civil Service Reform.* Increasing the stability of the public sector to attract qualified personnel, and ultimately to build a stable cadre of professional civil servant has been a goal of the Bolivian government since at least 1987. For the past decade, the World Bank, as well as other donors, have contributed to government efforts to undertake a public sector management and civil service reform program. Nonetheless, the results are still modest. Therefore, *the CAE recommends making public sector institution-building a cornerstone of the country strategy.* It should be incumbent upon all task managers to demonstrate specifically how their project design contributes to public sector institution-building. Before developing an "institutional reform" project, it may be useful to convene a donor advisory group on public sector institutional reform to develop guidelines on personnel policies, salary scales, and incentive schemes, including salary supplements, for the public sector. Also, the Bank should design clearly defined conditions which would warrant payment of civil service salaries or any form of salary supplement. These conditions would need to be discussed with other donors to ensure a joint framework for support.

3.4 *Financial Sector Reform.* Several Bank studies and at least three Credits have assisted the Government to prevent financial crises and develop the sector. But the work is not yet finished. As the financial health of the country continues to improve, the Government could shift its attention to finishing the consolidation of the banking system, completing needed reforms to the financial regulatory system, and the pension system.

3.5 First, the soundness of the banking system should be enhanced by (a) increasing capital requirements significantly, or (b) requiring much higher mandatory reserves on demand and short-term deposits. Second, the regulatory framework of all protected depository intermediaries has to be strengthened and incentives for bank managers not to take excessive risks. Third, there is a need to coordinate the prudential regulation of pension fund management companies and all protected depository intermediaries. The recent pension reform has added a new set of players to the financial system—the pension fund management companies—with their own set of rules. Although there is no government guarantee of a minimum pension, contributions to the funds are mandatory and, therefore, the government must oversee their management.

3.6 Fourth, the most serious challenge to the development of a market-oriented financial system is to set the legal framework for private transactions other than those involving protected intermediaries. This is the framework to govern private securities markets, private fund management, non-protected intermediaries and other financial transactions in which the regulatory role of government is largely limited to define and enforce standards for disclosing information. The legal framework for private transactions must be based on a consistent and enforceable set of principles. The *Sistema de Regulación Financiera* should not apply a similar regulatory approach to each area (depository intermediaries, pension management companies, insurance companies, and securities). In spite of some similarities, the approach must differ to reflect a different rationale for government intervention.

3.7 IFC's activity for private sector development has so far been concentrated on gas and mining, and large banks. This CAE agrees with IFC's conclusion that its efforts in fostering private sector development could be more effective through closer coordination with other parts of the Bank Group (Box 3.1).

3.8 *Toward Institutional Integrity.* We take our lead from the World Bank's Poverty Reduction and Economic Management Network report, *Helping Countries Combat Corruption: The Role of the World Bank*:

> *Corruption (and by inference institutional weaknesses) should be explicitly taken into account in a country risk analysis, lending decisions, and portfolio supervision if it affects project or country performance and the government's commitment to deal with it is in question.*

Box 3.1: International Finance Corporation Activity in Bolivia

Past Experience

Until recently, the structure of Bolivia's private sector - dominated by a few large enterprise, mainly in the public sector, with a large number of smaller firms and micro-enterprises - has limited private capital as well as IFC activity. As noted in this Country Assistance Evaluation (CAE), it is only recently that the Government's reform efforts began changing this structure, in particular with the Capitalization Program. Smaller firms continue to face limited access to investment capital, resulting from impediments in Bolivia's financial, judicial, regulatory and administrative systems. Until the mid-1990's, IFC's activity was concentrated on gas and mining, and large banks, where IFC could find opportunities of sufficient scale for direct investment.

IFC's assistance (albeit limited in scope) has been a major source of foreign debt financing. Between 1985 and 1997, IFC made 18 investments, totaling US$155 million, compared with cumulative private debt flows amounting to US$236 million over this same period. At the end of FY97, IFC's portfolio exposure in the country stood at US$99 million. Some of the IFC projects particularly had notable developmental impacts. For example, the Kori Kollo Gold Mining Project (approved in 1991) had a significant demonstration effect, and helped renew foreign private investment interest as the first major private mining project for many years. Coupled with the liberalization of the sector which began in early 1990's, nearly 45 mining companies are now estimated to be engaged in gold exploration. The project has also made a major contribution to the surrounding community, creating over 800 new jobs. It also has established a non-profit foundation to finance social programs for more than 1000 families living in the 25 communities surrounding the site.

More recently, IFC's activity has expanded into new sectors, where the Bank has assisted reform. IFC's investment in Central Aguirre Portuaria, S.A., a river port connecting the eastern lowlands to the Atlantic ports in Argentina through the Parana River, is becoming a major transit port for soybean exports from an area which has seen increased agricultural production with Bank assistance. In another example, IFC invested in 1996 in Telecel Bolivia, a telecommunications company, following Bank-assisted capitalization and regulatory reform in the sector.

Lessons and Future Agenda

IFC's experience in Bolivia highlights two lessons applicable for IFC activity in Bolivia as well as in many developing countries:

IFC's efforts in fostering private sector development could be more effective through closer coordination with other parts of the Bank Group, particularly if structural constraints to private sector development are proactively addressed through Bank Group-assisted regulatory and other reform.

Nonetheless, where progress in such reform is slow, IFC can still have an impact through support for viable projects, in particular where the private sector's access to investment capital is significantly constrained.

The June 1998 CAS and Private Sector Strategy (PSS), jointly developed by the Bank and IFC, will present a coordinated strategic plan for private sector development in Bolivia. To address directly the main constraints on expansion of private sector investment activity, the PSS will focus on developing the financial sector, improving physical infrastructure and regulatory framework, and creating a conducive environment for business, including judicial reform. In line with these objectives and to support a broader spectrum of the private sector in Bolivia, IFC is focusing on: the financial sector and capital markets, including support for intermediaries for SMEs and micro-enterprises; private infrastructure; and general industry, in particular in export-oriented enterprises. FIAS is focusing on addressing regulatory and administrative barriers to establishing and operating a business. Projects in IFC's pipeline now include transactions in pension fund management, micro-financing, water and natural gas development.

3.9 We thus recommend that the Bank take a closer examination of the projects in its current portfolio with a view toward reconciling projects at risk, adopting midstream corrections, and in some cases completely overhauling the projects. The Judicial Reform Project is one such example, particularly because implementation has been extremely slow, delaying enforcement of the regulatory framework and, most importantly, inhibiting private sector development.

The Environment

3.11 The Bank and Government still have not developed a coherent agenda for reconciling the many competing interests that have a stake in Bolivia's natural resources. The environment is closely intertwined with economic growth, poverty alleviation, and cultural preferences. The green agenda in Bolivia is well known—competition for scarce water (particularly in the now highly developed Lowlands), indigenous farming techniques that have led to soil erosion, vast tracts of land that have been deforested, and a host of other practices that have put Bolivia's biodiversity at risk. What has been less publicized are deteriorating environmental conditions in urban areas, particularly air pollution, which has begun to diminish the urban quality of life. Underlying the continued risks to Bolivia's environment is the disconnect between the sound legislation that has been enacted to stop environmental damage and its enforcement on the ground.

3.12 This CAE recommends that the Bank and the Government develop an agenda that consists of defining procedures for assigning environmental costs to projects and productive ventures, enforcing laws that are now on the books, linking the green with the brown agenda, determining alternative ways to make profit from the environment (such as eco-tourism), and assessing the appropriateness of Bank instruments that could be applicable to environmental issues (LILs, GEF medium-size grants, GEF projects, and APLs). The most immediate item on Bolivia's environmental agenda, however, is a cogent, unbiased environmental risk assessment of the Bolivian-Brazil pipeline that is to cut cross the eastern lowlands from Santa Cruz to Sao Paolo and is said already to have attracted some $2.1 billion in investment. Complaints have been expressed by indigenous people that they have had no voice in the planned construction, which could threaten their livelihood.

The Altiplano

3.13 Both the 1993 CSP and the 1994 CAS suggested that these areas, though perhaps isolated and desolate, are not barren domains bereft of productive potential. The Bank must step up research that supports economic development in the Altiplano and other rural areas. The ESD's *Rural Development: From Vision to Action* (1997) provides a strategic checklist for rural development that includes, among other items: secure land and water rights, decentralized and participatory extension programs, financing for strategic research, extension systems and sustainable production systems, and a more equal distribution of credit markets between large agro-based industrial firms and family enterprises. It also provides guidance for future Bank strategy that is highly apropos to the Altiplano—that experimental and innovative, even risky, rural development projects and programs can be undertaken, but that they can be tested within an "enhanced program of nonlending activities, policy reform, institutional development, and pilot activities, rather than as part of large lending programs."

Annex 1: Bolivia: Main Structural Reforms 1995-1997

Timing	*Reforms / Comments*	*Timing 1/*	*Reforms / Comments*
 1986/90	**1. Public Enterprises** *Reorganization* - The state petroleum (YPFB) and mining (COMIBOL) companies were decentralized. Unproductive mines were closed, the Bolivian Development Corporation was dissolved and its 23 enterprises transferred to regional development corporations. Employment in these enterprises was sharply reduced.	 1987/92 Sept. 95 May 96 Dec. 97	*Restructuring and recapiltalization of distressed private banks* - Two banks of mixed private state ownership were closed. - Special fund for strengthening financial institutions (FONDESIF) established. - Three banks restructured and recapitalized. - Fourth bank liquidated.
Apr. 91 1993/96	*Sale of assets* - Congress approved a Privatization Law allowing the sale of most public enterprises. - Process started with the sale/liquidation of 50 enterprises owned by the regional development corporations.	 Aug. 85 Aug. 85 Aug. 90	**3. Other Reforms** *Exchange rate and Trade Systems* - Established unified system with flexible exchange rate determined in auction. - Liberalized with some exceptions for the petroleum industry and wheat. A uniform tariff initially set at 20 percent. - Tariff rates were further reduced to 5 percent for capital goods imports, and 10 percent for the rest.
Mar. 94 1995/96	*Capitalization* - Framework law approved. The private sector investor commits to double the net worth of the companies to be capitalized in exchange for 50 percent of the shares. - The electricity, railways, telecommunications, national airline, and petroleum companies were capitalized. Investment commitments of US$1.7 billion were obtained.	1986 Sept. 90 Oct. 90/Apr. 91	*Investment climate* - Exclusive exploration and development rights of YPFB and COMIBOL removed, opening up arena for private sector investment. - New foreign direct investment law providing for the equal treatment of domestic and foreign investors. - New hydrocarbons and mining laws allowed joint ventures with public sector enterprises.
  Aug. 85 May 86	**2. Banking System and Central Bank of Bolivia (CBB)** *Banking Operations* - Operations in foreign currency and with maintenance of value clauses authorized. - Development of an interbank market.	Aug. 85	*Price system* - All prices freed, except for the services and products provided by public enterprises. Wage contracts freely negotiable in the private sector.
Aug. 85 1990	*Interest rates* - Freeing of deposit and lending rates in domestic currency, and lending rates in foreign currency. - The remaining interest rates were freed, including on development funds on-lent by the central bank.	July 94 Starting Dec. 94	*Education reform* - Education law passed by congress. - Improve coverage and quality of primary education.
1988 Apr. 93	*Banking supervision and regulations* - Creation of an independent Superintendency of Banks. - New Law on banks and other financial institutions tightened prudential requirements and extended the application of reserve requirements to nonbank financial institutions.	Apr. 94 Nov. 95	*Fiscal Decentralization* - Popular participation law approved by congress. - Decentralization law approved by congress. The two laws increased the local governments' finding and responsibilities for projects in education, health and basic infrastructure.
1992 Oct. 95 Nov. 96	*Reorganization of the Central Bank of Bolivia* - Reorganization of the Financial System Department to improve coordination with the Superintendency of Banks, and development of plans to provide liquidity assistance to distressed banks. Central Bank of Bolivia recapitalized. - Passage of new Central Bank Law, which provided for its independence and a mandate to pursue price stability. - Transfer of on-lending operations of development funds to a second-tier institution (NAFIBO).	May 86 Mar. 89 July 90	*Tax system and public expenditure* - Introduction of VAT (10 percent) and property and wealth taxes. The VAT is now 13 percent. - Creation of large taxpayers units to monitor compliance with VAT and special consumption taxes. - Implementation of SAFCO Law on accounting practices and financial controls.
1991/93	*State banks* - Liquidation of the mining, agriculture, and state banks, and the Mining Development Fund.	Dec. 96	*Pension reform* - Law provides for replacement of the pay-as-you-go system by privately managed individual capitalized accounts, and the creation of noncontributory pension with the 50 percent of the shares of capitalized enterprises.

Source: Fund and IDA Board documents.

1/ Represents the date when key legislation was approved or regulations adopted, or the period over which the bulk of the specified reform was implemented.

Table A.1 Bolivia: Gross Domestic Product (mp)

(in thousands of Bolivianos at current prices)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Gross domestic product (mp)	111.259	144.462	358.425	1256.05	19346.94	2366158	7609769	8934398	10805500	12693906	15443136	19132128	22014006	24458969	27602912	31485104	36193979
Imports of GNFS	24.795	33.159	105.391	301.942	4995.354	540498	1956270	2143557	2500264	2939460	3694970	5159097	6398392	6943011	7516405	8004736	9745061
Exports of GNFS	27.289	33.611	104.174	355.673	4576.492	450751	1622708	1753865	2027916	2855902	3517480	4109456	4412875	4666959	5986947	6249033	7137048
Resource Balance (X-M)	2.494	0.452	-1.217	53.731	-418.862	-89747	-333562	-389692	-472348	-83558	-177490	-1049641	-1985517	-2276052	-1529458	-1755703	-2608013
Resource availabilities = uses	108.765	144.01	359.642	1202.319	19765.8	2455905	7943331	9324090	11277848	12777464	15620626	20181769	23999523	26735021	29132370	33240807	38801992
Total consumption expenditures	90.255	120.822	303.642	1036.04	15959.95	1995348	6911528	8117228	9767155	11306550	13685302	17201410	20322229	22683693	25160697	28441901	33213464
Government Consumption	15.4	19.2	42.3	113.4	2575	249897	718931	994015	1230370	1515736	1815415	2310153	2833313	3270271	3749673	4301600	4938902
Private Consumption	74.855	101.622	261.342	922.64	13384.95	1745451	6192597	7123213	8536785	9790814	11869887	14891257	17488916	19413422	21411024	24140301	28274562
Total investment expenditures	18.51	23.188	56	166.279	3805.854	460557	1031803	1206862	1510693	1470914	1935324	2980359	3677294	4051328	3971673	4798906	5588528
Fixed investment	18.824	23.365	53.717	157.379	2936.265	342232	1018308	1079769	1372429	1522167	1939425	2771102	3591711	4075936	4104405	4928594	5638789
Change in stocks	-0.314	-0.177	2.283	8.9	869.589	118325	13495	127093	138264	-51253	-4101	209257	85583	-24608	-132732	-129688	-50261
Domestic Saving	21.004	23.64	54.783	220.01	3386.992	370810	698241	817170	1038345	1387356	1757834	1930718	1691777	1775276	2442215	3043203	2980515

Table A.2 Bolivia: Gross Domestic Product (mp)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Gross domestic product (mp)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Imports of GNFS	22.3%	23.0%	29.4%	24.0%	25.8%	22.8%	25.7%	24.0%	23.1%	23.2%	23.9%	27.0%	29.1%	28.4%	27.2%	25.4%	26.9%
Exports of GNFS	24.5%	23.3%	29.1%	28.3%	23.7%	19.0%	21.3%	19.6%	18.8%	22.5%	22.8%	21.5%	20.0%	19.1%	21.7%	19.8%	19.7%
Resource Balance (X-M)	2.2%	0.3%	-0.3%	4.3%	-2.2%	-3.8%	-4.4%	-4.4%	-4.4%	-0.7%	-1.1%	-5.5%	-9.0%	-9.3%	-5.5%	-5.6%	-7.2%
Resource availabilities = uses	97.8%	99.7%	100.3%	95.7%	102.2%	103.8%	104.4%	104.4%	104.4%	100.7%	101.1%	105.5%	109.0%	109.3%	105.5%	105.6%	107.2%
Total consumption expenditures	81.1%	83.6%	84.7%	82.5%	82.5%	84.3%	90.8%	90.9%	90.4%	89.1%	88.6%	89.9%	92.3%	92.7%	91.2%	90.3%	91.8%
Government Consumption	13.8%	13.3%	11.8%	9.0%	13.3%	10.6%	9.4%	11.1%	11.4%	11.9%	11.8%	12.1%	12.9%	13.4%	13.6%	13.7%	13.6%
Private Consumption	67.3%	70.3%	72.9%	73.5%	69.2%	73.8%	81.4%	79.7%	79.0%	77.1%	76.9%	77.8%	79.4%	79.4%	77.6%	76.7%	78.1%
Total investment expenditures	16.6%	16.1%	15.6%	13.2%	19.7%	19.5%	13.6%	13.5%	14.0%	11.6%	12.5%	15.6%	16.7%	16.6%	14.4%	15.2%	15.4%
Fixed investment	16.9%	16.2%	15.0%	12.5%	15.2%	14.5%	13.4%	12.1%	12.7%	12.0%	12.6%	14.5%	16.3%	16.7%	14.9%	15.7%	15.6%
of which public sector (from budget)		---	---	---	4.7%	3.4%	4.7%	6.2%	7.8%	7.7%	8.3%	8.7%	10.0%	9.2%	9.0%	8.5%	8.5%
Change in stocks	-0.3%	-0.1%	0.6%	0.7%	4.5%	5.0%	0.2%	1.4%	1.3%	-0.4%	0.0%	1.1%	0.4%	-0.1%	-0.5%	-0.4%	-0.1%
	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Domestic Saving	18.9%	16.4%	15.3%	17.5%	17.5%	15.7%	9.2%	9.1%	9.6%	10.9%	11.4%	10.1%	7.7%	7.3%	8.8%	9.7%	8.2%
Net factor payments (from BOP)	-5.8%	-6.1%	-7.3%	-6.7%	-6.7%	-6.9%	-7.8%	-5.9%	-5.7%	-5.3%	-4.9%	-4.5%	-3.4%	-3.6%	-3.1%	-3.4%	-2.4%
Net current transfers (from BOP)	1.3%	0.6%	0.8%	1.9%	1.4%	1.4%	2.5%	2.8%	3.0%	3.3%	3.6%	3.4%	4.4%	4.2%	4.7%	3.4%	3.4%
National Saving	14.4%	10.8%	8.7%	12.7%	12.1%	10.2%	3.9%	6.0%	6.9%	8.9%	10.0%	9.0%	8.7%	7.8%	10.4%	9.7%	9.3%
of which public sector (from budget)	---	---	---	---	-27.0%	-6.2%	1.4%	-1.4%	1.2%	2.0%	3.9%	4.3%	5.6%	2.9%	5.7%	5.9%	6.3%
of which private sector (residual)	---	---	---	---	39.1%	16.4%	2.5%	7.4%	5.7%	7.0%	6.1%	4.7%	3.1%	4.9%	4.6%	3.8%	3.0%
Foreign Saving	2.2%	5.2%	6.9%	0.5%	7.5%	9.3%	9.7%	7.5%	7.1%	2.6%	2.5%	6.6%	8.0%	8.7%	4.0%	5.5%	6.1%
Per BOP	0.1%	8.0%	3.1%	2.6%	2.9%	5.3%	8.1%	9.3%	8.0%	4.8%	4.0%	4.8%	7.2%	7.3%	3.7%	5.1%	5.4%
Resource gap adjustment	2.1%	-2.7%	3.8%	-2.1%	4.6%	4.0%	1.6%	-1.8%	-0.9%	-2.1%	-1.5%	1.8%	0.8%	1.4%	0.4%	0.4%	0.7%
If current transfers from ROW to budget are treated as part of "foreign saving" rather than national saving:																	
Transfer in public sector budget	---	---	---	---	0.3%	0.0%	1.2%	0.4%	0.8%	1.5%	1.8%	1.7%	2.7%	1.5%	2.5%	1.7%	2.5%
Adjusted national saving	---	---	---	---	11.8%	10.1%	2.7%	5.6%	6.1%	7.5%	8.2%	7.3%	6.0%	6.3%	7.9%	8.0%	6.8%
of which public sector (from budget)	---	---	---	---	-27.3%	-6.3%	0.2%	-1.8%	0.4%	0.5%	2.1%	2.6%	2.9%	1.4%	3.3%	4.2%	3.9%
of which private sector (residual)	---	---	---	---	39.1%	16.4%	2.5%	7.4%	5.7%	7.0%	6.1%	4.7%	3.1%	4.9%	4.6%	3.8%	3.0%
Adjusted foreign saving	---	---	---	---	7.8%	9.3%	10.9%	7.9%	7.9%	4.1%	4.3%	8.3%	10.7%	10.3%	6.5%	7.2%	8.6%

Sources: Data in Tables A.1 - A.8 are from the national accounts statistics published by UDAPE (Unidad de Analisis de Politicas Economicas) in its "Dossier de Informacion de Estadisticas Economicas de Bolivia", Volume No. 7, August 1997.
Information on production by sector of origin can be found in that publication.

Table A.3

Bolivia: Gross Domestic Product (mp)

[in thousands of Bolivianos at constant 1986 prices]

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Gross domestic product (mp)	8611649	8635385	8295259	7959955	7943982	7810810	7609769	7797234	8024095	8328218	8714297	9173238	9324275	9722355	10171538	10557574	10973165
Exports of GNFS	1989922	2015653	1751163	1784511	1676272	1362103	1622708	1640637	1750706	2181549	2423012	2599741	2628672	2768112	3186000	3102740	3393677
Imports of GNFS	1702563	1842451	1378049	1196745	1486806	1795668	1956270	2107568	2103861	2110631	2326832	2619764	2879750	2858773	2840345	2817219	3156435
Resource Balance (X-M)	287360	173201	373115	587766	189466	-433564	-333562	-466932	-353155	70918	96180	-20022	-251078	-90661	345655	285520	237242
Resource availabilities = uses	8324290	8462183	7922145	7372189	7754516.	8244374	7943331	8264166	8377250	8257300	8618117	9193260	9575352	9813017	9825883	10272054	10735923
Total consumption expenditures	7065546	7217381	6981947	6539498	6657071	6879082	6911528	7081979	7144144	7174167	7354522	7591303	7863214	8090893	8275364	8517079	8813330
Government Consumption	937792	1016379	986803	870853	904033	837134	718931	691529	717568	723886	723264	747427	775025	794654	819546	829912	848994
Private Consumption	6127754	6201002	5995144	5668645	5753038	6041948	6192597	6390450	6426576	6450282	6631257	6843876	7088189	7296238	7455819	7687167	7964336
Total investment expenditures	1258744	1244802	940197	832691	1097445	1365292	1031803	1182187	1233106	1083133	1263595	1601957	1712138	1722124	1550519	1754974	1922594
Fixed investment	1281145	1254388	910769	798003	856856	978506	1018308	1072907	1136977	1113841	1265615	1506939	1688773	1733164	1594196	1800781	1939038
Change in stocks	-22401	-9586	29429	34687	240589	386786	13495	109279	96129	-30708	-2020	95018	23366	-11040	-43677	-45806	-16445

Table A.4

Bolivia: Gross Domestic Product (mp)

[as a percent of total GDP at 1986 prices]

Gross domestic product (mp)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Exports of GNFS	23.11%	23.34%	21.11%	22.42%	21.10%	17.44%	21.32%	21.04%	21.82%	26.19%	27.81%	28.34%	28.19%	28.47%	31.32%	29.39%	30.93%
Imports of GNFS	19.77%	21.34%	16.61%	15.03%	18.72%	22.99%	25.71%	27.03%	26.22%	25.34%	26.70%	28.56%	30.88%	29.40%	27.92%	26.68%	28.77%
Resource Balance (X-M)	3.34%	2.01%	4.50%	7.38%	2.39%	-5.55%	-4.38%	-5.99%	-4.40%	0.85%	1.10%	-0.22%	-2.69%	-0.93%	3.40%	2.70%	2.16%
Resource availabilities = uses	96.66%	97.99%	95.50%	92.62%	97.61%	105.55%	104.38%	105.99%	104.40%	99.15%	98.90%	100.22%	102.69%	100.93%	96.60%	97.30%	97.84%
Total consumption expenditures	82.05%	83.58%	84.17%	82.15%	83.80%	88.07%	90.82%	90.83%	89.03%	86.14%	84.40%	82.75%	84.33%	83.22%	81.36%	80.67%	80.32%
Government Consumption	10.89%	11.77%	11.90%	10.94%	11.38%	10.72%	9.45%	8.87%	8.94%	8.69%	8.30%	8.15%	8.31%	8.17%	8.06%	7.86%	7.74%
Private Consumption	71.16%	71.81%	72.27%	71.21%	72.42%	77.35%	81.38%	81.96%	80.09%	77.45%	76.10%	74.61%	76.02%	75.05%	73.30%	72.81%	72.58%
Total investment expenditures	14.62%	14.42%	11.33%	10.46%	13.81%	17.48%	13.56%	15.16%	15.37%	13.01%	14.50%	17.46%	18.36%	17.71%	15.24%	16.62%	17.52%
Fixed investment	14.88%	14.53%	10.98%	10.03%	10.79%	12.53%	13.38%	13.76%	14.17%	13.37%	14.52%	16.43%	18.11%	17.83%	15.67%	17.06%	17.67%
Change in stocks	-0.26%	-0.11%	0.35%	0.44%	3.03%	4.95%	0.18%	1.40%	1.20%	-0.37%	-0.02%	1.04%	0.25%	-0.11%	-0.43%	-0.43%	-0.15%
Domestic Saving	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Note: UDAPE national accounts data originally published in constant 1990 prices have been rebased to 1986 (the first full year after the reform program was initiated).

Table A.5

Bolivia: Gross Domestic Income (mp)

[in thousands of Bolivianos at constant 1986 prices]

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Gross domestic product (mp)	8611649	8635385	8295259	7959955	7943982	7810810	7609769	7797234	8024095	8328218	8714297	9173238	9324275	9722355	10171538	10557574	10973165
Income effects of changes in TofT	-116108	-148086	-389028	-374804	-314135	135402	0	83782	-44305	-130916	-207951	-512980	-642552	-846499	-923616	-903430	-1081980
Gross domestic income	8495542	8487298	7906232	7585151	7629847	7946212	7609769	7881017	7979790	8197303	8506346	8660257	8681723	8875856	9247922	9654145	9891185
Exports GNFS as Capacity to Import	1873815	1867566	1362136	1409707	1362137	1497506	1622708	1724419	1706401	2050633	2215061	2086761	1986120	1921613	2262384	2199310	2311697
Imports of GNFS	1702563	1842451	1378049	1196745	1486806	1795668	1956270	2107568	2103861	2110631	2326832	2619764	2879750	2858773	2840345	2817219	3156435
Resource Balance (X-M)	171252	25115	-15913	212962	-124669	-298162	-333562	-383149	-397460	-59997	-111771	-533002	-893629	-937161	-577961	-617909	-844738
Resource availabilities = uses	8324290	8462183	7922145	7372189	7754516	8244374	7943331	8264166	8377250	8257300	8618117	9193260	9575352	9813017	9825883	10272054	10735923
Total consumption expenditures	7065546	7217381	6981947	6539498	6657071	6879082	6911528	7081979	7144144	7174167	7354522	7591303	7863214	8090893	8275364	8517079	8813330
Government Consumption	937792	1016379	986803	870853	904033	837134	718931	691529	717568	723886	723264	747427	775025	794654	819546	829912	848994
Private Consumption	6127754	6201002	5995144	5668645	5753038	6041948	6192597	6390450	6426576	6450282	6631257	6843876	7088189	7296238	7455819	7687167	7964336
Total investment expenditures	1258744	1244802	940197	832691	1097445	1365292	1031803	1182187	1233106	1083133	1263595	1601957	1712138	1722124	1550519	1754974	1922594
Fixed investment	1281145	1254388	910769	798003	856856	978506	1018308	1072907	1136977	1113841	1265615	1506939	1688773	1733164	1594196	1800781	1939038
Change in stocks	-22401	-9586	29429	34687	240589	386786	13495	109279	96129	-30708	-2020	95018	23366	-11040	-43677	-45806	-16445
Domestic Saving	1429995	1269917	924284	1045653	972776	1067130	698241	799037	835646	1023135	1151825	1068954	818509	784963	972558	1137065	1077855
Calculation of Terms of Trade Effect																	
Import price index (base 1986)	0.0000146	0.0000180	0.0000765	0.0002523	0.0033598	0.3010012	1.0000000	1.0170760	1.1884169	1.3926928	1.5879833	1.9692986	2.2218571	2.4286680	2.6462996	2.8413607	3.0873631
Capacity to Import (ExpVal/Pm)	1873815	1867566	1362136	1409707	1362137	1497506	1622708	1724419	1706401	2050633	2215061	2086761	1986120	1921613	2262384	2199310	2311697
Exports at constant prices	1989922	2015653	1751163	1784511	1676272	1362103	1622708	1640637	1750706	2181549	2423012	2599741	2628672	2768112	3186000	3102740	3393677
Income effect of changes in TofT	-116108	-148086	-389028	-374804	-314135	135402	0	83782	-44305	-130916	-207951	-512980	-642552	-846499	-923616	-903430	-1081980
Terms of Trade Index (1986 = 1.0)	0.94	0.93	0.78	0.79	0.81	1.10	1.00	1.05	0.97	0.94	0.91	0.80	0.76	0.69	0.71	0.71	0.68

Table A.6

Bolivia: Use of Gross Domestic Income

[as a percent of total GDP at 1986 prices]

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Gross domestic product (mp)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Income effects of changes in TofT	-1.3%	-1.7%	-4.7%	-4.7%	-4.0%	1.7%	0.0%	1.1%	-0.6%	-1.6%	-2.4%	-5.6%	-6.9%	-8.7%	-9.1%	-8.6%	-9.9%
Gross domestic income	98.7%	98.3%	95.3%	95.3%	96.0%	101.7%	100.0%	101.1%	99.4%	98.4%	97.6%	94.4%	93.1%	91.3%	90.9%	91.4%	90.1%
Exports GNFS as Capacity to Import	21.8%	21.6%	16.4%	17.7%	17.1%	19.2%	21.3%	22.1%	21.3%	24.6%	25.4%	22.7%	21.3%	19.8%	22.2%	20.8%	21.1%
Imports of GNFS	19.8%	21.3%	16.6%	15.0%	18.7%	23.0%	25.7%	27.0%	26.2%	25.3%	26.7%	28.6%	30.9%	29.4%	27.9%	26.7%	28.8%
Resource Balance (X-M)	2.0%	0.3%	-0.2%	2.7%	-1.6%	-3.8%	-4.4%	-4.9%	-5.0%	-0.7%	-1.3%	-5.8%	-9.6%	-9.6%	-5.7%	-5.9%	-7.7%
Resource availabilities = *uses*	96.7%	98.0%	95.5%	92.6%	97.6%	105.6%	104.4%	106.0%	104.4%	99.1%	98.9%	100.2%	102.7%	100.9%	96.6%	97.3%	97.8%
Total consumption expenditures	82.0%	83.6%	84.2%	82.2%	83.8%	88.1%	90.8%	90.8%	89.0%	86.1%	84.4%	82.8%	84.3%	83.2%	81.4%	80.7%	80.3%
Government Consumption	10.9%	11.8%	11.9%	10.9%	11.4%	10.7%	9.4%	8.9%	8.9%	8.7%	8.3%	8.1%	8.3%	8.2%	8.1%	7.9%	7.7%
Private Consumption	71.2%	71.8%	72.3%	71.2%	72.4%	77.4%	81.4%	82.0%	80.1%	77.5%	76.1%	74.6%	76.0%	75.0%	73.3%	72.8%	72.6%
Total investment expenditures	14.6%	14.4%	11.3%	10.5%	13.8%	17.5%	13.6%	15.2%	15.4%	13.0%	14.5%	17.5%	18.4%	17.7%	15.2%	16.6%	17.5%
Fixed investment	14.9%	14.5%	11.0%	10.0%	10.8%	12.5%	13.4%	13.8%	14.2%	13.4%	14.5%	16.4%	18.1%	17.8%	15.7%	17.1%	17.7%
Change in stocks	-0.3%	-0.1%	0.4%	0.4%	3.0%	5.0%	0.2%	1.4%	1.2%	-0.4%	0.0%	1.0%	0.3%	-0.1%	-0.4%	-0.4%	-0.1%
Domestic Saving	16.6%	14.7%	11.1%	13.1%	12.2%	13.7%	9.2%	10.2%	10.4%	12.3%	13.2%	11.7%	8.8%	8.1%	9.6%	10.8%	9.8%

Table A.7 Bolivia: Per Capita Origin and Use of Resources

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Population	5355000	5464830	5569810	5673260	5780480	5895000	6016330	6144450	6279850	6422730	6573000	6733000	6897000	7065000	7237000	7414000	7589129
In constant 1986 Bolivianos																	
Total Resource Availabilities	1554.5	1548.5	1422.3	1299.5	1341.5	1398.5	1320.3	1345.0	1334.0	1285.6	1311.1	1365.4	1388.3	1389.0	1357.7	1385.5	1414.6
Gross Domestic Income	1586.5	1553.1	1419.5	1337.0	1319.9	1348.0	1264.9	1282.6	1270.7	1276.3	1294.1	1286.2	1258.8	1256.3	1277.9	1302.2	1303.3
Gross Domestic Product	1608.2	1580.2	1489.3	1403.1	1374.3	1325.0	1264.9	1269.0	1277.8	1296.7	1325.8	1362.4	1351.9	1376.1	1405.5	1424.0	1445.9
Income effects of changes in TofT	-21.7	-27.1	-69.8	-66.1	-54.3	23.0	0.0	13.6	-7.1	-20.4	-31.6	-76.2	-93.2	-119.8	-127.6	-121.9	-142.6
External resources (M - MCap)	-32.0	-4.6	2.9	-37.5	21.6	50.6	55.4	62.4	63.3	9.3	17.0	79.2	129.6	132.6	79.9	83.3	111.3
Imports	317.9	337.1	247.4	210.9	257.2	304.6	325.2	343.0	335.0	328.6	354.0	389.1	417.5	404.6	392.5	380.0	415.9
Export capacity to import	349.9	341.7	244.6	248.5	235.6	254.0	269.7	280.6	271.7	319.3	337.0	309.9	288.0	272.0	312.6	296.6	304.6
Total Resource Uses	1554.5	1548.5	1422.3	1299.5	1341.5	1398.5	1320.3	1345.0	1334.0	1285.6	1311.1	1365.4	1388.3	1389.0	1357.7	1385.5	1414.6
Consumption Expenditures	1319.4	1320.7	1253.5	1152.7	1151.6	1166.9	1148.8	1152.6	1137.6	1117.0	1118.9	1127.5	1140.1	1145.2	1143.5	1148.8	1161.3
Government Consumption	175.1	186.0	177.2	153.5	156.4	142.0	119.5	112.5	114.3	112.7	110.0	111.0	112.4	112.5	113.2	111.9	111.9
Private Consumption	1144.3	1134.7	1076.4	999.2	995.3	1024.9	1029.3	1040.0	1023.4	1004.3	1008.9	1016.5	1027.7	1032.7	1030.2	1036.8	1049.4
Investment Expenditures	235.1	227.8	168.8	146.8	189.9	231.6	171.5	192.4	196.4	168.6	192.2	237.9	248.2	243.8	214.2	236.7	253.3
Fixed Investment	239.2	229.5	163.5	140.7	148.2	166.0	169.3	174.6	181.1	173.4	192.5	223.8	244.9	245.3	220.3	242.9	255.5
Inventory Investment	-4.2	-1.8	5.3	6.1	41.6	65.6	2.2	17.8	15.3	-4.8	-0.3	14.1	3.4	-1.6	-6.0	-6.2	-2.2
Domestic Saving	267.0	232.4	165.9	184.3	168.3	181.0	116.1	130.0	133.1	159.3	175.2	158.8	118.7	111.1	134.4	153.4	142.0
Memorandum item:																	
Exports at constant prices	371.6	368.8	314.4	314.5	290.0	231.1	269.7	267.0	278.8	339.7	368.6	386.1	381.1	391.8	440.2	418.5	447.2
In constant 1986 US$																	
Total Resource Availabilities	$809.63	$806.50	$740.80	$676.80	$698.70	$728.40	$687.65	$700.51	$694.79	$669.60	$682.88	$711.15	$723.09	$723.42	$707.15	$721.61	$736.79
Gross Domestic Income	$826.29	$808.89	$739.31	$696.35	$687.47	$702.06	$658.78	$668.03	$661.82	$664.74	$674.03	$669.92	$655.61	$654.33	$665.56	$678.20	$678.82
Gross Domestic Product	$837.58	$823.01	$775.69	$730.76	$715.77	$690.10	$658.78	$660.93	$665.50	$675.35	$690.51	$709.60	$704.13	$716.73	$732.03	$741.67	$753.08
Income effects of changes in TofT	-$11.29	-$14.11	-$36.38	-$34.41	-$28.30	$11.96	$0.00	$7.10	-$3.67	-$10.62	-$16.48	-$39.68	-$48.52	-$62.40	-$66.47	-$63.47	-$74.26
External resources (M-MCap)	-$16.66	-$2.39	$1.49	-$19.55	$11.23	$26.34	$28.88	$32.48	$32.96	$4.87	$8.86	$41.23	$67.48	$69.09	$41.59	$43.41	$57.97
Imports	$165.59	$175.60	$128.86	$109.87	$133.96	$158.65	$169.35	$178.65	$174.49	$171.16	$184.37	$202.65	$217.47	$210.75	$204.41	$197.91	$216.62
Export capacity to import	$182.25	$177.99	$127.37	$129.42	$122.73	$132.31	$140.48	$146.17	$141.52	$166.29	$175.52	$161.42	$149.98	$141.66	$162.82	$154.50	$158.65
Total Resource Uses	$809.63	$806.50	$740.80	$676.80	$698.70	$728.40	$687.65	$700.51	$694.79	$669.60	$682.88	$711.15	$723.09	$723.42	$707.15	$721.61	$736.79
Consumption Expenditures	$687.20	$687.86	$652.88	$600.36	$599.82	$607.78	$598.33	$600.30	$592.52	$581.77	$582.76	$587.23	$593.80	$596.46	$595.56	$598.32	$604.85
Government Consumption	$91.21	$96.87	$92.28	$79.95	$81.46	$73.96	$62.24	$58.62	$59.51	$58.70	$57.31	$57.82	$58.53	$58.58	$58.98	$58.30	$58.27
Private Consumption	$595.99	$591.00	$560.61	$520.41	$518.36	$533.82	$536.09	$541.69	$533.00	$523.07	$525.45	$529.41	$535.27	$537.88	$536.58	$540.02	$546.58
Investment Expenditures	$122.43	$118.64	$87.92	$76.45	$98.88	$120.63	$89.32	$100.21	$102.27	$87.83	$100.13	$123.92	$129.29	$126.96	$111.59	$123.29	$131.95
Fixed Investment	$124.61	$119.55	$85.17	$73.26	$77.20	$86.45	$88.15	$90.94	$94.30	$90.32	$100.29	$116.57	$127.53	$127.77	$114.73	$126.50	$133.07
Inventory Investment	-$2.18	-$0.91	$2.75	$3.18	$21.68	$34.17	$1.17	$9.26	$7.97	-$2.49	-$0.16	$7.35	$1.76	-$0.81	-$3.14	-$3.22	-$1.13
Domestic Saving (GDY-C)	$139.08	$121.03	$86.43	$96.00	$87.65	$94.28	$60.45	$67.73	$69.31	$82.97	$91.27	$82.69	$61.81	$57.87	$69.99	$79.88	$73.97
Memorandum items:																	
Export at constant prices	$193.54	$192.10	$163.75	$163.83	$151.04	$120.34	$140.48	$139.07	$145.20	$176.91	$192.00	$201.10	$198.51	$204.07	$229.29	$217.97	$232.90
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
In constant 1990 US$																	
Total Resource Available	$888.12	$883.36	$812.55	$746.00	$764.33	$787.50	$746.47	$758.96	$754.47	$733.97	$749.68	$779.74	$790.41	$792.59	$780.73	$794.78	$811.89
Gross Domestic Income	$904.14	$885.67	$811.12	$764.80	$753.52	$762.16	$718.70	$727.73	$722.77	$729.29	$741.16	$740.09	$725.50	$726.14	$740.72	$753.03	$756.13
Gross Domestic Product	$899.02	$883.38	$832.59	$784.37	$768.28	$740.72	$707.10	$709.42	$714.32	$724.90	$741.16	$761.65	$755.79	$769.31	$785.73	$796.08	$808.32
Income effects of changes in TofT	$5.11	$2.28	-$21.47	-$19.57	-$14.76	$21.44	$11.60	$18 31	$8.45	$4.39	$0.00	-$21.57	-$30.28	-$43.18	-$45.01	-$43.05	-$52.19
External resources (+ is real inflow)	-$16.02	-$2.30	$1.43	-$18.80	$10.80	$25.34	$27.77	$31 24	$31.71	$4.68	$8.52	$39.66	$64.91	$66.45	$40.01	$41.75	$55.76

Total Resource Used	$888.12	$883.36	$812.55	$746.00	$764.33	$787.50	$746.47	$758.96	$754.47	$733.97	$749.68	$779.74	$790.41	$792.59	$780.73	$794.78	$811.89
Consumption Expenditures	$775.15	$773.53	$730.12	$674.08	$666.01	$665.24	$663.22	$663.16	$657.15	$653.20	$656.80	$662.51	$669.87	$675.00	$678.11	$681.32	$689.76
Government Consumption	$138.66	$147.26	$140.28	$121.54	$123.83	$112.44	$94.62	$89.11	$90.48	$89.24	$87.13	$87.90	$88.98	$89.06	$89.67	$88.63	$88.58
Private Consumption	$636.48	$626.26	$589.84	$552.54	$542.18	$552.80	$568.60	$574.05	$566.67	$563.96	$569.67	$574.62	$580.90	$585.94	$588.44	$592.69	$601.18
Investment Expenditures	$112.97	$109.84	$82.43	$71.91	$98.31	$122.26	$83.26	$95.80	$97.32	$80.77	$92.88	$117.23	$120.53	$117.59	$102.62	$113.46	$122.12
Fixed Investment	$115.65	$110.96	$79.05	$68.00	$71.66	$80.24	$81.82	$84.41	$87.52	$83.83	$93.08	$108.19	$118.36	$118.59	$106.49	$117.41	$123.51
Inventory Investment	-$2.68	-$1.12	$3.38	$3.92	$26.65	$42.02	$1.44	$11.39	$9.80	-$3.06	-$0.20	$9.04	$2.17	-$1.00	-$3.87	-$3.96	-$1.39
Domestic Saving (GDY-C)	$128.99	$112.14	$81.00	$90.72	$87.51	$96.92	$55.48	$64.56	$65.62	$76.09	$84.36	$77.57	$55.63	$51.14	$62.62	$71.71	$66.36
Memorandum items:																	
Exports at constant prices	$170.17	$168.91	$143.98	$144.05	$132.80	$105.81	$123.52	$122.28	$127.67	$155.55	$168.81	$176.82	$174.54	$179.43	$201.61	$191.65	$204.78

Table A.8

Per Capita Origin and Use of Resources -- Summary Table

(Data in constant 1986 prices and exchange rates)

In Bolivianos Per Capita (1986 prices)	1980-85	1986-90	1991-96	1980	% change per annum	1985	% change per annum	1990	% change per annum	1996
Total Resource Availabilities	1427.5	1319.2	1383.4	1554.5	-2.09%	1398.5	-1.28%	1311.1	1.27%	1414.6
Gross Domestic Income	1427.3	1277.7	1280.8	1586.5	-3.21%	1348.0	-0.81%	1294.1	0.12%	1303.3
Gross Domestic Product	1463.3	1286.8	1394.3	1608.2	-3.80%	1325.0	0.01%	1325.8	1.46%	1445.9
Income effects of changes in TofT	-36.0	-9.1	-113.5	-21.7	n.m.f.	23.0	n.m.f.	-31.6	28.52%	-142.6
External resources (M - MCap)	0.1	41.5	102.6	-32.0	n.m.f.	50.6	-19.59%	17.0	36.77%	111.3
Imports	279.2	337.2	399.9	317.9	-0.85%	304.6	3.05%	354.0	2.72%	415.9
Export capacity to Import	279.1	295.7	297.3	349.9	-6.20%	254.0	5.82%	337.0	-1.67%	304.6
Total Resource Uses	1427.5	1319.2	1383.4	1554.5	-2.09%	1398.5	-1.28%	1311.1	1.27%	1414.6
Consumption Expenditures	1227.5	1135.0	1144.4	1319.4	-2.43%	1166.9	-0.84%	1118.9	0.62%	1161.3
Government Consumption	165.0	113.8	112.2	175.1	-4.11%	142.0	-4.97%	110.0	0.28%	111.9
Private Consumption	1062.5	1021.2	1032.2	1144.3	-2.18%	1024.9	-0.32%	1008.9	0.66%	1049.4
Investment Expenditures	200.0	184.2	239.0	235.1	-0.30%	231.6	-3.66%	192.2	4.71%	253.3
Fixed Investment	181.2	178.2	238.8	239.2	-7.05%	166.0	3.01%	192.5	4.83%	255.5
Inventory Investment	18.8	6.0	0.3	-4.2	n.m.f.	65.6	n.m.f.	-0.3	38.47%	-2.2
Domestic Saving	199.8	142.7	136.4	267.0	-7.48%	181.0	-0.65%	175.2	-3.44%	142.0
Memorandum item:										
Per capita exports at 1986 prices	315.1	304.8	410.8	371.6	-9.07%	231.1	9.79%	368.6	3.27%	447.2
Total GDP (million 1986 $B)				8611.6	-1.93%	7810.8	2.21%	8714.3	3.92%	10973.2
Population (thousands)				5355.0	1.94%	5895.0	2.20%	6573.0	2.42%	7589.1

In US$ Per Capita (1986 prices)	1980-85	Change in US$	1986-90	Change in US$	1991-96	1980	Change in US$	1985	Change in US$	1990	Change in US$	1996
Total Resource Availabilities	$743.47	-$56.39	$687.09	$33.45	$720.54	$809.63	-$81.23	$728.40	-$45.52	$682.88	$53.91	$736.79
Gross Domestic Income	$743.40	-$77.92	$665.48	$1.59	$667.07	$826.29	-$124.22	$702.06	-$28.03	$674.03	$4.79	$678.82
Gross Domestic Product	$762.15	-$91.94	$670.21	$55.99	$726.21	$837.58	-$147.48	$690.10	$0.41	$690.51	$62.57	$753.08
Income effects of changes in TofT	-$18.76	$14.02	-$4.73	-$54.40	-$59.13	-$11.29	$23.26	$11.96	-$28.44	-$16.48	-$57.78	-$74.26
External resources (M-MCap)	$0.08	$21.53	$21.61	$31.85	$53.46	-$16.66	$43.00	$26.34	-$17.49	$8.86	$49.12	$57.97
Imports	$145.42	$30.18	$175.60	$32.70	$208.30	$165.59	-$6.94	$158.65	$25.72	$184.37	$32.25	$216.62
Export capacity to Import	$145.35	$8.65	$154.00	$0.84	$154.84	$182.25	-$49.94	$132.31	$43.21	$175.52	-$16.87	$158.65
Total Resource Uses	$743.47	-$56.39	$687.09	$33.45	$720.54	$809.63	-$81.23	$728.40	-$45.52	$682.88	$53.91	$736.79
Consumption Expenditures	$639.32	-$48.18	$591.14	$4.90	$596.04	$687.20	-$79.42	$607.78	-$25.02	$582.76	$22.09	$604.85
Government Consumption	$85.95	-$26.68	$59.28	-$0.86	$58.41	$91.21	-$17.25	$73.96	-$16.65	$57.31	$0.96	$58.27
Private Consumption	$553.36	-$21.50	$531.86	$5.77	$537.62	$595.99	-$62.18	$533.82	-$8.37	$525.45	$21.13	$546.58
Investment Expenditures	$104.16	-$8.20	$95.95	$28.55	$124.50	$122.43	-$1.80	$120.63	-$20.50	$100.13	$31.82	$131.95
Fixed Investment	$94.37	-$1.57	$92.80	$31.56	$124.36	$124.61	-$38.15	$86.45	$13.83	$100.29	$32.79	$133.07
Inventory Investment	$9.78	-$6.63	$3.15	-$3.02	$0.14	-$2.18	$36.35	$34.17	-$34.33	-$0.16	-$0.97	-$1.13
Domestic Saving (GDY-C)	$104.08	-$29.73	$74.34	-$3.31	$71.04	$139.08	-$44.80	$94.28	-$3.01	$91.27	-$17.30	$73.97
Memorandum items:												
Export at constant prices	$164.10	-$5.37	$158.73	$55.24	$213.97	$193.54	-$73.20	$120.34	$71.65	$192.00	$40.91	$232.90

(continued on next page)

Table A.8 [continued]

Per Capita Origin and Use of Resources -- Summary Table

(Calculated from data in constant 1986 prices and exchange rates)

As a percentage of GDP:	1980-85	1986-90	1991-96	1980	1985	1990	1996
Total Resource Availabilities	97.55%	102.52%	99.22%	96.66%	105.55%	98.90%	97.84%
Gross Domestic Incme	97.54%	99.29%	91.86%	98.65%	101.73%	97.61%	90.14%
Gross Domestic Product	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Income effects of changes in TofT	-2.46%	-0.71%	-8.14%	-1.35%	1.73%	-2.39%	-9.86%
External resources (M - MCap)	0.01%	3.22%	7.36%	-1.99%	3.82%	1.28%	7.70%
Imports	19.08%	26.20%	28.68%	19.77%	22.99%	26.70%	28.77%
Export capacity to Import	19.07%	22.98%	21.32%	21.76%	19.17%	25.42%	21.07%
Total Resource Uses	97.55%	102.52%	99.22%	96.66%	105.55%	98.90%	97.84%
Consumption Expenditures	83.88%	88.20%	82.08%	82.05%	88.07%	84.40%	80.32%
Government Consumption	11.28%	8.84%	8.04%	10.89%	10.72%	8.30%	7.74%
Private Consumption	72.61%	79.36%	74.03%	71.16%	77.35%	76.10%	72.58%
Investment Expenditures	13.67%	14.32%	17.14%	14.62%	17.48%	14.50%	17.52%
Fixed Investment	12.38%	13.85%	17.13%	14.88%	12.53%	14.52%	17.67%
Inventory Investment	1.28%	0.47%	0.02%	-0.26%	4.95%	-0.02%	-0.15%
Domestic Saving	13.66%	11.09%	9.78%	16.61%	13.66%	13.22%	9.82%
Memorandum item:							
Exports at constant prices	21.53%	23.68%	29.46%	23.11%	17.44%	27.81%	30.93%

Table A.9

Other Macroeconomic Indicators

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Consumer Price Index																	
Percent change from prior year	47.2%	32.1%	123.5%	275.6%	1281.3%	11749.6%	277.0%	14.5%	16.0%	15.2%	17.1%	21.4%	12.1%	8.5%	7.9%	10.2%	12.4%
Index 1986=100	0.0015	0.0019	0.0043	0.0162	0.2238	26.52	100.0	114.5	132.8	153.0	179.2	217.6	243.9	264.7	285.5	314.6	353.8
GDP Deflator																	
Percent change from prior year	---	29.5%	158.3%	265.2%	1443.4%	12338.7%	230.1%	14.6%	17.5%	13.2%	16.3%	17.7%	13.2%	6.6%	7.9%	9.9%	10.6%
Index 1986=100	0.0013	0.0017	0.0043	0.0158	0.2435	30.29	100.0	114.6	134.7	152.4	177.2	208.6	236.1	251.6	271.4	298.2	329.8
Real Effective Exchange Rate																	
Index 1986=100	121.5	152.9	165.8	152.5	197.9	339.3	100.0	96.4	91.4	87.9	74.3	77.7	76.2	74.9	69.4	67.1	70.9

Table B.1

Bolivia: General Government Budget

(in millions of current Bolivianos)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Total revenue	...	...	...	...	0.143	103.00	622.10	845.60	1093.10	2332.5	3024.2	3933.2	4748.9	5156.2	6302.8	7175.7	8895.7
Current revenue	...	...	...	...	0.085	102.40	532.60	808.10	1006.40	2144.3	2740.8	3607.5	4158.5	4779.6	5621.5	6643.1	7998.5
Grants	...	...	...	...	0.058	0.60	89.50	37.50	86.70	188.2	283.4	325.7	590.4	376.6	681.3	532.6	897.2
Total expenditures	...	...	...	...	5.522	502.60	1537.60	1769.90	2486.10	3124.9	3460.7	4616.5	5322.5	6269.8	7063.2	8198.6	9747.9
Current expenditures	...	...	...	...	4.952	452.00	1317.00	1528.50	2003.60	2439.8	2733.2	3597.5	4014.5	4829.4	5311.5	6246.6	7321.9
Capital expenditure	...	...	...	...	0.570	50.60	220.60	241.40	482.50	685.1	727.5	1019.0	1308.0	1440.4	1751.7	1952.0	2426.0
Overall balance	...	...	...	...	-5.379	-399.60	-915.50	-924.30	-1393.00	-792.4	-436.5	-683.3	-573.6	-1113.6	-760.4	-1022.9	-852.2

Table B.2

Bolivia: Combined Public Sector Budget

(in millions of current Bolivianos)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Current revenue	...	...	...	...	-0.322	304.00	1333.70	1365.90	2045.00	2501.2	3051.4	4089.3	4652.4	5173.1	6216.5	7567.6	8718.1
General Government	...	...	...	...	0.085	102.40	532.60	808.10	1006.40	2144.3	2740.8	3607.5	4158.5	4779.6	5621.5	6643.1	7998.5
Tax revenue	...	...	...	...	...	...	...	...	...	1766.1	2341.8	3125.1	3633.4	4149.8	4767.0	5638.7	6633.0
From hydrocarbons sector	...	...	...	...	...	...	...	...	..	...	...	...	1552.0	1636.8	1645.1	1720.7	2138.0
Other taxes	...	...	...	...	...	...	...	...	...	...	...	...	2081.4	2513.0	3121.9	3918.0	4495.0
Nontax revenues	..	...	...	...	..	...	...	...	...	...	...	...	525.1	629.8	854.5	1004.4	1365.5
Operating balance of the public enterpr	...	...	...	...	-0.407	201.60	801.10	557.80	1058.60	405.4	345.6	511.8	527.4	305.6	407.5	658.1	482.6
Central Bank operating balance (-=los	...	...	...	...	...	...	...	...	-20.00	-48.5	-35.0	-30.0	-33.5	87.9	187.5	266.4	237.0
Current expenditures	...	...	...	...	4.952	452.00	1317.00	1528.50	2003.60	2439.8	2733.2	3597.5	4014.5	4829.4	5311.5	6246.6	7321.9
General Government	...	...	...	...	4.952	452.00	1317.00	1528.50	2003.60	2439.8	2733.2	3597.5	4014.5	4829.4	5311.5	6246.6	7321.9
Of which: wages and salaries	..	...	...	...	...	...	...	...	...	...	...	...	1862.7	2216.6	2558.8	2660.0	3030.0
Current balance before grants	...	...	...	..	-5.274	-148.00	16.70	-162.60	41.40	61.4	318.2	491.8	637.9	343.7	905.0	1321.0	1396.2
Grants	...	...	...	...	0.058	0.60	89.50	37.50	86.70	188.2	283.4	325.7	590.4	376.6	681.3	532.6	897.2
Current balance after grants	...	...	...	...	-5.216	-147.40	106.20	-125.10	128.10	249.6	601.6	817.5	1228.3	720.3	1586.3	1853.6	2293.4
Capital revenue	...	...	...	...	...	...	...	...	...	...	...	...	15.8	40.4	68.0	242.1	50.0
Capital expenditure	...	...	...	...	0.9	79.80	356.90	552.20	839.70	971.4	1276.5	1659.9	2206.9	2245.5	2478.5	2678.9	3060.5
General Governmenr	...	...	...	...	0.57	50.60	220.60	241.40	482.50	685.1	727.5	1019.0	1308.0	1440.4	1751.7	1952.0	2426.0
Public Enterprises	...	...	...	...	0.33	29.20	136.30	310.80	357.20	286.3	549.0	640.9	899.0	805.1	726.8	695.0	635.0
Overall balance	...	...	...	...	-6.116	-227.20	-250.70	-677.30	-711.60	-721.8	-674.9	-842.4	-962.8	-1484.8	-824.2	-583.2	-717.1
Overall financing	...	...	...	...	...	...	...	...	...	721.2	674.6	812.4	963.7	1484.0	825.4	583.2	717.0
Foreing financing	...	...	...	...	...	...	...	...	...	257.8	378.1	621.9	942.7	1235.2	1013.5	1161.2	941.5
Domestic financing	...	...	...	...	...	...	...	...	...	463.4	296.5	190.5	21.0	248.8	-188.1	-578.0	-224.5
Central Bank	...	...	...	...	...	...	...	...	..	664.3	324.5	193.5	59.0	218.1	-240.7	-1094.0	-728.0
Domestic non-bank	...	...	...	...	...	...	...	...	...	-200.9	-28.0	-3.0	-38.0	30.7	52 6	516.0	522.0

Sources: Data in Tables B.1 and B.2 are taken from the IMF data files contained in file "imf4.unk" These are the same data that are used in the draft IMF staff report prepared in December 1997.

Table B.3

Bolivia: General Government Budget

(as percent of GDP)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Total revenue	---	---	---	---	0.74%	4.35%	8.18%	9.46%	10.12%	18.37%	19.58%	20.56%	21.57%	21.08%	22.83%	22.79%	24.58%
Current revenue	---	---	---	---	0.44%	4.33%	7.00%	9.04%	9.31%	16.89%	17.75%	18.86%	18.89%	19.54%	20.37%	21.10%	22.10%
Grants	---	---	---	---	0.30%	0.03%	1.18%	0.42%	0.80%	1.48%	1.84%	1.70%	2.68%	1.54%	2.47%	1.69%	2.48%
Total expenditures	---	---	---	---	28.54%	21.24%	20.21%	19.81%	23.01%	24.62%	22.41%	24.13%	24.18%	25.63%	25.59%	26.04%	26.93%
Current expenditures	---	---	---	---	25.60%	19.10%	17.31%	17.11%	18.54%	19.22%	17.70%	18.80%	18.24%	19.74%	19.24%	19.84%	20.23%
Capital expenditure	---	---	---	---	2.95%	2.14%	2.90%	2.70%	4.47%	5.40%	4.71%	5.33%	5.94%	5.89%	6.35%	6.20%	6.70%
Overall Balance	---	---	---	---	-27.80%	-16.89%	-12.03%	-10.35%	-12.89%	-6.24%	-2.83%	-3.57%	-2.61%	-4.55%	-2.75%	-3.25%	-2.35%

Table B.4

Bolivia: Combined Public Sector Budget

(as percent of GDP)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Current revenue	---	---	---	---	-1.66%	12.85%	17.53%	15.29%	18.93%	19.70%	19.76%	21 37%	21.13%	21.15%	22.52%	24.04%	24.09%
General Government	---	---	---	---	0.44%	4.33%	7.00%	9.04%	9.31%	16.89%	17.75%	18.86%	18.89%	19.54%	20.37%	21.10%	22.10%
Tax revenue	---	---	---	---	---	---	---	---	---	13.91%	15.16%	16.33%	16.50%	16.97%	17.27%	17.91%	18.33%
From hydrocarbons sector	---	---	---	---	---	---	---	---	---	---	---	--	7.05%	6.69%	5.96%	5.47%	5.91%
Other taxes	---	---	---	---	---	---	---	---	---	---	---	---	9.45%	10.27%	11.31%	12.44%	12.42%
Nontax revenues	---	---	---	---	---	---	---	---	---	---	---	---	2.39%	2.57%	3.10%	3.19%	3.77%
Operating balance of the public enterpr	---	---	---	---	-2.10%	8.52%	10.53%	6.24%	9.80%	3.19%	2.24%	2.68%	2.40%	1.25%	1.48%	2.09%	1.33%
Central Bank operating balance (-=los	---	---	---	---	---	---	---	---	-0.19%	-0.38%	-0.23%	-0.16%	-0.15%	0.36%	0.68%	0.85%	0.65%
Current expenditures	---	---	---	---	25.60%	19.10%	17.31%	17.11%	18.54%	19.22%	17.70%	18 80%	18.24%	19.74%	19.24%	19.84%	20.23%
General Government	---	---	---	---	25.60%	19.10%	17.31%	17.11%	18.54%	19.22%	17.70%	18.80%	18.24%	19.74%	19.24%	19.84%	20.23%
Of which: wages and salaries	---	---	---	---	---	---	---	---	---	---	---	-	8.46%	9.06%	9.27%	8.45%	8.37%
Current balance before grants	---	---	---	---	-27.26%	-6.25%	0.22%	-1.82%	0.38%	0.48%	2.06%	2.57%	2.90%	1.41%	3.28%	4.20%	3.86%
Grants	---	---	---	---	0.30%	0.03%	1.18%	0.42%	0.80%	1.48%	1.84%	1 70%	2.68%	1.54%	2.47%	1.69%	2.48%
Current balance after grants	---	---	---	---	-26.96%	-6.23%	1.40%	-1.40%	1.19%	1.97%	3.90%	4.27%	5.58%	2.94%	5.75%	5.89%	6.34%
Capital revenue	---	---	---	---	---	---	---	---	---	---	---	---	0.07%	0.17%	0.25%	0.77%	0.14%
Capital expenditure	---	---	---	---	4.65%	3.37%	4.69%	6.18%	7.77%	7.65%	8.27%	8.68%	10.02%	9.18%	8.98%	8.51%	8.46%
General Gov.	---	---	---	---	2.95%	2.14%	2.90%	2.70%	4.47%	5.40%	4.71%	5.33%	5.94%	5.89%	6.35%	6.20%	6.70%
Pub. Enterprises	---	---	---	---	1.71%	1.23%	1.79%	3.48%	3.31%	2.26%	3.55%	3.35%	4.08%	3.29%	2.63%	2.21%	1.75%
Overall balance	---	---	---	---	-31.61%	-9.60%	-3.29%	-7.58%	-6.59%	-5.69%	-4.37%	-4.40%	-4.37%	-6.07%	-2.99%	-1.85%	-1.98%
Overall financing	---	---	---	---	---	---	---	---	---	5.68%	4.37%	4.25%	4.38%	6.07%	2.99%	1.85%	1.98%
Foreing financing	---	---	---	---	---	---	---	---	---	2.03%	2.45%	3.25%	4.28%	5.05%	3.67%	3.69%	2.60%
Domestic financing	---	---	---	---	---	---	---	---	---	3.65%	1.92%	1.00%	0.10%	1.02%	-0.68%	-1.84%	-0.62%
Central Bank	---	---	---	---	---	---	---	---	---	5.23%	2.10%	1.01%	0.27%	0.89%	-0.87%	-3.47%	-2.01%
Domestic non-bank	---	---	---	---	---	---	---	---	---	-1.58%	-0.18%	-0.02%	-0.17%	0.13%	0.19%	1.64%	1.44%

Sources: Shares of GDP data in Tables B.3 and B.4 have been calculated from the GDP data in table A.1 and the budget data in Tables B.1 and B.2.

Table C.1 Bolivia: Balance of Payments Data

(in millions of US$)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Exports	1030.1	1005.4	910.0	858.1	818.0	719.9	704.5	652.7	673.1	894.6	1000.7	954.7	812.8	894.2	1156.6	1238.7	1317.8
Merchandise	942.2	912.4	827.7	755.1	724.5	623.4	587.5	518.7	542.4	745.7	845.2	776.6	637.6	709.8	997.6	1074.9	1131.7
Non-factor services	87.9	93.0	82.3	103.0	93.5	96.5	117.0	134.0	130.7	148.9	155.5	178.1	175.2	184.4	159.0	163.8	186.1
Imports	832.9	1147.5	717.7	740.6	665.8	708.9	816.0	920.5	916.4	1025.8	1130.3	1150.2	1277.2	1346.7	1466.0	1576.2	1778.7
Merchandise	574.4	827.7	496.0	496.0	412.3	462.8	674.0	767.2	767.7	861.7	962.7	969.5	1090.3	1153.6	1276.4	1375.6	1578.4
Non-factor services	258.5	319.8	221.7	244.6	253.5	246.1	142.0	153.3	148.7	164.1	167.6	180.7	186.9	193.1	189.6	200.6	200.3
Resource balance	197.2	-142.1	192.3	117.5	152.2	11.0	-111.5	-267.8	-243.3	-131.2	-129.6	-195.5	-464.4	-452.5	-309.4	-337.5	-460.9
Net factor services	-263.1	-362.2	-410.7	-361.8	-414.9	-372.9	-308.9	-258.8	-260.0	-249.3	-241.1	-242.5	-193.0	-204.6	-187.8	-219.8	-168.0
Credit	15.6	16.2	8.4	40.9	30.0	17.5	12.6	14.3	15.8	22.1	17.0	22.3	15.3	12.1	16.2	24.7	47.7
Debit	278.7	378.4	419.1	402.7	444.9	390.4	321.5	273.1	275.8	271.4	258.1	264.8	208.3	216.7	204.0	244.5	215.7
interest due	- - -	- - -	- - -	- - -	- - -	- - -	- - -	224.5	234.6	220.4	206.1	211.3	188.3	191.7	184.0	220.2	177.4
(o/w NFPS not paid)	- - -	- - -	- - -	- - -	- - -	- - -	- - -	-101.4	-57.3	-79.7	-80.7	-80.2	-65.4	-44.3	-31.6	-38.7	-0.3
investment inçome	- - -	- - -	- - -	- - -	- - -	- -	- - -	48.6	41.2	51.0	52.0	53.5	20.0	25.0	20.0	24.3	38.3
Net transfers	59.5	35.8	44.0	102.7	84.2	76.1	99.0	121.1	136.7	155.8	175.0	182.5	248.2	238.0	278.5	221.8	243.9
Official	46.8	32.5	27.3	62.5	62.4	61.6	82.0	103.2	123.9	133.9	153.4	160.0	225.5	216.6	257.5	201.6	225.4
of which to budget	- - -	- - -	- - -	- - -	18.5	1.4	46.6	18.3	36.9	70.0	89.4	91.0	151.4	88.2	147.5	110.5	176.3
Private	12.7	3.3	16.7	40.2	21.8	14.5	17.0	17.9	12.8	21.9	21.6	22.5	22.7	21.4	21.0	20.2	18.5
Current account balance																	
before official transfers to budget	- - -	- - -	- - -	- - -	-197.0	-287.2	-368.0	-423.8	-403.5	-294.7	-285.1	-346.5	-560.6	-507.3	-366.2	-446.0	-561.3
after official transfers to budget	-6.4	-468.5	-174.4	-141.6	-178.5	-285.8	-321.4	-405.5	-366.6	-224.7	-195.7	-255.5	-409.2	-419.1	-218.7	-335.5	-385.0
Capital transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.5	45.4
Direct investment	46.5	75.6	31.0	6.9	7.0	10.0	10.0	36.4	30.0	35.0	35.0	50.0	86.0	121.6	90.1	176.8	425.7
Direct investment	- - -	- - -	- - -	- - -	- - -	- - -	10.0	36.4	30.0	35.0	35.0	50.0	86.0	121.6	90.1	171.7	164.0
Add'l. fm capitalized enterprises	- - -	- - -	- - -	- - -	- - -	- - -	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.1	261.7
Net M&LT (public + private)	311.5	251.4	185.0	45.4	60.3	-37.3	-135.6	-68.4	143.2	147.4	101.2	77.7	151.7	90.2	150.5	108.4	257.6
Net public sector loans	- - -	- - -	- - -	- - -	- - -	- - -	-135.6	-68.4	143.2	147.4	101.2	77.7	151.7	90.2	125.0	78.8	239.2
Disbursements	- - -	- - -	- - -	- - -	- - -	. .	230.1	212.1	318.8	334.3	335.2	300.0	384.7	319.2	359.9	379.4	394.5
Amortization due	- - -	- - -	- - -	- - -	- - -	- - -	365.7	280.5	175.6	186.9	234.0	222.3	233.0	229.0	234.9	300.6	155.3
Capitalized enterprise amort.	- - -	- - -	- - -	- - -	- - -	- - -	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net private sector loans	- - -	- - -	- - -	- - -	- - -	- - -	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	25.5	29.6	18.4
Exceptional financing	166.4	319.7	86.0	572.5	-103.2	50.5	379.9	288.9	1.5	89.9	130.6	187.5	179.8	269.1	133.5	201.8	0.2
Agreed debt relief	- - -	- - -	- - -	- - -	- - -	- - -	593.0	233.9	-23.6	167.6	290.6	186.7	172.5	139.8	118.1	201.8	0.0
Changes in arrears	- - -	- - -	- - -	- - -	- - -	- - -	-210.0	55.0	25.1	-77.7	-160.0	0.8	7.3	40.3	-5.6	0.0	0.2
Other exceptional financing	166.4	319.7	86.0	572.5	-103.2	50.5	-3.1	0.0	0.0	0.0	0.0	0.0	0.0	89.0	21.0	0.0	0:0
Capital flows n.e.i.	-511.4	-176.2	-192.7	-540.8	143.4	344.1	177.5	107.6	162.1	-187.4	27.8	30.1	22.2	77.0	-32.1	-38.8	-1.7
Net banking system	- - -	- - -	- - -	- - -	- - -	- - -	-2.6	-27.8	-14.0	-54.9	18.4	14.1	35.7	138.3	93.1	43.6	-51.2
Short-term or contractistas	- - -	- - -	- - -	- - -	- - -	- - -	0.0	0.0	-84.1	-105.6	-21.5	-14.8	0.0	0.0	0.0	0.0	0.0
Errors and omissions	- - -	- - -	- - -	- - -	- - -	- - -	180.1	135.4	260.2	-26.9	30.9	30.8	-13.5	-61.3	-125.2	-82.4	49.5
Capita account balance	13.0	470.5	109.3	84.0	107.5	367.3	431.8	364.5	336.8	84.9	294.6	345.3	439.7	557.9	342.0	458.7	727.2
Change net reserves (- = increase)	-6.6	-2.0	65.1	57.6	71.0	-81.5	-110.4	41.0	29.8	139.8	-98.9	-89.8	-30.5	-138.8	-123.3	-123.2	-342.2
Reserve assets (+ = increase)	96.1	0.0	-46.5	-49.3	-95.0	58.0	-214 5										
Use of IMF loans & credits (+ = inc.)	89.5	-2.0	18.6	8.3	-24.0	-23.5	99.8										

Sources: BOP data for 1986-96 have been taken from the IMF data file "imf4.unk". These are the same data that are being used in the draft Staff Report prepared in December 1997. Fully comparable data are not available for the years 1980-1985. The estimates in Table C.1 for these years are based partly upon the BOP data published in the IMFs IFS Yearbook (1997) and partly upon the Unified Survey submission. The IMF is the source for the data on the current account, on direct foreign investment, on exceptional financing, and on the change in net reserves. The Unified Survey is the source of the data on net medium and long-term borrowing. Capital flows not elsewhere included were calculated as a residual; while including a large "errors and omissions" component, this is typical of all estimates of Bolivia's balance of payments for the 1980-85 period.

Table C.2

Bolivia: Balance of Payments Data

(as percent of GDP; from data in current prices and at average X-rates)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Exports	22.70%	17.06%	16.27%	15.82%	13.26%	13.39%	17.78%	14.98%	14.64%	18.96%	20.54%	17.86%	14.40%	15.61%	19.36%	18.96%	18.53%
Merchandise	20.76%	15.49%	14.80%	13.92%	11.74%	11.59%	14.82%	11.90%	11.80%	15.80%	17.35%	14.53%	11.30%	12.39%	16.70%	16.46%	15.92%
Non-factor services	1.94%	1.58%	1.47%	1.90%	1.52%	1.79%	2.95%	3.07%	2.84%	3.16%	3.19%	3.33%	3.10%	3.22%	2.66%	2.51%	2.62%
Imports	18.36%	19.48%	12.83%	13.66%	10.79%	13.18%	20.59%	21.12%	19.93%	21.74%	23.20%	21.52%	22.63%	23.51%	24.54%	24.13%	25.01%
Merchandise	12.66%	14.05%	8.87%	9.15%	6.68%	8.61%	17.01%	17.60%	16.70%	18.26%	19.76%	18.14%	19.32%	20.14%	21.36%	21.06%	22.20%
Non-factor services	5.70%	5.43%	3.96%	4.51%	4.11%	4.58%	3.58%	3.52%	3.23%	3.48%	3.44%	3.38%	3.31%	3.37%	3.17%	3.07%	2.82%
Resource balance	4.35%	-2.41%	3.44%	2.17%	2.47%	0.20%	-2.81%	-6.14%	-5.29%	-2.78%	-2.66%	-3.66%	-8.23%	-7.90%	-5.18%	-5.17%	-6.48%
Net factor services	-5.80%	-6.15%	-7.34%	-6.67%	-6.73%	-6.93%	-7.79%	-5.94%	-5.65%	-5.28%	-4.95%	-4.54%	-3.42%	-3.57%	-3.14%	-3.36%	-2.36%
Credit	0.34%	0.27%	0.15%	0.75%	0.49%	0.33%	0.32%	0.33%	0.34%	0.47%	0.35%	0.42%	0.27%	0.21%	0.27%	0.38%	0.67%
Debit	6.14%	6.42%	7.49%	7.43%	7.21%	7.26%	8.11%	6.27%	6.00%	5.75%	5.30%	4.95%	3.69%	3.78%	3.41%	3.74%	3.03%
Net transfers	1.31%	0.61%	0.79%	1.89%	1.36%	1.42%	2.50%	2.78%	2.97%	3.30%	3.59%	3.41%	4.40%	4.15%	4.66%	3.40%	3.43%
Official	1.03%	0.55%	0.49%	1.15%	1.01%	1.15%	2.07%	2.37%	2.69%	2.84%	3.15%	2.99%	3.99%	3.78%	4.31%	3.09%	3.17%
of which in budget	---	---	---	---	0.30%	0.03%	1.18%	0.42%	0.80%	1.48%	1.84%	1.70%	2.68%	1.54%	2.47%	1.69%	2.48%
Private	0.28%	0.06%	0.30%	0.74%	0.35%	0.27%	0.43%	0.41%	0.28%	0.46%	0.44%	0.42%	0.40%	0.37%	0.35%	0.31%	0.26%
Current account balance																	
before official transfers to budget	---	---	---	---	-3.19%	-5.34%	-9.29%	-9.72%	-8.78%	-6.24%	-5.85%	-6.48%	-9.93%	-8.86%	-6.13%	-6.83%	-7.89%
after official transfers to budget	-0.14%	-7.95%	-3.12%	-2.61%	-2.89%	-5.31%	-8.11%	-9.30%	-7.97%	-4.76%	-4.02%	-4.78%	-7.25%	-7.32%	-3.66%	-5.14%	-5.41%
Capital transfers	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.16%	0.64%
Direct investment	1.02%	1.28%	0.55%	0.13%	0.11%	0.19%	0.25%	0.84%	0.65%	0.74%	0.72%	0.94%	1.52%	2.12%	1.51%	2.71%	5.99%
Direct investment	---	---	---	---	---	---	0.25%	0.84%	0.65%	0.74%	0.72%	0.94%	1.52%	2.12%	1.51%	2.63%	2.31%
Add'l. fm capitalized enterprises	---	---	---	---	---	---	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.08%	3.68%
Net M&LT (public + private)	6.87%	4.27%	3.31%	0.84%	0.98%	-0.69%	-3.42%	-1.57%	3.11%	3.12%	2.08%	1.45%	2.69%	1.57%	2.52%	1.66%	3.62%
Net public sector loans	---	---	---	---	---	---	-3.42%	-1.57%	3.11%	3.12%	2.08%	1.45%	2.69%	1.57%	2.09%	1.21%	3.36%
Disbursements	---	---	---	---	---	---	5.81%	4.87%	6.93%	7.08%	6.88%	5.61%	6.82%	5.57%	6.02%	5.81%	5.55%
Amortization due	---	---	---	---	---	---	9.23%	6.44%	3.82%	3.96%	4.80%	4.16%	4.13%	4.00%	3.93%	4.60%	2.18%
Capitalized enterprise amort.	---	---	---	---	---	---	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net private sector loans	---	---	---	---	---	---	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.43%	0.45%	0.26%
Exceptional financing	3.67%	5.43%	1.54%	10.56%	-1.67%	0.94%	9.59%	6.63%	0.03%	1.91%	2.68%	3.51%	3.19%	4.70%	2.23%	3.09%	0.00%
Agreed debt relief	---	---	---	---	---	---	14.96%	5.37%	-0.51%	3.55%	5.97%	3.49%	3.06%	2.44%	1.98%	3.09%	0.00%
Changes in arrears	---	---	---	---	---	---	-5.30%	1.26%	0.55%	-1.65%	-3.28%	0.01%	0.13%	0.70%	-0.09%	0.00%	0.00%
Other exceptional financing	3.67%	5.43%	1.54%	10.56%	-1.67%	0.94%	-0.08%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.55%	0.35%	0.00%	0.00%
Capital flows n.e.i.	-11.27%	-2.99%	-3.44%	-9.97%	2.32%	6.40%	4.48%	2.47%	3.53%	-3.97%	0.57%	0.56%	0.39%	1.34%	-0.54%	-0.59%	-0.02%
Net banking system	---	---	---	---	---	---	-0.07%	-0.64%	-0.30%	-1.16%	0.38%	0.26%	0.63%	2.41%	1.56%	0.67%	-0.72%
Short-term or contractistas	---	---	---	---	---	---	0.00%	0.00%	-1.83%	-2.24%	-0.44%	-0.28%	0.00%	0.00%	0.00%	0.00%	0.00%
Errors and omissions	---	---	---	---	---	---	4.54%	3.11%	5.66%	-0.57%	0.63%	0.58%	-0.24%	-1.07%	-2.10%	-1.26%	0.70%
Capital account balance	0.29%	7.99%	1.95%	1.55%	1.74%	6.83%	10.89%	8.36%	7.32%	1.80%	6.05%	6.46%	7.79%	9.74%	5.72%	7.02%	10.23%
Change net reserves (- = increase)	-0.15%	-0.03%	1.16%	1.06%	1.15%	-1.52%	-2.79%	0.94%	0.65%	2.96%	-2.03%	-1.68%	-0.54%	-2.42%	-2.06%	-1.89%	-4.81%
Memorandum items:																	
Average annual X-rate	24.52	24.52	64.07	231.63	3.136	0.440	1.920	2.050	2.350	2.690	3.170	3.580	3.900	4.270	4.620	4.820	5.090
	(Exchange rates are per million US$ in 1980-83, per thousand US$ in 1984, and per US$ in 1985-1996.)																
GDP in current million US$	4537.5	5891.6	5594.1	5422.7	6169.5	5377.6	3963.4	4358.2	4598.1	4718.9	4871.7	5344.2	5644.6	5728.1	5974.7	6532.2	7110.8

Table D.1 Money and Credit

(Boliviano amounts in thousands)

1. *Stocks at end of the year*

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Net Foreign Assets	-3.280	-7.276	-77.950	-119.0	-792.0	67000	526000	564000	688000	622000	957000	1335000	1460000	1607000	1730000	2341000	3927000
Net Domestic Credit	28.871	36.796	163.773	445.0	4881.0	136000	327000	1280000	1937000	3202000	4749000	6242000	9056000	13821000	16917000	16543000	18795000
Gov't & SOEs	13.158	16.710	87.788	277.0	2927.0	-205000	-538000	14000	153000	537000	971000	1076000	1373000	2990000	3357000	1278000	910000
Private (incl. Fin'l Insts.)	15.713	20.086	75.985	168.0	1954.0	341000	865000	1266000	1784000	2665000	3778000	5166000	7683000	10831000	13560000	15265000	17885000
Assets = Liabilities	25.591	29.520	85.823	326.0	4089.0	203000	853000	1844000	2625000	3824000	5706000	7577000	10536000	15428000	18647000	18884000	22722000
Money + Quasimoney	23.124	29.418	97.202	268.0	4054.0	287000	817000	1576000	2027000	2477000	3784000	5696000	7660000	10242000	12722000	13696000	17053000
Foreign Long-term Liab.	3.893	6.157	47.404	315.0	4981.0	539000	852000	746000	929000	1277000	1373000	1613000	2013000	2069000	2567000	2947000	2801000
Capital & Other	-1.426	-6.055	-58.783	-255.0	-4946.0	-623000	-816000	-478000	-331000	70000	549000	268000	863000	3117000	3358000	2241000	2868000

2. Stocks as Percent of End-Year Annual Rate GDP

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Net Foreign Assets	-2.59%	-3.20%	-11.62%	-2.41%	-0.37%	1.58%	6.38%	5.74%	5.87%	4.44%	5.57%	6.51%	6.38%	6.18%	5.87%	6.93%	10.35%
Net Domestic Credit	22.77%	16.17%	24.41%	9.03%	2.28%	3.21%	3.97%	13.03%	16.54%	22.87%	27.63%	30.42%	39.03%	53.19%	57.38%	49.01%	49.56%
Government & SOEs	10.38%	7.34%	13.08%	5.62%	1.37%	-4.83%	-6.52%	0.14%	1.31%	3.84%	5.65%	5.24%	5.92%	11.51%	11.39%	3.79%	2.40%
Private (incl. Financial Institutions)	12.39%	8.83%	11.32%	3.41%	0.91%	8.04%	10.49%	12.88%	15.23%	19.03%	21.98%	25.17%	33.11%	41.68%	46.00%	45.22%	47.16%
Assets = Liabilities	20.19%	12.97%	12.79%	6.61%	1.91%	4.78%	10.35%	18.77%	22.41%	27.31%	33.20%	36.92%	45.41%	59.38%	63.25%	55.94%	59.91%
Money + Quasimoney	18.24%	12.93%	14.49%	5.40%	1.89%	6.76%	9.91%	16.04%	17.31%	17.69%	22.01%	27.75%	33.01%	39.42%	43.15%	40.57%	44.96%
Foreign Long-term Liabilities	3.07%	2.71%	7.07%	6.39%	2.33%	12.70%	10.33%	7.59%	7.93%	9.12%	7.99%	7.86%	8.68%	7.96%	8.71%	8.73%	7.39%
Capital & Other	-1.12%	-2.66%	-8.76%	-5.17%	-2.31%	-14.68%	-9.90%	-4.86%	-2.83%	0.50%	3.19%	1.31%	3.72%	12.00%	11.39%	6.64%	7.56%

3. Estimated Average Money Supply and Credit to Private Sector as *Percents of GDP*

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
M at end year	14.694	17.587	57.827	178.000	3370.000	198000	369000	516000	698000	715000	997000	1447000	1923000	2499000	3232000	3916000	4759000
estimated mid-year	12.305	16.076	31.890	101.455	774.506	25831	270300	436353	600140	706449	844307	1201107	1668107	2192163	2841966	3557599	4316972
mid-year M as & GDP	11.06%	11.13%	8.90%	8.08%	4.00%	1.09%	3.55%	4.88%	5.55%	5.57%	5.47%	6.26%	7.56%	8.96%	10.30%	11.30%	11.93%
Quasi-Money (1000																	
at end year	8.430	11.831	39.375	88.000	684.000	89000	448000	1060000	1329000	1762000	2787000	4249000	5737000	7743000	9490000	9780000	12294000
estimated mid-year	7.304	9.987	21.583	58.864	245.341	7802	199680	689115	1186904	1530261	2216009	3441215	4937258	6664952	8572110	9633909	10965187
mid-year QM as % GDP	6.56%	6.91%	6.02%	4.69%	1.27%	0.33%	2.62%	7.71%	10.98%	12.06%	14.35%	17.99%	22.43%	27.25%	31.06%	30.60%	30.30%
Mid-year MQM as % GDP	17.62%	18.04%	14.92%	12.76%	5.27%	1.42%	6.18%	12.60%	16.54%	17.62%	19.82%	24.26%	30.01%	36.21%	41.35%	41.90%	42.22%
Velocity using mid-year MQM	5.67	5.54	6.70	7.83	18.97	70.35	16.19	7.94	6.05	5.68	5.05	4.12	3.33	2.76	2.42	2.39	2.37
Mid-year private credit	14.506	17.765	39.067	112.984	572.950	25813	543107	1046465	1502845	2180449	3173069	4417822	6300030	9122202	12118926	14387265	16523151
Mid-year private credit as % GDP	13.04%	12.30%	10.90%	9.00%	2.96%	1.09%	7.14%	11.71%	13.91%	17.18%	20.55%	23.09%	28.62%	37.30%	43.90%	45.70%	45.65%
Memorandum item:																	
Annual rate GDP at end-year	126.78	227.55	670.97	4929.58	213957.74	4243338	8245526	9825510	11711704	14001204	17188952	20522543	23204308	25983433	29480172	33757535	37926040

Sources: All data on monetary stocks in Table D are taken from the IMF's IFS Yearbook (1997). GDP data are taken from Table A.1 The "annual rate GDP" at the end of the year is estimated using annual aveage GDP figures as estimates of mid-year GDP and assuming a constant growth rate between the two mid-year figures. The average money supply is estimated by calculating the mid-year value on the assumptionn of a constant growth rate between the two end-year figures.

Working Tables - Page 1

Official transfers to budget:	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Off. transfers as % of GDP	---	---	---	---	0.30%	0.03%	1.18%	0.42%	0.80%	1.48%	1.84%	1.70%	2.68%	1.54%	2.47%	1.69%	2.48%
Total GDP in million cur. US$	$4,537.5	$5,891.6	$5,594.1	$5,422.7	$6,169.5	$5,377.6	$3,963.4	$4,358.2	$4,598.1	$4,718.9	$4,871.7	$5,344.2	$5,644.6	$5,728.1	$5,974.7	$6,532.2	$7,110.8
Off. transfers in million cur US$	---	---	---	---	$18.5	$1.4	$46.6	$18.3	$36.9	$70.0	$89.4	$91.0	$151.4	$88.2	$147.5	$110.5	$176.3

Implicit GDP Deflators (1990=1.00)	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Gross domestic product (mp)	0.0000073	0.0000094	0.0000244	0.0000890	0.001374	0.17094	0.56428	0.64658	0.75988	0.86008	1.00000	1 17689	1.33224	1.41959	1.53132	1.68282	1.86124
Imports of GNFS	0.0000092	0.0000113	0.0000482	0.0001589	0.002116	0.18955	0.62973	0.64048	0.74838	0.87702	1.00000	1.24013	1.39917	1.52940	1.66645	1.78929	1.94420
Exports of GNFS	0.0000094	0.0000115	0.0000410	0.0001373	0.001881	0.22796	0.68885	0.73639	0.79792	0.90178	1.00000	1.08888	1.15640	1.16138	1.29444	1.38737	1.44868
Resource availabilities = uses	0.0000072	0.0000094	0.0000251	0.0000896	0.001411	0.16689	0.55795	0.63073	0.75089	0.85504	1.00000	1.21266	1.38878	1.50613	1.62651	1.77956	1.98659
Total consumption expenditures	0.0000069	0.0000090	0.0000236	0.0000855	0.001308	0.16051	0.54642	0.62841	0.74661	0.85017	1.00000	1.21647	1.38758	1.50051	1.61736	1.77621	2.00154
Government Consumption	0.0000065	0.0000075	0.0000171	0.0000519	0.001135	0.11893	0.39840	0.57267	0.68311	0.83421	1.00000	1.23138	1.45647	1.63956	1.82281	2.06500	2.31765
Private Consumption	0.0000069	0.0000094	0.0000251	0.0000928	0.001347	0.16897	0.57105	0.63706	0.75675	0.85270	1.00000	1.21419	1.37703	1.47938	1.58605	1.73303	1.95496
Total investment expenditures	0.0000097	0.0000122	0.0000385	0.0001286	0.002113	0.20159	0.64981	0.64678	0.77973	0.89444	1.00000	1.19113	1.39540	1.53839	1.68701	1.79969	1.90216
Fixed investment	0.0000096	0.0000122	0.0000385	0.0001287	0.002236	0.22824	0.65257	0.65675	0.78771	0.89180	1.00000	1.20001	1.38790	1.53468	1.68011	1.78604	1.89770
Change in stocks	0.0000069	0.0000091	0.0000382	0.0001264	0.001780	0.15069	0.49259	0.57289	0.70850	0.82215	1.00000	1.08482	1.80425	1.09798	1.49694	1.39463	1.50554

Percent Change from Prior Year:	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Gross domestic product (mp)	---	29.5%	158.3%	265.2%	1443.4%	12338.7%	230.1%	14.6%	17.5%	13.2%	16.3%	17 7%	13.2%	6.6%	7.9%	9.9%	10.6%
Imports of GNFS	---	23.6%	324.9%	229.9%	1231.6%	8858.9%	232.2%	1.7%	16.8%	17.2%	14.0%	24.0%	12.8%	9 3%	9.0%	7.4%	8.7%
Exports of GNFS	---	21.6%	256.8%	235.0%	1269.8%	12021.0%	202.2%	6.9%	8.4%	13.0%	10.9%	8.9%	6.2%	0.4%	11.5%	7.2%	4.4%
Resource availabilities = uses	---	30.4%	166.4%	257.5%	1474.8%	11725.1%	234.3%	13.0%	19.1%	13.9%	17.0%	21 3%	14.5%	8.5%	8.0%	9.4%	11.6%
Total consumption expenditures	---	31.5%	161.2%	262.8%	1430.2%	12173.6%	240.4%	15.0%	18.8%	13.9%	17.6%	21.6%	14.1%	8.1%	7.8%	9.8%	12.7%
Government Consumption	---	15.0%	126.9%	203.8%	2087.4%	10380.3%	235.0%	43.7%	19.3%	22.1%	19.9%	23.1%	18.3%	12.6%	11.2%	13.3%	12.2%
Private Consumption	---	35.2%	167.9%	270.0%	1351.0%	12441.5%	238.0%	11.6%	18.8%	12.7%	17.3%	21.4%	13.4%	7.4%	7.2%	9.3%	12.8%
Total investment expenditures	---	26.3%	215.7%	234.1%	1543.2%	9441.9%	222.3%	-0.5%	20.6%	14.7%	11.8%	19.1%	17.1%	10.2%	9.7%	6.7%	5.7%
Fixed investment	---	26.8%	216.6%	234.4%	1637.6%	10106.3%	185.9%	0.6%	19.9%	13.2%	12.1%	20.0%	15.7%	10.6%	9.5%	6.3%	6.3%
Change in stocks	---	31.7%	320.2%	230.7%	1308.7%	8363.8%	226.9%	16.3%	23.7%	16.0%	21.6%	8.5%	66.3%	-39.1%	36.3%	-6.8%	8.0%

Trade Deflators Calculated Using National Accounts Data and Nominal X-Rate:

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Exchange rate (annual average)	24.52	24.52	64.0717	231.63	3.1359	0.44	1.92	2.05	2.35	2.69	3.17	3.58	3.9	4.27	4.62	4.82	5.09
[Exchange rates are per million US$ in 1980-83, per thousand US$ in 1984, and per US$ in 1985-1996.]																	
Index nominal X-rate	0.0000077	0.0000077	0.0000202	0.0000731	0.000989	0.1388	0.6057	0.6467	0.7413	0.8486	1.0000	1 1293	1.2303	1.3470	1.4574	1.5205	1.6057
US$ Exports GNFS (millions)	1030.1	1005.4	910	858.1	818	719.9	704.5	652.7	673.1	894.6	1000.7	954.7	812.8	894.2	1156.6	1238.7	1317.8
Index 1986 = 1.00	1.462	1.427	1.292	1.218	1.161	1.022	1.000	0.926	0.955	1.270	1.420	1.355	1.154	1.269	1.642	1.758	1.871
Constant Bol Exports GNFS	*2888765*	*2926118*	*2542159*	*2590570*	*2433439*	*1977362*	*2355681*	*2381708*	*2541495*	*3166949*	*3517480*	*3774038*	*3816036*	*4018461*	*4625108*	*4504239*	*4926592*
Index 1986 = 1.00	1.226	1.242	1.079	1.100	1 033	0.839	1.000	1.011	1.079	1.344	1.493	1.602	1.620	1.706	1.963	1.912	2.091
Implied export price index (Val/Vol)	1.192	1.149	1.197	1.108	1 124	1.217	1.000	0.916	0.886	0.945	0.951	0.846	0.712	0.744	0.836	0.920	0.894
US$ Imports GNFS (millions)	832 9	1147.5	717.7	740.6	665.8	708.9	816	920.5	916.4	1025.8	1130.3	1150.2	1277.2	1346.7	1466	1576.2	1778.7
Index 1986 = 1.00	1.021	1.406	0.880	0.908	0.816	0.869	1.000	1.128	1.123	1.257	1.385	1.410	1.565	1.650	1.797	1.932	2.180
Constant Bol Imports GNFS	2703641	2925782	2188318	1900411	2361023	2851490	3106524	3346783	3340896	3351646	3694970	4160141	4572994	4539684	4510421	4473697	5012366
Index 1986 = 1.00	0.870	0.942	0.704	0.612	0.760	0.918	1.000	1.077	1.075	1.079	1.189	1.339	1.472	1 461	1.452	1.440	1.613
Implied import price index (Val/Vol)	1.173	*1.493*	*1.249*	*1.484*	1.074	0.946	1.000	1.047	1.044	1.165	1.165	1.053	1.063	1.129	1.237	1.341	1.351
"Terms of Trade" (Px/Pm)	1.017	0.769	0.959	0.747	1.047	1.286	1.000	0.875	0.848	0.811	0.817	0.804	0.670	0.659	0.676	0.686	0.662

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	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Calculation of Terms of Trade Using Table C.1 for Value Index and UDAPE NatAccts for Volume Index:																	
Export value index:	1.029	1.005	0.909	0.857	0.817	0.719	0.704	0.652	0.673	0.894	1.000	0.954	0.812	0.894	1.156	1.238	1.317
Export volume index:	0.821	0.832	0.723	0.736	0.692	0.562	0.670	0.677	0.723	0.900	1.000	1.073	1.085	1.142	1.315	1.281	1.401
Export unit value index:	*1.253*	*1.208*	*1.258*	*1.164*	*1.182*	*1.280*	1.051	0.963	0.931	0.993	1.000	0.889	0.749	0.782	0.879	0.967	0.940
Import value index:	0.737	1.015	0.635	0.655	0.589	0.627	0.722	0.814	0.811	0.908	1.000	1.018	1.130	1.191	1.297	1.394	1.574
Import volume index:	0.732	0.792	0.592	0.514	0.639	0.772	0.841	0.906	0.904	0.907	1.000	1.126	1.238	1.229	1.221	1.211	1.357
Import unit value index:	1.007	1.282	1.072	1.274	0.922	0.813	0.859	0.899	0.897	1.001	1.000	0.904	0.913	0.970	1.063	1.152	1.160
Terms of trade index:	1.245	0.942	1.174	0.914	1.282	1.575	1.224	1.071	1.038	0.992	1.000	0.984	0.820	0.807	0.827	0.839	0.811

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Trends in Consumer Prices:																	
% change from prior year (decimals)	0.472	0.321	1.235	2.756	12.813	117.496	2.770	0.145	0.160	0.152	0.171	0.214	0.121	0.085	0.079	0.102	0.124
Ratio to prior year	1.472	1.321	2.235	3.756	13.813	118.496	3.770	1.145	1.160	1.152	1.171	1.214	1.121	1.085	1.079	1.102	1.124
Index 1990 = 1.0	0.0000082	0.000011	0.000024	0.000090	0.001249	0.1480	0.5580	0.6390	0.741	0.854	1	1.214	1.361	1.477	1.593	1 7556	1.974

[Percent changes in 1980-85 are from Table 1.1 in the CEM dated 15Sept98; index values for 1985-96 are from IFS Yearbook.]

Sources of GDP Growth after 1985.

[calculations using GDP data in constant 1990 prices]

	1980	*1981*	*1982*	*1983*	*1984*	*1985*	*1986*	*1987*	*1988*	*1989*	*1990*	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*
Total GDP	15261228	15303291	14700534	14106321	14078014	13842012	13485735	13817954	14219987	14758943	15443136	16256453	16524115	17229578	18025601	18709720	19446214
o/w exports GNFS	2888765	2926118	2542159	2590570	2433439	1977362	2355681	2381708	2541495	3166949	3517480	3774038	3816036	4018461	4625108	4504239	4926592
o/w domestic goods & services	*12372463*	*12377173*	*12158375*	*11515751*	*11644575*	*11864650*	11130054	11436246	11678492	11591994	11925656	12482415	12708079	13211117	13400493	14205481	14519622
exports as % of total	18.9%	19.1%	17.3%	18.4%	17.3%	14.3%	17.5%	17.2%	17.9%	21.5%	22.8%	23.2%	23.1%	23.3%	25.7%	24 1%	25.3%
domestic as % of total	81.1%	80.9%	82.7%	81.6%	82.7%	85.7%	82.5%	82.8%	82.1%	78.5%	77.2%	76.8%	76.9%	76.7%	74.3%	75.9%	74.7%
Index, 1985=1.00	*5*	*4*	*3*	*2*	*1*	*0*	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*
Total GDP	1.103	1.106	1.062	1.019	1.017	1.000	0.974	0.998	1.027	1.066	1.116	1.174	1 194	1.245	1.302	1.352	1.406
o/w exports GNFS	1.461	1.480	1.286	1.310	1.231	1.000	1.191	1.204	1.285	1.602	1.779	1.909	1.930	2.032	2.339	2.278	2.491
o/w domestic goods & services	1.043	1.043	1.025	0.971	0.981	1.000	0.938	0.964	0.984	0.977	1.005	1.052	1.071	1.113	1.129	1.197	1.224
Average annual % change from 1985																	
Total GDP	1.97%	2.54%	2.03%	0.95%	1.70%	---	-2.57%	-0.09%	0.90%	1.62%	2.21%	2.72%	2.56%	2.77%	2.98%	3.06%	3.14%
o/w exports GNFS	7.88%	10.29%	8.74%	14.46%	23.06%	---	19.13%	9.75%	8.73%	12.50%	12.21%	11.37%	9.85%	9.27%	9.90%	8.58%	8.65%
o/w domestic goods & services	0.84%	1.06%	0.82%	-1.48%	-1.85%	---	-6.19%	-1.82%	-0.53%	-0.58%	0.10%	0.85%	0.99%	1.35%	1.36%	1.82%	1.85%
Change from 1985:																	
for total GDP	1419216	1461279	858522	264309	236002	0	-356277	-24058	*377975*	*916931*	*1601124*	*2414441*	*2682103*	3387566	4183589	4867708	5604202
for exports GNFS	911403	948756	564797	613208	456077	0	378319	404346	564133	1189587	1540118	1796676	1838674	2041099	2647746	2526877	2949230
for domestic goods & services	507813	512523	293725	-348899	-220075	0	-734596	-428404	-186158	-272656	61006	617765	843429	1346467	1535843	2340831	2654972

Similar analysis using per capita GDP:

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Population (UniSur)	*5355000*	*5464830*	*5569810*	*5673260*	*5780480*	*5895000*	6016330	6144450	6279850	6422730	6573000	6733000	6897000	7065000	7237000	7414000	7589129
Total GDP per capita	2850	2800	2639	2486	2435	2348	2242	2249	2264	2298	2349	2414	2396	2439	2491	2524	2562
o/w exports GNFS	539	535	456	457	421	335	392	388	405	493	535	561	553	569	639	608	649
o/w domestic goods & services	2310	2265	2183	2030	2014	2013	1850	1861	1860	1805	1814	1854	1843	1870	1852	1916	1913

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
GDP per capita	899.02	883.38	832.59	784.37	768.28	740.72	707.10	709.42	714.32	724.90	741.18	761 65	755.79	789.31	785.73	796.08	808.32
o/w Exports GNFS	170.17	168.91	143.98	144.05	132.80	105.81	123.52	122.28	127.67	155.55	168.81	176.82	174.54	179.43	201.61	191.65	204.78
o/w Domestic goods & services	728.85	714.47	688.61	640.32	635.48	634.91	583.59	587 14	586.65	569.35	572.35	584.83	581.25	589.89	584.12	604 43	603.54

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	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Implicit GDP Deflators (1986=1.00)																	
Gross domestic product (mp)	0.0000129	0.0000167	0.0000432	0.0001578	0.002435	0.302934	1.0000	1.1458	1.3466	1.5242	1.7722	2.0856	2.3609	2.5157	2.7137	2.9822	3.2984
Exports of GNFS	0.0000137	0.0000167	0.0000595	0.0001993	0.002730	0.330923	1.0000	1.0690	1.1583	1.3091	1.4517	1.5807	1.6787	1.6860	1.8791	2.0140	2.1030
Imports of GNFS	0.0000146	0.0000180	0.0000765	0.0002523	0.003360	0.301001	1.0000	1.0171	1.1884	1.3927	1.5880	1.9693	2.2219	2.4287	2.6463	2.8414	3.0874
Resource availabilities = uses	0.0000129	0.0000169	0.0000449	0.0001606	0.002529	0.299103	1.0000	1.1304	1.3458	1.5325	1.7923	2.1734	2.4891	2.6994	2.9152	3.1895	3.5605
Total consumption expenditures	0.0000126	0.0000165	0.0000431	0.0001564	0.002393	0.293744	1.0000	1.1501	1.3664	1.5559	1.8301	2.2263	2.5394	2.7461	2.9599	3.2506	3.6630
Government Consumption	0.0000164	0.0000189	0.0000429	0.0001302	0.002848	0.298515	1.0000	1.4374	1.7146	2.0939	2.5100	3.0908	3.6558	4.1153	4.5753	5.1832	5.8174
Private Consumption	0.0000121	0.0000164	0.0000439	0.0001626	0.002359	0.295884	1.0000	1.1156	1.3252	1.4932	1.7512	2.1262	2.4114	2.5906	2.7774	3.0348	3.4234
Total investment expenditures	0.0000149	0.0000188	0.0000592	0.0001979	0.003251	0.310222	1.0000	0.9953	1.1999	1.3765	1.5389	1.8330	2.1474	2.3674	2.5961	2.7696	2.9272
Fixed investment	0.0000147	0.0000186	0.0000590	0.0001972	0.003427	0.349750	1.0000	1.0064	1.2071	1.3666	1.5324	1.8389	2.1268	2.3517	2.5746	2.7369	2.9080
Change in stocks	0.0000140	0.0000185	0.0000776	0.0002566	0.003614	0.305918	1.0000	*1.1630*	1.4383	*1.6690*	*2.0301*	2.2023	*3.6628*	*2.2290*	3.0389	2.8312	3.0564
Terms of trade index (base 1986)	0.942	0.927	0.778	0.790	0.813	1.099	1.000	1.051	0.975	0.940	0.914	0.803	0.756	0.694	0.710	0.709	0.681
Real effective X-rate (IFS *rec*)	163.38	205.71	223.07	205.19	266.25	456.38	134.51	129.68	122.94	118.24	100	104.47	102.45	100.7	93.41	90.25	95.35

Selected Latin American Countries

1980-1995

GDP Growth Constant 1987 US$ (mp)

Average **World Bank** Net Flows per Capita

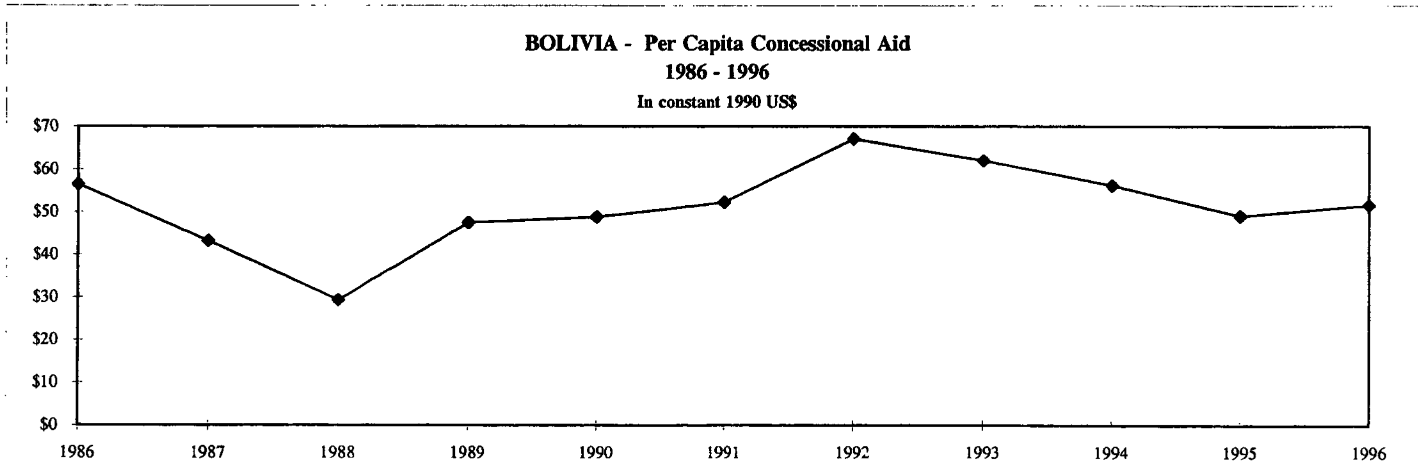
GDP at market prices (constant 1987 US$)	1980	1981	1982	1983	1984	1985	*Average GDP Growth 1980-85*	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	**Average GDP Growth**		**Average Net Flows Per Capita**		
																			1985-95	*1980-95*	**1985-88**	**1989-92**	**1993-95**
Argentina	3.7%	-5.9%	-3.2%	3.8%	1.8%	-6.6%	*-1.1%*	7.3%	2.5%	-1.8%	-6.3%	0.2%	8.9%	8.6%	6.0%	7.4%	-4.6%	4.4%	2.8%	1.4%	**10.5**	**1.3**	**19.2**
Bolivia	-0.9%	0.9%	-4.4%	-4.5%	1.0%	-0.7%	*-1.4%*	-3.2%	2.6%	3.8%	2.9%	5.2%	4.6%	2.8%	4.1%	4.2%	3.7%		3.1%	1.4%	**4.1**	**5.2**	**8.5**
Brazil	9.1%	-4.4%	0.6%	-3.4%	5.4%	7.9%	*2.5%*	8.4%	3.3%	-0.3%	3.3%	-4.6%	0.5%	-1.2%	4.5%	5.8%	3.0%	2.9%	2.3%	2.4%	**2.6**	**-2.7**	**-4.4**
Chile	8.2%	4.8%	-10.4%	-3.7%	7.9%	7.0%	*2.3%*	5.6%	6.5%	7.3%	9.9%	3.2%	7.2%	11.0%	6.2%	4.2%	8.5%	7.2%	7.0%	5.2%	**20.7**	**5.7**	**-19.0**
Colombia	4.1%	2.1%	1.0%	1.6%	3.6%	3.3%	*2.6%*	6.1%	5.4%	4.1%	3.4%	4.1%	1.8%	4.2%	5.2%	5.8%	5.3%	2.0%	4.5%	3.8%	**7.3**	**-5.8**	**-9.2**
Costa Rica	0.7%	-2.3%	-7.0%	2.8%	7.8%	0.8%	*0.5%*	5.5%	4.8%	3.5%	5.7%	3.6%	2.2%	7.8%	6.4%	4.6%	2.6%	-0.5%	4.7%	3.1%	**3.2**	**-5.2**	**-13.4**
Dominican Rep.	6.1%	4.1%	1.8%	4.4%	0.3%	-2.5%	*2.4%*	3.0%	7.5%	0.7%	12.7%	-4.8%	0.9%	7.8%	2.9%	4.0%	2.5%	7.4%	3.7%	3.2%	**-0.2**	**1.9**	**-0.4**
Ecuador	4.6%	4.1%	1.1%	-2.1%	4.1%	4.2%	*2.7%*	2.9%	-6.3%	10.7%	0.2%	2.9%	5.0%	3.6%	2.1%	4.4%	2.3%	1.9%	2.8%	2.7%	**9.3**	**0.1**	**5.9**
Guatemala	3.8%	0.7%	-3.5%	-2.6%	0.5%	-0.6%	*-0.3%*	0.1%	3.5%	3.9%	3.9%	3.1%	3.7%	4.8%	3.9%	4.0%	3.0%	3.0%	3.4%	2.0%	**0.2**	**-2.0**	**-2.6**
Honduras	0.5%	2.6%	-1.6%	-0.7%	4.0%	4.5%	*1.6%*	0.9%	5.9%	4.9%	3.8%	0.0%	3.1%	5.7%	6.5%	-1.8%	3.9%	3.1%	3.3%	2.6%	**3.3**	**1.9**	**4.2**
Mexico	8.5%	8.7%	-0.7%	-4.1%	3.7%	2.7%	*3.1%*	-3.8%	1.9%	1.3%	3.4%	4.5%	3.6%	2.9%	0.7%	3.6%	-7.2%	5.9%	1.1%	1.9%	**7.1**	**12.4**	**1.1**
Nicaragua	4.4%	5.4%	-0.8%	4.7%	-2.0%	-4.2%	*1.2%*	-2.0%	-0.7%	-11.6%	-1.4%	0.1%	-0.8%	1.7%	-0.7%	1.9%	4.2%	4.7%	-0.9%	-0.1%	**0.0**	**-0.3**	**2.4**
Panama	15.2%	4.1%	5.5%	0.6%	-0.4%	4.7%	*4.9%*	3.4%	2.4%	-15.6%	-0.4%	4.6%	9.6%	8.5%	5.4%	4.7%	3.5%	2.5%	2.6%	3.5%	**5.0**	**-21.1**	**-16.2**
Paraguay	14.5%	8.6%	-3.5%	-3.0%	3.1%	4.0%	*4.0%*	-0.1%	4.4%	6.5%	5.8%	3.1%	2.4%	1.8%	4.2%	3.0%	4.5%	1.3%	3.5%	3.7%	**-1.0**	**-7.1**	**-5.9**
Peru	3.1%	7.3%	-0.4%	-12.5%	4.1%	2.3%	*0.6%*	9.2%	8.5%	-8.3%	-11.7%	-1.6%	2.8%	-1.7%	5.6%	13.1%	7 2%	2.7%	2.3%	1.7%	**2.3**	**-2.1**	**8.7**
Uruguay	6.2%	1.7%	-9.6%	-9.9%	-1.5%	1.6%	*-1.9%*	8.5%	8.0%	0.0%	1.4%	0.6%	3.0%	7.9%	2.4%	6.7%	-2.3%	4.9%	3.6%	1.5%	**7.2**	**17.8**	**-8.2**
Venezuela	-4.5%	-0.3%	-2.1%	-3.8%	1.4%	0.2%	*-1.5%*	6.5%	3.5%	5.8%	-8.7%	6.6%	9.7%	6.1%	0.3%	-2.8%	2.2%	-1.6%	2.9%	1.3%	**-1.0**	**18.9**	**-0.4**
Average Selected Countries	5.1%	2.5%	-2.2%	-1.9%	2.6%	1.7%	*1.3%*	3.4%	3.8%	0.9%	1.6%	1.8%	4.0%	4.8%	3.9%	4.3%	2.5%		*3.1%*	2.4%	**4.7**	**1.1**	**-1.8**

Source: WDI 1997 CD-ROM. GDF 1998 CD-ROM

Note: Shade indicates lower middle income countries.

BOLIVIA: Financing of the Balance of Payments Current Account Deficit

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	Average Period
* Current Account Balance	368	424	404	295	285	347	561	507	366	446	561	415
* Total Concessional Financing	291	239	182	307	321	357	483	447	433	421	434	356
-. Official Transfers to Budget	47	18	37	70	89	91	151	88	148	111	176	93
-. Net Lending (includes exceptional financing).	244	221	145	237	232	266	332	359	285	310	258	263
* Other Capital Flows (including Direct Investment)	178	108	162	-187	28	30	22	77	-32	-39	-2	31
* Change in reserves (- = increase)	-110	41	30	140	-99	-90	-31	-139	-123	-123	-342	-77
Memo items												
Import price index (GNFS) 1990	85.6	90.0	98.9	100.6	100.0	101.4	104.4	102.0	106.4	115.6	110.6	
Population (in millions)	6.02	6.14	6.28	6.42	6.57	6.73	6.90	7.07	7.24	7.41	7.59	6.76
Total Concessional per capita aid (nominal)	$48.4	$38.9	$29.0	$47.8	$48.8	$53.0	$70.0	$63.3	$59.8	$56.8	$57.2	$52.1
Total Concessional per capita aid (Constant 1990 US$)	$56.5	$43.2	$29.3	$47.5	$48.8	$52.3	$67.1	$62.0	$56.2	$49.1	$51.7	$51.3
Change in reserves per capita (Constant 1990 US$)	-$21.4	$7.4	$4.8	$21.7	-$15.1	-$13.2	-$4.3	-$19.3	-$16.0	-$14.4	-$40.7	-$10.0



Source: Appendix Tables, Bolivia's CAR.

Draft Management Response

BOLIVIA COUNTRY ASSISTANCE EVALUATION

I. Introduction

1. Management welcomes the opportunity to discuss the Bolivia CAE. Overall, the Region has benefited from the process that has been followed in producing both the CAE and the new CAS for Bolivia, with the corresponding teams sharing their views and information. The CAE team participated in both the CAS Country Team's Workshop in Washington, as well as in the Joint Workshops, with both the Government of Bolivia and External Donors in La Paz, in November 1997. As such, the Region has been able to incorporate the results of the on-going work of OED's team in the preparation of the CAS. Indeed, as part of a pilot program, the Bank's Management Response to the CAE is incorporated in the CAS. The overall process, however, can still be substantially improved. Although the Region supports the effort to have a CAE precede a new CAS, to be most effective the final CAE needs to be produced with enough lead-time for the CAS team to take advantage of the results. Because of delays in the processing of this CAE, the Region only received the final version of the report the day before the CODE discussion, and the Ledger of OED's recommendations a day earlier.

II. OED's Recommendations

2. Management would like to focus on two subjects: (i) the CAE's specific recommendations, and the way in which the new CAS responds to them; and (ii) the CAE's overall assessment of the relevance, efficacy, and efficiency of the Bank's assistance strategy since 1986 and the Region's response.

3. ***OED's Specific Recommendations.*** The Region in general agrees with the set of recommendations presented in the report. In particular, (i) in giving priority to promoting private sector development; (ii) in partnership with the Government, focusing on improving the quality of governance and necessary public regulation; (iii) in developing a strategy for sustainable resource management; and (iv) in promoting rural development. As mentioned, with respect to the specific recommendations, the Region's response is incorporated in the CAS to be discussed in the Board next week. (The Management portion of the attached OED Ledger cross-references the relevant paragraphs and pages in the CAS.)

4. ***Overall Assessment of Bank Performance.*** OED rates the relevance, efficacy, and efficiency of the Bank's assistance strategy in Bolivia between 1986 and 1996 as marginally satisfactory. In view of the modest growth and limited poverty reduction, the CAE finds that Bank resources might have been used more effectively. The Region questions the validity of the assessment as it refers to what OED, or for that matter the Region and the Bolivians, would have liked to see as outcomes in terms of growth and poverty reduction. Possibly a more interesting question to have answered is: What would have happened without the Bank's intervention and Bolivia's policy actions? Or, in other words, given the realm of feasible outcomes at the time of the interventions, how would one rank the observed outcome? The limitation of the analysis

presented in the report was pointed out to OED's team in the comments submitted by the Region on May 15, 1998. Is GDP growth of 3% p.a. a marginally satisfactory outcome for Bolivia 1986-96? What about a GDP per capita growth of 1% p.a.? In a political environment such as the one that existed, what were the viable options for the Bank? To answer these questions one needs to know the reference points.

5. The recent literature on economic growth seeks to explain a country's long-term trend growth of its per capita real GDP in terms of macroeconomic conditions, social conditions, human capital, and structural reforms. Using this approach to analyze economic growth in Latin America since 1985, and with a view to assessing the effects of structural reforms, Easterly, Loayza and Montiel in the Research Department estimated a cross section model for 70 countries. In their study, which was completed in January 1997, they estimated that Bolivia's reforms of 1986-90 boosted its annual real per capita income growth by 1.6 to 3.3% in the period 1991-93. In this context, the observed outcome should be seen as very positive.

6. It is particularly troublesome that OED did not pursue in its analysis a counterfactual framework in view of its own identification of two critical factors playing a significant role in the outcome during the period under evaluation: (i) Bolivia experienced an enormous terms of trade shock between 1985 and 1996 (62% deterioration in their terms of trade); and (ii) Bolivia is a landlocked economy, which as estimated by Sachs (and presented in the CAE) subtracts roughly 0.7 percentage points from the country's annual growth. In this context, one has to admit that Bolivia's reform efforts had to overcome very difficult obstacles—completely out of the Bank or Government's control. Finally, in terms of viable options at the time, the Evaluation identifies time and again the political constraints the Bank and the reformers where facing in pursuit of privatization. It seems to indicate that good economic and sector work helped support policy recommendations for which political consensus was eventually achieved, and the Bank's lending services focused on doing things which were politically feasible and for which there was ownership on the part of Bolivia. However, OED's assessment criticizes the Bank for not requiring the authorities to pursue a privatization strategy that until 1993 they were clearly unable to do.

7. The Region was also surprised to see that in the overall portfolio assessment OED uses 1998 QAG figures, instead of end FY97, which correspond to the period under review. Indeed, for the period under evaluation, Bolivia's portfolio has often been recognized as one of the best performing of the IDA countries. Using end FY97 figures, only 12% of the projects were rated at risk, compared with the LAC average of 21%. Furthermore, the realism index for Bolivia was 100%. Indeed, all projects that QAG rated as risky also were rated by task managers as problems, and that also was above the LAC average. The recent deterioration in Bolivia's portfolio is partially caused by the change in Government in August 1997, and the resulting transition period during which activity in most projects slowed considerably. The majority of current problems in the portfolio are related to the decentralization process and a weakened regulatory framework.

III. Conclusion

8. In conclusion and most importantly, the new CAS takes at heart the ultimate message conveyed by the CAE: The need to focus on results on the ground.

Bolivia Country Assistance Evaluation

MANAGEMENT ACTION RECORD OF OED RECOMMENDATIONS, MANAGEMENT RESPONSES

Mayor OED Recommendations	*Management Response*	*Actions Promised*
Private Sector Development This CAE posits that faster economic growth can only be achieved through private sector development (PSD) and that Judicial, Civil Service and further progress with Financial Sector reforms are the key missing factors to enhance PSD. • *Judicial Reform.* The CAE concluded that key to overcoming constraints to PSD is a judicial system on which private business can rely to arbitrate claims and disputes fairly. The Bank should provide technical assistance to the recently created Judiciary Council to reform the judicial administrative system, introduce a judicial career, and create mechanisms to monitor judicial performance and that of administrative staff. Benchmarks tracking these accomplishments should be added as conditions for disbursements.	While the need for a complete overhaul of the administrative justice system has been signaled as a top priority since 1993, there has been little action toward implementing real reforms. As such, the needs of the justice sector remain great *(para 45).* Another key governance and institutional issue is corruption. It is an especially significant problem in the politicized judicial system, as appointments are closely linked to political nominations. The administration has announced its intention to fight corruption and to implement additional reforms in the political system, but implementing such reforms will not be easy *(para. 13).*	The on-going *Judicial Reform Project* will continue to support measures to improve the quality and effectiveness of civil justice administration, strengthen the capacity of the judiciary to provide judicial services, and of the Ministry of Justice to prepare, review and implement laws and programs related to the country's reforms. While the scope for future interventions remains broad, the focus will be on solidifying the judicial reforms already underway and modernizing the legal framework for the private sector. Potential areas of intervention include support to the recommendations emerging out of the National Integrity Action Plan, support the Judicial Council in the effective operation of the judicial career system, assistance in the establishment and operation of the Ombudsman Office, implementation of the recommendations of the court organization assessment, and decentralization of the judicial reform efforts *(para. 45).* The projects *Institutional Reform* and *Support to the Judicial System* will support the implementation of judicial reforms. Time-bound action plans will be agreed with the Council and the Ministry of Justice during the supervision missions to ensure sustained progress towards the successful completion of the Project. An amendment will be processed to reflect the assumption of executing responsibilities by the Council and streamline procurement and disbursement procedures *(see Annex B1, pg. 11).*

NOTE: The references in parentheses are cross-references to the Bolivia CAS (IDA/R98-79; IFC/R98-115), dated May 26, 1998.

Major Monitorable OED Recommendations Requiring a Response	*Management Response*	*Actions Promised*
• *Civil Service Reform.* The CAE recommends that the Bank make public sector institution-building a cornerstone of its country strategy. The Bank should convene a government-donor advisory group on public sector institutional reform, which is tasked to develop guidelines on personnel policies, salary scales, and incentive schemes, including salary supplements for the public sector.	Indeed, corruption and the absence of institutional development represent key constraints to private sector-led growth, and the implementation of the paradigm to reduce poverty *(para. 17).* Bolivia does not have a civil service system *(para. 13).* Public sector management in Bolivia is weak, as: (a) low pay and politicized personnel rotation undermine the quality and stability of human resources; (b) overly centralized cash-based financial management disrupts individual agency budget execution and accountability; and (c) regional and municipal governments are receiving resources from the center but have little institutional capacity and limited accountability *(para. 42).*	A 10-year strategy, to be supported by an Adaptable Program Loan, is being developed in the context of the *Institutional Reform Project.* As the anchor behind the institutionality pillar, the strategy would focus on an integrated reform of a prioritized list of ministries and executing agencies (including modernized human resource and financial management policies, budgeting by results, and performance evaluation), complemented by broader horizontal reforms (civil service framework, budgetary reform, implementation of the ongoing integrated financial management project, and the national integrity system). A record of successful project implementation, with clear performance improvements in the targeted institutions would permit the program to be expanded and the gains achieved to be maintained despite changes in administration *(para. 43).* Project design throughout the lending program will give particular attention to building institutional capacity for service delivery at all levels of Government within the appropriate participatory framework. The *Regulatory Reform and Privatization* adjustment operation will support efforts to improve the legal and institutional framework aimed to enhance the business environment. In addition, the new *Financial Decentralization and Accountability Project* will assist in the implementation of a sustainable process in self-management in financial administration *(para. 44).*

Major Monitorable OED Recommendations Requiring a Response	*Management Response*	*Actions Promised*
• *Financial Sector Reform.* The CAE recommends that the Bank should assist the Government in finishing the consolidation of the banking system, completing needed reforms to the financial regulatory system, and coordinate prudential regulations of pension fund management companies with that of other depository intermediaries.	In the financial sector, sources of long-term domestic investment---pensions, insurance and the domestic securities markets---are also still in the midst of reform. Pension reform was adopted only in late 1996 and the securities law was approved in early 1998. Reforms in the insurance industry are pending legislative approval, and the regulatory system in the financial sector is also just being institutionalized. At this point, three major sectoral issues remain that could potentially constrain stable long-term growth: (1) absence of an effective framework to handle resolution of failing banks; (2) access to credit; (3) inadequate development of capital markets *(para. 10).*	Bank Group assistance in the financial sector will be provided through: (a) a new adjustment operation, *Regulatory Reform and Privatization*; and (b) possible IFC support to contractual savings, micro-lending, and mortgage finance institutions. The IDA operation will focus on four areas: (1) enabling quick exit and resolution policies for financial intermediaries; (2) developing strong, independent regulatory authorities to monitor compliance with the legal framework and to quickly intervene when necessary; (3) increasing access to credit for small and medium-size borrowers (SMEs); and (4) promoting capital markets development *(para. 32).* A study on the *Framework for Private Participation in Infrastructure* will be conducted to identify remaining gaps in the current regulatory environment *(para. 33).*
The issue of Corruption • The CAE recommends that the Bank follows the general suggestions of the PREM report *Helping Countries Combat Corruption, the Role of the World Bank,* September 1997. This report provides a strategic checklist that includes, among other, recommendations to address the issue of corruption in ESW and in other research units of the Bank and build a body of best practice. The report also suggests that country assistance strategies discuss the effects that corruption has on a country's development prospects and define ways in which the Bank could help mitigate the problem. Also, that corruption be explicitly taken into account in country risk analysis, lending decisions, portfolio supervision, procurement and aid coordination decisions.	Another key governance and institutional issue is corruption *(para. 13).* Bolivia's coalition-based political system has not until recently been willing to tackle its corrupt structure, whether institutions or governance. Indeed, corruption and the absence of institutional development represent key constraints to private sector-led growth, and the implementation of the paradigm to reduce poverty *(para. 17).* The administration has announced its intention to fight corruption and to implement additional reforms in the political system, but implementing such reforms will not be easy *(para. 13).*	While EDI's current efforts are helping Bolivia to design a National Integrity System, as well as other related interventions---such as the *Institutional Reform Project* and *Support to the Judicial System*---its next step is to assist in the implementation of the activities of the corresponding National Integrity Action Plan. This Action Plan will define specific ways to detect, process, prevent, control, educate and create awareness, in a comprehensive effort to fight corruption. *Financial Decentralization and Accountability Project* will also help to build up a strong public auditing function able to, in collaboration with private sector firms, continuously review and evaluate financial performance and integrity of operations conducted by public sector entities *(para. 44).*

Major Monitorable OED Recommendations Requiring a Response	*Management Response*	*Actions Promised*
The Environment		
• The CAE recommends that the Bank and the Government must begin to develop an action-oriented agenda that consists of defining procedures for assigning environmental costs to projects and productive ventures, enforcing laws that are now on the books, linking the green with the brown agenda and determining alternative ways to make profit from the environment (such as eco-tourism).	An area where the Government has requested that the Bank limit its involvement is the environment. Although there is much to be done to improve natural resource management and pollution control in key production sectors and urban areas, no new lending is envisaged in the short term for environmental programs, given the current substantial availability of external funds provided by other donors. Rather than access to new sources of external funding, the main constraints the Government currently faces are clearer definition of priorities and improving implementation capacity for the use of available resources. The Bank has invested heavily in institution building, development of the regulatory framework, and conservation of biodiversity, and it is committed to ensure that these efforts are not lost *(para. 55).*	The Bank will remain an active partner through ongoing projects and other modes of non-lending services *(para. 55).* The Bank proposes to ensure that its existing operations (e.g., *Environment, Mining & Industry, Bolivia-Brazil Gas Pipeline, GEF Biodiversity project)* fully meet their environmental management objectives and are used to address priority issues in the country's evolving environmental agenda to the fullest extent possible. In line with Bank policies, guidelines and commitments, all new operations will both ensure appropriate consideration of environmental impacts and explore opportunities to enhance environmental benefits. The Bank also proposes to emphasize its dialogue through ESW on priority setting and establishing environmental performance rating systems. A key task will be to design a medium-term financing strategy for environmental programs. The Bank will seek opportunities for working closely with other donors in these areas and will promote consultation with stakeholders on the environmental agenda *(para. 56).*
The Altiplano		
• The CAE recommends that the Bank follows the general suggestions of the ESD's report *Rural Development: From Vision to Action* (1997) and applies them to Bolivia. This report provides a strategic checklist for rural development that includes, among other items: secure land and water rights, decentralized and participatory extension programs, financing for strategic research, extension systems and sustainable production systems, and a more equal distribution of credit markets between large agro-based industrial firms and family enterprises.	Lack of rural roads, irrigation, access to credit, land tenure security, and basic agricultural inputs remain critical bottlenecks to rural development which contribute to the persistence of widespread rural poverty and the widening urban-rural gap *(para. 4).* Many past rural development programs had little impact, probably because they were designed and implemented following a top-down approach. Agricultural policies and institutions have tended to favor the wealthy commercial large-scale farmers in the lowlands rather than the poor, largely indigenous, small scale farmers in the highlands who have less access to technology and markets. The new strategy is to assist rural municipalities, communities, indigenous people organizations, small farmers associations and women's groups with the design and implementation of their own development initiatives *(para. 41).*	The *Participatory Rural Investment Project* will finance such demand-driven small-scale investments (access roads, irrigation plots, agricultural processing equipment, natural resources management, and technical assistance). The project will channel resources to the 200 poorest municipalities, which will contribute in labor and kind towards the design and implementation of the projects *(para. 41).* The ongoing *Rural Water and Sanitation Project* is, in turn, addressing basic water infrastructure needs of the rural areas *(para. 35).* The *National Land Administration Project* is improving the system of land tenure *(see Annex B1, pg 6).* The *Rural Communities Development Project* is strengthening the capacity of rural towns for sustainable development *(see Annex B1, pg 8).* ESW is focusing on rural productivity and the linkages between poverty and environmental sustainability in rural areas *(see Annex B1, pg 6).*

6/15/1998

CODE98-38

Report from CODE

Committee on Development Effectiveness

Bolivia: Country Assistance Review

On June 10, 1998 the Committee on Development Effectiveness (CODE) reviewed a report prepared by the Operations Evaluation Department (OED) entitled, *Bolivia: Country Assistance Review* (CAR) (IDA/SecM98-292). The Committee welcomed the opportunity to discuss the CAR in advance of the Board review of the Bolivia CAS on Tuesday, June 16, 1998, but expressed its regret that there had been insufficient time to review the CAR prior to its discussion in the Committee.

The Committee recognized the difficult situation Bolivia has faced in the last twelve years, and acknowledged the significant accomplishments made. The Committee generally supported the recommendations provided in the CAR which called for the Bank to (a) give higher priority to promoting private sector development by developing the financial sector and helping the Government of Bolivia (GOB) accelerate reforms of the judicial systems and of the civil service; (b) in partnership with the GOB place a high priority on improving the quality of governance and necessary public regulation; (c) develop a strategy for sustainable natural resource management and (d) target the Altiplano and other rural areas by following the generic recommendations of the ESD's report, *Rural Development: From Vision to Action (1997).*

Assessment of Bank Performance. The Committee noted that while Management broadly agrees with the CAR's recommendations, there is a concern on the part of the regional staff on the CAR's rating of the relevance, efficacy and efficiency of the Bank's assistance strategy in Bolivia during 1986-1996 as marginally satisfactory. The Committee recognized that the interesting but difficult question was the counterfactual of what would have happened without the Bank's involvement. It encouraged OED and Management to continue strengthening the analytical framework for addressing such questions.

Poverty. Members were concerned about the limited impact Bank operations and donor support have had on reducing the incidence of poverty in Bolivia. Seventy percent of the population remains below the poverty line, and 94 percent of the rural population are classified poor. Yet, only one of the four OED recommendations for Bank future engagement in Bolivia, is really direct in its poverty reduction impact. The Executive Director representing Bolivia noted that the upcoming CAS focuses on poverty alleviation.

Corruption. The Committee concurred with the CAR's recommendation that the Bank assume a greater leadership role in helping the Government combat corruption. The Executive Director representing Bolivia explained that the Government is acutely aware of this problem and has solicited assistance from EDI to develop an anti-corruption program.

Partnerships, and Donor Coordination. Some members, referring to the discussions on the *Partnerships* paper, wanted to know whether CARs could include an analysis of the activities of other donors so as to better assess the overall effectiveness of donor assistance. OED responded that they are experimenting with partnerships in preparing Country Assistance Reviews (CARs) and informed members of the availability of working papers prepared by the various donor organizations which represented their inputs into the Bolivia CAR.

Leonard Good
Vice Chairman, CODE

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