INTERNATIONAL MONETARY FUND

IMF Country Report No. 25/116

BOLIVIA

June 2025

2025 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR BOLIVIA

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2025 Article IV consultation with Bolivia, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its May 2, 2025, consideration of the staff report that concluded the Article IV consultation with Bolivia.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on May 2, 2025, following discussions that ended on February 5, 2025, with the officials of Bolivia on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on April 16, 2025.
- An **Informational Annex** prepared by the IMF staff.
- A **Statement by the Executive Director** for Bolivia.

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

- Selected Issues

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

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International Monetary Fund
Washington, D.C.

IMF Executive Board Concludes 2025 Article IV Consultation with Bolivia

FOR IMMEDIATE RELEASE

Washington, DC – May 30, 2025: The Executive Board of the International Monetary Fund (IMF) completed the Article IV consultation[1] for Bolivia on May 2. The authorities have consented to the publication of the Staff Report prepared for this consultation.[2]

Bolivia's real GDP growth has moderated to 2.1 percent in the first three quarters of 2024, driven by a decline in hydrocarbons production, a slowdown in services activity, and a drop in soy crops and related manufacturing due to 'El Niño' effects. The economy has also faced disruptions from road blockages and scarcity of foreign exchange (FX)—given critically low international reserves—fuels and other critical inputs. High import costs, weak agricultural production, and road blockages pushed inflation to 10 percent at end-2024, the highest level in over a decade. Unemployment has fallen, but underemployment is rising, and real incomes retrenched on average. The combination of FX shortages, slowing activity, and depreciation of the parallel exchange rate resulted in a compression of the current account deficit to 2.7 percent for 2024. The fiscal deficit surpassed 10 percent of GDP in 2023-24 with declining hydrocarbon revenues, tax exemptions, increased social spending, and higher interest payments. The deficit has been mostly financed by the central bank amid tight external financing constraints. Public debt has increased to 95 percent of GDP.

The financial sector remains well buffered. However, deposits declined in real terms and net interest margins are pressured by interest rate controls, limiting banks' ability to raise loan rates amid rising inflation and slowing credit growth. Banks have experienced improved profitability from FX trading gains, resulting in a strengthened capital adequacy ratio of 13.5 percent in 2024, while non-performing loans have remained low at 3.2 percent of total loans.

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

[2] Under the IMF's Articles of Agreement, publication of documents that pertain to member countries is voluntary and requires the member consent. The staff report will be shortly published on the www.imf.org/Bolivia page.

Executive Board Assessment[3]

Executive Directors agreed with the thrust of the staff appraisal. They expressed concern over Bolivia's acute fiscal and external imbalances and unsustainable policy mix and called for urgent actions to address the overvalued exchange rate, bolster foreign reserves, and implement sustained fiscal consolidation. Directors cautioned that inaction could lead to a painful disorderly adjustment and underscored the Fund's readiness to support the authorities through its various activities. They encouraged the staff to continue to closely engage the authorities on the needed adjustments. Careful communication of the policy reforms to stakeholders would be pivotal to enhance their acceptability.

Directors stressed that the untenable peg to the U.S. dollar and depleted international reserves call for a decisive shift in the monetary policy framework. They called for a realignment of the exchange rate with market fundamentals, moving toward greater exchange rate flexibility, and for front loaded fiscal consolidation and restrictive monetary policy settings, which would address inflationary pressures, alleviate FX shortages, and allow elimination of FX restrictions. Increasing interest rate flexibility will facilitate effective monetary policy transmission.

Directors recommended a credible and sustained fiscal consolidation by rationalizing the public wage bill, phasing out fuel subsidies, enhancing public investment management and spending efficiency, and mobilizing tax revenue. Eliminating monetary financing of fiscal deficits is also important. Directors also emphasized the need to mitigate the effects of the policy adjustments on vulnerable populations, including through improved targeting of the social safety net. A coherent fiscal framework can help underpin the consolidation plan.

Directors emphasized the need to strengthen financial sector supervision amid growing economic vulnerabilities. They called for close monitoring and contingency planning and encouraged the implementation of the remaining 2024 FSAP recommendations and strengthening the AML/CFT framework. Enhancing Bolivia's public pension fund operations by diversifying investments and strengthening the pension supervisor's independence is also important.

Directors called for comprehensive supply side reforms to enhance productivity and growth potential and facilitate external rebalancing by phasing out export ceilings, price controls, and credit quotas. They emphasized the need for a clear regulatory framework to attract private investment and to focus public investment on socially beneficial infrastructure projects. Further efforts to enhance transparency and the governance and anticorruption frameworks will also be important. Improving data adequacy also remains a priority.

It is expected that the next Article IV consultation with Bolivia will be held on the standard 12 month cycle.

[3] At the conclusion of the discussion, the Managing Director, as Chair of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

Table 1. Bolivia: Selected Economic Indicators, 2023-30

Population (millions, 2024)	11.3	Poverty rate (percent, 2023)	36.5
Population growth rate (percent, 2024)	1.4	Adult literacy rate (percent, 2023)	95.2
Life expectancy at birth (years, 2024)	68.7	GDP per capita (US$, 2023)	3,736
Total unemployment rate (2024Q3)	3.6	IMF Quota (SDR, millions)	240.1

		Est.	Proj.	
	2023	**2024**	**2025**	**2026**
Income and prices				
Real GDP	3.1	1.3	1.1	0.9
Nominal GDP	2.6	6.5	16.4	16.9
CPI inflation (period average)	2.6	5.1	15.1	15.8
CPI inflation (end of period)	2.1	10.0	15.6	16.8
Combined public sector				
Revenues and grants	27.8	28.4	24.8	24.2
Of which: Hydrocarbon related revenue 1/	2.8	2.2	1.9	1.6
Expenditure	38.7	38.7	37.5	37.4
Current	32.3	33.2	32.5	32.6
Capital 2/	6.4	5.4	5.0	4.8
Net lending/borrowing (overall balance)	-10.9	-10.3	-12.7	-13.2
Of which: Non-hydrocarbon balance	-15.4	-16.4	-16.3	-16.0
Total gross NFPS debt 3/	90.8	95.0	90.4	91.4
External sector				
Current account	-2.5	-2.7	-2.6	-3.2
Exports of goods and services	26.2	20.7	18.0	16.0
Of which: Natural gas	4.5	3.3	2.3	1.8
Imports of goods and services	28.6	23.4	20.4	18.9
Capital account	0.0	0.0	0.0	0.0
Financial account (-= net inflow)	-2.0	-3.5	-2.8	-3.3
Of which: Direct investment net	0.0	-0.2	-0.2	-0.1
Of which: Other investment, net	-1.5	-2.1	-2.3	-3.4
Of which: Unidentified financing inflows	0.0	0.0	-1.4	-3.2
Of which: Unidentified financing inflows	0.0	0.0	1.9	2.8
Net errors and omissions	-4.8	-2.6	0.0	0.0
Terms of trade index (percent change)	1.2	-2.3	-1.6	-0.2
Central Bank gross foreign reserves 4/ 5/ 6/				
In millions of U.S. dollars	1,808	2,009	2,118	2,199
In months of imports of goods and services	1.9	2.1	2.0	2.0
In percent of GDP	4.0	4.1	3.8	3.3
In percent of ARA	20.6	23.0	22.3	20.5
Money and credit				
Credit to the private sector (percent change)	-2.1	4.0	7.5	7.2
Credit to the private sector (percent of GDP)	70.8	69.2	63.9	58.6
Broad money (percent of GDP)	90.2	87.5	85.7	86.9
Memorandum items:				
Nominal GDP (in billions of U.S. dollars)	45.5	48.4	56.3	65.9
Bolivianos/U.S. dollar (end-of-period) 7/	6.9	...	...	...
REER, period average (percent change) 8/	-1.5	...	...	...
Oil prices (in U.S. dollars per barrel)	80.6	79.2	72.0	68.2
Energy-related subsidies to SOEs (percent of GDP) 9/	3.9	4.0	3.4	2.9

Sources: Bolivian authorities (MEFP, Ministry of Planning, BCB, INE, UDAPE); IMF; Fund staff calculations.
1/ Excludes YPFB profits/losses.
2/ Includes net lending.
3/ Public debt includes SOE's borrowing from the BCB (but not from other domestic institutions) and BCB loans to FINPRO and FNDR.
4/ Excludes reserves from the Latin American Reserve Fund (FLAR) and Offshore Liquidity Requirements (RAL).
5/ All foreign assets valued at market prices.
6/ Includes a repurchase line of US$99.2 million maturing in 2025.
7/ Official (buy) exchange rate.
8/ The REER based on authorities' methodology is different from that of the IMF (see 2017 and 2018 Staff Reports).
9/ Includes the cost of subsidy borne by public enterprises and incentives for hydrocarbon exploration investments in the projection period.

INTERNATIONAL MONETARY FUND

BOLIVIA

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION

April 16, 2025

KEY ISSUES

Context. Bolivia's chronic macroeconomic imbalances have reached acute levels, exacerbated by a structural decline in gas production, sociopolitical tensions, and climate shocks. Fiscal deficits are large and are predominantly being financed by the central bank. Usable foreign exchange (FX) reserves have been nearly exhausted for over a year and pressures in the FX market have intensified (symbolized by an over 80 percent gap between the official and parallel exchange rates). Despite the increasingly urgent economic situation, macroeconomic policies remain broadly unchanged, with limited measures implemented in response to emergency bottlenecks. Bolivia will hold general elections in August, with a possible second round in October.

Outlook and Risks. The macro-economic outlook under current policies is unsustainable, and the risks of a balance of payments and fiscal crisis are rising. The lack of FX resources is expected to increasingly compress imports, disrupt domestic production, and push an increasing share of trade to the parallel market. Muddling through is becoming an increasingly untenable path and the cost of delaying policy change is rising. Usable FX reserves are expected to remain close to zero—even if the central bank is able to liquefy its remaining gold reserves through collateralized borrowing, as envisaged in the 2025 budget—and a range of potential external or domestic shocks could trigger capital outflows, a faster depreciation of the parallel exchange rate, higher inflation, reduced growth and, ultimately, a disorderly adjustment.

Policy Priorities. At the core of any policy plan must be a credible, multi-year fiscal consolidation. This will require a phase out of fuel subsidies, a lower wage bill, and a rationalization of capital spending. The goal should be to quickly eliminate monetary financing of the budget deficit and restore debt sustainability. Protecting vulnerable populations during this adjustment will require both a socially inclusive fuel subsidy reform and concerted efforts to improve the targeting of the social safety net. A plan to mobilize tax revenues will be essential, especially given the secular decline in hydrocarbon resources. With a solid fiscal plan in place, the official exchange rate would need to be realigned to facilitate the needed external adjustment, and a new monetary and exchange rate framework should be put in place (with an immediate elimination of administrative controls and limits on interest rates). Monetary policy will need to remain restrictive for some time to prevent unstable price dynamics, reverse capital outflows, incentivize a re-monetization of the economy, and rebuild international reserves.

Better crisis management and improved oversight of the financial system will be necessary, and steps should be taken to mitigate risks from a potential rise in cryptocurrency use. Finally, urgent efforts are needed to remove supply-side constraints to growth, lessen informality, strengthen governance and regulatory frameworks, improve public investment management, and foster competitiveness.

Approved By
Nigel Chalk (WHD) and Geremia Palomba (SPR)

Discussions took place during January 23–February 5, 2025, in Santa Cruz and La Paz, Bolivia. The mission team comprised Joana Pereira (head), Goran Amidžić, Sandra Lizarazo Ruiz, Brandon Tan (all WHD), Yao Deng (LEG), and Sergio Cárdenas Rossel (local economist). Evelyn Carbajal, Gabriel Moura, Millena Machado Damasio, and Nomuuntugs Tuvaan (all WHD) provided research and administrative assistance at headquarters. Ms. Ramos Capaquira (OED) participated in public sector meetings.

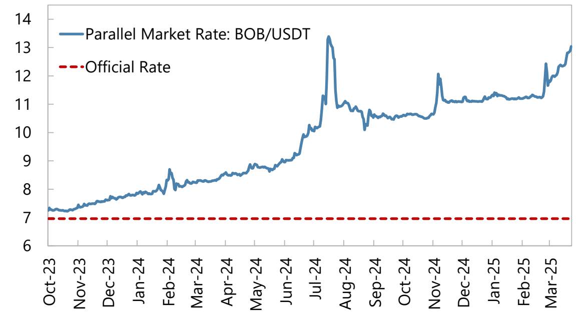
CONTENTS

ANNEXES

CONTEXT

1. **Bolivia faces acute macroeconomic vulnerabilities caused by longstanding policy imbalances that have been exacerbated by a series of negative shocks.** The production of natural gas continues to drop rapidly, undermining export and fiscal revenues[1]. Fiscal outlays far exceed available resources, generating large fiscal deficits. The exchange rate regime is incompatible with the ongoing monetization of the deficit, causing an exhaustion of liquid international reserves, a widening parallel exchange rate gap, import scarcity (notably for fuels), and rising inflation (despite a network of price subsidies and controls). Political tensions and social protests are hampering economic activity and preventing the approval of badly needed multilateral loans at a time when Bolivia has lost access to international capital markets. Finally, the country has contended with significant social and economic costs from the El Niño and La Niña weather phenomena and from devastating wildfires.

Official vs Parallel Market Exchange Rate
(Bolivianos / USD)



Sources: Binance, dollarclick website, and IMF staff calculations.
Note: Binance is an online marketplace for users to exchange cryptocurrencies.

2. **The private sector is already adjusting to the more depreciated parallel exchange rate.** Given low reserves, the central bank has severely curtailed FX liquidity provision to the private sector, prioritizing the government's purchase of fuel imports and the payment of external debt service. This lack of FX at the official rate has forced businesses to increasingly transact in the parallel market, passing through the higher import costs to consumers. Import demand, particularly for capital and intermediate goods (which are generally not produced domestically), has dropped causing negative effects on domestic production.

3. **Policy measures have focused on addressing emergency bottlenecks as they arise, but with limited success.** The authorities partially liberalized fuel markets (to alleviate shortages and subsidy costs), removed barriers to crypto trading (to provide a substitute for scarce FX, including for public entities[2]), promoted domestic biofuels production (to substitute for imported hydrocarbons), and authorized the use of new biotechnologies (to raise soy output). Tariff and VAT exemptions on imported goods have been expanded in an effort to dampen inflation, with negative consequences for the fiscal accounts. Temporary export bans have been implemented for certain foods, although export procedures for other foods were streamlined. The overall impact of these measures on the real economy appears to be relatively small, especially in comparison to the

[1] Bolivia's natural gas reserves have fallen from 8.95 trillion cubic feet (TCF) in 2019 to 4.48 TCF in 2023. Ongoing exploration investments could lead to a recovery in the reserve level (the recently discovered field of Mayaya for instance has an estimated potential of 1.7 TCF), but their yields would likely be realized over the medium to long run.

[2] The 2025 budget law foresees the use of crypto markets by public entities for payment of FX-denominated purchases. Specific regulation has thus far been issued only for YPFB's use of crypto markets.

growing size of the imbalances that they are aiming to address. The main 2024 Article IV recommendations have not been implemented. However, the authorities took important steps to strengthened financial oversight and the AML/CFT framework (Section D). Efforts are underway to improve national account and monetary statistics, bolster PFM processes and central bank operations, and improve forecasting and policy analysis.

Text Table 1. Main Economic Policy Measures Implemented in 2024-25 1/

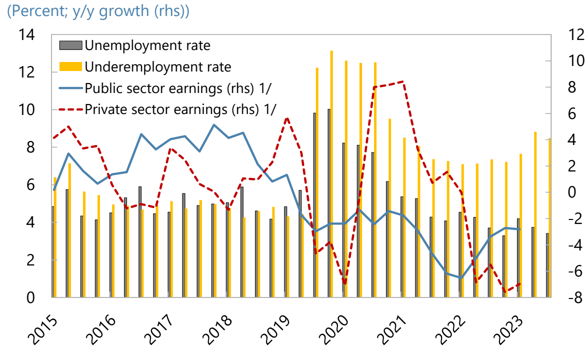
Description of Measure	Implementation deadline
Tax measures	
Extension of VAT exemption on imported capital goods and industrial plants.	31-Dec-25
Tariff and Specific Consumption Tax exemption on imported flex and hybrid vehicles.	11-May-27
Expedited tax refunds for exporters repatriating FX proceeds.	Permanent
VAT exemption on private fuel (gasoline, diesel) and crude oil imports.	31-Dec-25
Tariff and VAT exemption on import of inputs for biodiesel plants.	31-Dec-25
Tax incentives for reinvestment of foreign companies´ profits (from 25 to 75 percent).	Permanent
Tariff exemptions for the import of specific products. 2/	Temporary
Reduction of fuel subsidies and boosting fuel supply	
Removal of fuel subsidy for mining and agriculture producers. 3/	Temporary 4/
YPFB authorized to buy FX from public commercial bank and use crypto currencies to pay for fuel imports. 3/	Temporary 4/
Introduction of higher octane fuels with lower subsidy component. 5/	Permanent
Streamlining of fuel import authorization process for companies.	Permanent
Liberalization of fuel import for commercialization in the domestic market.	13-Nov-27
Trade facilitation and restrictions	
Streamlined procedures for food exports (incl. corn, sugar, sorghum).	Permanent
Suspension of vegetable oil and meat exports until domestic supply is normalized.	Temporary
Other measures	
Expansion of direct food subsidies to flour, butter, yeast, sugar, rice, and corn. 6/	31-Dec-25

1/ Excludes financial measures.
2/ Includes car parts; wheat and wheat flour; corn; rice; pharmaceuticals; agricultural inputs (incl. machinery, pesticides); personal care products. Expiry dates vary by product, ranging from four months to two years.
3/ The final sale price is set by YPFB.
4/ Measure is expected to last while YPFB faces difficulties securing fuel provision given FX liquidity shortages in Bolivia.
5/ Premium Plus and Ultra Premium 100 gasolines; and Diesel ULS (biodiesel).
6/ Authorization of production and commercialization subsidies by state owned company EMAPA.

RECENT DEVELOPMENTS

4. Growth has weakened over the past year. Despite ongoing significant fiscal support, growth moderated from 3.1 percent in 2023 to 2.1 percent in the first three quarters of 2024. Hydrocarbon production continues to contract while growth in services is decelerating. A 35 percent drop in crop planting during the winter of 2023 disrupted soy-related manufacturing exports in 2024 while road

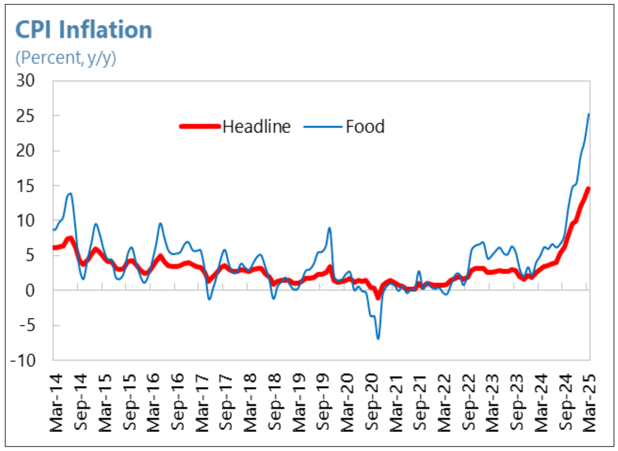
Unemployment, Underemployment, and Real Earnings
(Percent; y/y growth (rhs))



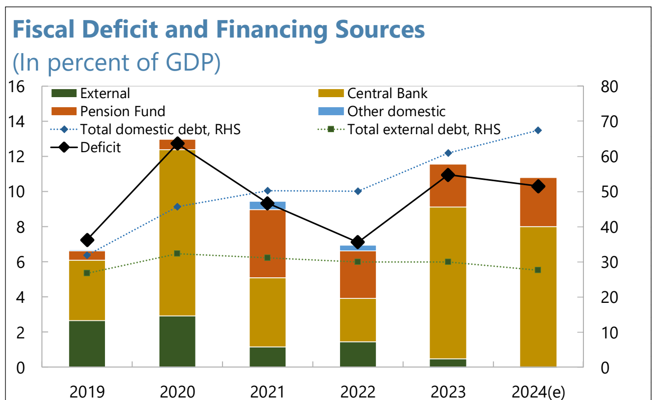
1/ The series includes the earnings of both formal and informal sector workers.
Sources: National Institute of Statistics, and IMF staff calculations.

blockages[3] and the scarcity of FX, fuels and other inputs continue to hamper economic activity. Private consumption has been slowing and investment is contracting (-7.5 percent) resulting in a 0.75 percent y/y contraction expected for 2024Q4. Average working hours have declined, real earnings are decreasing, and underemployment is above pre-pandemic levels (although unemployment has fallen somewhat due to an increase in informal self-employment).

5. **Inflation stood at 10 percent at end-2024, the highest level in over a decade, and reached 14.6 percent in March 2025.** Higher import costs, weak agricultural production and road blockages are being felt most directly through higher food prices. Informal trade with neighboring countries, which had helped moderate price increases, has been constrained by the unavailability of FX and the depreciation of the boliviano in the parallel market. Inflation is spreading to labor intensive services as a wage-price feedback dynamic takes hold. Prices of over one-third of the consumption basket are rising by 20 percent or more, while only less than 20 percent of the basket exhibits inflation below 5 percent.



6. **The fiscal position continues to weaken.** The fiscal deficit surpassed 10 percent of GDP in 2023 and 2024, far exceeding the budget target of 7½ percent of GDP. Declining hydrocarbon-related revenues, import tax/tariff exemptions, increased social spending, higher interest payments, and fuel subsidies are all adding to the imbalance. The central bank financed about 80 percent of the deficit, and the remainder was met by bond purchases by the pension fund. Total public debt was 95 percent of GDP at end-2024 (valued at the official exchange rate). The deficit fell slightly between 2023 and 2024 mostly due to a significant increase in profits from state-owned enterprises (SOEs) arising from the sale of gold to the central bank.[4] Spending and revenue trends have remained largely unchanged in the last few years.



Sources: Ministry of Economy and Public Finance, and IMF staff calculations.

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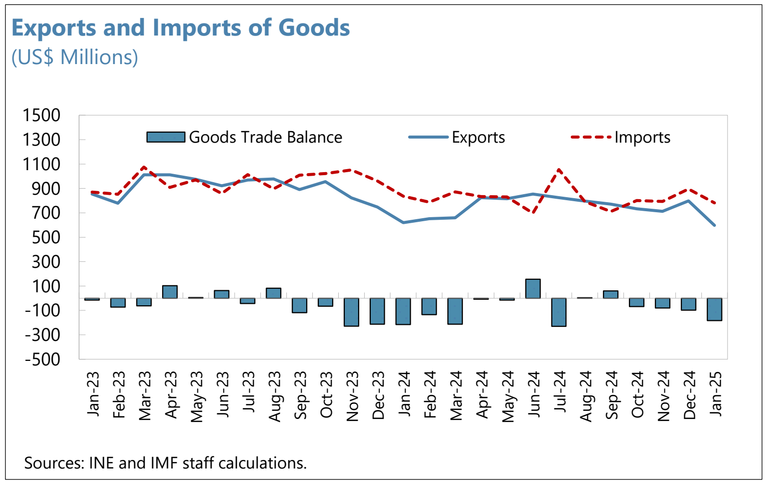
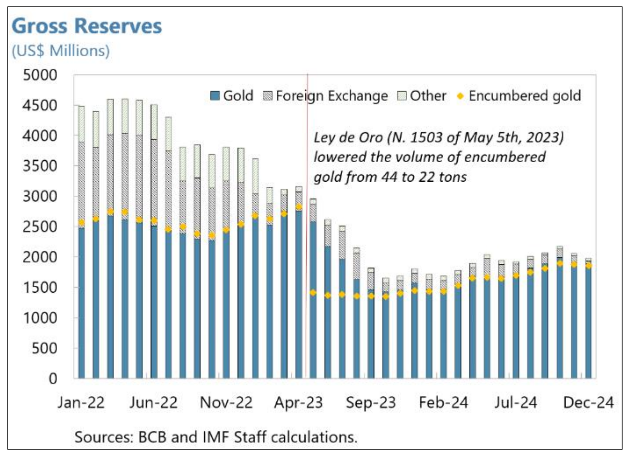
[3] Official estimates place the cost of November 2024 blockades alone at approximately US$ 1.7 billion. Blockades were recurrent throughout the year.

[4] While the operating balance of SOEs has averaged about 1 percent of GDP between 2013-23, it surged to 4.3 percent of GDP in 2024 following the creation of a new public enterprise (SOE) to acquire gold from the private

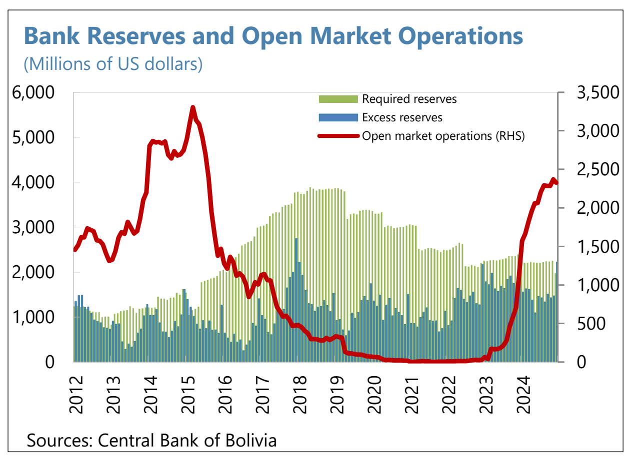
(continued)



7. FX shortages, slowing activity, and the depreciation of the parallel exchange rate are compressing the current account deficit. The trade balance has improved since mid-2024 with imports down 14 percent during April–January. Gold exports have collapsed since the start of central bank purchases, agricultural exports are falling due to a prolonged drought, unseasonal rains and fuel shortages, and natural gas exports continue their secular decline as the existing reservoirs mature. FX scarcity is also affecting smuggling activities, compounding the effect of price controls, which seems to be reducing (negative) errors and omissions in the balance of payments.



8. Usable FX reserves have been exhausted. As of end-2024, gross reserves stood at US$2bn (about 2 months of import cover) but these were composed of US$1.9bn in encumbered gold and US$90mn in liquid assets. To obtain FX, the central bank has been buying around 1 ton of gold per month from domestic producers (about US$80mn) and raised US$268 million from issuing dollar-denominated debt, of which US$200 million to the pension fund (which financed the purchase by repo-ing its Eurobond holdings to foreign investors with a 70 percent haircut, at a 12 percent interest rate)—see Text Table 2.[5] Bolivia's reserve coverage is inadequate (at 23 percent of the ARA metric) and the 2024 external position is assessed to be substantially weaker than the level implied by medium-term fundamentals and desirable policies (Annex I).



9. The BCB has stepped up its sterilization efforts. To counter the growing

sector and sell it to the Central Bank of Bolivia (BCB). Gold is purchased in local currency (at a variable premium relative to the price per the official exchange rate), then certified and exchanged for FX. Higher export prices for minerals also supported profitability in 2024, albeit to a lesser extent.

[5] The BCB is required to retain a minimum of 22 tons of gold reserves. However, a provision in the 2025 budget allows the BCB to pledge these reserves in financial operations.

monetization of the deficit and a liquidity injection arising from a 2023 bank failure, the central bank has expanded its open market operations, issuing around 5 percent of GDP in central bank securities to the market in 2023 and 2024. A complementary reserve requirement (remunerated at low rates) was also created to lock up liquidity of those banks with reserve holdings that are in excess of regulatory requirements. Interest rates on central bank paper have risen but remain negative in real terms (Figure 3). The issuance of inflation-linked securities rose in the second half of 2024.[6] Monetary policy transmission is hampered by regulatory caps on bank lending rates.

Text Table 2. 2024 Public Sector FX Flows (in USD millions)[1]

	Jan - Apr 2024	May - Aug 2024	Sep - Dec 2024	2024
1. FX Inflows				
Natural Gas Exports (YPFB)	707	679	493	1879
Financial Operations (BCB) 2/	188	200	12	400
Gold Valuation	170	149	28	347
Gold Purchases	436	217	565	1218
Other Exports (VINTO and COMIBOL)	115	159	119	393
External Disbursements	123	127	279	529
Other Net Income 3/	31	89	210	330
2. FX Outflows				
Fuel Imports (YPFB)	760	883	738	2381
External debt service	580	468	478	1526
BCB provisions to Banks/Exchange Houses	343	160	220	723
Transfers and Credit Notes from Public Agencies	0	0	199	199
3. Net Flows (1-2)	**87**	**109**	**71**	**267**
Memo:				
Gross International Reserves, e.o.p.	1898	2009	1977	1977
Net International Reserves, e.o.p.	1796	1905	1976	1976

Sources: BCB and IMF staff calculations.

1/ Estimates based on data published by the BCB.

2/ Financial Operations includes BCB Bonds, Issuance of Certificates of Deposit, and Repatriation of Assets of Public Companies.

3/ Public companies, donations, private transfers, and others.

OUTLOOK AND RISKS AHEAD

10. Without considerable and increasing amounts of external financing, current policies are unsustainable. The cumulative amount of unidentified financing required to maintain current policies amounts to around 3 percent of GDP in 2025–26 and increases over the medium term. Given the likely absence of sufficient external financing from official and private sources, the most likely outcome is an increasing depreciation of the parallel exchange rate, rising inflation, and worsening balance of payment imbalances. FX scarcity at the official rate and the depreciation of the parallel rate will reduce the availability of imports, disrupt supply chains, increase production costs, and erode growth (Text Table 3). Meanwhile, goods scarcity, rising import costs, and wage-price

[6] The limit on financial institutions' investment in inflation-linked securities was raised from 10 to 20 percent of assets in November 2024.

dynamics will feed into inflation and raise the fiscal cost of price subsidies. The potential for an acceleration of capital outflows could trigger an unstable wage-price-exchange rate dynamic.

Text Table 3. Baseline Economic Outlook, Selected Indicators

		Est.	Proj.					
	2023	2024	2025	2026	2027	2028	2029	2030
	(Percent of GDP, unless otherwise specified)							
Real GDP	3.1	1.3	1.1	0.9	0.6	0.4	0.2	0.2
CPI inflation (period average)	2.6	5.1	15.1	15.8	17.1	18.2	19.6	20.9
Primary NFPS balance	-8.7	-7.3	-9.5	-9.2	-8.9	-8.7	-8.4	-8.0
Total gross NFPS debt 1/	90.8	95.0	90.4	91.4	92.8	95.5	98.5	101.8
of which: external debt	29.9	27.6	23.2	18.3	14.7	11.4	9.0	7.0
Current account	-2.5	-4.3	-2.6	-3.2	-3.8	-4.2	-4.6	-4.7
Gross international reserves (in USD millions) 2/ 3/ 4/	1,808	2,009	2,118	2,199	2,160	2,231	2,290	2,312
In percent of ARA	20.6	23.0	22.3	20.5	17.4	15.3	13.1	10.9
Financial account (-= net inflow)	-2.5	-3.5	-2.8	-3.3	-3.7	-4.2	-4.6	-4.7
o/w: Unidentified financing inflows	0.0	0.0	-1.4	-3.2	-3.2	-4.2	-4.4	-4.6
o/w: Unidentified financing inflows (in USD millions)	0.0	0.0	-805	-2115	-2500	-3890	-4880	-6190
Memorandum items:								
NPFS Net incurrence of liabilities (= - Overall balance)	10.9	10.3	12.7	13.2	14.2	16.0	17.2	18.7
External	0.5	-0.3	-0.5	-1.5	-0.9	-1.0	-0.5	-0.4
Domestic	10.5	10.6	13.2	14.7	15.1	17.0	17.7	19.1
of which, central bank	8.7	8.0	9.8	11.3	11.8	13.7	14.4	15.8

1/ Public debt includes SOE's borrowing from the BCB (but not from other domestic institutions) and BCB loans to FINPRO and FNDR.
2/ Excludes reserves from the Latin American Reserve Fund (FLAR) and Offshore Liquidity Requirements (RAL).
3/ All foreign assets valued at market prices.
4/ Includes a repurchase line of US$99.2 million maturing in 2025.

11. The risk of sovereign distress is high. Absent a concerted fiscal consolidation plan, the deficit will stay well-above 10 percent of GDP and monetization is likely to remain the predominant financing source. Debt initially falls as the effective real interest rate turns negative and the exchange rate is assumed unchanged but increases significantly over the medium term with the accumulation of deficits. The Fund's SRDSF finds the near-term risk of sovereign distress to be high (Annex II) due to low FX reserves, the overvalued official exchange rate, and high domestic financing needs. The high stock of debt and large gross financing needs (which are even higher when valued at the official exchange rate) imply significant liquidity and solvency risks. Direct banking sector exposure to public debt is low, which lessens concerns about a sovereign-bank nexus, but the national pension fund remains a substantial creditor to the government (holding 16 percent of GDP in government debt or 32 percent of total pension fund investments).

12. The precarious situation, and lack of progress in addressing it, creates a high risk of an eventual disorderly adjustment (Annex III). An intensification of inflationary pressures, increased scarcity of basic goods, or weather shocks that push up food prices could all deepen social tensions. Waning confidence in macroeconomic policies or concerns over the government's capacity to meet external payments could trigger deposit and capital outflows, further depreciating the parallel exchange rate. The recent liberalization of crypto trading could provide an alternative channel for such deposit and capital outflows, pressuring the banking system and increasing the complexity of imposing capital controls (should that prove necessary).[7] While commercial ties with the US are

[7] Restrictions are in place on foreign investments by financial institutions, domestic dollar deposits, and charges on dollar transfers abroad. These measures constitute capital flow restrictions (CFM) under the IMF Institutional View for

(continued)

limited, global trade disruptions, commodity price volatility, tighter financial conditions or deepening geoeconomic fragmentation could all be catalysts for increasing BOP pressures. Political fragmentation could constrain future implementation of reforms and weaken growth.

Authorities' Views

13. The authorities recognize the recently challenging economic conditions but highlighted the resilience of the Bolivian economy despite the complex external and local circumstances. Several factors have contributed to growth and inflationary pressures, primarily adverse weather shocks, road blockages, and FX speculation. They expect a higher growth rate than that estimated by staff for 2024, at around 2 percent. Going forward, they believe recently advanced measures to stabilize FX and fuel availability, with growth recovering to 3.5 percent in 2025. The authorities expect inflation will drop to 7.5 percent of GDP this year. While acknowledging the risks posed by low international reserves, they emphasize the role of past underinvestment in natural gas exploration and congress gridlock (impeding multilateral loan disbursements) in driving FX liquidity constraints. They underscore that the implemented measures contributed to stabilize the international reserves in 2024. In the short-term new external debt issuances, the BCB's domestic gold purchases, and better prospects on production and exports of the agricultural sector are expected to sustain the necessary level of reserves. Over time, the authorities envisage ongoing SOE investments and support to the private productive sector to lessen external imbalances by generating new export revenues and facilitating import substitution.

RESTORING MACROECONOMIC STABILITY

Bolivia should reorient its economic strategy. The current exchange rate peg to the U.S. dollar cannot be sustained with scarce reserves and should be replaced by a new regime that realigns the nominal exchange rate with fundamentals, allows it to fluctuate with market conditions, and relies on the control of domestic currency liquidity to maintain price stability. For this new monetary regime to be effective, a removal of caps on interest rates is necessary so that domestic deposit and loan rates may quickly reach market clearing levels. The new monetary framework will need to be accompanied by a large fiscal adjustment which enables the elimination of central bank financing of the budget (so as to short-circuit the injection of domestic currency liquidity through that source) and reduces the risk of sovereign distress. Attention will need to be paid to vulnerable populations and possible weaknesses in the financial system as the economy transitions back to macroeconomic stability. Consideration may also need to be given to temporary controls on capital outflows or limits on deposit withdrawals to preserve financial and macroeconomic stability. The longer this needed reformulation of policies is delayed, the costlier the eventual adjustment will be.

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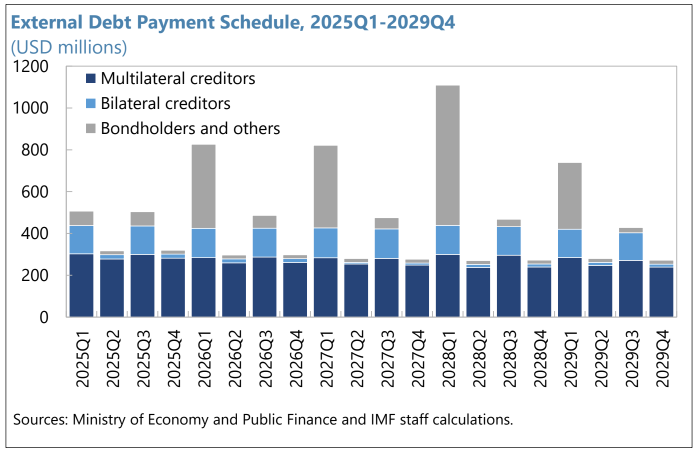
the Liberalization and Management of Capital Flows (IV), as highlighted in the 2024 Article IV report (Country Report No. 25/34). Commissions charged on dollar transfers abroad were capped at 10 percent through mid-March 2024. Since then, the cap for each transaction is determined based on the 30-day weighted average price paid by banks to purchase USD (starting from one week prior to the transaction). Domestic dollar deposits are taxed. These measures are being assessed as CFM under the IV.

A. Re-Anchoring Monetary and Exchange Rate Policies



14. The longstanding peg to the U.S. dollar has become untenable. Realigning the official exchange rate in tandem with a large fiscal adjustment is necessary to ensure macroeconomic stability, eliminate FX shortages, and rebuild international reserves. To this end, a step devaluation of the exchange rate is advised. A devaluation that overshoots the parallel exchange that is prevailing at the time of the devaluation would likely be needed to account for the fact that the public sector is a net buyer of FX, to generate expectations of future appreciation, and facilitate a rebuilding of international reserves. The short-term impact on public balance sheets would be large but unavoidable[8], strengthening the case for frontloading the fiscal consolidation (see Section C). The realignment of the exchange rate and necessary adjustments to fuel subsidies would push up inflation initially. However, tight domestic liquidity conditions, fiscal consolidation, and an initial growth slowdown will exert countervailing downward pressures on inflation. The up-front adjustment in the real exchange rate will improve competitiveness, compress imports, incentivize an expansion of export industries, and support foreign capital inflows and demand for local currency assets. Given high gross external financing needs in the near term (notably arising from the Eurobonds maturing in 2026–28), pre-emptive debt actions may also need to be considered.

15. Maintaining tight monetary policy following the realignment of the exchange rate will be essential to keep inflation in check. The immediate removal of interest rate controls[9] and halting of monetary financing will be necessary to ensure the effective implementation of a tight monetary stance. Given elevated uncertainty surrounding the equilibrium exchange rate and insufficient reserve buffers, the central bank will have to give up on an exchange rate anchor immediately following the depreciation. Instead, a base money target will be needed to ensure that domestic currency liquidity is restrictive. Interest rates will need to rise endogenously to clear the demand for local currency assets. Calibrating such a framework will be challenging given the uncertainty surrounding the demand for bolivianos and possible pace of re-monetization once the exchange rate returns to more competitive levels. Some FX intervention could be considered if disorderly market conditions emerge but would have to be tightly circumscribed given limited

[8] External public debt is 18 percent of GDP larger when valued at the current parallel exchange rate (which is likely more appreciated than a market-based equilibrium). Annual external debt service would increase by about 1.7 percent of GDP in 2025–27. Fuel subsidies would rise by 2.6 percent of GDP, only partially compensated by an increase in hydrocarbon export-related revenues as a share of GDP. The private sector (including the banks) holds limited liabilities in FX.

[9] Interest rates on bank loans to so called 'productive sectors' and social housing are capped at a nominal 6-7 percent (11.5 percent for microcredit).

reserves. Intervention efforts will need to instead be focused on steadily rebuilding international reserves and allowing the nominal exchange rate to find a market-determined equilibrium level. As reserve adequacy improves, a hybrid system could be considered with a crawling band arrangement and short-term interest rates as the main policy tool. Over time, the goal should be to shift to an inflation targeting regime. However, it will take some time to build the infrastructure and capacity necessary to implement such a framework.

16. In anticipation of a more flexible exchange rate regime, the central bank should enhance its operational and institutional frameworks. The central bank is already strengthening its operational capacity to monitor and adjust liquidity, including through open market operations. Efforts are underway to upgrade economic forecasting capabilities and improve central bank macro-financial modelling. There will be an urgent need to strengthen the development of FX and money markets, including by creating new markets for FX hedging instruments and macroprudential regulations to limit FX balance sheet mismatches (e.g., limits on FX net open positions and higher capital requirements for unhedged FX loans). Monetary policy communication will need to be improved to explain the new framework to the public and financial market participants. Enhancing the BCB's legal framework to improve central bank independence, strengthen governance, and clearly define its mandate would help build institutional credibility. In addition, the current FX asset-liability mismatch at the central bank will imply that, over time, fiscal resources will likely be needed to recapitalize the central bank.

17. Restrictions on deposit withdrawals and capital outflows may need to be considered. Such controls can be politically unpopular and should be viewed as a temporary emergency measure, complementing the broader policy reform effort. A clear plan would be needed to unwind such controls once the economic situation stabilizes. Restrictions on capital outflows should be deployed in line with *IMF Institutional View on The Liberalization and Management of Capital Flows.* Removing interest rate controls and allowing deposit and other interest rates to move flexibly with market conditions will provide a stabilizing force but will put pressure on private sector balance sheets (particularly those with short duration and/or floating rate debt). A strategy would also need to be developed to handle the large stock of banks' nondeliverable FX swaps that are held by the central bank. These swaps, which have average duration of one year, account for 19 percent of base money. Their cost would jump following a depreciation and their full redemption at maturity could prove destabilizing, undermining FX reserve accumulation and the implementation of a monetary aggregate targeting framework. Consideration would need to be given to extending the maturities of these contracts or requiring a mandatory roll over of maturing liabilities into new, longer duration instruments.

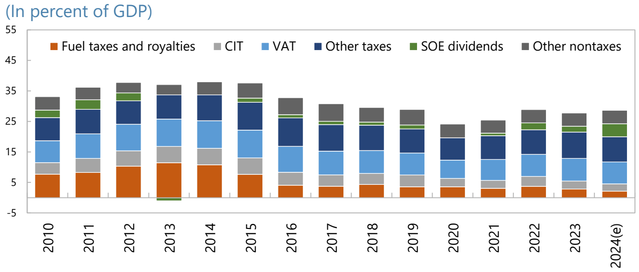
Authorities' views

18. A sizable change in the nominal exchange rate as recommended by staff would be disruptive. Parallel market pressures are believed to be driven by currency speculation and are expected to wane this year. Current measures are deemed sufficient to control inflation, including stepped up sterilization efforts, continued work to combat smuggling, price controls for basic goods, and temporary import tax relief. The authorities reaffirm their commitment to guarantee an adequate supply of essential goods and protect the population´s purchasing power. Interest rate controls are considered key to achieving a socially desirable distribution of investment, promoting the productive sector, and facilitating access to affordable housing, with no adjustments seen as necessary in the near term.

B. Restoring Sustainability to Public Finances

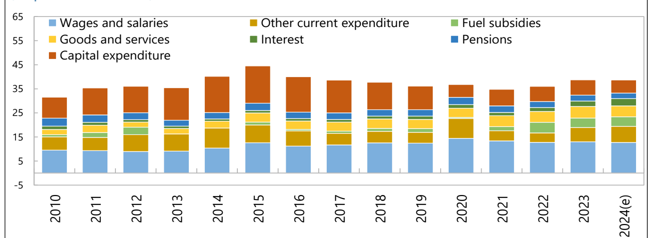
19. The structural decline in hydrocarbon-related revenue has rendered current spending patterns unaffordable. Tax revenues have fallen from nearly 34 percent of GDP in 2013–14 to 20 percent of GDP in 2024 as the hydrocarbon windfall waned. Meanwhile, current spending rose over the past 5 years from about 26 to 32 percent of GDP on account of higher wage costs, extensive subsidies, consumption of goods and services, and rising interest payments. As financing constraints became more binding, public investment was scaled down, but other poorly targeted outlays remained large.

Total Revenues, 2010-24
(In percent of GDP)



Sources: Ministry of Economic and Public Finance and IMF staff calculation.

Total Expenditures, 2010-24
(In percent of GDP)

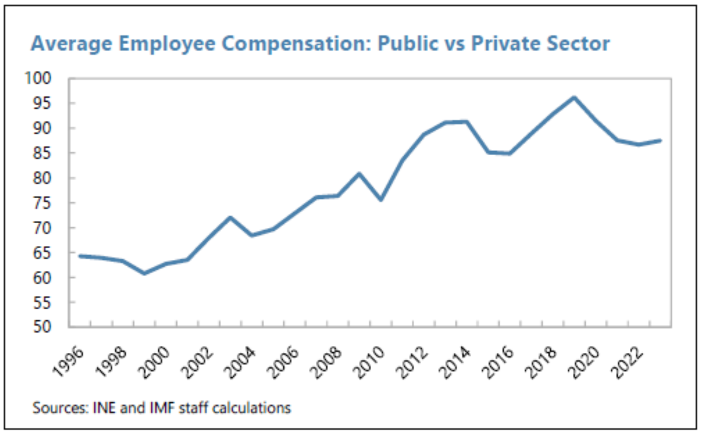


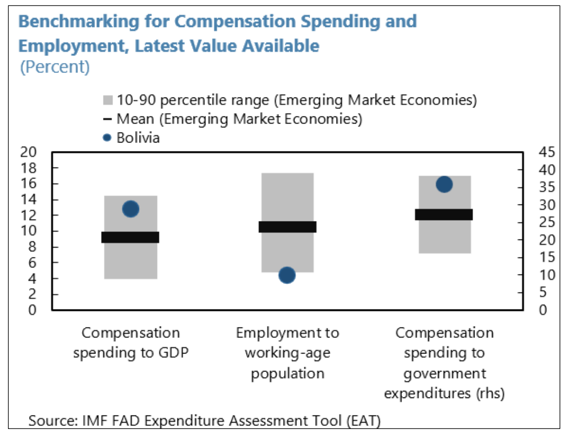
Sources: Ministry of Economic and Public Finance and IMF staff calculation.

20. A large, sustained, and broad-based fiscal consolidation will be necessary to restore debt sustainability and eliminate monetary financing. Although fiscal adjustment needs are large (Annex II, Table 7), they can be met through a range of reforms focused on retrenching excessive current spending, rationalizing investment through enhanced efficiency, and mobilizing new tax revenue. Crucially, they should be complemented by prompt efforts to strengthen the social safety net. The immediate priority should be to bring the primary deficit to 1 percent of GDP within the next 3 years through:

- **Eliminating fuel subsidies (Box 1).** A concerted strategy to eliminate fuel subsidies is essential to bring spending into line with available resources. Having in place a strong and well-targeted social transfer system is imperative prior to undertaking such a large shift in relative prices. There should be clear communication of reform objectives, a concrete timeline, and mitigation policies. Consideration could be given to adopting an automatic pricing mechanism that would quickly align prices with costs. At a later stage, fuels should be taxed to offset their environmental externality. The recent (temporary) removal of diesel subsidies for mining and agriculture may help alleviate supply bottlenecks and costs in the short run but falls short of a structural solution. Food-related subsidies exert less pressure on fiscal accounts (estimated at 0.2 percent of GDP in 2024) but could still be restructured to concentrate the benefits to poor households.

- **Reviewing public employment and lowering public sector real wages.** While Bolivia has a relatively low share of public employment, its government wage bill has increased significantly over time and surpasses that of regional peers. Reviewing compensation policies across non-financial public sector (NFPS) agencies, capping real wage growth, and eliminating the extraordinary year-end bonus (*doble aguinaldo*) are essential to reverse the upward trend in the wage bill. In addition, reassessing the scope of public services and strengthening governance could generate efficiency savings.





- **Overhauling the social transfer system to improve targeting and coverage.** Bolivia's social benefit programs focus on specific demographic groups while leaving non-elderly adult populations poorly covered. Insufficient administrative data limits effective means-testing approaches and a more cost-effective deployment of social support. Improved targeting would require establishing a comprehensive registry to identify at-risk populations, merging existing administrative information for current programs, and complementing them with additional data (including from the recently completed population census and planned census of vulnerable populations). Until such a registry is developed, less granular proxy-targeting methods (e.g., based on household characteristics, geography, and other proxy indicators for wealth) should be used.

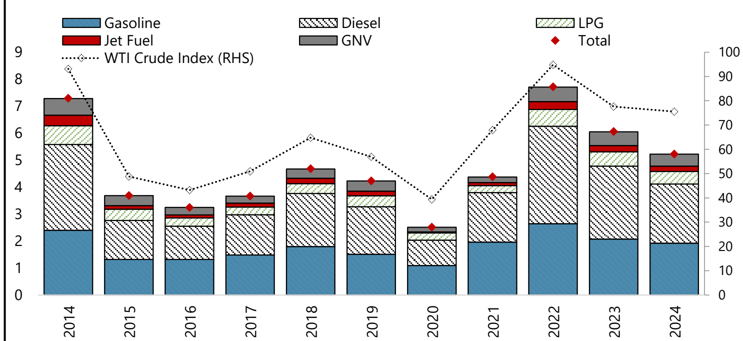
- **Enhancing public investment management through better planning, allocation/prioritization, and execution of capital spending would boost efficiency and reduce costs.** Transparent ex-post assessment of projects would support the buildup of high-quality infrastructure and other capital stock. The authorities could find a Public Investment Management Assessment (PIMA) useful in identifying priority areas. Additionally, strengthening the governance of public *fideicomisos* would ensure transparent public resource utilization. Harmonizing regulatory frameworks for *fideicomisos* with those for the private sector would foster fair competition.

Box 1. Cost and Incidence of Fuel Subsidies in Bolivia[1]

Fuel subsidies represent a significant fiscal burden in Bolivia. Imported fuels are sold at around ½ their international price at present, representing a direct fiscal cost of 3.9 percent of GDP in 2024 (mostly gasoline and diesel).[2] Opportunity costs from taxing fuel consumption and selling domestically produced fuels at subsidized prices raises the fiscal burden to 5.2 percent of GDP. Such cost would rise significantly upon a realignment of the official exchange rate. Over the course of 2024, the Bolivian authorities enacted measures to curtail fuel subsidies and improve fuel provision (Text Table 1). While these are welcome steps, their impact thus far is limited and their effectiveness over the medium term is yet uncertain.

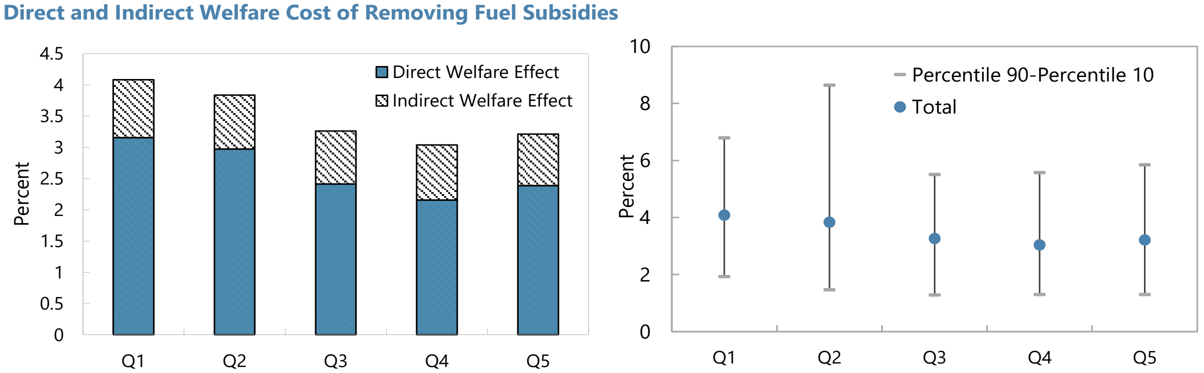
Distributive analysis reveals the regressive nature of fuel subsidies. Over half of subsidy transfers benefit the wealthiest quintile, with only 7 percent reaching the poorest households. Staff estimates that removing fuel subsidies would increase average household spending by 0.6 percent across all households (2.6 percent considering only households with positive fuel consumption) but that the indirect effect through higher prices of other goods and services (that use fuel as an input) would have an additional cost of 0.9 percent of households' budget. Welfare would fall by 4 percent for the most vulnerable segments and by 3 percent for the wealthiest households (as fuel spending composes a lower share of their budget).

Subsidy Cost, by Type of Fuel[1]
(Percent of GDP, LHS; billions m³, RHS)



[1] Includes opportunity cost from not commercializing domestic production of crude oil internationally and subsidies from not updating the margins for storage, transportation, wholesale and retail.

Direct and Indirect Welfare Cost of Removing Fuel Subsidies



Source: IMF Staff calculation using Encuesta de Presupuesto 2016

Targeted transfers can effectively mitigate the welfare costs from fuel subsidy reform. Fully compensating households in the bottom 40 percent of the income distribution, for instance, would cost around 40 percent of the fuel subsidy cost (or 22 percent, if only gasoline subsidies were removed). Since exact compensation is difficult, though, an alternative social transfer mechanism could be considered, budgeted at 30 percent of realized subsidy savings, with a 70 percent coverage rate for the poorest quintile, declining to 1 percent for the wealthiest. Such scheme could overcompensate the beneficiaries in the two bottom the quintiles, generating a net average welfare gain, while still reducing somewhat the negative impact of the fuel subsidy reform for other households.

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[1] See accompanying Selected Issues Paper.

[2] Direct fiscal cost of subsidies includes cost of fuel imports (above domestic price sales) and maintaining outdated margins (for storage, transportation, wholesale, and retail).

- **Mobilizing tax revenues.** Removing recently implemented import tax and VAT exemptions, expanding the VAT base (including to digital services), and raising the VAT rate (which is currently below regional comparators) could generate significant revenue. Efforts to further modernize tax and customs administration—strengthening compliance risk management, streamlining tax administration processes, leveraging enhanced IT systems, and fostering collaboration between the tax and customs administrations— and to disincentivize informality (e.g., in the labor market, trade, and mining sectors) could significantly broaden the tax base. Over a longer horizon, such efforts could be complemented by: (i) the introduction of a progressive personal income tax (PIT); (ii) improvements in the taxation of immobile property; (iii) reducing the minimum transaction tax rate (3 percent of gross income) to reduce barriers to formalization and firm growth; and (iv) expanding property taxes. Although yields from these measures would take time to materialize, prompt implementation of these reforms would enhance the credibility of the medium-term fiscal adjustment.[10]

- **Other measures could focus on improving the efficiency of current spending and strengthening the governance of SOEs to bolster their financial stability.**

21. A coherent fiscal framework should underpin the implementation of this consolidation plan. A legal framework for a Medium-Term Fiscal Framework (MTFF), that would integrate fiscal projections into the annual budget process and foster closer inter-agency collaboration, is a key priority. The MTFF would embed a transparent roadmap for fiscal policy, emphasizing a commitment to debt sustainability. Given uncertainties, it should incorporate a broad risk assessment calibrated to macroeconomic volatility, the potential for climate shocks, and possible financial needs of the SOEs. The MTFF should be published alongside the budget and the fiscal authorities should engage in regular stakeholder consultations to discuss priorities within the overall fiscal constraints. The timely publication of fiscal accounts, including financial flows of individual SOEs, is essential to enhance transparency and enable effective engagement with relevant stakeholders (Annex IV).

C. A Potential Reform Scenario

22. There will be up-front costs to the needed fiscal and external adjustment, but it will facilitate a return to macroeconomic stability. Assuming an important fiscal adjustment (8 percent of GDP in structural terms)[11] that is spread over the next three years, the rise in the public debt-GDP ratio can be arrested and gross financing needs can be brought to more manageable levels. This, in turn, would lessen debt distress risks and facilitate access to new sources of external financing. The initial devaluation and liberalization of fuel prices will create an initial burst of

[10] Staff estimates that an increase in VAT rates from 13 to 15 percent could yield additional revenue of ¾ percent of GDP. Implementation pace would need to weigh the impact on prices and social welfare (given VAT's regressive nature). In turn, a comprehensive PIT could raise 1.85 percent of GDP in revenues over the long term (but would likely have lower yields initially), while property taxes could represent about 1 percent of GDP. IMF studies also suggest significant, albeit uncertain, payoffs from improvements in tax administration (IMF Working Papers WP/23/231 and WP/20/142, and IMF Staff Discussion Note SDN/2023/006).

[11] The primary balance improves by only 7 percent of GDP due to declining non-tax revenue and the effect of automatic stabilizers.

inflation, by around 2 percentage points in end-2025, but monetary restraint and fiscal adjustment should bring year-on-year inflation back to single digits by late 2027. The adjustment process will create a period of low growth as the economy re-equilibrates. Thus, it will be critical to improve the social safety net up-front to protect the most vulnerable from the impact of this adjustment. However, over the medium-term growth, prospects will improve, and inflation will fall. The realignment of the exchange rate, slower domestic demand, a reduction in imports, and investment in export industries should facilitate an important reduction in the current account imbalance and allow for a gradual increase in reserves.

23. Bolivia's current foreign exchange system gives rise to an exchange restriction subject to approval by the Fund. The exchange restriction arises from the authorities' rationing of FX liquidity and prioritization of certain transactions by state entities in the allocation of FX (mainly for fuel imports and external debt service). These official actions have resulted in FX shortages, undue delays in accessing FX for current international transactions, and the emergence of a parallel market where FX is available at a premium. The authorities have not requested approval for these exchange restrictions. Staff's recommended policy adjustment would however pave the way for their complete removal as international reserve buffers accumulate.

Text Table 4. Reform Scenario with Fiscal and Exchange Rate Adjustment

		Est.	Proj.					
	2023	2024	2025	2026	2027	2028	2029	2030
	(Percent of GDP, unless otherwise indicated)							
Contribution of measures to fiscal adjustment 1/								
Lower public consumption of goods and services	…	…	0.5	0.2	0.1	…	…	…
Lower capital spending	…	…	1.1	-0.1	0.0	…	…	…
Partial freeze in public salaries 2/	…	…	1.2	1.2	0.7	…	…	…
Rationalization of fuel subsidies 3/	…	…	-0.2	2.3	1.0	0.9	…	…
Mobilization of tax revenue	…	…	…	…	0.5	0.5	0.5	…
Economic Outlook under Reform								
Real GDP (percentage change)	3.1	1.3	0.1	0.3	0.8	1.4	2.0	2.4
CPI inflation (period average)	2.6	5.1	16.0	16.5	12.0	8.7	7.0	5.5
Primary NFPS balance	-8.7	-7.3	-4.4	-2.3	-0.3	0.9	1.5	1.5
Total gross NFPS debt	90.8	95.0	118.9	112.9	104.9	99.9	95.5	91.6
of which: external debt	29.9	27.6	51.8	44.5	40.4	37.5	36.7	32.9
Current account	-2.5	-4.3	0.6	-0.2	-0.6	-1.0	-1.2	-1.1
Gross international reserves (in USD million)	1808	2009	3774	5282	6744	7806	8900	9971
In percent of ARA	20.6	23.0	41.1	51.9	60.3	65.1	69.0	72.0
Real Exchange Rate (Bolivianos/USD, 2018=100)	112.3	110.0	211.1	186.3	173.1	167.9	166.4	164.9
Bolivianos/U.S. dollar (end-of-period) 4/	6.9	6.9	15.0	15.1	15.4	15.9	16.5	16.9
Memorandum items:								
NPFS Net incurrence of liabilities (= - Overall balance)	10.9	10.3	9.3	7.3	4.2	2.6	1.3	1.1
External	0.5	-0.3	5.9	4.0	0.9	-0.7	-1.7	-2.0
Domestic	10.5	10.6	3.4	3.3	3.3	3.3	3.0	3.1
of which: central bank	8.7	8.0	…	…	…	…	…	…

Sources: Bolivian authorities (Ministry of Economy and Public Finance, Unit for Social and Economic Policy Analysis at the Ministry of Development Planning, Central Bank of Bolivia, National Statistics Institute); IMF; and Fund staff calculations.

1/ Impact on fiscal balance, relative to previous year.

2/ 5 percent cap on nominal growth of public sector compensation in 2025-27 (or higher nominal growth with rationalization of public employment).

3/ Domestic fuel prices increase by 50 percent per year in 2025-26 and 15 percent a year in 2027-28.

4/ Official (buy) exchange rate.

Authorities' Views

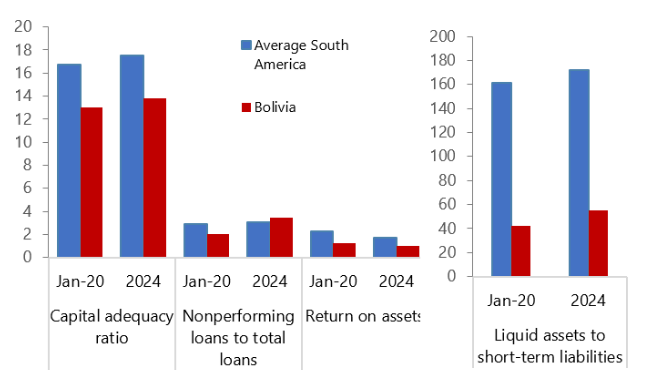
24. The authorities concurred that some fiscal reforms are necessary but prefer a more gradual adjustment overall. They expressed concerns that substantial changes to fuel subsidies could negatively impact vulnerable groups and essential sectors such as agriculture, potentially threatening macroeconomic and social stability. The authorities agreed that bolstering the social safety net is a priority. They view a "Census of the Poor" and collaboration with development partners as critical to improve the design and targeting of social transfers. They also note that a large share of the budget is already dedicated to health, education, and other social spending. Some structural fiscal reforms are being considered, including enhancing fiscal planning and public investment management. Gradual fuel subsidy reform could also be considered building on the recent measures. On the revenue side, substantial efforts are underway focused on enhancing tax administration processes to improve compliance and combat smuggling. They don't see VAT reviews as necessary at this stage.

25. The authorities furthermore assert that the central bank is not restricting FX provision since there is no obligation for exporters to deliver their FX to this entity and the central bank does not have the duty to provide FX to the financial system. The low level of liquid FX reserves—attributed to the trade deficit, market speculation, and impediments to external loan disbursements—explains the limited FX liquidity supply. They emphasize that the central bank continues to sell USD to banks (albeit as an accrual) and directly to individuals through its public commercial bank. Furthermore, recent regulatory changes aim to ease private FX market constraints and curb speculation. The authorities remain committed and continue working to address the FX supply situation.

D. Safeguarding Financial Stability

26. The financial sector faces large systemic risks that are broadly similar to those outlined at the time of the 2024 Article IV consultation. Deposits are falling in real terms and net interest margins remain under pressure as interest rate controls constrain banks' ability to raise loan rates and credit growth is slowing. Bank profitability, however, has been boosted by gains from trading FX in the offshore parallel market. As a result, the average capital adequacy ratio improved somewhat in 2024, reaching 13.5 percent (above the regulatory minimum of 10 percent). In the absence of FX liquidity provision by the BCB, banks are no longer accepting new FX deposits and are actively reducing their FX-denominated liabilities. This has allowed banks to increase their long dollar position (although a large share of their FX assets are in the form of nondeliverable swaps with the central

Financial Soundness Indicators: Bolivia and South America



Sources: Haver Analytics; IMF, Financial Soundness Indicators database; national authorities; and IMF staff calculations.

bank). Slowing growth and expiring regulatory forbearance (that was put in place during the pandemic) has led to a rise in non-performing loans (NPLs) particularly for mortgages, microcredit, and credit to small and medium enterprises. Nonetheless, average NPLs are still low (at 3.2 percent of loans). A large share of reprogrammed loans (about 16 percent) and renewed regulatory forbearance following recent protests and wildfires are likely to further impair credit quality going forward (suggesting that current loan loss provisioning may be insufficient).

27. Financial system vulnerabilities warrant close monitoring and careful contingency planning. Despite a successful intervention of Banco Fassil in 2023, the episode demonstrated a series of shortcomings in the authorities' ability to deal with troubled banks. Moreover, potential future shocks have the potential to be far larger, with more systemic implications for credit quality, liquidity, and profitability. Some banks are proactively increasing provisions against potential credit deterioration and these prudent steps should be incentivized. However, overall provisioning has fallen somewhat, from 134 percent of NPLs at the end of 2023 to 130 percent at end-December 2024. In addition, declining bank profitability has been masked by FX trading revenues which will evaporate once the parallel and official exchange rates are aligned. Increased financial oversight and a rigorous implementation of the existing capital and liquidity requirements should be prioritized. Raising the frequency and comprehensiveness of stress tests and preparing detailed bank resolution contingency plans will foster resilience. The intervention in Banco Fassil also highlighted the need for clearer mandates and authorities for the Autoridad de Supervisión del Sistema Financiero (ASFI) to access high-frequency data and assume control of a failing bank.

28. In line with FSAP recommendations (Annex V), the bank regulator is strengthening risk monitoring and crisis preparedness. The authorities enhanced stress testing methodologies on interest rate risk and aligned measurements of market risk exposure with international standards. They have also imposed limits on banks' profits distribution and intend to establish minimum liquidity ratios and consolidated capital requirements in the first half of 2025, which will help build capital buffers. Steps were taken to improve the granularity of deposit data (to measure concentration risk) and to develop a housing price index (to assess price misalignment), which could be usefully complemented by borrower-based indicators (corporate vulnerabilities, household leverage) to improve systemic risk monitoring. Intervention rules and guidelines for recovery planning for banks are being updated and criteria are being devised to identify systemically important entities.

29. Modernizing the supervisory framework and regulatory standards would foster transparency and resilience. There is scope to strengthen the central bank's role within the Financial Stability Council and to improve the process for, and transparency of, Council decisions. Legal reforms should be introduced to prioritize ASFI's objectives, ensure its independence, provide legal protections for supervisors, and align regulations with international standards. Capital adequacy and liquidity frameworks, the treatment of problem assets, provisioning, limits on related party transactions, and limits on interest rate risk in the banking book all need to be brought into line with international standards. Moreover, the recent reduction of risk weights for social housing loans should be reversed, as it is counter the goal of emphasizing risk-based capital buffers. The recurrent use of regulatory forbearance should be minimized to mitigate moral hazard issues, ensure regulatory stability, support sound credit management, and enhance the accuracy and transparency of reported capital positions.

30. Enhancing the operations of the national pension fund (*Gestora*) would contribute to financial stability. Pension fund assets are concentrated in low-yielding fixed-term deposits and public sector debt. The pension system has benefited from a continuous expansion in the number of contributors. However, going forward, population ageing will worsen the financial position and concerns about a future forced reduction in the replacement rate may discourage participation. Diversifying investments across private and public debt instruments and exploring foreign investment options (as allowed by recent regulatory changes[12]) would help lessen actuarial imbalances in the system. Changes in investment allocations should, however, be carefully paced to avoid excessive strain on the banking sector or a rapid shift toward overseas assets, recognizing the macrofinancial impacts (availability of financing from the private and public sector). Appointment of the Board of the *Gestora* should advance, based on stringent technical criteria (as provided for in Law 65 of 2010). Greater operational and financial independence of the pension supervisor from the government would also help build trust, transparency, and accountability. Finally, advancing actuarial analyses of the sustainability of the semi-contributory and non-contributory (*Renta Dignidad*) pillars of the pension system is essential to inform future reform needs which may need to include an eventual recalibration of retirement ages, payout rules, or contributions. Risk management at the pension fund would be enhanced by designing contingency plans for a range of financial shocks.

31. A robust supervisory framework for virtual assets will help avoid the build-up of financial vulnerabilities or the creation new financial integrity risks. Following a recommendation by the Financial Action Task Force of Latin America (GAFILAT) to formalize crypto transactions, the authorities lifted a ban on virtual assets in June 2024. Despite still-modest trading volumes, the rapid growth of the market[13] calls for an enhanced oversight of bank exposures to crypto entities and lending to trading platforms. Strengthening the regulatory framework for crypto assets—through measures such as ringfencing banks' balance sheets, regulating providers, and ensuring consumer protection—is crucial for safeguarding the financial sector. This could be done by applying internationally accepted guidance published by The Bank for International Settlements' Committee on Payments and Market Infrastructures and the International Organization of Securities Commissions in July 2022.[14] As crypto assets may be used to bypass CFM measures, the design of future CFM measures should be modified to take into account the potential use of cryptocurrencies, including through reinforced monitoring of cross-border flows, and potential ML/TF risks.

32. Efforts should be prioritized to strengthen the country's anti-money laundering and counter-terrorism financing (AML/CFT) frameworks. Based on the results of the AML/CFT

[12] The limit on foreign assets of the pension fund were raised from 10 to 20 percent of its portfolio.

[13] In the six months after liberalization, the volume of transactions exceeded US$135 million.

[14] See "Application of the Principles for Financial Market Infrastructures to Stablecoin Arrangements."

assessment adopted by GAFILAT in December 2023, progress is needed in better understanding Bolivia's ML/TF risks, accessing beneficial ownership information, and strengthening ML/TF investigations and prosecutions, among other areas. The Financial Action Task Force will discuss potential gray listing of Bolivia in June 2025 which could result in further pressures on correspondent banking relations and investment inflows.

Authorities' Views

33. Bolivia's financial system has proven resilient and retains adequate buffers. Deposits and credit continue to expand, supporting 'productive sectors,' social housing, and consumption. Profitability has increased in 2024 and so have capital buffers. Furthermore, liquidity has significantly exceeded prudential ratios. Despite an increase in NPLs, primarily due to borrowers being affected by exogenous factors, they remain low and below several regional peers, and banks' provisions are adequate. ASFI is committed to continue strengthening crisis management and preparedness tools, and efforts are being made to align some provisions with international guidelines. However, the authorities do not see merit in the proposed changes to the governance framework for financial supervision, since they assess the current framework is adequate, with clearly defined mechanisms for interinstitutional coordination to oversee and preserve financial stability. Nominal returns have increased since the Gestora took over the management of pension fund assets and further diversification into foreign assets is envisaged. An actuarial analysis of the system's sustainability is also planned. While no specific regulations have been adopted for virtual assets, the small trading volumes suggest minimal risk, with the banks (currently the only service providers) already under ASFI's supervision.

E. Sustaining Potential Growth

34. Addressing supply-side constraints to growth will be critical to support external rebalancing, create jobs, and raise living standards. Since the pandemic, labor force growth has slowed, and average hours worked have fallen (especially in the informal sector). In addition, despite relatively high levels of public investment, the capital-to-GDP ratio has been falling and total factor productivity has continued on a secular downward path (Annex VI). Reversing these trends will require significant improvements across a range of areas:

- Export ceilings, price and interest rate controls, and credit quotas should be phased out to improve resource allocation and promote new investments (including in the agricultural sector).

- Agricultural productivity and resilience could be enhanced through reduced market regulations, R&D investments, reduced logistics costs, and better natural resource management (sustainable farming methods). Expanded access to fertilizers and use of biotechnology would boost crop yields.

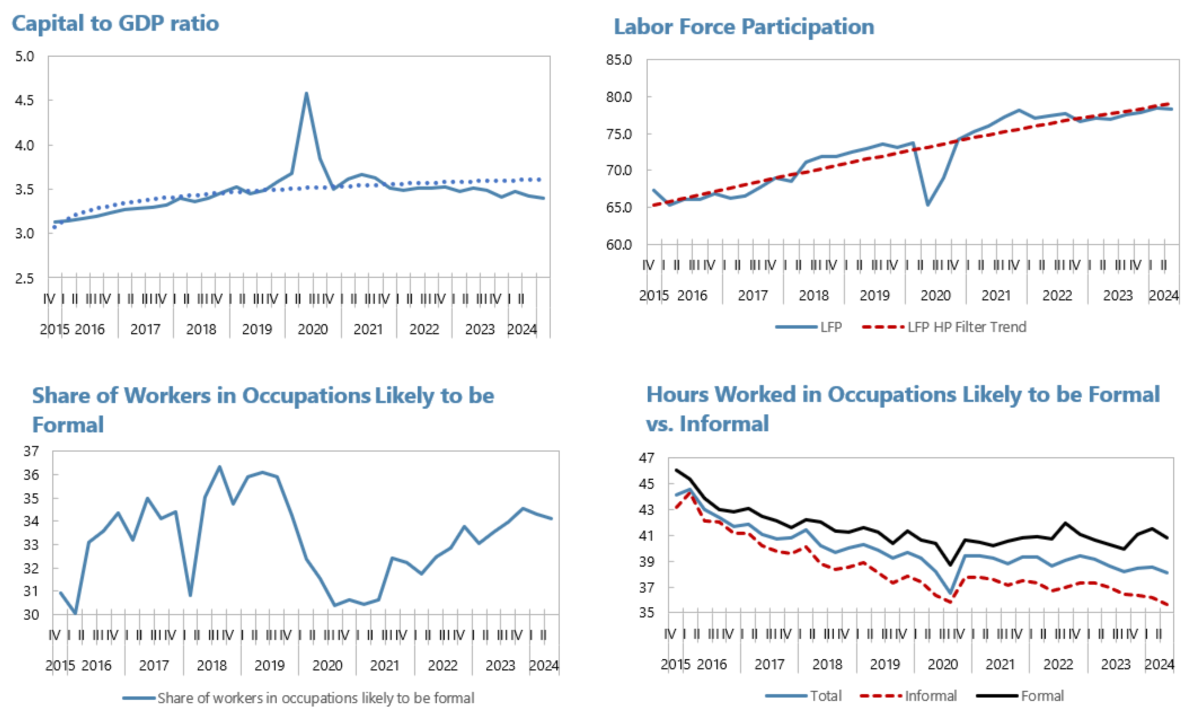
- A clear, predictable regulatory framework to attract private investment should be established for the development of natural resources with strict environmental safeguards (for both hydrocarbons and lithium).

- Fostering private investment in non-extractive sectors necessitates reducing tax and regulation burdens, modernizing labor regulations, and improving the rule of law to decrease uncertainty and secure property rights (Section F).

- Public investment should focus on closing infrastructure gaps and other projects with strong crowding in effects and/or clear social benefits (such as transition to renewable energy).

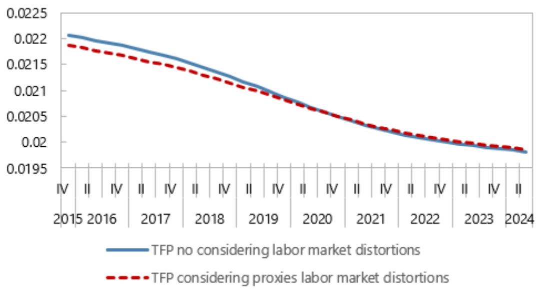
35. Decisive steps are needed to reduce economic informality and raise labor force participation. Informality acts as a safety valve for employment but also constrains productivity and facilitates tax evasion (Annex VII). Disincentives for workers to join the formal market are multifaceted including the availability of generous noncontributory pensions, weak unemployment insurance, the low quality of healthcare provided with formal employment, relatively high minimum wages, rigid hiring and firing rules, high rates of taxation, and red tape. Reducing informality will require a multipronged approach that includes reducing the marginal tax on labor, providing a stronger link between social contributions and benefits, enforcing tax, labor, and other regulations, and raising skills (given that higher wage, more skilled labor is more likely to work in formal employment). Strengthening wage bargaining frameworks to involve all relevant parties (employers, employees, and government) can promote labor formalization and mitigate unfavorable wage-price feedback loops.

Text Table 5. Potential Output and Long-Term Growth Trends. 2015Q4–2024Q2 1/, 2/, 3/

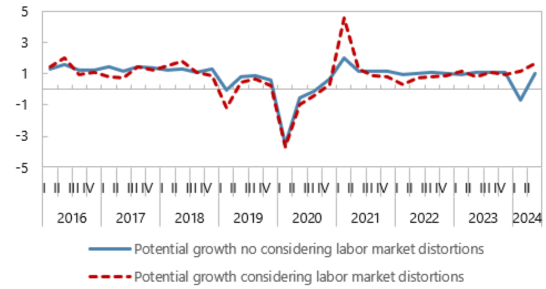


Text Table 5. Potential Output and Long-Term Growth Trends. 2015Q4–2024Q2 1/, 2/, 3/
(concluded)

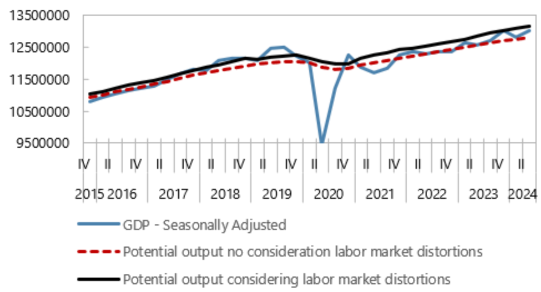
Potential TFP per Weekly Hours



Potential Output Growth



Alternative Measures of Potential Output



Sources: National Institute of Statistics, and Fund staff Calculations

1/ Workers in occupations defined as more likely to be part of the informal sector are those labeled as small farm workers, self-employed, domestic workers, family workers, apprentices and members of cooperatives.
2/ Labor market distortions refer in the charts to the explicit consideration of differentials between formal and informal workers in terms of their labor force participation, per-hour labor productivity, and levels of education.
3/ See Annex VI for a discussion of the results and methodology.

Authorities' Views

36. The authorities agree that efforts are needed to expand productive capacity and see the role of the public sector as critical for such transformation, **through significant investments in strategic sectors of the economy, which will generate new sources of growth, crowd-in private investment and foster economic formalization.** They are also continuing to promote the development of productive activity in the private sector, including efforts to reduce red tape, lower taxation of investment goods, and open the use of biotechnology in agriculture to support production. Quotas and price controls (including interest rates) are seen as instrumental to direct resources to priority sectors, manage supply, control inflation, and protect the population´s well-being.

F. Strengthening Governance

37. In recent years, the authorities have taken measures to enhance Bolivia's anti-corruption framework, but effective implementation remains a challenge. The Law on

Reinforcing the Fight against Corruption[15] was promulgated to strengthen enforcement of corruption offences and an updated national policy on transparency and the fight against corruption was adopted in 2023[16], as foreseen by the Economic and Social Development Plan (2021-2025). The policy aims to enhance the fight against corruption by strengthening the digitization of information, coordination with civil society and compliance of the private sector. The National Plan for the Fight against Corruption 2024/2025 was recently approved, and the authorities have usefully developed digital systems for tracking and managing complaints of corruption and misconduct of public officials and improved the processing of criminal prosecution and proceedings. However, perceptions of corruption remain negative, undermining public trust in institutions, deterring investment, contributing to social unrest, and adversely affecting the country's risk premium.

38. A stronger anti-corruption framework and rule of law would promote trust and foster private sector-led growth. Efforts are needed to enhance: (i) access to information, including through a dedicated law; (ii) the asset declarations system, including by expanding such declarations to disclose a wider range of conflicts of interest and facilitating public access; (iii) capacities and integrity of law enforcement officials; (iv) corruption risk assessments, complemented by the adoption of mitigation plans; (v) judicial independence, integrity and efficiency (through adequate resource allocation to the judiciary, publication of all judgements, and a transparent and participatory process for selecting judicial candidates); and (vi) the registration of property rights (notably through better inter-agency coordination and public access to registers). Corruption risks and negative perceptions can furthermore be mitigated by enhancing transparency and incentivizing public participation in government oversight. (Annex VIII).

Authorities' Views

39. The authorities expressed their commitment to improve governance and tackle corruption, and underscore important efforts on this front, including the enactment of the Law on Reinforcing the Fight Against Corruption (2021), the development of digital systems for tracking and managing complaints of corruption and misconduct of public officials, and enhance transparency and accountability, and the improved processing of criminal prosecution and proceedings. They agreed that strengthening the rule of law and combating corruption help attract investment, protect fiscal resources, and build trust in institutions. They recognize the importance of stregthening technical and human capacities and optimizing institutional resources to maximize the impact of the measures.

STAFF APPRAISAL

40. Bolivia's longstanding fiscal and external imbalances have reached critical levels. Large fiscal deficits, mostly financed by the central bank, in a fixed exchange rate regime have led to the depletion of international reserves, amid a secular decline in export revenue and tight external

[15] Law No. 1390, 2021

[16] "Towards Digitalized and Transparent Public Management" (Supreme Decree No. 4872).

financing constraints. Bolivia's reserve coverage is therefore inadequate, and its 2024 external position is assessed to be substantially weaker than the level implied by medium-term fundamentals and desirable policies. The private sector is contending with FX and fuel shortages, transacting at a parallel exchange rate that is over 80 percent weaker than the official rate. The resulting compression in capital and intermediate goods' imports has hindered domestic output (estimated to have grown at a mere 1.3 percent in 2024), while high import costs are passing-through to inflation (which reached a decade high of 14.6 percent in early 2025). Political tensions, roadblocks, and a severe drought compound the strains imposed by the macroeconomic policy imbalances. Absent policy reforms, the outlook entails an intensification of current trends with a high risk of a disorderly adjustment.

41. The risk of debt distress is escalating, driven by a high public debt-to-GDP ratio, low FX reserves, and an overvalued official exchange rate. Unsustainable macroeconomic policies, sociopolitical tensions, or the government's inability to meet its external debt obligations, could all erode confidence, leading to deposit and capital outflows. Global trade disruptions, a worsening of the terms of trade, or shocks to the banking system may intensify balance of payments pressures. Rising inflation, basic goods scarcity, or food price shocks could exacerbate social tensions and constrain the scope for policy action. Electoral uncertainties add to these risks.

42. A decisive shift in policies is needed to mitigate the risks to macroeconomic stability. With international reserves nearly depleted, the current peg to the U.S. dollar is untenable and should be replaced by a monetary policy framework that realigns the exchange rate with fundamentals while maintaining tight control over domestic currency liquidity to anchor price stability. Given uncertainty surrounding the equilibrium exchange rate and low reserves, the central bank could initially adopt a base money target. Interest rate and credit controls should be lifted to allow for the effective transmission of monetary conditions. FX interventions under the new monetary and exchange rate framework should be targeted toward reserve accumulation. Central bank financing of the fiscal deficit should be discontinued. The resulting scarcity of fiscal financing will necessitate a substantial fiscal adjustment. Financial system vulnerabilities may be exposed during the transition period making close financial oversight critical. Temporary, emergency restrictions on deposit withdrawals and capital outflows may need to be considered to support the adjustment in macroeconomic policies. As reserve adequacy improves, transitioning to a hybrid system utilizing a crawling band and short-term interest rates could be considered. A stronger operational and institutional framework for the central bank will be essential to support the transition to a flexible exchange rate and, eventually, to inflation targeting.

43. Fiscal consolidation should be underpinned by high-quality measures. The primary deficit would need to be reduced to 1 percent of GDP within the next three years through a broad set of measures that include cuts in the wage bill, the elimination of fuel subsidies, and improved public investment management. Import tax and VAT exemptions should be removed, the VAT base expanded, and the VAT rate increased. Over time, efforts to strengthen tax and customs administration will support revenue mobilization and consideration could be given to the introduction of a progressive income tax and expanding property taxes. Establishing the institutional framework for medium-term budgeting would provide a transparent roadmap for fiscal policy that is squarely focused on restoring debt sustainability.

44. The realignment of the official exchange rate and reduction of fiscal imbalances are essential to restore balance in the FX market and support the rebuilding of international reserves, allowing the removal of exchange restrictions. A step devaluation exceeding the current level of the parallel exchange rate will likely be necessary to meet public sector FX needs, promote capital inflows, and rebuild international reserves. The devaluation will negatively impact the public sector's balance sheet initially, but fiscal consolidation measures will guide debt back to a sustainable trajectory. Inflation will rise in the immediate aftermath of the exchange rate adjustment and elimination of subsidies but will subsequently stabilize to single digits as a result of tight fiscal and monetary policies. The depreciation will enhance competitiveness, reduce imports, attract foreign investment, and stimulate export industries, ultimately eliminating external imbalances.

45. The necessary policy adjustments will incur costs for the population, and thus quickly overhauling the social safety net will need to be a priority. Given limited fiscal resources, social assistance should focus on the most vulnerable households, necessitating a thorough reassessment of the adequacy and coverage of current benefits. Initial improvements in targeting could be achieved through proxy methods—linking eligibility to observable household characteristics usually associated with financial well-being. Over time, the system should shift to means-testing through a unified database that guarantees coverage for low-income households while preventing benefit duplication.

46. Financial sector supervision and contingency planning should be strengthened. Recent methodological improvements to stress-testing and market risk assessment should be expanded and the frequency and comprehensiveness of stress tests should increase. Establishing guidance on recovery planning for banks will bolster resilience. The planned implementation of new liquidity and consolidated capital requirements, as well as limits on bank profit distribution, will usefully build capital buffers. Regulatory forbearance should be minimized to reduce moral hazard, enhance the accuracy and transparency of reported capital positions, and align with international standards. Aligning the governance of the Financial Stability Council and financial supervisor (ASFI) with international standards will strengthen the supervisory framework. Establishing adequate regulation and supervision of virtual assets will prevent the build-up of financial vulnerabilities or new financial integrity risks. Efforts to improve the country's AML/CFT framework should continue to forestall a negative GAFILAT assessment, which could impair correspondent bank relationships and put further pressure on the financial system.

47. There is scope to enhance the operations of the public pension fund. Diversifying *Gestora's* investments to achieve a balanced portfolio between public and private debt instruments, while increasing the share of foreign assets, can improve returns and strengthen the fund's actuarial position. Risk management at the pension fund can be bolstered by developing contingency plans for financial shocks. The appointment of the Board of the *Gestora* should proceed based on stringent technical criteria. Enhancing the operational and financial independence of the pension supervisor will foster trust, transparency, and accountability.

48. Supply side reforms are central to facilitating external rebalancing and enhancing potential growth. Phasing out export ceilings, price controls, and credit quotas will improve resource allocation and attract new investments. A clear regulatory framework is necessary to encourage private investment in natural resource exploration, incorporating robust environmental safeguards. Public investment should prioritize closing infrastructure gaps and projects with clear social benefits. To boost private investment in non-extractive sectors and reduce economic informality, the tax burden on labor and capital should be reduced, labor laws modernized, and the rule of law strengthened. Enhancing agricultural productivity will require a combination of measures which include reduced market regulations and incentives for R&D investments.

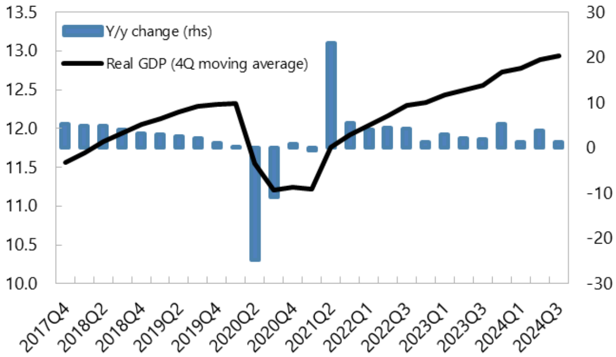
49. A stronger governance framework is essential for promoting trust and fostering private sector-led growth. The authorities have made progress in enhancing the anti-corruption framework, including the adoption of the Law on Reinforcing the Fight Against Corruption and the development of digital systems for tracking corruption complaints. However, further efforts are needed to enhance access to information, the asset declaration system, capacities and integrity of law enforcement officials, and corruption risk assessments, and to ensure judicial independence, integrity and efficiency, and effective registration of property rights.

50. It is proposed that the next Article IV consultation with Bolivia be held on the standard 12-month cycle.

Figure 1. Bolivia: Real Sector Developments

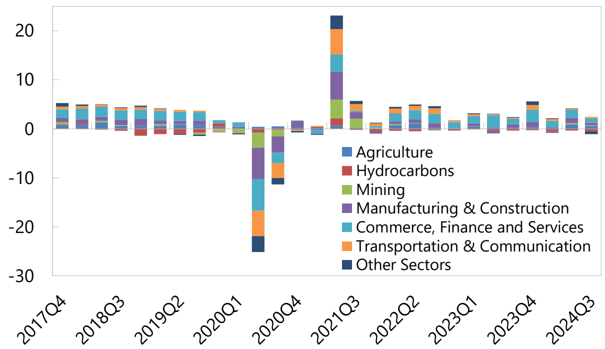
Economic activity continues to moderate but has been volatile.

Real GDP and GDP Growth
(Billions of Bolivianos; percent, y/y)



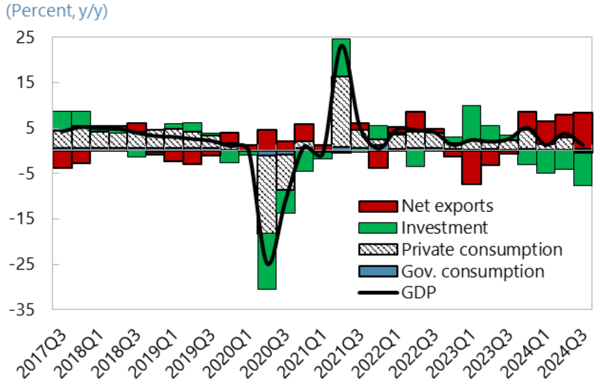
Retail and services explain the bulk of growth surprises.

Contributions to GDP Growth, Supply Side
(Percent)



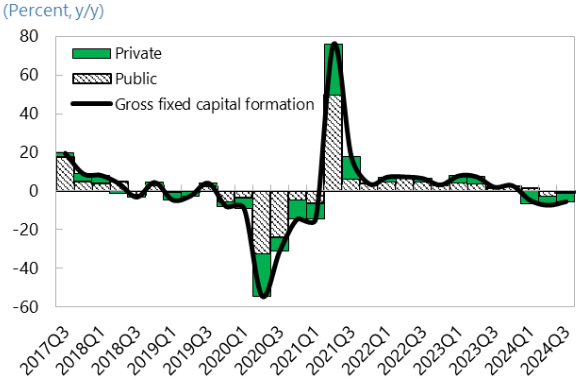
Investment and imports dropped significantly in recent quarters.

Contributions to Real GDP Growth, Demand Side
(Percent, y/y)



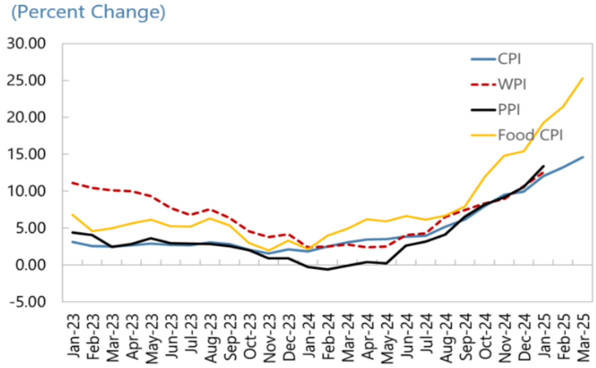
Private investment led the contraction in capital formation.

Contributions to Real Investment Growth
(Percent, y/y)



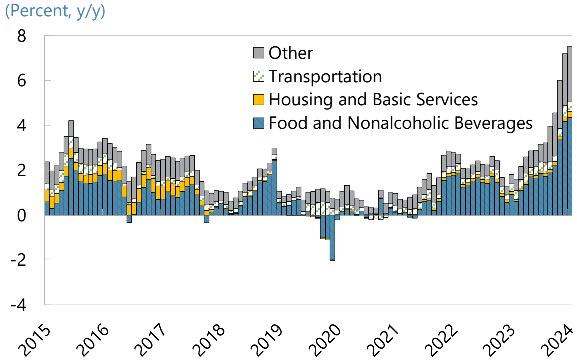
Producer, wholesale, and consumer price inflation accelerated, pushed by tradable components.

Consumer, Wholesale, and Producer Price Indexes
(Percent Change)



Food and services inflation are at a decade-long peak.

Contribution to CPI Inflation
(Percent, y/y)



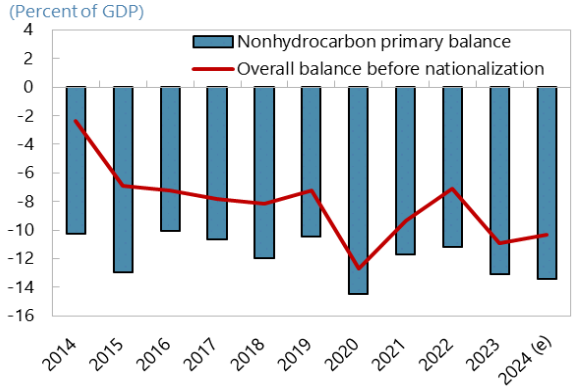
Sources: National Institute of Statistics, Central Bank of Bolivia, Haver, SEDLAC, World Bank, and Fund staff calculations.

Figure 2. Bolivia: Fiscal Sector Developments

The fiscal deficit remained sizable in 2024…

Fiscal Balance

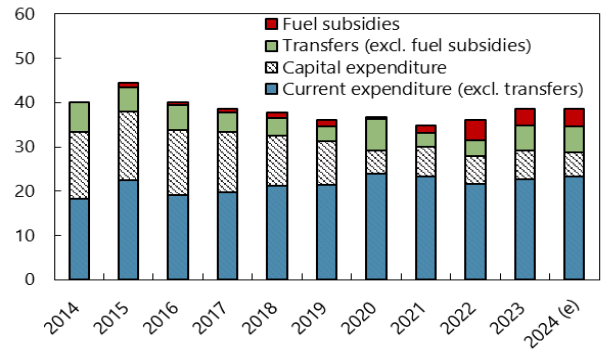
(Percent of GDP)



…driven by rising fuel subsidies, social transfers, and other current expenditures…

Expenditure Composition

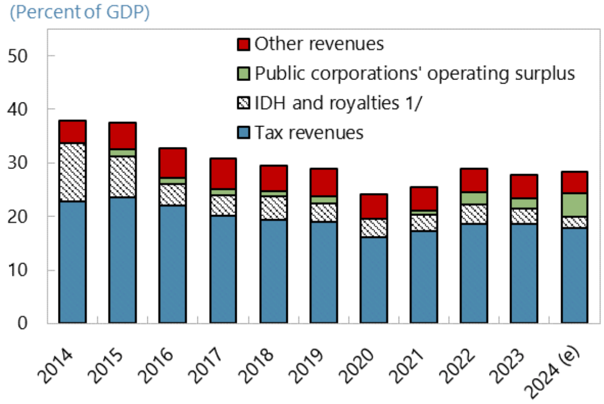
(Percent of GDP)



…while a fall in hydrocarbon-related revenues and tax collections was compensated by higher SOE profits.

Total Revenue Composition

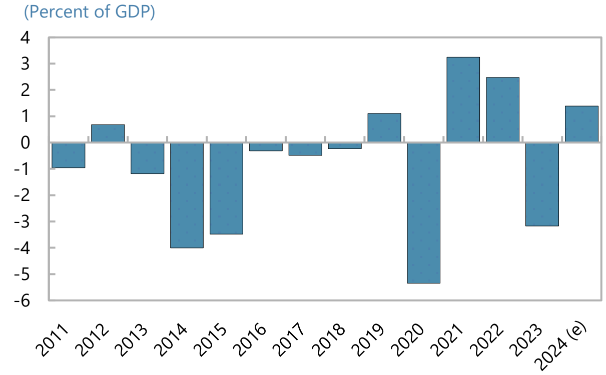
(Percent of GDP)



Fiscal policy stance is estimated to have tightened in 2024 on account of windfalls from intervention in the domestic gold market.

Fiscal Impulse 2/

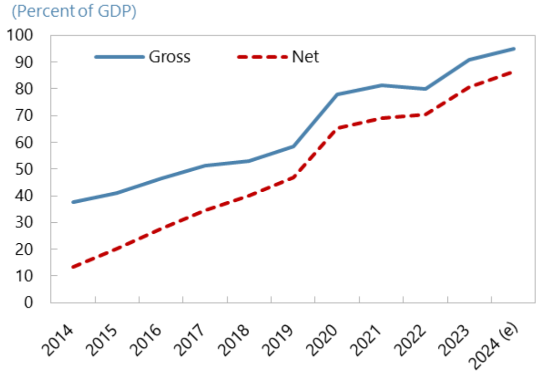
(Percent of GDP)



Public debt keeps growing after the notable surge in 2020.

Public Sector Debt

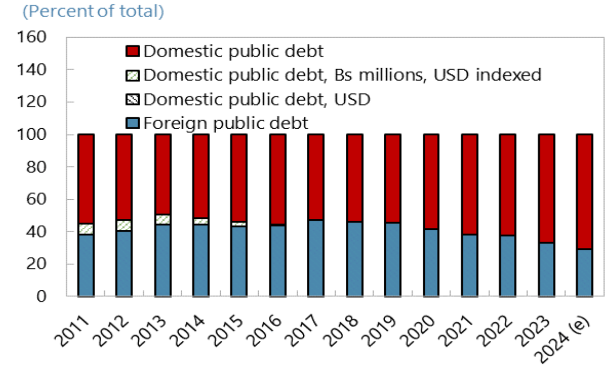
(Percent of GDP)



Limited access to external financing has shifted the composition of public debt towards domestic sources.

Public Debt 3/

(Percent of total)



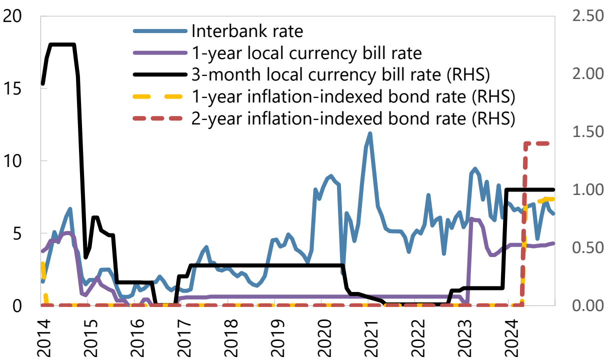
Sources: Ministry of the Economy and Public Finances, Central Bank of Bolivia and Fund staff estimates.
1/ IDH: direct tax on hydrocarbons.
2/ Changes to primary fiscal balance.
3/ Excluding BCB loans to SOEs.

Figure 3. Bolivia: Monetary Sector Development

Interbank rates have dropped since their March 2023 peak but remain above historical levels.

Central Bank and Interbank Interest Rate

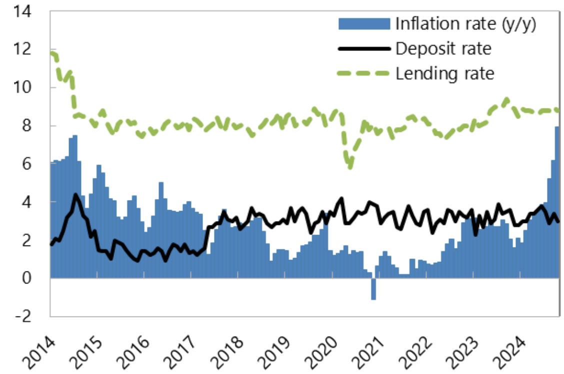
(Percent)



Deposit and lending rates have been stable in the last year, despite inflationary pressures.

Interest Rates and Inflation

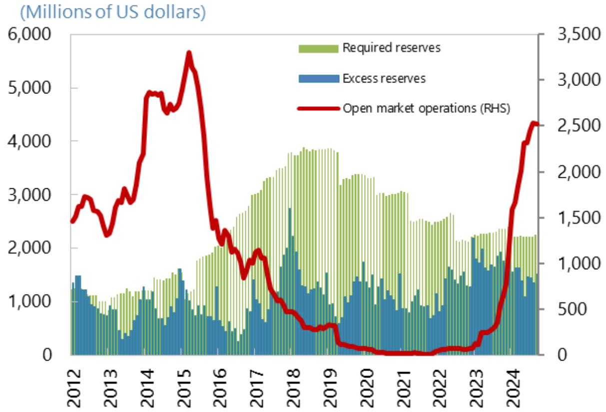
(Percent)



Banks' excess reserves have markedly increased in the past year.

Bank Reserves

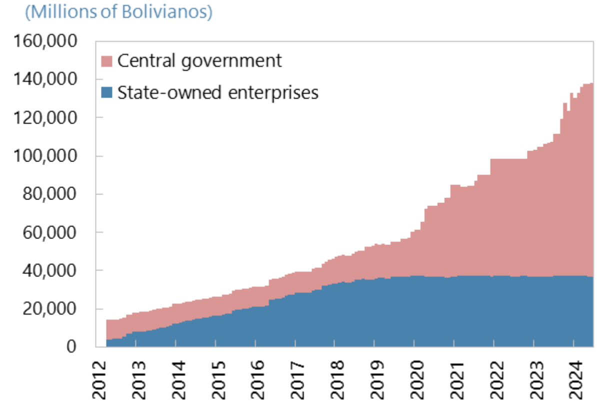
(Millions of US dollars)



Central bank credit to the central government continues to expand.

Central Bank Lending to the Public Sector

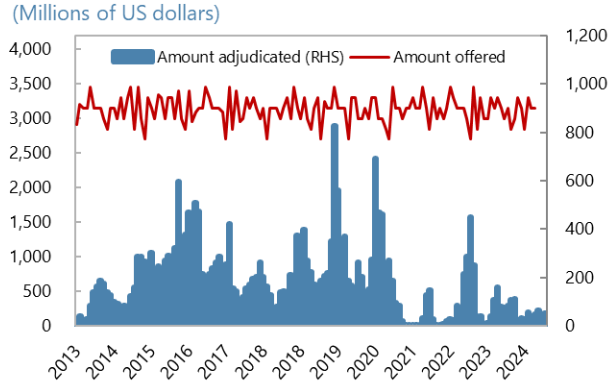
(Millions of Bolivianos)



Central bank FX provision to banks through the Bolsin dropped abruptly in mid-2023. 1/

Central Bank Intervention in FX Market 1/

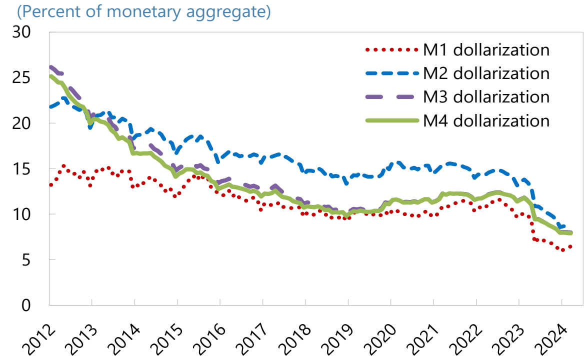
(Millions of US dollars)



Dollarization ratios stabilized at low levels after the 2023 drop related to the exit of Banco Fassil.

Monetary Aggregates Dollarization

(Percent of monetary aggregate)



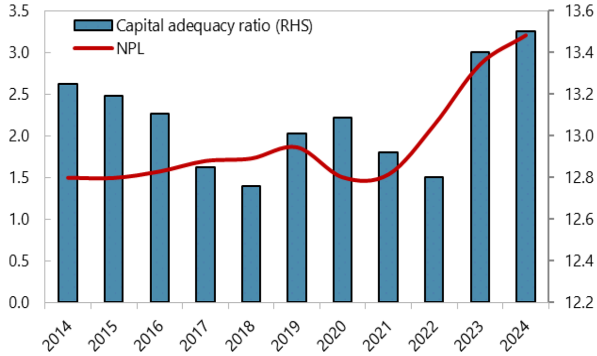
Sources: Central Bank of Bolivia, National Institute of Statistics, and Fund staff calculations.

1/ Includes direct FX sales and Bolivia's exchange house (Bolsin) transactions. The amounts offered and adjudicated correspond to the cumulative for the month. Adjudicated amounts are accrued by banks as a deposit in their reserve accounts at the central bank.

Figure 4. Bolivia: Financial Sector Developments

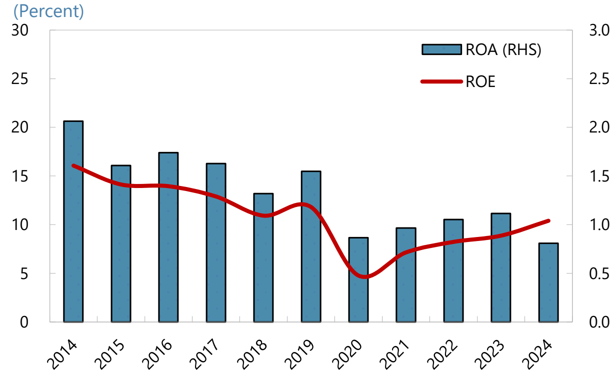
Capital adequacy ratios are above the regulatory minimum, while NPLs have been rising…

Capital Adequacy Ratio and Nonperforming Loans
(Percent)



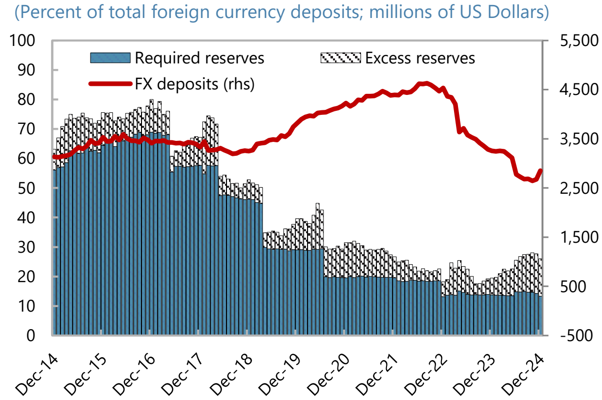
…and bank profitability has been declining.

Rates of Return
(Percent)



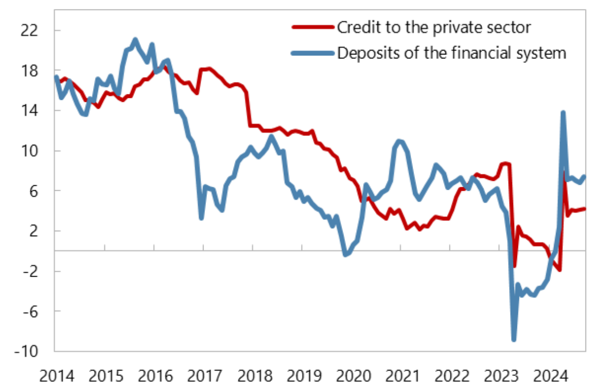
The authorities reduced reserve requirements on FX deposits three times to support liquidity and lending.

Banks' Foreign Currency Reserves
(Percent of total foreign currency deposits; millions of US Dollars)



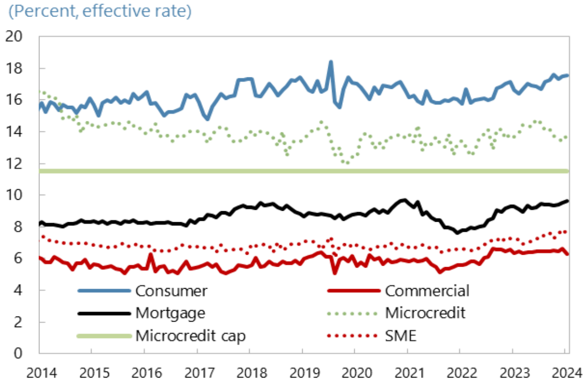
Credit growth has been muted since the exit of Banco Fassil.

Deposits and Credit Growth 1/
(Percent, y/y)



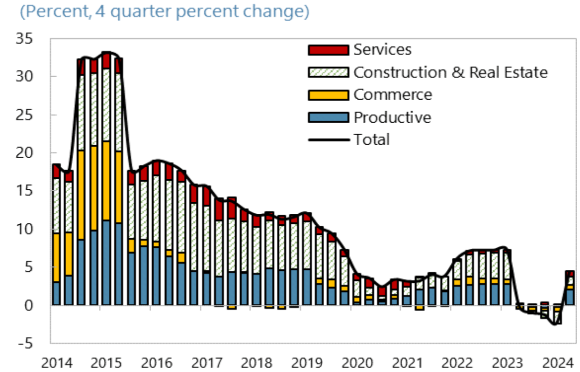
The microcredit lending rate is the most affected by the Financial Services law.

Bank Lending Rate by Type of Credit 1/
(Percent, effective rate)



Lending has fallen across "productive" and other sectors.

Contribution to Credit Growth by Destination
(Percent, 4 quarter percent change)

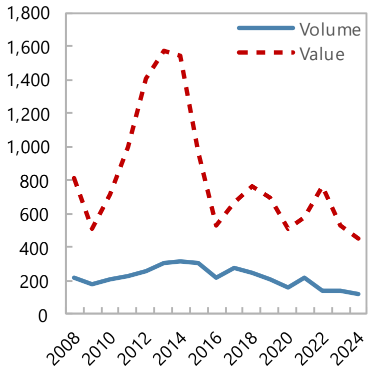


Sources: BCB, ASFI and Fund staff calculations.
1/ The estimations include credit extended by the addition of new financial institutions created during the period, including development institutions (*Instituciones Financieras de Desarrollo*).

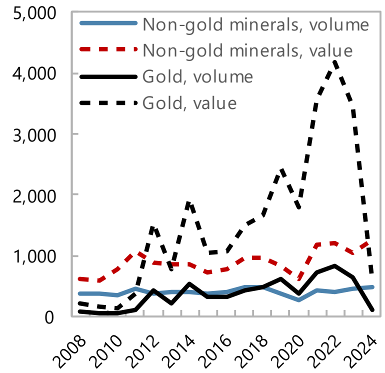
Figure 5. Bolivia: External Sector Developments

Exports declined in 2024 due to central bank gold purchase central bank gold purchases, poor agricultural weather, and maturing natural gas reservoirs.

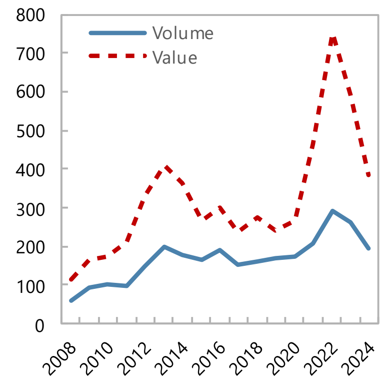
Natural Gas Exports
(Indexes, 2003=100)



Exports of Minerals
(Indexes, 2003=100)

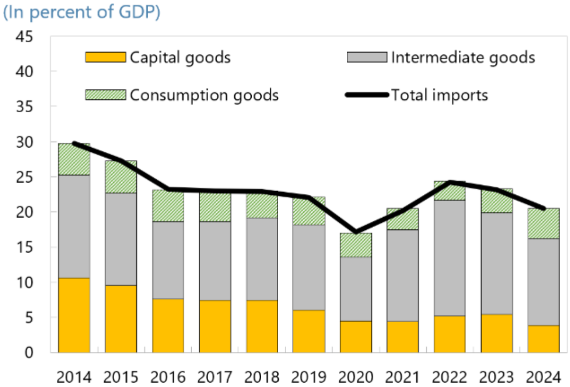


Exports of Soybeans and Derivatives
(Indexes, 2003=100)



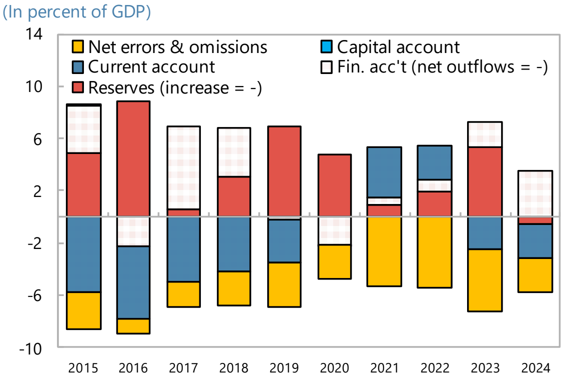
Imports compressed across all segments in 2024.

Imports of Goods
(In percent of GDP)



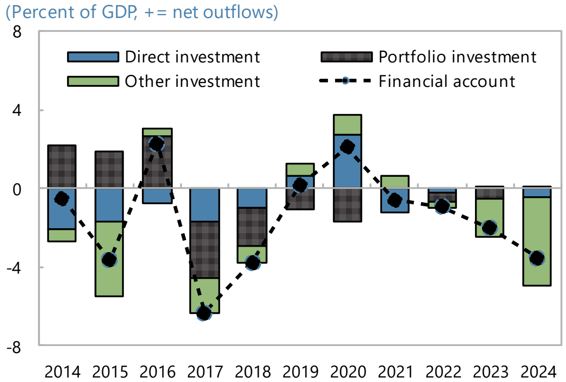
The current account deficit including net errors and omissions narrowed in 2024.

Balance of Payments
(In percent of GDP)



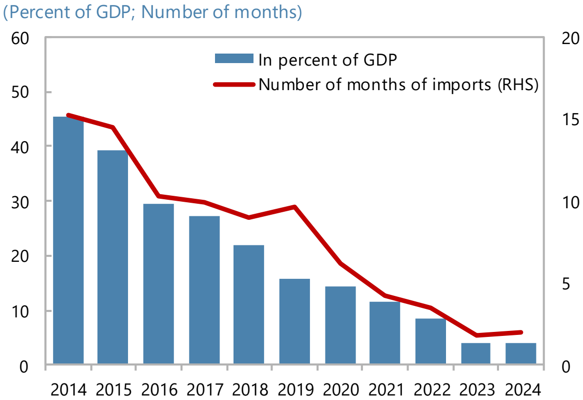
Financial inflows have been driven by "other investment" since 2023.

Financial Account
(Percent of GDP, += net outflows)



Gross international reserves remain near their legal minimum in 2024.

Gross Reserves
(Percent of GDP; Number of months)



Sources: Central Bank of Bolivia, INE, and Fund staff estimates.

Table 1. Bolivia: Selected Economic and Social Indicators, 2023–30

Population (millions, 2024)	11.3	Poverty rate (percent, 2023)	36.5
Population growth rate (percent, 2024)	1.4	Adult literacy rate (percent, 2023)	95.2
Life expectancy at birth (years, 2024)	68.7	GDP per capita (US$, 2023)	3,736
Total unemployment rate (2024Q3)	3.6	IMF Quota (SDR, millions)	240.1

		Est.	Proj.					
	2023	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Income and prices								
Real GDP	3.1	1.3	1.1	0.9	0.6	0.4	0.2	0.2
Nominal GDP	2.6	6.5	16.4	16.9	17.9	18.7	19.9	21.1
CPI inflation (period average)	2.6	5.1	15.1	15.8	17.1	18.2	19.6	20.9
CPI inflation (end of period)	2.1	10.0	15.6	16.8	17.5	18.9	20.3	21.3
Combined public sector								
Revenues and grants	27.8	28.4	24.8	24.2	23.8	23.7	23.6	23.5
Of which: Hydrocarbon related revenue 1/	2.8	2.2	1.9	1.6	1.3	1.1	0.8	0.6
Expenditure	38.7	38.7	37.5	37.4	38.1	39.7	40.8	42.2
Current	32.3	33.2	32.5	32.6	33.4	35.1	36.3	37.8
Capital 2/	6.4	5.4	5.0	4.8	4.7	4.6	4.5	4.4
Net lending/borrowing (overall balance)	-10.9	-10.3	-12.7	-13.2	-14.2	-16.0	-17.2	-18.7
Of which: Non-hydrocarbon balance	-15.4	-16.4	-16.3	-16.0	-16.7	-18.2	-19.2	-20.5
Total gross NFPS debt 3/	90.8	95.0	90.4	91.4	92.8	95.5	98.5	101.8
External sector								
Current account	-2.5	-2.7	-2.6	-3.2	-3.8	-4.2	-4.6	-4.7
Exports of goods and services	26.2	20.7	18.0	16.0	14.1	12.4	10.9	9.4
Of which: Natural gas	4.5	3.3	2.3	1.8	1.4	1.1	0.9	0.8
Imports of goods and services	28.6	23.4	20.4	18.9	17.4	16.1	14.7	13.0
Capital account	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account (-= net inflow)	-2.0	-3.5	-2.8	-3.3	-3.7	-4.2	-4.6	-4.7
Of which: Direct investment net	0.0	-0.2	-0.2	-0.1	-0.1	0.1	0.1	0.1
Of which: Other investment, net	-1.5	-2.1	-2.3	-3.4	-3.8	-4.1	-4.6	-4.8
Of which: Unidentified financing inflows	0.0	0.0	-1.4	-3.2	-3.2	-4.2	-4.4	-4.6
Net errors and omissions	-4.8	-2.6	0.0	0.0	0.0	0.0	0.0	0.0
Terms of trade index (percent change)	1.2	-2.3	-1.6	-0.2	0.0	-0.1	-0.1	0.0
Central Bank gross foreign reserves 4/ 5/ 6/								
In millions of U.S. dollars	1,808	2,009	2,118	2,199	2,160	2,231	2,290	2,312
In months of imports of goods and services	1.9	2.1	2.0	2.0	1.7	1.7	1.6	1.4
In percent of GDP	4.0	4.1	3.8	3.3	2.8	2.4	2.1	1.7
In percent of ARA	20.6	23.0	22.3	20.5	17.4	15.3	13.1	10.9
Money and credit								
Credit to the private sector (percent change)	-2.1	4.0	7.5	7.2	6.9	6.6	6.6	7.2
Credit to the private sector (percent of GDP)	70.8	69.2	63.9	58.6	53.2	47.8	42.5	37.6
Broad money (percent of GDP)	90.2	87.5	85.7	86.9	88.0	89.2	90.4	91.6
Memorandum items:								
Nominal GDP (in billions of U.S. dollars)	45.5	48.4	56.3	65.9	77.6	92.1	110.4	133.8
Bolivianos/U.S. dollar (end-of-period) 7/	6.9	...	...	...	...	...	...	...
REER, period average (percent change) 8/	-1.5	...	...	...	...	...	...	...
Oil prices (in U.S. dollars per barrel)	80.6	79.2	72.0	68.2	66.9	66.4	66.0	65.8
Energy-related subsidies to SOEs (percent of GDP) 9/	3.9	4.0	3.4	2.9	2.5	2.3	2.0	1.6

Sources: Bolivian authorities (MEFP, Ministry of Planning, BCB, INE, UDAPE); IMF; Fund staff calculations.
1/ Excludes YPFB profits/losses.
2/ Includes net lending.
3/ Public debt includes SOE's borrowing from the BCB (but not from other domestic institutions) and BCB loans to FINPRO and FNDR.
4/ Excludes reserves from the Latin American Reserve Fund (FLAR) and Offshore Liquidity Requirements (RAL).
5/ All foreign assets valued at market prices.
6/ Includes a repurchase line of US$99.2 million maturing in 2025.
7/ Official (buy) exchange rate.
8/ The REER based on authorities' methodology is different from that of the IMF (see 2018 and 2017 Staff Reports).
9/ Includes the cost of subsidy borne by public enterprises and incentives for hydrocarbon exploration investments in the projection period.

Table 2a. Bolivia: Operations of the Combined Public Sector, 2023–30[1]

(Bs million)

		Est.	Proj.					
	2023	2024	2025	2026	2027	2028	2029	2030
Total Revenues	**86,552**	**94,147**	**95,927**	**109,179**	**126,750**	**149,770**	**178,572**	**215,163**
Tax Revenues	67,107	66,316	72,271	83,425	96,812	113,995	135,318	162,569
IDH and royalties	8,883	7,192	7,360	7,200	6,846	6,780	5,710	5,613
Direct Taxes	10,678	10,723	11,277	13,054	15,252	18,128	21,778	26,463
Indirect Taxes	47,546	48,402	53,634	63,171	74,714	89,087	107,830	130,493
o/w VAT	23,155	23,767	27,780	33,108	39,451	46,939	56,997	68,962
o/w Excise tax on fuel	1,986	1,857	2,254	2,502	2,768	3,196	3,683	4,059
Grants	117	46	53	62	73	87	104	126
Other revenue	19,327	27,785	23,603	25,692	29,864	35,688	43,149	52,468
Nontax revenue	12,090	12,221	14,577	17,185	20,572	24,670	30,079	36,428
Public enterprises operating balance	5,941	14,170	7,402	6,610	7,057	8,364	9,889	12,187
Central bank operating balance	1,296	1,394	1,623	1,897	2,236	2,654	3,182	3,853
Total Expenditures	**120,687**	**128,358**	**144,971**	**168,732**	**202,594**	**250,740**	**309,160**	**386,916**
Current Expenditure	100,749	110,350	125,674	147,108	177,612	221,656	274,779	346,827
Compensation of employees	40,547	42,168	49,109	56,889	66,363	79,247	94,813	114,596
Purchases of goods and services	14,953	15,003	16,578	18,796	21,487	25,017	29,990	36,321
Interest	7,091	10,026	12,285	17,906	28,463	45,893	66,657	98,703
Domestic	2,899	5,452	7,680	13,434	24,278	42,130	63,344	95,804
Foreign	4,192	4,574	4,605	4,472	4,184	3,763	3,313	2,899
Energy-related subsidies to SOEs 2/	12,256	13,292	12,966	12,933	13,484	14,346	14,809	14,245
Social benefits 3/	25,310	27,350	31,814	37,169	43,791	51,971	62,297	75,439
Other expense	592	2,510	2,922	3,415	4,025	5,182	6,212	7,523
Net acquisition of nonfinancial assets 4/	19,938	18,008	19,297	21,624	24,982	29,084	34,381	40,089
o/w Public Enterprises	5,390	5,121	5,214	5,551	6,383	7,341	8,075	8,075
Gross operating balance	**-14,197**	**-16,203**	**-29,747**	**-37,930**	**-50,862**	**-71,886**	**-96,206**	**-131,664**
Primary Balance	**-27,044**	**-24,185**	**-36,760**	**-41,648**	**-47,381**	**-55,077**	**-63,930**	**-73,050**
Net lending/borrowing (Fiscal Balance)	**-34,136**	**-34,211**	**-49,044**	**-59,554**	**-75,844**	**-100,970**	**-130,588**	**-171,753**
Net financial transactions	**-34,136**	**-34,211**	**-49,044**	**-59,554**	**-75,844**	**-100,970**	**-130,588**	**-171,753**
Net incurrence of liabilities	**34,136**	**34,211**	**49,044**	**59,554**	**75,844**	**100,970**	**130,588**	**171,753**
External	1,467	-1,138	-1,914	-6,814	-4,571	-6,507	-3,828	-3,775
Disbursements 5/	7,723	4,623	4,392	1,363	3,532	3,848	4,233	4,436
Amortizations	-6,014	-5,739	-6,285	-8,155	-8,081	-10,333	-8,040	-8,189
Other external	-243	-22	-22	-22	-22	-22	-22	-22
Domestic	32,669	35,349	50,958	66,259	80,415	107,477	134,416	175,528
Banking system	27,183	26,629	38,205	51,351	62,847	86,622	109,415	145,249
Central Bank	26,990	26,436	38,012	51,158	62,654	86,429	109,222	145,056
f liabilities, Domestic, Central Bank	26,990	26,436	38,012	51,158	62,654	86,429	109,222	145,056
Commercial banks	193	193	193	193	193	193	193	193
Pension funds	7,565	9,427	11,595	13,552	15,972	18,959	22,729	27,526
Other domestic	-2,079	-708	1,159	1,355	1,597	1,896	2,273	2,753
Memorandum items:								
Hydrocarbon related revenue 6/	8,883	7,192	7,360	7,200	6,846	6,780	5,710	5,613
Nonfinancial public sector gross public debt 7/	283,120	315,590	349,193	412,913	493,857	603,796	746,004	933,730
o/w gross foreign public debt	93,216	91,549	89,635	82,864	78,315	71,829	68,022	64,269
NFPS deposits	31,748	28,167	28,167	28,167	28,167	28,167	28,167	28,167
Nominal GDP (Bs million)	311,886	332,054	386,484	451,741	532,387	631,977	757,619	917,533

Sources: Ministry of Finance; Bolivia Central Bank; and Fund staff estimates and projections.

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

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

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

4/ Includes net lending.

5/ Comprised of mostly bilateral and multilateral disbursements.

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

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

Table 2b. Bolivia: Operations of the Combined Public Sector, 2023–30[1]

(Percent of GDP)

		Est.			Proj.			
	2023	2024	2025	2026	2027	2028	2029	2030
Total Revenues	**27.8**	**28.4**	**24.8**	**24.2**	**23.8**	**23.7**	**23.6**	**23.5**
Tax Revenues	21.5	20.0	18.7	18.5	18.2	18.0	17.9	17.7
IDH and royalties	2.8	2.2	1.9	1.6	1.3	1.1	0.8	0.6
Direct Taxes	3.4	3.2	2.9	2.9	2.9	2.9	2.9	2.9
Indirect Taxes	15.2	14.6	13.9	14.0	14.0	14.1	14.2	14.2
o/w VAT	7.4	7.2	7.2	7.3	7.4	7.4	7.5	7.5
o/w Excise tax on fuel	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.4
Grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other revenue	6.2	8.4	6.1	5.7	5.6	5.6	5.7	5.7
Nontax revenue	3.9	3.7	3.8	3.8	3.9	3.9	4.0	4.0
Public enterprises operating balance	1.9	4.3	1.9	1.5	1.3	1.3	1.3	1.3
Central bank operating balance	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Total Expenditures	**38.7**	**38.7**	**37.5**	**37.4**	**38.1**	**39.7**	**40.8**	**42.2**
Current Expenditure	32.3	33.2	32.5	32.6	33.4	35.1	36.3	37.8
Compensation of employees	13.0	12.7	12.7	12.6	12.5	12.5	12.5	12.5
Purchases of goods and services	4.8	4.5	4.3	4.2	4.0	4.0	4.0	4.0
Interest	2.3	3.0	3.2	4.0	5.3	7.3	8.8	10.8
Domestic	0.9	1.6	2.0	3.0	4.6	6.7	8.4	10.4
Foreign	1.3	1.4	1.2	1.0	0.8	0.6	0.4	0.3
Energy-related subsidies to SOEs 2/	3.9	4.0	3.4	2.9	2.5	2.3	2.0	1.6
Social benefits 3/	8.1	8.2	8.2	8.2	8.2	8.2	8.2	8.2
Other expense	0.2	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Net acquisition of nonfinancial assets 4/	6.4	5.4	5.0	4.8	4.7	4.6	4.5	4.4
o/w Public Enterprises	1.7	1.5	1.3	1.2	1.2	1.2	1.1	0.9
Gross operating balance	**-4.6**	**-4.9**	**-7.7**	**-8.4**	**-9.6**	**-11.4**	**-12.7**	**-14.3**
Primary Balance	**-8.7**	**-7.3**	**-9.5**	**-9.2**	**-8.9**	**-8.7**	**-8.4**	**-8.0**
Net lending/borrowing (Fiscal Balance)	**-10.9**	**-10.3**	**-12.7**	**-13.2**	**-14.2**	**-16.0**	**-17.2**	**-18.7**
Net financial transactions	**-10.9**	**-10.3**	**-12.7**	**-13.2**	**-14.2**	**-16.0**	**-17.2**	**-18.7**
Net incurrence of liabilities	**10.9**	**10.3**	**12.7**	**13.2**	**14.2**	**16.0**	**17.2**	**18.7**
External	0.5	-0.3	-0.5	-1.5	-0.9	-1.0	-0.5	-0.4
Disbursements 5/	2.5	1.4	1.1	0.3	0.7	0.6	0.6	0.5
Amortizations	-1.9	-1.7	-1.6	-1.8	-1.5	-1.6	-1.1	-0.9
Other external	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	10.5	10.6	13.2	14.7	15.1	17.0	17.7	19.1
Banking system	8.7	8.0	9.9	11.4	11.8	13.7	14.4	15.8
Central Bank	8.7	8.0	9.8	11.3	11.8	13.7	14.4	15.8
Commercial banks	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Pension funds	2.4	2.8	3.0	3.0	3.0	3.0	3.0	3.0
Other domestic	-0.7	-0.2	0.3	0.3	0.3	0.3	0.3	0.3
Memorandum items:								
Hydrocarbon related revenue 6/	2.8	2.2	1.9	1.6	1.3	1.1	0.8	0.6
Nonfinancial public sector gross public debt 7/	90.8	95.0	90.4	91.4	92.8	95.5	98.5	101.8
o/w gross foreign public debt	29.9	27.6	23.2	18.3	14.7	11.4	9.0	7.0
NFPS deposits	10.2	8.5	7.3	6.2	5.3	4.5	3.7	3.1
Nominal GDP (Bs million)	311,886	332,054	386,484	451,741	532,387	631,977	757,619	917,533

Sources: Ministry of Finance; Bolivia Central Bank; and Fund staff estimates and projections.
1/ The operation of mixed-ownership companies, primarily in the telecom, electricity and hydrocarbon sectors, are not included.
2/ Includes incentives for hydrocarbon exploration investments in the projection period.
3/ Includes pensions, cash transfers to households, and social investment programs (previously classified as capital expenditure).
4/ Includes net lending.
5/ Comprised of mostly bilateral and multilateral disbursements.
6/ Hydrocarbon related revenues are defined as direct hydrocarbon tax (IDH) and royalties. They exclude the operating balance of the state oil/gas company (YPFB).
7/ Public debt includes SOE's borrowing from the BCB but not from other domestic institutions.

Table 3. Bolivia: Non-Financial Public Sector Debt, 2023–30

		Est.	Proj.					
	2023	2024	2025	2026	2027	2028	2029	2030
	Bs milllion							
Internal Debt 1/	**144,317**	**178,597**	**216,189**	**284,760**	**369,923**	**486,252**	**632,396**	**823,946**
Public Financial Sector	88,458	113,313	170,785	239,472	324,304	440,536	586,811	778,432
Private Sector	55,858	65,284	45,268	45,287	45,618	45,713	45,582	45,511
Public Non-Financial Sector	1	1	1	1	2	2	3	4
Short Term	48,501	60,501	75,689	100,656	129,627	171,304	223,861	290,739
Long Term	95,816	118,097	140,500	184,104	240,296	314,947	408,535	533,208
Foreign debt 2/ 3/	**93,216**	**91,549**	**89,635**	**82,864**	**78,315**	**71,829**	**68,022**	**64,269**
Central Government	93,216	91,549	89,635	82,864	78,315	71,829	68,022	64,269
Commercial Banks	504	415	406	375	355	325	308	291
Bilateral	15,202	14,201	13,904	12,854	12,148	11,142	10,551	9,969
Multilateral	64,819	64,243	62,900	58,148	54,956	50,405	47,733	45,100
Private	12,691	12,691	12,426	11,487	10,856	9,957	9,430	8,909
Other	0	0	0	0	0	0	0	0
Other NFPS	0	0	0	0	0	0	0	0
BCB loans to SOEs	**37,103**	**36,593**	**34,705**	**36,298**	**36,651**	**36,594**	**36,352**	**36,298**
BCB loans to FNDR	**1,816**	**1,572**	**1,570**	**1,589**	**1,533**	**1,440**	**1,428**	**1,461**
BCB loans to FINPRO	**6,668**	**7,278**	**7,424**	**7,402**	**7,435**	**7,681**	**7,805**	**7,756**
Total NFPS Debt	**283,120**	**315,590**	**349,193**	**412,913**	**493,857**	**603,796**	**746,004**	**933,730**
	Percent of GDP							
Internal Debt 1/	**46.3**	**53.8**	**55.9**	**63.0**	**69.5**	**76.9**	**83.5**	**89.8**
Public Financial Sector	28.4	34.1	44.2	53.0	60.9	69.7	77.5	84.8
Private Sector	17.9	19.7	11.7	10.0	8.6	7.2	6.0	5.0
Public Non-Financial Sector	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short Term	15.6	18.2	19.6	22.3	24.3	27.1	29.5	31.7
Long Term	30.7	35.6	36.4	40.8	45.1	49.8	53.9	58.1
Foreign debt 1/	**29.9**	**27.6**	**23.2**	**18.3**	**14.7**	**11.4**	**9.0**	**7.0**
Central Government	29.9	27.6	23.2	18.3	14.7	11.4	9.0	7.0
Commercial Banks	0.2	0.1	0.1	0.1	0.1	0.1	0.0	0.0
Bilateral	4.9	4.3	3.6	2.8	2.3	1.8	1.4	1.1
Multilateral	20.8	19.3	16.3	12.9	10.3	8.0	6.3	4.9
Private	4.1	3.8	3.2	2.5	2.0	1.6	1.2	1.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other NFPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BCB loans to SOEs	**11.9**	**11.0**	**9.4**	**8.0**	**6.9**	**5.8**	**4.8**	**4.0**
BCB loans to FNDR	**0.6**	**0.5**	**0.4**	**0.4**	**0.3**	**0.2**	**0.2**	**0.2**
BCB loans to FINPRO	**2.1**	**2.2**	**1.9**	**1.6**	**1.4**	**1.2**	**1.0**	**0.8**
Total NFPS Debt	**90.8**	**95.0**	**90.4**	**91.4**	**92.8**	**95.5**	**98.5**	**101.8**
Memorandum items:								
NFPS Deposits at the BCB (Bs million)	31,748	28,167	28,167	28,167	28,167	28,167	28,167	28,167
NFPS Net Debt (Bs million)	251,372	287,423	322,926	384,746	465,690	575,629	717,837	905,563
Nominal GDP (Bs million)	311,886	332,054	386,484	451,741	532,387	631,977	757,619	917,533

Sources: Ministry of Finance; Bolivia Central Bank; and Fund staff estimates and projections.
1/ Debt in local currency issued by the Treasury.
2/ Including domestic debt in FX held by residents.
3/ Foreign debt is all long term debt.

Table 4. Bolivia: Balance of Payments, 2023–30

		Est.	Proj.					
	2023	2024	2025	2026	2027	2028	2029	2030
				US$ million				
Current account balance	**-1,145**	**-1,297**	**-1,468**	**-2,094**	**-2,925**	**-3,907**	**-5,099**	**-6,288**
Goods and services	-1,085	-1,313	-1,334	-1,918	-2,595	-3,377	-4,210	-4,857
Goods	261	-86	-323	-834	-1,456	-2,181	-2,955	-3,539
Exports	10,793	8,905	8,811	9,103	9,446	9,889	10,357	10,838
Imports	10,532	8,991	9,134	9,936	10,902	12,071	13,312	14,377
Services	-1,347	-1,227	-1,011	-1,085	-1,139	-1,196	-1,256	-1,318
Credit	1,109	1,122	1,342	1,409	1,480	1,554	1,632	1,713
Debit	2,456	2,349	2,353	2,494	2,619	2,750	2,887	3,032
Interest Payments, net	-1,244	-1,106	-1,262	-1,348	-1,533	-1,754	-2,113	-2,628
Remittances, net	1,184	1,122	1,128	1,172	1,203	1,224	1,224	1,198
Capital Account	**4**	**4**	**4**	**4**	**4**	**4**	**4**	**4**
Financial account (+= net outflows)	**-917**	**-1,707**	**-1,577**	**-2,158**	**-2,879**	**-3,873**	**-5,102**	**-6,250**
Foreign direct investment, net	16	-107	-122	-94	-53	60	113	179
Portfolio investment, net	-246	-593	-132	196	145	-187	-90	13
Financial derivatives, net	-4	-2	0	0	0	0	0	0
Other investment, net	-683	-1,004	-1,323	-2,260	-2,972	-3,746	-5,125	-6,442
Of which, unidentified financing inflows	...	0	-805	-2,115	-2,500	-3,890	-4,880	-6,190
Net errors and omissions	**-2,177**	**-1,257**	**0**	**0**	**0**	**0**	**0**	**0**
Financing	**2,401**	**1,273**	**-112**	**-68**	**42**	**30**	**-7**	**34**
Change in reserve assets (increase = -) 1/	2,401	1,273	-112	-68	42	30	-7	34
				Percent of GDP				
Current account balance	**-2.5**	**-2.7**	**-2.6**	**-3.2**	**-3.8**	**-4.2**	**-4.6**	**-4.7**
Goods and services	-2.4	-2.7	-2.4	-2.9	-3.3	-3.7	-3.8	-3.6
Goods	0.6	-0.2	-0.6	-1.3	-1.9	-2.4	-2.7	-2.6
Exports	23.7	18.4	15.6	13.8	12.2	10.7	9.4	8.1
Imports	23.2	18.6	16.2	15.1	14.0	13.1	12.1	10.7
Services	-3.0	-2.5	-1.8	-1.6	-1.5	-1.3	-1.1	-1.0
Credit	2.4	2.3	2.4	2.1	1.9	1.7	1.5	1.3
Debit	5.4	4.9	4.2	3.8	3.4	3.0	2.6	2.3
Interest Payments, net	-2.7	-2.3	-2.2	-2.0	-2.0	-1.9	-1.9	-2.0
Remittances, net	2.6	2.3	2.0	1.8	1.6	1.3	1.1	0.9
Capital Account	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Financial account	**-2.0**	**-3.5**	**-2.8**	**-3.3**	**-3.7**	**-4.2**	**-4.6**	**-4.7**
Foreign direct investment, net	0.0	-0.2	-0.2	-0.1	-0.1	0.1	0.1	0.1
Portfolio investment, net	-0.5	-1.2	-0.2	0.3	0.2	-0.2	-0.1	0.0
Financial derivatives, net	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other investment, net	-1.5	-2.1	-2.3	-3.4	-3.8	-4.1	-4.6	-4.8
Of which, unidentified financing inflows	0.0	0.0	-1.4	-3.2	-3.2	-4.2	-4.4	-4.6
Net errors and omissions	**-4.8**	**-2.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Financing	**5.3**	**2.6**	**-0.2**	**-0.1**	**0.1**	**0.0**	**0.0**	**0.0**
Change in reserve assets (increase = -) 1/	5.3	2.6	-0.2	-0.1	0.1	0.0	0.0	0.0
Memorandum items:								
Exports, c.i.f. (in millions of U.S. dollars)	10,778	8,923	8,811	9,103	9,446	9,889	10,357	10,838
o/w Natural gas	2,047	1,615	1,278	1,165	1,091	1,053	1,027	1,005
o/w Minerals	5,582	4,367	4,683	4,906	5,152	5,424	5,698	5,984
o/w Soy-related	1,755	1,065	1,289	1,392	1,477	1,584	1,694	1,795
Imports, c.i.f. (in millions of U.S. dollars)	11,490	9,904	9,134	9,936	10,902	12,071	13,312	14,377
o/w Combustibles	2,984	2,885	2,617	2,783	3,137	3,616	4,315	4,915
Gross BCB international reserves 2/	1,808	2,009	2,118	2,199	2,160	2,231	2,290	2,312
In percent of GDP	4.0	4.1	3.8	3.3	2.8	2.4	2.1	1.7
In months of next year's imports of goods and services	1.9	2.1	2.0	2.0	1.7	1.7	1.6	1.4
In percent of ARA	20.6	23.0	22.3	20.5	17.4	15.3	13.1	10.9
APSP oil prices (U.S. dollars per barrel)	80.6	79	72	68	67	66	66	66
Nominal GDP (in millions of U.S. dollars)	45,464.4	48,404	56,339	65,851	77,607	92,125	110,440	133,751

Sources: Central Bank of Bolivia, National Institute of Statistics, and Fund staff calculations.
1/ Ley Nº 1503 of May 5, 2023, mandates the BCB to maintain a minimum of 22 tons of gold within its gross international reserves.
2/ Includes a repurchase line of US$99.2 million maturing in 2025.

Table 5. Bolivia: Monetary Survey, 2023–30

	2023	Est. 2024	Proj. 2025	2026	2027	2028	2029	2030
	(Bs million, unless otherwise indicated)							
Central Bank								
Net international reserves	11,721	13,070	13,840	14,308	14,023	13,816	13,864	13,630
Net international reserves (US$ million)	1,709	1,905	2,018	2,086	2,044	2,014	2,021	1,987
Net domestic assets	103,922	114,089	127,247	152,126	184,524	224,874	272,790	336,803
Net credit to the nonfinancial public sector	103,653	130,090	162,487	213,002	281,838	374,678	491,817	645,323
Net credit to financial intermediaries	25,127	25,454	25,744	25,976	26,132	26,236	26,289	26,341
Other items net	-24,858	-41,455	-60,984	-86,851	-123,446	-176,041	-245,316	-334,862
Net medium and long-term foreign assets	-484	-484	-484	-484	-484	-484	-484	-484
Base money	115,160	126,676	140,604	165,950	198,063	238,206	286,171	349,950
Base money (percentage change)	10.0	10.0	11.0	18.0	19.4	20	20	22
Currency in circulation	66,977	72,022	83,827	97,981	115,473	137,074	164,325	199,010
Bank reserves	48,182	54,654	56,776	67,969	82,590	101,132	121,845	150,939
o/w legal reserves	22,934	21,898	24,401	29,105	35,731	42,718	52,178	64,579
Financial System 1/								
Net short-term foreign assets	18,247	20,973	23,345	25,685	27,607	30,020	33,209	36,779
Net short-term foreign assets (US$ million)	2,660	3,057	3,403	3,744	4,024	4,376	4,841	5,361
Net domestic assets	265,415	272,943	312,478	372,303	447,665	541,400	660,364	813,475
Net credit to the public sector	105,622	132,273	164,670	215,185	284,021	376,861	494,000	647,506
Credit to the private sector	220,921	229,758	246,936	264,739	283,039	301,804	321,811	344,840
Credit to the private sector (percentage change)	-2.1	4.0	7.5	7.2	6.9	7	7	7
Other items net	-61,128	-89,087	-99,128	-107,621	-119,395	-137,264	-155,447	-178,872
Net medium and long-term foreign liabilities	2,353	3,402	4,451	5,499	6,548	7,597	8,645	9,694
Broad money	281,308	290,514	331,373	392,489	468,724	563,824	684,928	840,560
Liabilities in domestic currency	275,724	284,866	324,996	384,886	459,585	552,758	671,397	823,845
Foreign currency deposits	5,584	5,648	6,377	7,603	9,139	11,066	13,531	16,715
	(Changes in percent of broad money at the beginning of the period)							
Net short-term foreign assets	-5.7	1.0	0.8	0.7	0.5	0.5	0.6	0.5
Net domestic assets	7.7	2.7	13.6	18.1	19.2	20.0	21.1	22.4
Net credit to the public sector	12.9	9.5	11.2	15.2	17.5	19.8	20.8	22.4
Credit to the private sector	-1.7	3.1	5.9	5.4	4.7	4.0	3.5	3.4
Other items net	-3.5	-9.9	-3.5	-2.6	-3.0	-3.8	-3.2	-3.4
Net medium and long-term foreign liabilities	-0.1	0.4	0.4	0.3	0.3	0.2	0.2	0.2
Broad money	2.1	3.3	14.1	18.4	19.4	20.3	21.5	22.7
Liabilities in domestic currency	3.2	3.2	13.8	18.1	19.0	19.9	21.0	22.3
Foreign currency deposits	-1.1	0.0	0.3	0.4	0.4	0.4	0.4	0.5

Sources: Central Bank of Bolivia, and Fund staff calculations.
1/ The financial system comprises the central bank, commercial banks, nonbanks, and the Banco de Desarrollo Productivo (BDP), a state-owned second-tier bank.

Table 6. Bolivia: Financial Sector Indicators, 2017–24

	2017	2018	2019	2020	2021	2022	2023	2024
Capital Adequacy								
Regulatory capital to risk-weighted assets	**12.8**	**12.8**	**13.0**	**13.1**	**12.9**	**12.8**	**13.4**	**13.5**
Regulatory Tier 1 capital to risk-weighted assets	10.4	10.3	10.6	10.9	11.0	10.9	11.5	12.0
Tier 1 Capital to assets	6.6	6.7	6.9	6.8	6.7	6.8	6.8	7.2
Nonperforming loans net of provisions to capital	0.0	0.8	1.4	-2.4	-1.4	2.1	4.7	6.7
Large Exposures to Capital	11.0	8.4	14.4	9.3	14.3	10.9	2.9	3.6
Asset Quality								
Nonperforming loans to total gross loans	1.7	1.7	1.9	1.5	1.5	2.1	2.9	3.2
Provisions to Nonperforming loans	99.9	94.6	91.3	119.7	111.2	88.1	80.4	75.7
Earnings and Profitability								
Return on Assets	**1.6**	**1.3**	**1.5**	**0.9**	**1.0**	**1.1**	**1.1**	**1.0**
Return on Equity	12.9	10.9	11.8	4.8	7.1	8.2	8.9	7.2
Interest margin to gross income	68.5	71.2	70.9	73.3	70.7	71.4	62.2	54.0
Liquidity								
Liquid assets to short-term liabilities	56.7	50.4	42.8	44.8	46.0	43.6	55.8	55.3
Liquid assets to total assets	25.2	22.3	16.9	17.6	18.4	17.2	21.8	21.4
FX Risks								
Net open position in foreign exchange to capital	-3.0	-8.5	-4.6	4.9	7.5	7.0	11.8	10.5
Foreign Currency Loans to Total Loans	2.1	1.5	1.2	1.1	0.9	0.8	0.7	0.6
Foreign Currency Liabilities to Total Liabilities	14.1	12.4	12.9	12.5	12.7	12.0	8.9	8.5

Sources: Central Bank of Bolivia and Fund staff calculations.

Annex I. External Sector Assessment

Overall Assessment: *The external position of Bolivia in 2024 was substantially weaker than the level implied by fundamentals and desirable policies.* Bolivia has run persistent current account deficits and experienced a substantial real exchange rate appreciation since 2015. These external imbalances have matched a deteriorating fiscal position in the context of an overvalued Bolivian peso that follows a de facto fixed exchange rate regime. At end-2024, reserves stood at US$2 billion, which is 2 months of projected 2024 imports, or 23 percent of the Fund's 2024 reserve adequacy metric.

Potential Policy Responses: There should be a commitment to implementing structural fiscal reforms to permanently lower the fiscal deficit, while protecting the most vulnerable. With a solid fiscal plan in place, an orderly realignment of the official exchange rate will support external rebalancing and allow for a rebuilding of international reserves over time. Monetary policy will need to be restrictive for some time to prevent unstable price dynamics and stave-off capital outflows. After an initial step devaluation, a more flexible exchange rate regime would cushion the economy against external shocks. Supply-side reforms are essential to improve productivity and competitiveness.

Foreign Assets and Liabilities: Position and Trajectory

Background. Bolivia has been a net debtor since 2016Q4. The net international position (NIIP) has weakened from a net surplus of US$4.5 billion (13.6 percent of GDP) in 2014 to a net deficit of US$13.0 billion (-26.9 percent of GDP) at end-2024. The decline in net foreign assets reflects persistent current account deficits following the commodity boom cycle (2012–2017) and the accompanying fiscal expansion. Over half of foreign liabilities are in the form of loans and debt instruments, with the remaining share in equity, primarily as direct investment.

Assessment. Over the medium term the NIIP is expected to continue to deteriorate by 1 to 2 percent of GDP per year, owing to sustained current account deficits. To maintain the NIIP at the 2024 level of -26.9 percent of GDP would require a current account balance of about -1.4 percent of GDP over the coming years. Although Bolivia's current short-term gross external financing needs are limited, as much of its external debt is long-term, with relatively favorable financing terms, the NIIP is expected to fall further posing a risk that future foreign financing may be done through riskier instruments.

2024 (% GDP)	NIIP: -26.9	Gross Assets: 27.8	Debt Assets: 6.2	Gross Liab.: 54.6	Debt Liab.: 32.5

Current Account

Background. The current account in Bolivia follows commodity price swings and, relatedly, fiscal policy. With the collapse in commodity prices in 2015 and associated increase in the budget deficit, the current account swung sharply into deficit, after a 10-year period of recurring surpluses. Due to increased domestic demand, and adverse trends in natural gas production, Bolivia turned into a net importer of fuels in 2022 for the first time in decades. In 2024, the current account deficit reached a US$1.3 billion (2.7 percent of GDP), compared to a US$1.1 billion deficit in 2023. Further, net errors and omissions, which are likely to represent unreported imports and capital outflows, reached -2.6 percent of GDP in the same period.

Assessment. The cyclically adjusted CA balance stood at -2.7 percent of GDP in 2024. Considering Bolivia's weak reserve coverage and heightened external liabilities, external sustainability considerations suggest a CA norm of 2.0 percent of GDP, which would be consistent with bringing reserves near 100 percent of the ARA metric over the medium-term. As such, IMF staff assesses the CA gap to be about –4.9 percent of GDP. However, errors and omissions of -2.6 percent of GDP suggest an even weaker external position.

EBA-lite Model Results, 2024

	CA model 1/	REER model 1/
	(in percent of GDP)	
CA-Actual	**-2.7**	
Cyclical contributions (from model) (-)	0.2	
Additional temporary/statistical factors (-) 2/		
Natural disasters and conflicts (-)	0.1	
Adjusted CA	**-2.9**	
CA Norm (from model) 3/	**-2.5**	
Adjustments to the norm (+)	4.5	
Adjusted CA Norm	**2.0**	
CA Gap	**-4.9**	**-3.1**
o/w Relative policy gap	-2.8	
Elasticity	-0.2	
REER Gap (in percent)	**26.3**	**16.4**

1/ Based on the EBA-lite 3.0 methodology

2/ Cyclically adjusted, including multilateral consistency adjustments.

3/ Staff's adjustment includes an external sustainability adjustor to the CA norm consistent with bringing reserves near 100 percent of the ARA metric over the medium-term.

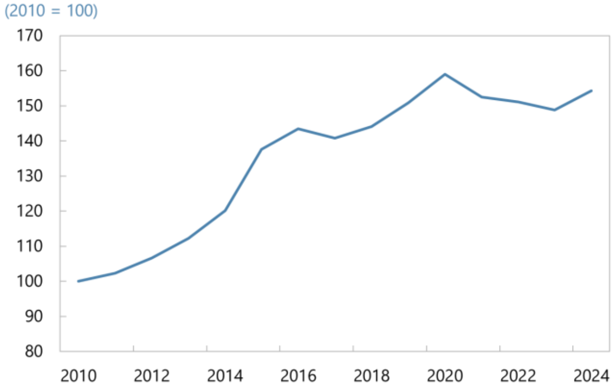
Real Exchange Rate

Background. CPI-based real effective exchange rate (REER) has been on an appreciating trend since end-2017. As of end-2024, the REER has appreciated by 50 percent since the boliviano was pegged to the U.S. dollar in 2011. More recently, from 2023 to 2024 the REER strengthened slightly, by around 3 percent, owing to domestic inflationary pressures.

Assessment. Staff-assessed CA gap implies a REER gap of about 26 percent in 2024 (with an estimated elasticity of 0.20 applied). To support realignment of the exchange rate with fundamentals, policies should focus on fiscal consolidation, improving productivity and competitiveness.

Real Effective Exchange Rate

(2010 = 100)



Sources: IMF staff calculations.

Capital and Financial Accounts: Flows and Policy Measures

Background. The net FDI inflow is projected at – 0.4 percent of GDP in 2024 compared to a three-year average of 0.3 percent of GDP net inflow from 2020–2022. Restrictive capital flow measures, such as limits on foreign asset holdings and a tax on domestic dollar deposits remain in place.[1] The World Bank, IDB and CAF provided net new external funding totaling roughly $1.3 billion in 2024, however, due to disagreement in congress future disbursements may be stalled.

Assessment. The current account deficit has been mainly financed by running down international reserves until 2023 and, more recently, purchases of domestic gold and BCB financial operations. Low levels of reserves, and continued fiscal and current account deficits, together with the tight global financial conditions, are expected to raise the cost of external funding, limiting prospects for further external

sovereign bond issuance. Further, external financing costs continue to rise as Bolivia's EMBIG spread surpassed 2000 in November owing to economic and political turmoil. To support sustainable and durable growth, the authorities need to put in place policies that revitalize muted FDI inflows. Bolivia's substantial lithium resources could provide sizable FDI inflows if regulatory complexities and technological constraints can be overcome.
FX Intervention and Reserves Level
Background. Bolivia has a stabilized exchange rate regime, with the boliviano pegged at a rate of 6.9 to the U.S. dollar. Net international reserves have remained near their legal minimum since August 2023, rising to US$2 billion in end-2024 on the back of gold valuation effects. The BCB is relying on domestic purchases of gold bullion and financial operations to cope with the FX drain. The BCB has imposed restrictions on gold exports by local producers to facilitate its purchases of gold and is purchasing about 1 ton of gold locally per month (equivalent to about US$80mn). However, the BCB´s purchases have resulted in a collapse in gold exports and a larger trade deficit, which partly offsets the positive impact on reserves. The BCB's recent issuance of USD denominated paper captured US$260mn. However, of those, US$200mn were subscribed by the public pension fund. The BCB has also nearly stopped providing FX to the private sector. **Assessment.** The international reserves level is not adequate according to standard Fund metrics. The latest data at end-2024 show that reserves stand at 2.1 months of projected 2024 imports and 23 percent of the ARA metric. Usable FX reserves have remained extremely low (about 10 percent of total) since 2023. To preserve the stabilized exchange rate and ensure external sector sustainability, there is a need to accumulate reserves and correct internal imbalances including through fiscal consolidation, supply side reforms, and exchange rate realignment. [1] Some of these measures are being assessed under the Institutional View for the Liberalization and Management of Capital Flows.

Annex II. Sovereign Risk and Debt Sustainability Analysis

Bolivia's overall risk of sovereign stress is high. Under the baseline scenario, the debt-to-GDP ratio is projected to rise by 29.4 percentage points over the next decade, reaching 120.2 percent of GDP by 2034, on the back of persistently large fiscal deficits. This debt trajectory is predicted on the continuation of a fixed exchange rate regime and ongoing extensive reliance on domestic (mostly central bank) financing at below-market nominal interest rates. Significant risks arise from economic uncertainty, low FX reserves, and an overvalued official exchange rate. Despite the expected refinancing of central bank loans in 2025, which will lengthen average maturity, domestic financing needs are expected to remain elevated through the medium-term. Pension fund exposure to sovereign debt is expected to increase over time (nearly doubling in the next 5 years), potentially leading to higher funding cost for banks. As the share of FX-denominated debt is relatively modest (largely held by multilateral lenders under favorable conditions), the GFN module's analysis indicates moderate medium-term liquidity risks, although overall financing needs are estimated to average 34.5 percent of GDP between 2025–30.

1. The debt analysis under the sovereign risk and debt sustainability framework (SRDSF) covers the non-financial public sector (NFPS) fiscal perimeter. This is derived by adding central government debt (as published by the BCB) to lending by the BCB to state owned enterprises (SOEs), the National Fund for Regional Development (FNDR), and the Fund for the Productive Industrial Revolution (FINPRO).

2. Debt developments. At end-2024, Bolivia's nonfinancial public sector (NFPS) gross debt amounted to 95 percent of GDP, more than 4 percentage points higher than in 2023 and 36 percentage points above its pre-pandemic level. A primary deficit of 7.3 percent of GDP was the main driver of gross debt changes. The debt-to-GDP ratio is estimated to have increased in 2024 as the government continued with its fiscal expansion policies while automatic debt dynamics were adversely impacted by declining growth. As foreseen in the 2025 budget law, approximately 20 percent of GDP in BCB's short-term liquidity loans to the government are expected to be refinanced into a long-term[1] loan, at concessional rates, which significantly reduces rollover needs during the forecast period.

[1] The maturity of this loan is expected to be at a minimum of 30 years, beyond the SRDSF forecast horizon.

Table 1. Bolivia: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	**High**	Bolivia's overall risk of sovereign debt stress is high, reflecting elevated levels of vulnerability in the near, medium- and long-term horizons.
Near term 1/	...	...	...
Medium term	**High**	**High**	Medium-term risks are assessed as high despite the significant share of central bank holdings of central government securities that mitigate refinancing risks. While the structure of Bolivia's external debt appears somewhat favorable—with roughly 70 percent comprised of multilateral debt on concessional terms—the total principal and interest due on sovereign international bonds (4.1 percent of GDP in outstanding debt) is projected to increase significantly as interest rates rise. Large payments concentrate in 2026-28 as well.
Fanchart	**High**		
GFN	**Moderate**		
Stress test	Comm. Prices FX rate Nat. Diast.		
Long term	...	**High**	Long-term risks are high arising from the expected need to refinance debt in the long term and assumed persistence of elevated deficits, which will cause the debt-to-GDP to stabilize at very high-levels. While Bolivia has a relatively young population, longer term increases in aging-related expenditures should be addressed through pension reforms and enhanced targeting of social safety nets. Upon delivery of the multi-year reform agenda, long run debt repayment capacity and overall fiscal position could be supported by broadening the tax base and possible revenue yields from ongoing investments in extractive industries, notably in the lithium sector.
Debt stabilization in the baseline			No

DSA Summary Assessment 2/

Bolivia continues to face a high risk of sovereign stress, with the debt-to-GDP ratio projected to rise by 29.4 percentage points over the next decade, reaching 120.2 percent of GDP by 2034 under the baseline scenario, on the back of persistently large fiscal deficits. This debt trajectory is predicated on the continuation of a fixed exchange rate regime and ongoing extensive reliance on domestic financing, predominantly from the central bank, at below-market nominal interest rates. Significant risks arise from economic uncertainty, low foreign exchange reserves, and an overvalued official exchange rate. Large domestic financing needs through the medium term stem mostly from the assumed yearly rollover of central bank loans. Additionally, pension fund exposure to sovereign debt is expected to increase over time, potentially leading to higher funding costs for banks. Although the share of foreign exchange-denominated debt is relatively modest—largely held by multilateral lenders under favorable conditions—the GFN module's analysis indicates moderate medium-term liquidity risks, driven by substantial overall financing needs estimated to average 34.5 percent of GDP between 2025-30.

Source: Fund staff.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Table 2. Bolivia: Debt Coverage and Discipline

						Comments
1. Debt coverage in the DSA: 1/	CG	GG	NFPS	CPS	Other	
1a. If central government, are non-central government entities insignificant?					n.a.	

2. Subsectors included in the chosen coverage in (1) above:

	Subsectors captured in the baseline	Inclusion	Comments
1	Budgetary central government	Yes	
2	Extra budgetary funds (EBFs)	Yes	Not applicable
3	Social security funds (SSFs)	Yes	
4	State governments	Yes	
5	Local governments	Yes	
6	Public nonfinancial corporations	Yes	
7	Central bank	No	
8	Other public financial corporations	No	

Rows 1–3 make up CG. Rows 1–5 make up GG: expected. Rows 1–6 make up NFPS. Rows 1–8 make up CPS.

3. Instrument coverage:

Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/

4. Accounting principles:

Basis of recording		Valuation of debt stock		
Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/

5. Debt consolidation across sectors:

Consolidated	Non-consolidated

Color code: chosen coverage, Missing from recommended coverage, Not applicable

In the table above, these are chosen coverage: NFPS; Yes (rows 1–6); Currency & deposits, Loans, Debt securities; Cash basis; Nominal value 5/; Non-consolidated. Oth acct. payable 2/ and IPSGSs 3/ are missing from recommended coverage. No (rows 7–8) is not applicable.

Reporting on Intra-Government Debt Holdings

	Issuer \ Holder	Budget. central govt	Extra-budget. funds	Social security funds	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
1	Budget. central govt									0
2	Extra-budget. funds									0
3	Social security funds									0
4	State govt.									0
5	Local govt.									0
6	Nonfin pub. corp.									0
7	Central bank									0
8	Oth. pub. fin. corp									0
	Total	0	0	0	0	0	0	0	0	0

Rows 1–3 make up CG. Rows 1–5 make up GG: expected. Rows 1–6 make up NFPS. Rows 1–8 make up CPS.

1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.

2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.

3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.

4/ Includes accrual recording, commitment basis, due for payment, etc.

5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).

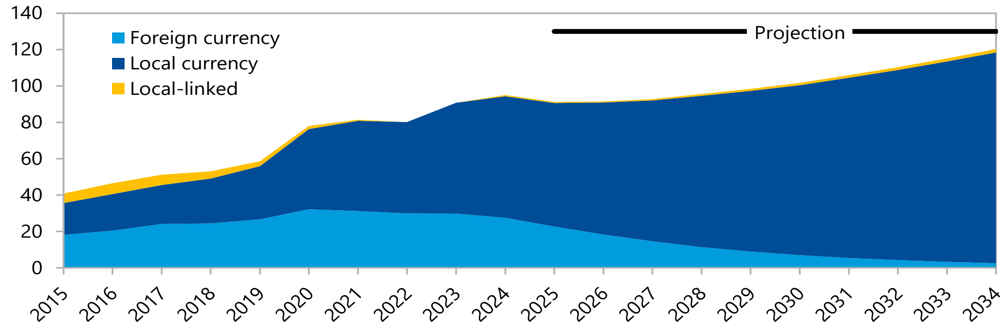
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.

7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

The debt coverage comprises the non-financial public sector (NFPS), which is derived by adding central government debt (as published by the BCB) to the lending by the BCB to state owned enterprises (SOEs), the National Fund for Regional Development (FNDR), Fund for the Productive Industrial Revolution (FINPRO).

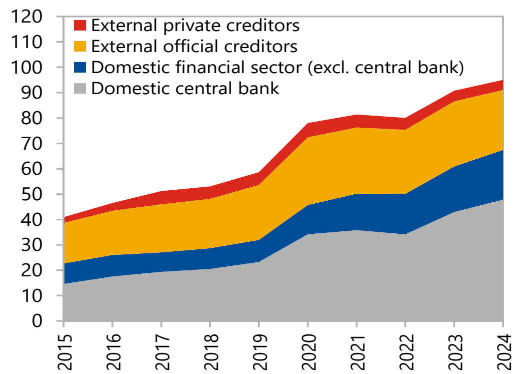
Table 3. Bolivia: Public Debt Structure Indicators

Debt by Currency (Percent of GDP)



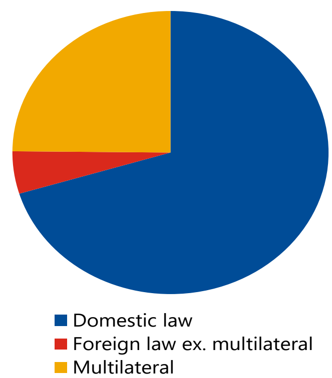
Note: The perimeter shown is nonfinancial public sector.

Public Debt by Holder (Percent of GDP)



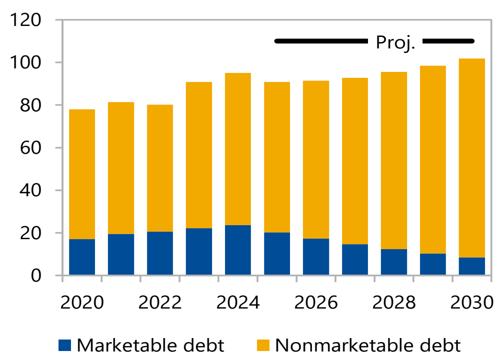
Note: The perimeter shown is nonfinancial public sector.

Public Debt by Governing Law, 2024 (percent)



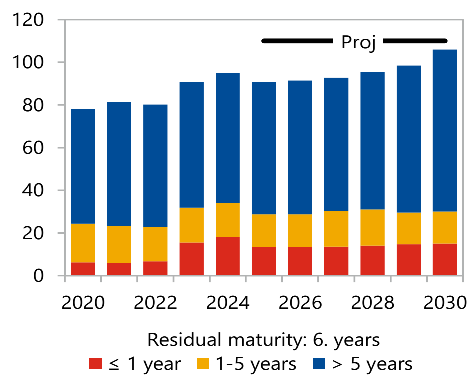
Note: The perimeter shown is nonfinancial public sector.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is nonfinancial public sector.

Public Debt by Maturity (Percent of GDP)



Note: The perimeter shown is nonfinancial public sector.

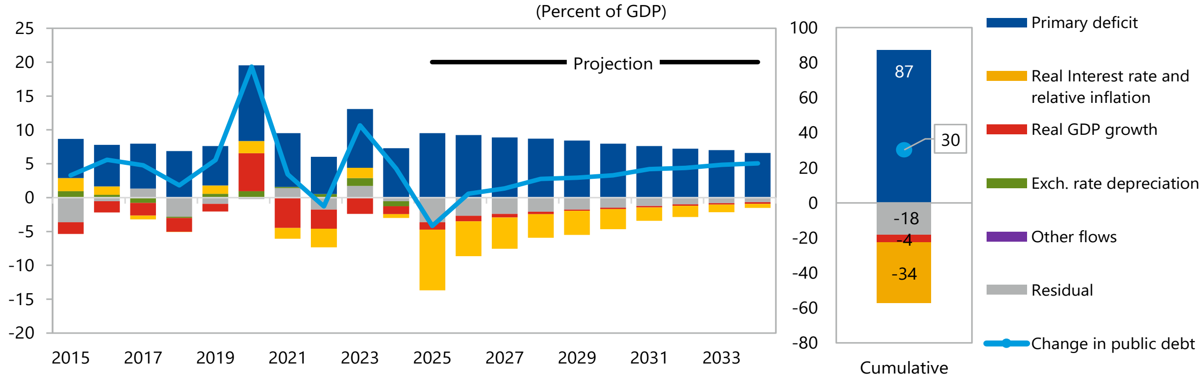
Gross fiscal financing needs surged in 2024, with domestic debt service estimated to have accounted for 39 percent of GDP due to heavy reliance on short-term domestic credit to finance government spending. However, such debt is expected to be refinanced through a long-term loan during the course of 2025, significantly reducing rollover needs. Outstanding external sovereign bonds total USD1.85 billion (about 4.1 percent of 2023 GDP) and entail interest payment of USD110 million in 2025, before principal amortization resumes in 2026, when Bolivia would need to make the first of three instalments of its USD1 billion bond maturing in 2028. Most remaining external debt consists of multilateral and bilateral loans on concessional terms.

Table 4. Bolivia: Baseline Scenario
(Percent of GDP unless indicated otherwise)

(Percent of GDP unless indicated otherwise)

	Actual	Medium-term projection						Extended projection			
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Public debt	95.0	90.8	91.4	92.8	95.5	98.5	101.8	106.0	110.3	115.2	120.2
Change in public debt	4.3	-4.2	0.6	1.4	2.8	2.9	3.3	4.2	4.4	4.8	5.1
Contribution of identified flows	4.8	-0.6	3.3	3.8	4.9	4.7	4.8	5.5	5.4	5.7	5.7
Primary deficit	7.3	9.5	9.2	8.9	8.7	8.4	8.0	7.6	7.2	7.0	6.6
Noninterest revenues	28.4	24.8	24.2	23.8	23.7	23.6	23.5	23.6	23.9	23.9	24.2
Noninterest expenditures	35.6	34.3	33.4	32.7	32.3	31.9	31.3	31.1	31.0	30.8	30.6
Automatic debt dynamics	-2.5	-10.1	-6.0	-5.1	-3.9	-3.7	-3.2	-2.2	-1.9	-1.3	-0.8
Real interest rate and relative inflation	-0.6	-9.0	-5.1	-4.6	-3.5	-3.6	-3.0	-2.0	-1.6	-1.1	-0.6
Real interest rate	-1.3	-12.1	-7.8	-6.9	-5.5	-5.2	-4.3	-3.1	-2.5	-1.8	-1.1
Relative inflation	0.7	3.1	2.7	2.3	2.0	1.7	1.4	1.1	0.9	0.7	0.5
Real growth rate	-1.2	-1.1	-0.8	-0.5	-0.4	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Real exchange rate	-0.7	…	…	…	…	…	…	…	…	…	…
Other identified flows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(minus) Interest Revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution of residual	-0.5	-3.6	-2.7	-2.4	-2.1	-1.8	-1.5	-1.2	-1.0	-0.8	-0.7
Gross financing needs	46.2	28.1	32.4	33.3	36.3	37.6	39.3	40.9	41.8	42.4	42.7
of which: debt service	38.9	18.6	23.2	24.5	27.6	29.3	31.5	33.5	34.7	35.6	36.3
Local currency	35.5	15.7	20.3	22.1	25.3	27.7	30.1	32.3	33.7	34.7	35.5
Foreign currency	3.1	2.8	2.8	2.3	2.3	1.5	1.3	1.0	0.8	0.7	0.6
Memo:											
Real GDP growth (percent)	1.3	1.1	0.9	0.6	0.4	0.2	0.2	0.2	0.2	0.2	0.2
Inflation (GDP deflator; percent)	5.1	15.1	15.8	17.1	18.2	19.6	20.9	21.3	21.3	21.3	21.3
Nominal GDP growth (percent)	6.5	16.4	16.9	17.9	18.7	19.9	21.1	21.6	21.6	21.6	21.6
Effective interest rate (percent)	3.5	4.3	5.8	8.2	11.2	13.1	15.5	17.7	18.5	19.4	20.1

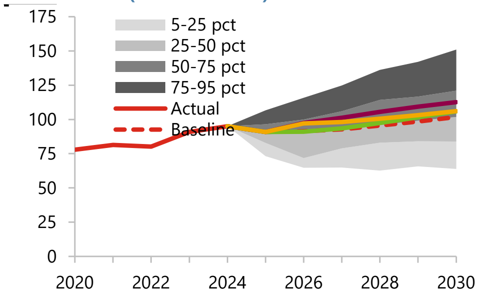
Contribution to Change in Public Debt
(Percent of GDP)



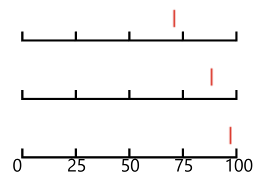
The widening fiscal deficit, near depletion of international reserves, and rising inflation are heightening the risk of a disruptive adjustment, while FX and fuel shortages exert significant pressure on economic activity. The baseline outlook assumes the continuation of current policies, which are unsustainable. In the short term, however, the assumption of a fixed exchange rate and rapid rise in inflation (while average interest rates rise only modestly) significantly lower the debt-to-GDP ratio. The baseline outlook is surrounded by considerable uncertainty. A lower growth or GDP deflator path, as well as higher interest rates, would lead to higher debt-to-GDP outcomes. In accordance with the provisions outlined in the 2025 budget law, it is anticipated that external financing will be secured to fulfill public external payment obligations; however, the sources of such funding remain uncertain.

Table 5. Bolivia: Medium-Term Risk Assessment

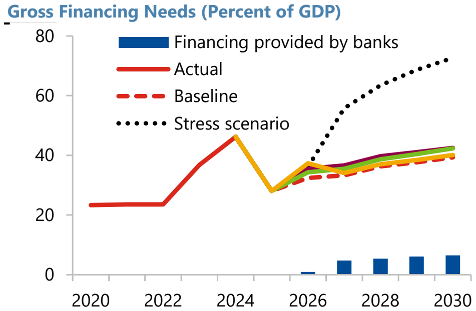
Final Fanchart (Percent of GDP)



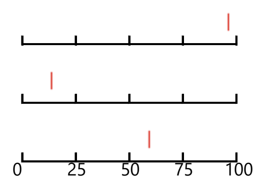
	Value	Contrib 1/	Percentile in peer group 2/
Debt fanchart module			
Fanchart width *(percent of GDP)*	87.1	1.3	
Probability of debt non-stabilizaiton *(percent)*	100.0	0.8	
Terminal debt-to-GDP x institutions index	85.0	1.8	
Debt fanchart index (DFI)		4.0	
Risk signal: 3/		**High**	



Gross Financing Needs (Percent of GDP)



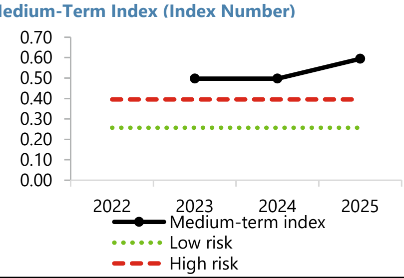
	Value	Contrib 1/	Percentile in peer group 2/
Gross financing needs (GFN) module			
Average baseline GFN *(percent of GDP)*	34.5	11.8	
Initial Banks' claims on the gen. govt *(pct bank assets)*	1.1	0.3	
Chg. In banks' claims in stress *(pct banks' assets)*	12.1	4.0	
GFN financeability index (GFI)		16.2	
Risk signal: 4/		**Moderate**	



Triggered stress tests (stress tests not activated in gray)

Banking crisis | Commodity prices | Exchange rate | Contingent liab. | Natural disaster

Medium-Term Index (Index Number)



Medium-term risk analysis

	Value	(normalized)	Weight	Contribution
Debt fanchart index	4.0	0.9	0.5	0.4
GFN finaceability index	16.2	0.3	0.5	0.2
Medium-term index		0.6		
Risk signal: 5/		**High**		
Final assessment:		**High**		

Prob. of missed crisis, 2025-2030, if stress not predicted: 81.8 pct.
Prob. of false alarms, 2025-2030, if stress predicted: 3.4 pct.

Bolivia's medium-term risk analysis points to high and increasing overall risks. The debt fan chart module flags a high level of risk. The GFN module, focused on external financing requirements, suggests a moderate level of risk and supports the view that medium-term risks may be more contained given low refinancing risks for central bank held securities and Bolivia's significant reliance on commodities, with more than two-thirds of total exports originating from this sector. The baseline is predicated on continued access to external financing, which is subject to large uncertainty. Direct banking sector exposure to public debt is low but the nationalized pension fund is a large creditor of the government.

Source: IMF staff estimates and projections.

1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.
2/ The comparison group is emerging markets, non-commodity exporter, surveillance.
3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.
4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.
5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

Table 6. Bolivia: Realism of Baseline Assumptions

Forecast Track Record 1/	t+1	t+3	t+5
Public debt to GDP			
Primary deficit			
r - g			
Exchange rate depreciaton			
SFA			
	real-time	t+3	t+5
Historical Output Gap Revisions 2/			

Comparator Group:

Emerging Markets, Non-Commodity Exporter, Surveillance

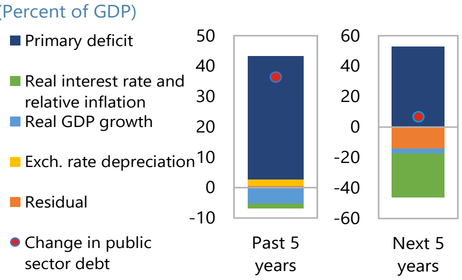
Color Code:

Optimistic
- > 75th percentile
- 50-75th percentile

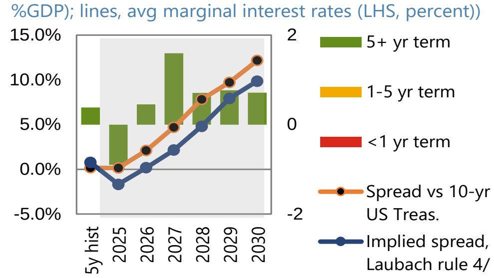
Pessimistic
- 25-50th percentile
- < 25th percentile

Public Debt Creating Flows

(Percent of GDP)

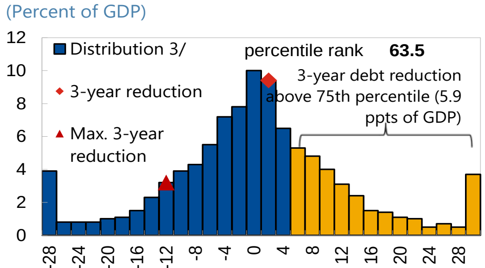


Bond Issuances (Bars, debt issuances (RHS, %GDP); lines, avg marginal interest rates (LHS, percent))

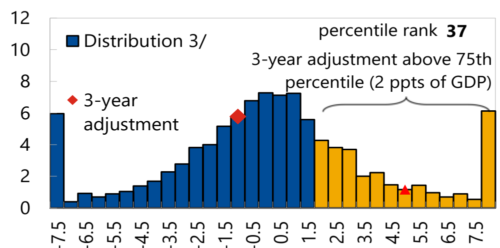


3-Year Debt Reduction

(Percent of GDP)

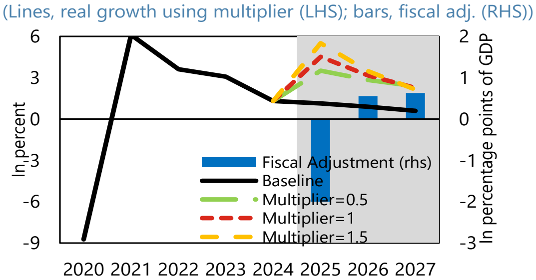


3-Year Adjustment in Cyclically-Adjusted Primary Balance (Percent of GDP)



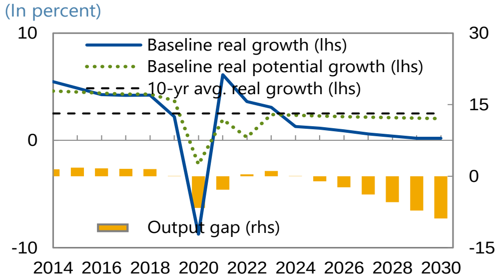
Fiscal Adjustment and Possible Growth Paths

(Lines, real growth using multiplier (LHS); bars, fiscal adj. (RHS))



Real GDP Growth

(In percent)



Bolivia's substantial macro-vulnerabilities, accumulated over a protracted period of unsustainable policies, complicate the use of cross-country and historical comparisons for risk assessment. The track record of forecast accuracy, particularly regarding the public debt-to-GDP ratio and the primary deficit, exhibits a persistent pattern of misses. The fiscal multiplier analysis would suggest higher growth than baseline, but abstracts from the considerable strains imposed by FX scarcity. The recent slowdown in Bolivia's economic growth can be attributed to multiple factors, including deepening macroeconomic imbalances, declining natural gas production, and social unrest due to FX and fuel shortages and climate shocks which negatively impacted agricultural sector and related exports.

Source : IMF Staff.

1/ Projections made in the October and April WEO vintage.

2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates

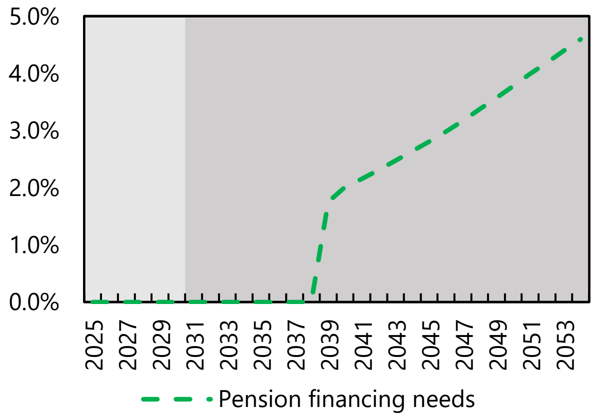
3/ Data cover annual obervations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

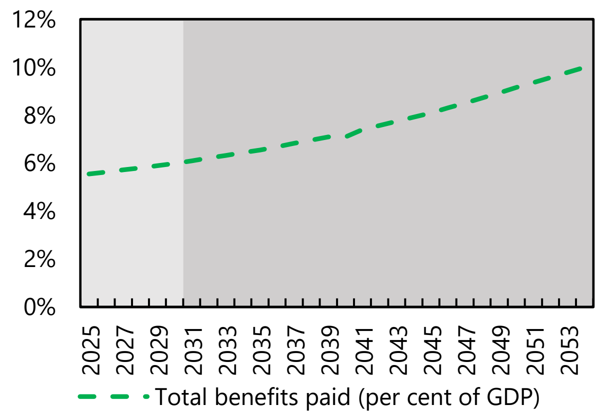
Table 7. Bolivia: Demographics: Pensions

Permanent adjustment needed in the pension system to keep pension assets positive for:	30 years	50 years	Until 2100
(pp of GDP per year)	1.5%	3.5%	6.3%

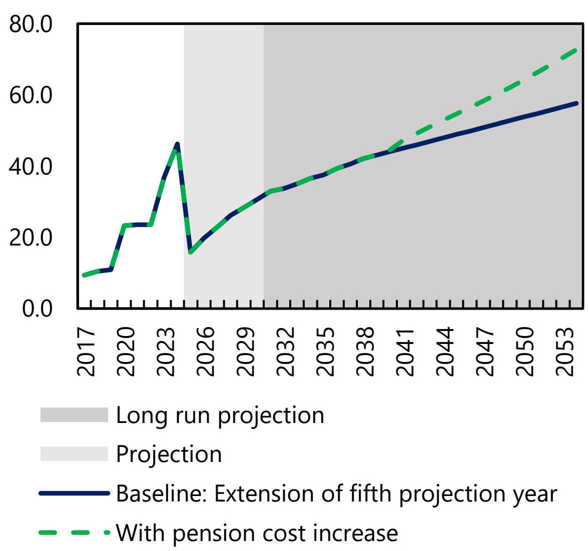
Pension Financing Needs



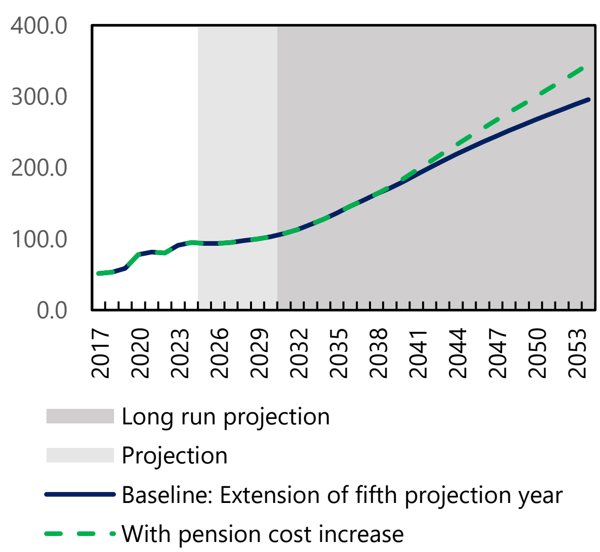
Total Benefits Paid



GFN-to-GDP Ratio

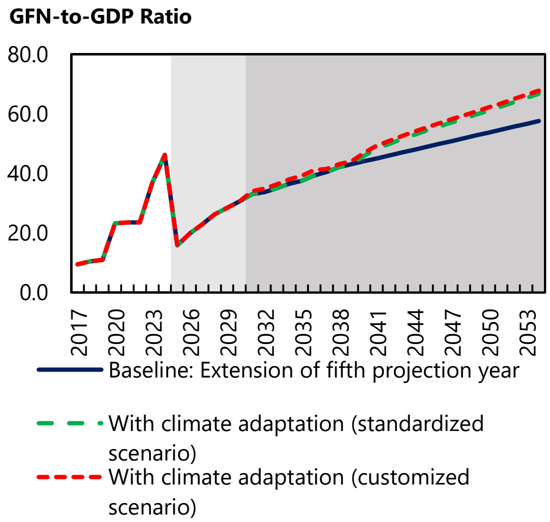


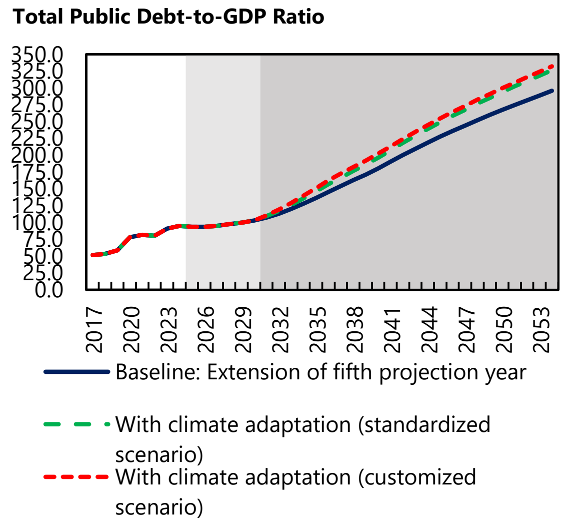
Total Public Debt-to-GDP Ratio



Pension system financing needs are projected to increase two-fold, from 2 percent of GDP in 2038 to 4 percent in 2050. This calls for robust pension reforms and enhanced targeting of social safety nets to ensure long-term debt sustainability.

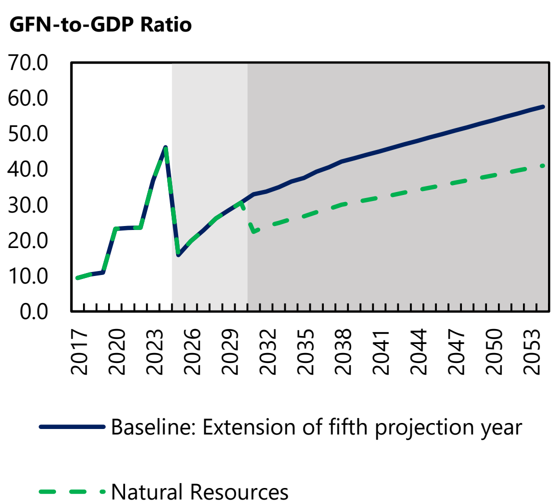
Table 8. Bolivia: Climate Change: Adaptation

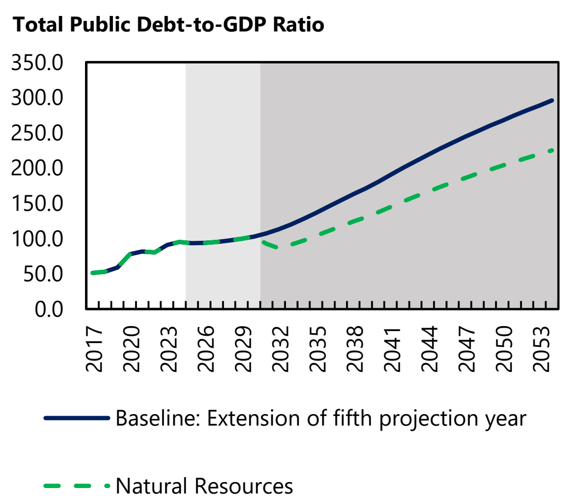




Adaptation costs would rise the debt burden significantly in the long-term, posing additional sustainability risks. An increase in carbon pricing in line with past IMF advice could help compensate the fiscal impact of such costs.

Table9. Bolivia: Natural Resources





The baseline scenario assumes a gradual exhaustion of Bolivia's natural gas reserves over the medium term, leading to significantly lower revenues (royalties and taxes) and a worse fiscal position. Nevertheless, there are upside risks from the potential development of lithium extraction capacity, which could partially make up for the decline in hydrocarbon related revenues, resulting in an improved debt dynamics.

Annex III. Risk Assessment Matrix[1]

Risk	Likelihood	Impact	Policy Response
Global Risks			
Trade policy and investment shocks. Higher trade barriers or sanctions reduce external trade, disrupt FDI and supply chains, and trigger further U.S. dollar appreciation, tighter financial conditions, and higher inflation.	High	Medium	Calibrate monetary policy to address spillovers into Bolivia and anchor inflation expectations. Enhance fiscal and external buffers. Intensify the monitoring and supervision of financial institutions.
Sovereign debt distress. Higher interest rates, stronger U.S. dollar, and shrinking development aid amplified by sovereign-bank feedback result in capital outflows, rising risk premia, loss of market access, abrupt expenditure cuts, and lower growth in highly indebted countries.	High	Medium	Strengthen fiscal buffers through mobilization of revenue and rationalization of spending. Intensify the monitoring and supervision of financial institutions and tighten regulations.
Commodity price volatility. Supply and demand volatility (e.g., due to conflicts, trade restrictions, OPEC+ decisions, AE energy policies, and green transition) increases price volatility, external and fiscal pressures, social discontent, and economic instability.	Medium	High	Eliminate energy subsidies while strengthening social safety nets to protect vulnerable populations. Accelerate transition to renewable energy.
Intensification of regional conflicts (e.g., in the Middle East, Ukraine, Sahel, and East Africa) or terrorism disrupt trade in energy, food, tourism, supply chains, remittances, FDI and financial flows, payment systems, and increase refugee flows.	Medium	Medium	Strengthen international reserve buffers to mitigate the impact of adverse changes in global food and energy supply and potential spikes in inflation. Phase out energy subsidies and utilize the resulting fiscal space to bolster social programs. Closely monitor financial risks, including potential risks to FDI.
Tighter financial conditions and systemic instability. Higher-for-longer interest rates and term premia amid looser financial regulation, rising investments in cryptocurrencies, and higher trade barriers trigger asset repricing, market dislocations, weak bank and NBFI distress, and further U.S. dollar appreciation, which widens global imbalances, worsens debt affordability, and increases capital outflow from EMDEs.	Medium	Medium	Intensify the monitoring and supervision of financial institutions, including by adjusting macroprudential measures to prevent excessive tightening of financial conditions. Ensure fiscal discipline through structural reforms to enhance sustainability and boost investor confidence.
Global growth acceleration. Easing of conflicts, positive supply-side surprises (e.g., oil production shocks), productivity gains from AI, or structural reforms raise global demand and trade.	Low	High	Provide targeted and temporary policy support to the most vulnerable and affected businesses. Calibrate monetary policy to support the fixed exchange rate regime and protect against FX reserves drain. Build economic resilience against negative shocks through structural reforms to boost productivity and competitiveness, and foster diversification.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly.

Risk	Likelihood	Impact	Policy Response
Structural Risks			
Deepening geoeconomic fragmentation. Persistent conflicts, inward-oriented policies, protectionism, weaker international cooperation, labor mobility curbs, and fracturing technological and payment systems lead to higher inputs costs, hinder green transition, and lower trade and potential growth.	High	Medium	Enhance international cooperation, implement open trade policies, diversify supply chains, establish common technological standards, ensure financial stability, invest in transport and logistics infrastructure, enhance payment systems, monitor geopolitical risks, and foster public-private partnerships.
Cyberthreats. Cyberattacks on physical or digital infrastructure (including digital currency and crypto assets), technical failures, or misuse of AI technologies trigger financial and economic instability.	High	Low	Enhance digital security of payment and financial system, improve public awareness, and prepare a contingency plan.
Climate change. Extreme climate events driven by rising temperatures cause loss of life, damage to infrastructure, food insecurity, supply disruptions, lower growth, and financial instability.	Medium	High	Maintain monetary policy stance that mitigates the impact of rise in food prices on domestic inflation. Use fiscal space to support growth, while prioritizing social spending towards vulnerable populations. Seek donor financing, strengthen financial resilience by reducing debt and better disaster risk layering, enhance post-disaster response, and accelerate shift to renewables.
Domestic Risks			
Speculative attack/sudden stop risk. Loss of public confidence about the sustainability of domestic macroeconomic policies due to sustained international reserves depletion and apprehension about fiscal sustainability.	High	High	Strengthen reserve buffers and address underlying source of macro-vulnerabilities, including persistent fiscal deficits and monetary financing.
Increase in corruption and weakening of rule of law undermine governance, erode trust in institutions, leading to inefficient resource allocation and unpredictable investment environment.	High	High	Strengthen governance and anti-corruption frameworks to reduce vulnerabilities and rebuild trust.
Rise in political risks, including widespread social unrest. Political tensions persist or intensify, impairing governability and protracting policy paralysis, with significant negative effects on growth. Sudden rise in inflation and/or fuel rationing due to FX scarcity give ground to social unrest and political instability, disrupt domestic demand and supply, lead to a rise in unemployment and hurt disproportionately vulnerable groups.	Medium	High	Rebuild coalitions across party lines in the National Assembly and assess the macrocriticality of proposed reforms, promote political agreement. Mobilize support to the most vulnerable while strengthening social safety nets. Implement a credible medium term adjustment plan that helps rebuild fiscal space, control inflation, and improve growth prospects over time.

Annex IV. Data Issues

Table 1. Bolivia: Data Adequacy Assessment Rating 1/

B							
Questionnaire Results 2/							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	B	B	B	B	B	B	B
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	B	B	C	A	B		
Granularity 3/	B		B	A	B		
			B		B		
Consistency			B	C		B	
Frequency and Timeliness	B	A	C	B	B		

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.
1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.
2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance* , January 2024, Appendix I).
3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

A	The data provided to the Fund are adequate for surveillance.
B	The data provided to the Fund have some shortcomings but are broadly adequate for surveillance.
C	The data provided to the Fund have some shortcomings that somewhat hamper surveillance.
D	The data provided to the Fund have serious shortcomings that significantly hamper surveillance.

Rationale for staff assessment. Although data provided to the Fund is broadly adequate for surveillance, granularity and timeliness has deteriorated since 2022, most notably for external (notably timeliness of international reserves information) and monetary statistics. Timeliness of fiscal data provision to the Fund has improved more recently, but low frequency and limited coverage of SOE operations and financial transations (below the line) hinders visibility into fiscal risks. Rebasing the national accounts (current base: 1990) and CPI statistics, as well as expanding coverage of the non-financial public sector (including fiscal contingencies) are also priorities to provide a more adequate measurement of the economy's GDP and growth development.

Changes since the last Article IV consultation. Timeliness and frequency of publication of macroeconomic data remains lacking with respect to the pre-2023 standards. However, provision of fiscal and monetary indicators to the Fund has improved since the 2024 Article IV consultation. Furthermore, the authorities are in the process of rebasing Bolivia's national accounts (current base: 1990), supported by donors, with the objective of disseminating the series in the second quarter of 2025. They are also receiving STA support to compile updated series for quarterly national accounts. Efforts are also under way to improve data on deposits and develop a housing price index.

Corrective actions and capacity development priorities. : Reverting to the pre-2023 data publication calendar and enhancing the granularity and coverage of fiscal statistics (including SOEs) is a priority. The National Statistics Agency is currently receiving CD support from STA for a rebasing of national accounts.

Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff. Staff does not use any data and/or estimates in the staff report in lieu of official statistics.

Other data gaps.

Table 2. Bolivia: Data Standards Initiatives

Bolivia participates in the Enhanced General Data Dissemination System (e-GDDS) and first posted its metadata in November 2000 but is yet to disseminate the data recommended under the e-GDDS.

Table 3. Bolivia: Table of Common Indicators Required for Surveillance

(As of March 4, 2025)

	Date of Latest Observation	Date Received	Frequency of Data[1]	Frequency of Reporting[1]	Frequency of Publication[1]	Data Quality-Methodological Soundness[10]	Data Quality-Accuracy and Reliability[11]
Exchange Rates	Daily	Daily	D	D	D		
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[2]	Daily	Daily	D	D	D		
Reserve/Base Money	Oct-24	Jan-25	M	M	M	O, LO, LO, O	O,O,O,O,
Broad Money	Oct-24	Jan-25	M	M	M		
Central Bank Balance Sheet	Oct-24	Jan-25	M	M	M		
Consolidated Balance Sheet of the Banking System	Oct-24	Jan-25	M	M	M		
Interest Rates[3]	Oct-24	Jan-25	M	M	M		
Consumer Price Index	Jan-25	Feb-25	M	M	M		
Revenue, Expenditure, Balance and Composition of Financing[4] - General Government[5]	Dec-24	Jan-25	M	M	M	LO, O, LO, O	O, LO, LNO, O, LO
Revenue, Expenditure, Balance and Composition of Financing[4] - Central Government[6]	Dec-24	Jan-25	M	M	M	LO, LO, LNO, LO	LO, O, O, O, LO
Stock of Central Government and Central Government-Guaranteed Debt[7]	Dec-24	Jan-25	M	M	M		
External Current Account Balance	Sep-24	Jan-25	Q	Q	Q	O, LO, LO, LO	LO, O, LO, O, LO
Exports and Imports of Goods and Services[8]	Sep-24	Jan-25	Q	Q	Q		
GDP/GNP	Sep-24	Jan-25	A	A	A	LO, LO, LO, O	LNO, LO, LNO, O, LO
Gross External Debt	Dec-24	Feb-25	Q	Q	Q		
International Investment Position[9]	Sep-24	Jan-25	Q	Q	Q		

[1] Daily (D), Weekly (W), Monthly (M), Quarterly (Q), Annually (A); Irregular (I); Not Available (NA).

[2] Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.

[3] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

[4] Foreign, domestic bank, and domestic nonbank financing.

[5] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

[6] Bolivia does not compile central government fiscal data.

[7] Guaranteed non-financial public sector debt. Including currency and maturity composition.

[8] Monthly frequencies for goods only.

[9] Includes external gross financial asset and liability positions vis-à-vis nonresidents.

[10] Reflects the assessment provided in the data ROSC (published on August 13, 2007, and based on the findings of the mission that took place during January 24–February 7, 2007) for the dataset corresponding to the variable in each row. The assessment indicates whether international standards concerning concepts and definitions, scope, classification/sectorization, and basis for recording are fully observed (O); largely observed (LO); largely not observed (LNO); not observed (NO); and not available (NA).

[11] Same as footnote 10, except referring to international standards concerning (respectively) source data, assessment of source data, statistical techniques, assessment and validation of intermediate data and statistical outputs, and revision studies.

Annex V. Key 2024 FSAP Recommendations

	Agency	Timing[1]	Implementation status[2]
Bank Stress Testing			
Enhance the bank solvency stress testing frameworks, with forward-looking models integrating all relevant risks.	ASFI, BCB	ST	PD Enhanced stress testing methodologies on interest rate risk and aligned measurements of market risk exposure with international standards.
Improve the granularity of supervisory data of restructured/reprogrammed loans, collect data on large deposits to assess deposit concentration risk and finalize a publicly available house price index.	ASFI, BCB	I	PD While credit portfolio information is already available, mechanism for large deposit data consolidation is in development. BCB established methodology for the housing price index.
Require banks to regularly conduct solvency stress tests and engage them in an ongoing dialogue on methodologies and results.	ASFI, BCB	ST	NA
Systemic Risk Monitoring, Macroprudential Policy			
Enhance cooperation between members of the Financial Stability Council by creating an analytical working group for assessing financial sector risks.	MEFP, BCB, ASFI	ST	NA
Strengthen the role of BCB in the Financial Stability Council and increase the transparency and communication of FSC decisions.	MEFP, BCB, ASFI	ST	NA
Develop additional indicators for monitoring of systemic risk.	ASFI, BCB	ST/MT	NA
Adopt additional macroprudential instruments, notably liquidity regulation and additional capital buffers, and borrower-based tools.	BCB, MEFP, ASFI	I	PD Imposed limits on banks' profits distribution. Modified liquidity risk management guidelines. Changes to minimum liquidity ratios and consolidated capital requirements expected in the first half of 2025.
Bank Supervision and Regulation			
Introduce legal changes to (i) prioritize ASFI's objective of promoting the safety and soundness of the banking system; (ii) guarantee ASFI's independence; (iii) ensure legal protection for supervisors; and (iv) provide access to group-wide information.	MEFP, ASFI	ST	NA
Implement an effective risk-based supervision approach introducing proper use of expert judgment that allows a comprehensive, critical, and prospective assessment of the risk profile proportionate to the banks' systemic importance and improve supervisors' capacities.	ASFI	ST	NA
Establish a framework for effective use of the supervisory corrective powers.	ASFI	ST	NA
Align the capital adequacy and liquidity frameworks, treatment of problem assets, credit risk provisioning, related parties'	ASFI	ST	PD

	Agency	Timing[1]	Implementation status[2]
management, interest rate risk in the banking book, and accounting standards to international guidelines and standards.			Development of market risk exposure measurement methodology in progress.
Financial Integrity			
Strengthen the AML/CFT regime in line with the recommendations of Bolivia's forthcoming mutual evaluation report.	MEFP, CONAL	ST	NA
Financial Safety Net and Crisis Management			
Establish guidance on recovery planning for banks, develop resolution plans, and develop designation for systemic banks.	ASFI	ST	PD In the process of updating the "Technical Manual for Intervention in Financial Intermediary Entities" and developing a methodology for identifying locally systemic entities.
Bring resolution tools in line with the FSB Key Attributes and establish unambiguous quantitative triggers for initiation of intervention in the law, notably for illiquidity and undercapitalization.	MEFP, ASFI	MT	NA
Establish a formal deposit insurance unit, with dedicated staff, and bring design features in line with IADI Core Principles.	BCB, MEFP, ASFI	MT	NA
Financial Sector Development			
Adopt a dynamic approach to interest rate controls and review the level and scope of credit quotas in order to minimize unintended effects on access to finance and financial stability.	MEFP, ASFI	I	NA
Redesign credit guarantee programs to increase utilization rates, considering centralized management.	MEFP	ST	NA
Strengthen design, oversight, and evaluation of state credit programs to ensure a more effective/transparent use of public resources and minimize negative impacts on competition and stability.	MEFP, ASFI	ST	NA
Establish a modern corporate/MSME insolvency regime, in line with international best practice.	MEFP, MJ	MT	NA
Implement a national financial inclusion strategy to coordinate key actions, including fully digitizing government-to-person payments.	MEFP, ASFI, BCB, APS, MTEPS	ST	NA
Approve a new pension investment policy based on Asset-Liability Management principles, ensuring diversification between private and public debt instruments, and including foreign investment options.	Board of Gestora, APS	ST	NA

[1] I: Immediate = less than one year; ST: short term = 1–2 years; MT: medium term = 3–5 years.
[2] D = Done; LD = Largely Done; PD = Partly Done; NA = No Action;
Note: APS = Autoridad de Fiscalización y Control de Pensiones y Seguros, ASFI = Autoridad de Supervisión del Sistema Financiero, BCB = Banco Central de Bolivia, BDP = Banco de Desarrollo Productivo, CONAL = Consejo Nacional de Lucha contra la Legitimación de Ganancias Ilícitas y el Financiamiento del Terrorismo, MEFP = Ministerio de Economía y Finanzas Públicas, MJ = Ministerio de Justicia, MTEPS = Ministerio de Trabajo, Empleo y Previsión Social.

Annex VI. Bolivia's Potential Growth

1. Economic growth in Bolivia has slowed down significantly in recent years. Growth stood at 4.2 percent per year between 2000 and 2019. The economy also recovered swiftly post-pandemic (6 percent in 2021). However, over the past three years (2022-2024) growth rates have dropped by at least 1.3 percentage points, while forecasts for 2024 suggest that the decline could reach almost 2 percentage points. This slowdown is rooted in the current economic challenges, which have not only affected short-term activity but also hit the economy's growth potential.

2. Assessing potential output growth in economies with high informality—such as Bolivia's (Annex VII)—is notoriously difficult. While potential output is unobservable, estimating it requires an understanding of how production factors—such as capital, labor, or human capital—combine to drive GDP. However, in Bolivia, where labor markets and businesses are largely informal, the data on labor force participation, investment, and unemployment are unreliable, making this assessment particularly challenging.

3. Although a purely statistical approach to estimate potential output could be unreliable given data limitations, a combined method using a Production Function approach, and statistical filters offers a more robust estimate. Statistical filters (e.g., Hodrick-Presscot, Baxter and King, etc.) will reveal data trends but lack theoretical grounding and may be misleading when the data doesn't capture essential economic features. For instance, Bolivia's falling unemployment rate in recent quarters could be misinterpreted without considering the concomitant rise in underemployment, which signals that informality has started to rise again. To minimize errors, we first use statistical filters to identify trends on relevant time series. We then interpret those trends through the lens of the Production Function Approach, which is grounded in economic theory.

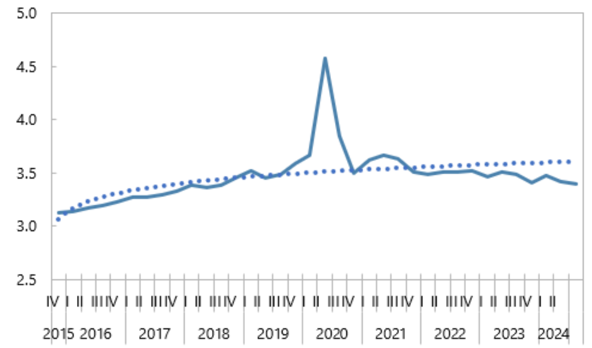
4. The Production Function Approach allows us to break down variations in potential output and growth into contributions from capital, labor, and total factor productivity (TFP). Rather than relying in statistical assumptions about the stochastic process of GDP, we model Bolivia's economy with a Cobb-Douglas production function, with labor and capital as inputs to generate GDP. Potential GDP is defined as the maximum output achievable when those two factors are fully utilized and employed most efficiently. Thus, potential output (Y^*) is represented as a function of factor inputs—labor (L) and capital (K)—corrected by the degree of excess capacity in each of them (U_K, U_L) and adjusted by the level of efficiency (E_K, E_L). TFP summarizes the degree of utilization of the inputs as well as their technological level. Potential output and TFP can be represented by the following expressions:

$$Y^* = (U_L L E_L)^{1-\alpha} * (U_K K E_K)^{\alpha} = (L)^{1-\alpha} * (K)^{\alpha} * TFP$$
$$TFP = ({U_L}^{1-\alpha} * {U_k}^{\alpha}) * ({E_L}^{1-\alpha} {E_k}^{\alpha})$$

Capital is measured by investment in structures and equipment, while labor is gauged by hours worked. The output elasticity of capital and labor in the production function are represented by α and $1-\alpha$ respectively. For the period under study (2015-2024), the assumption of constant elasticities seems to be fitting for Bolivia, as the shares of GDP that can be attributed to capital and labor income appear relatively stable, with labor typically accounting for about 66 percent and capital 34 percent of GDP (in the range of standard international estimates).

5. **Capital is straightforward to measure 'at potential.'** Capital constitutes an indicator of productive capacity, which is used at full capacity when at potential. It is therefore unnecessary to detrend this series to find its 'normal' or 'potential' long-term level. To construct the capital stock time series, we use the perpetual inventory method calibrating the depreciation rate to be consistent with an average capital-output ratio for the period under study of about 3.5.[1] Our estimates suggest that the capital-to-output ratio has been below its historical trend in recent years, which is likely the product of a slower pace of investment.

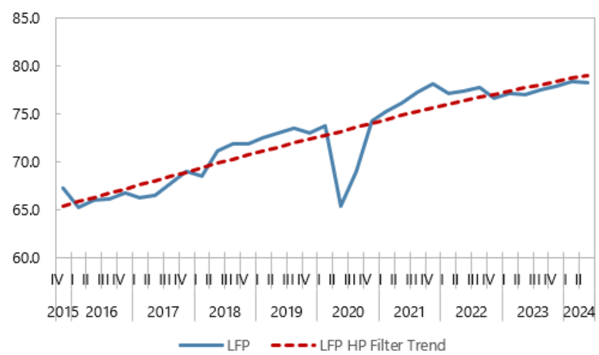
Capital to GDP ratio



Sources: National Institute of Statistics (INEI), and Fund staff Calculations

6. **The determination of potential labor is more complex, especially in the presence of pervasive informality in labor markets.** To estimate potential hours worked, we adjust labor force participation trends to account for the trend in the long-term equilibrium unemployment rate (NAIRU). Once the long-term employment series is derived, total hours worked are obtained multiplying the trend employment by the trend of hours worked per worker. Bolivia's data shows that labor force participation has been growing slightly below its historical trend in the last two years.

Labor Force Participation



Sources: National Institute of Statistics, and Fund staff Calculations

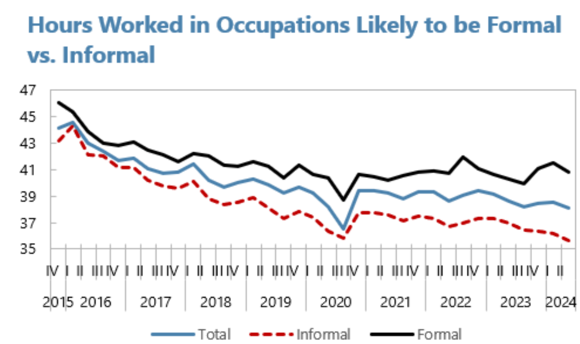
7. **In Bolivia, labor informality leads to variations in working hours and human capital across occupations; which, if not properly accounted for, may distort the estimation of labor's contribution to GDP and, by extension, to potential GDP.** Employment levels, hours worked per employee, and the human capital embodied in those hours can differ significantly across occupations that are more or less likely to be informal.[2] Ignoring informality can, therefore, lead to a distorted estimation of the total effective hours worked in the economy. Furthermore, in the production function approach, potential TFP represents the trend or 'normal level' of the Solow

[1] The calibration is akin to an indirect normalization of the level of TFP, such that it is consistent with the observed values of GDP. It doesn't, therefore, affect the level of potential output, nor the trends and growth rates of the relevant variables.

[2] Workers in occupations classified as more likely to be part of the informal sector in this analysis include small farm workers, self-employed and freelance workers, unpaid apprentices, family-workers, domestic workers, and members of cooperatives.

residual. The Solow residual is inversely proportional to the estimated levels of potential capital and labor: given the actual level of production, a higher contribution from these factors would imply a lower contribution of TFP. Therefore, in an economy with a high degree of informality, a distorted estimation of potential labor would also lead to inaccurate TFP estimates.

8. Considering trends in labor force participation, employment and hours worked, and the levels of human capital embodied in those hours, we find that the number of effective hours worked in the economy has been increasing rapidly post-pandemic. This is due to the growth in the total effective hours worked by formal workers—calculated as the number of workers multiplied by the hours worked per worker. Formal workers, who tend to have higher human capital, contribute more to production per hour.[3] Their share of the labor force has been growing rapidly since the pandemic (despite a slowdown starting in 2024), and the number of hours they work has remained relatively stable post-pandemic. In contrast, average hours worked in the economy, particularly in occupations more likely to be informal, has been steadily declining since the mid-2010s, including post-pandemic. For example, average hours worked fell by 14 percent from 45 hours per week in late 2015 to 39 hours in Q2 2024. Similarly, hours worked in informal occupations decreased by nearly 20 percent, from 43 hours per week to 35 in Q2 2024.



Source: National Institute of Statistics (INE) and staff calculations.

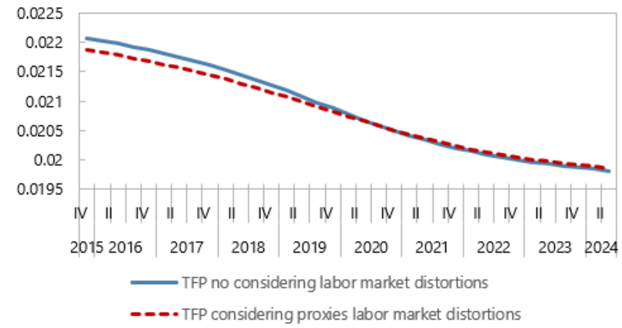
9. Our estimates of potential TFP for Bolivia show a continuous decline since the mid-2010s. However, when accounting for the significant distortions that informality introduces to the economy's ability to produce goods and services, we find that potential TFP post-pandemic is slightly higher than it would have been if those distortions were not present. This is because the slowdown in capital accumulation hasn't been fully offset by the faster increase in total effective hours worked. As a result, only a higher average Solow residual can explain the observed levels of production of this period.

10. By analyzing trends in labor, capital and TFP to estimate potential output using the Production Function Approach, we observe some lingering effects from the pandemic on the economy's productive capacity. While potential output growth has returned to near pre-pandemic

[3] We assume that occupations classified as more likely to be formal require 1.6 times higher human capital (per hours worked) than others, using as proxy for such 'efficiency' the relative difference between the average number of years of education for individuals with a level of education above / equal or inferior to high school.

levels, the actual level of potential output remains below where it would have been had the pre-pandemic trend continued. Notably, given the significant distortions in the labor market, which obscure the assessment of labor and TFP contributions to production, we find that as of Q2 2024 potential output is higher than it would appear if those distortions were ignored. Such finding also implies that the output gap is negative. Specifically, in Q2 2024, the economy underperformed relative to its true productive capacity. Our estimates of the output gap for 2024 Q2 show it at -1.05 percent, compared to an estimate of a positive output gap of +1.73 percent if the effects of informality on potential labor are overlooked.

Potential TFP per Weekly Hours



Sources: National Institute of Statistics (INEI), and Fund staff Calculations

11. Estimates of potential growth that take into consideration the presence of informality in the economy suggest that under current conditions potential growth is around 3.9 percent per year, with a tendency to fall henceforth. This rate has remained unchanged over the past decade. This stability indicates that firms and workers have managed to adapt and reorganize the productive process to mitigate the impact of rising macroeconomic imbalances on the economy's productive capacity. Nevertheless, with informality rising, average hours worked and TFP continuing to decline, and capital accumulation slowing in the most recent period, it is likely that potential growth will soon start to decrease. Indeed, the estimate of potential growth for the last three years that excludes the distorting effects of informality in the estimation of total hours worked in the economy shows a potential growth rate which is 1.10 percentage points lower than before the pandemic, highlighting the potential impact on potential growth of the simultaneous slowdown on TFP, capital accumulation and the average number of hours worked.

Potential Output Growth

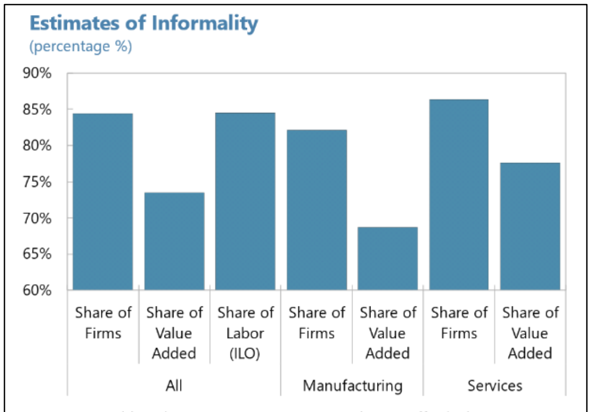
Alternative Measures of Potential Output

Sources: National Institute of Statistics (INEI), and Fund staff Calculations

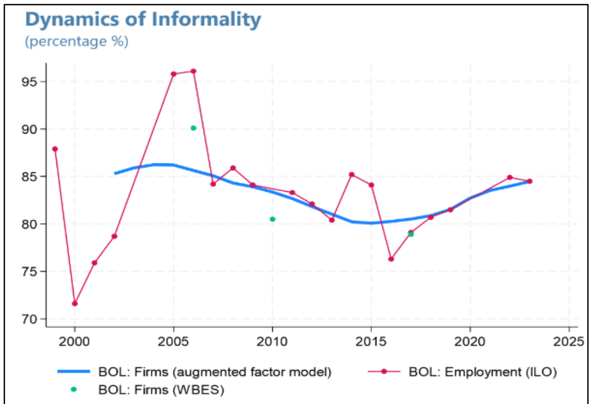
Annex VII. Informality in Bolivia[1]

1. The informal sector accounts for a large fraction of economy in Bolivia, as in many other emerging market economies. Micro data on informality is only available infrequently, making it difficult to assess the current size and dynamics of the informal economy.[2] Recent International Labor Organization data points to 85 percent of employment being in the informal economy. An augmented factor model (based on Yao 2024) estimates multiple factors that are predictive of the degree of informality. The main findings are that:

- 84 percent of firms operate informally, accounting for 73 percent of GDP.
- Cross country regressions suggest that poor rule of law (Annex VIII) and government ineffectiveness explain a large share of Bolivia's high level of informality.
- Informality is higher in the services sector. Firms with lower value-added are more likely to be informal and 78 percent of services value added is in the informal sector (compared with 69 percent of manufacturing value added).
- Informality has been increasing since 2016. The share of informal firms rose from around 80 percent in 2016 to 84 percent in 2023 driven by a decline in export sectors, slower per capita income growth, higher unemployment, and a larger footprint of the state. Likewise, the share of informal employment rose from 76 percent in 2016 to 85 percent in 2023.



Sources: World Bank Enterprise Surveys, ILO, and IMF staff calculations.



Sources: World Bank Enterprise Surveys, ILO, and IMF staff calculations.

2. Bolivia's informal sector provides the economy a flexible margin of adjustment which buffers the impact of shocks. The informal sector is countercyclical (Fernández and Meza 2015) and exhibits greater wage and price flexibility in its labor and product markets (Agudelo and Sala 2017; Ahmed et al. 2014).

[1] This Annex summarizes analysis from forthcoming IMF working paper "Informality and Shock Propagation in an Open Economy" by Sandra Lizarazo and Brandon Tan.

[2] The most recent World Bank Enterprise Survey, measuring informality among firms in Bolivia, was conducted in 2017.

3. A dynamic stochastic general equilibrium model of a small open economy with an informal sector was calibrated to the Bolivian economy. The model extends Gonzalez et al. (2022) to feature dual formal and informal sectors. Nominal price and wage rigidities are present in the formal sector, while prices and wages are fully flexible in the informal sector. Production of traded goods rely more on formal inputs (which can be produced at home or imported) while non-traded goods rely more on informal inputs. There is tax evasion and lower productivity in the informal sector; thus, a larger informal sector results in reduced tax revenue, decreased public investment, and lower overall output. The model is calibrated for Bolivia using the past twenty years of Bolivian macroeconomic data to capture the main structural parameters of the economy, and a fixed exchange rate regime is assumed. The analysis compares otherwise identically calibrated economies with and without an informal sector.

4. Bolivia's informal sector helps buffer the impact of a sharp devaluation on output and inflation. A sharp devaluation of the exchange rate raises the price of imports but increases foreign demand for exports. However, Bolivia's exports are mostly commodities which are slow to adjust.

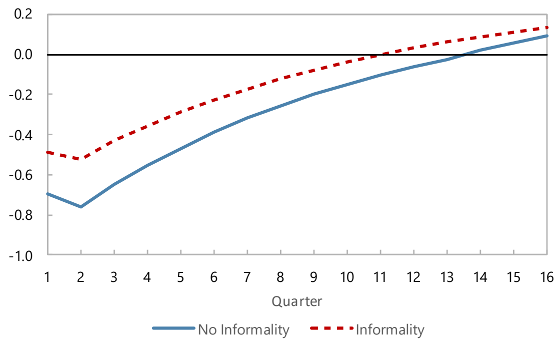
- **Informality reduces the negative output and inflationary impact of an increase in import prices (or any other domestic supply shock).** Since formal input prices and wages are sticky and do not adjust downwards in response to a negative domestic supply shock, traded production shifts to informal inputs, consumption shifts to non-traded goods, and labor shifts to the informal sector. This results in a smaller decline in output, employment and exports, and lower inflation with informality than without.

- **Informality bolsters the gains in output from an increase in foreign demand, while softening the impact on inflation.** Since formal input prices and wages are sticky, formal sector production and employment expands more slowly in response to an increase in demand. The informal sector expands more quickly as its wages and prices adjust flexibly. To the extent that formal and informal inputs are substitutable in the production of tradables, output in the tradable sector expands more with a smaller increase in price. Additionally, domestic consumption shifts to non-tradable goods as the price of tradables increases, also to the extent that tradable and non-tradable goods are substitutable in consumption, further boosting output and softening the upward pressure on prices.

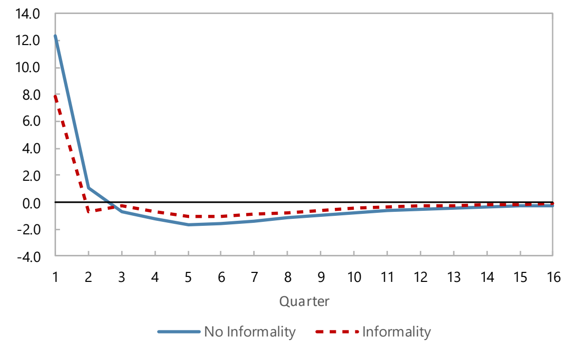
- **Informality in Bolivia buffers the negative impact on output from a domestic contraction in demand (e.g., a large fiscal contraction).** The price of informal inputs decreases relative to that of the formal sector due to nominal rigidities. As a result, tradable production shifts to cheaper informal inputs, consumption shifts to cheaper non-traded goods, and labor shifts to the informal sector. This results in a smaller decline in output and employment with informality than without. However, the deflationary impact is larger.

Response to a 30% Devaluation of the Fixed Exchange Rate

GDP
(Percentage change from baseline)



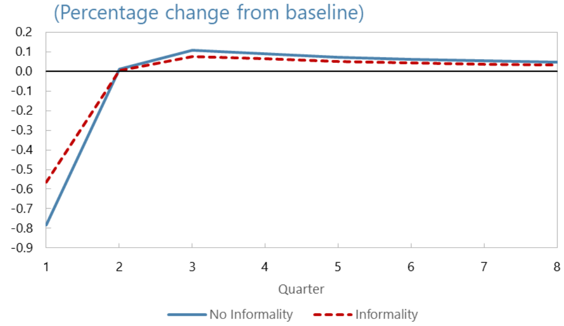
Inflation
(Percentage point change from baseline)



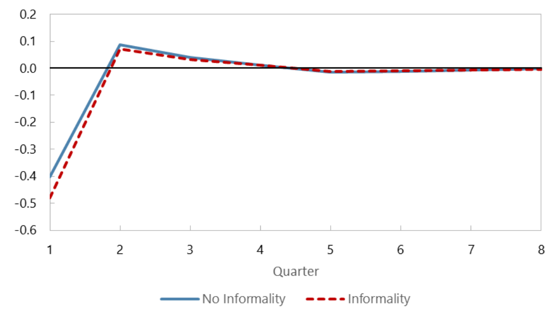
Source: IMF staff calculations.

Response to a 3% of GDP Fiscal Contraction

GDP
(Percentage change from baseline)



Inflation
(Percentage point change from baseline)



Source: IMF staff calculations.

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Ahmed, W., Choudhary, M. A., Khan, S., Naeem, S., & Zoega, G. (2014). Determinants of wage stickiness in a developing economy. *Economic Modelling, 38*, 296-304.

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Gonzalez, A., Jafarov, E., Rodriguez Guzman, D., & Walker, C. (2022). Fix vs. float: Evaluating the transition to a sustainable equilibrium in Bolivia. *IMF Working Paper No. 22022/43*.

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Annex VIII. Strengthening Governance and Anti-Corruption Frameworks[1]

Pursuant to the Fund's Framework for Enhanced Engagement on Governance (2018), this annex aims to assess the risks and nature of corruption in Bolivia and its linkages with governance weaknesses in key state functions, analyze the main vulnerabilities in anti-corruption and rule of law frameworks and provide recommendations on the areas for improvement.

Macro-criticality of Governance and Corruption

1. **Corruption perceptions in Bolivia are comparatively high, undermining public trust in institutions, contributing to social unrest, and generating economic costs.** Bolivia's Corruption Perception Index (CPI).score has been trending down (indicating a worsening) since 2014.[2] Public perceptions about the progress made by state institutions to reduce corruption has also become more negative in the last few years.[3] Forty-eight percent of respondent companies declared to have lost business to competitors who engaged in illicit payments; a concern further exacerbated by a low trust in the justice system (e.g., judges, prosecutors and police).[4] These adverse perceptions hinder economic stability by undermining investor confidence, reducing tax compliance, distorting economic decisions, and contributing to poor credit ratings[5] (and thus higher borrowing costs), with negative impact on growth and the fiscal accounts.[6] Unaddressed corruption may also intensify social and political tensions.

Box 1. Bolivia: Corruption Indicators[1]

Bolivia's performance in corruption indicators have been deteriorating in recent years. The Worldwide Governance indicators (WGI) show a drop in control of corruption from -0.69 (2018) to -0.85 (2023).[2] Compared with peer countries in the same region and income group, Bolivia has been regressing over the past 12 years pursuant to the Corruption Risk Forecast (CRF).[3] The indicators for the rule of law reveal a similar trend. The World Justice Project (WJP)'s Rule of Law Index demonstrates a continuous downward trend in Bolivia's score on civil justice between 2015 and 2024, particularly in what regards efficient enforcement of civil justice (0.21/1).[4] The Heritage Foundation's Index of Economic Freedom also reflects Bolivia's below-average scores on property rights, judicial effectiveness, and government integrity (2023).[5] Furthermore, the Index of Public Integrity of the CRF identifies inadequate judicial independence as a key constraint in the fight against corruption, which is affirmed by the WJP's indicator (on absence of corruption).[6] According to the Latinobarómetro 2020, societal attitudes in Bolivia also reflect a degree of acceptability towards corruption.[7]

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[1] Prepared by Yao Deng (LEG).

[2] Corruption Perceptions Index: Explore the… - Transparency.org; WJP Rule of Law Index | Bolivia Insights.

[3] Latinobarometro.

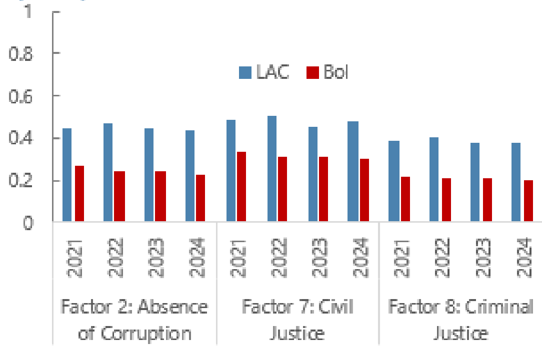
[4] 2024 Latin America Corruption Survey; The Rule of Law in Bolivia.

[5] Standard & Poor's credit rating for Bolivia stands at CCC+ with negative outlook. Moody's credit rating for Bolivia was last set at Caa3 with stable outlook. Fitch recently downgraded Bolivia to CCC-.

[6] Overview of corruption and anti-corruption in Bolivia, Transparency International.

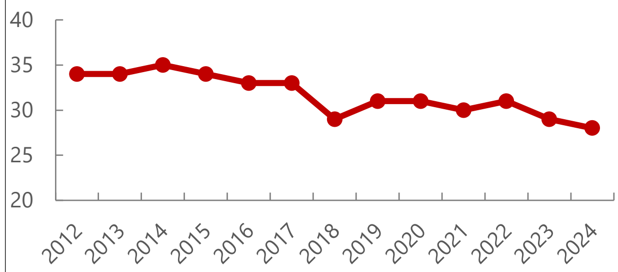
Box 1. Bolivia: Corruption Indicators[1] (concluded)

Rule of Law Index
(Score)



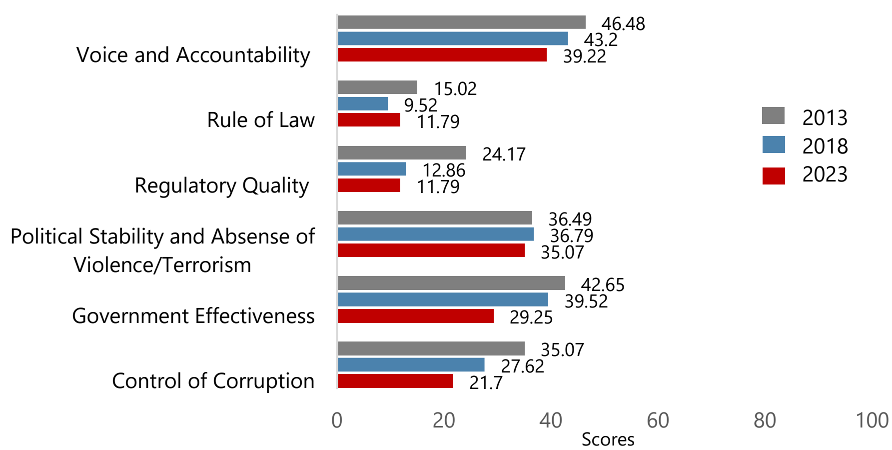
Sources: World Justice Project and IMF staff calculations.

Corruption Perceptions Index, 2012-24



Source: Transparency International website.
Note: The Corruption Perceptions Index ranges from 0 to 100, with 100 reflecting a (perceived) corruption-free environment. In 2024, countries' scores ranged from 8 to 90.

World Governance Indicators, 2013-23



Source: Worldwide Governance Indicators, D. Kaufman (Natural Resources Governance Institute and Brookings Institutions, and A. Kraay (World Bank), 2024.

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[1] This Box includes references to various third-party indicators. Methodological specifications may be consulted at their respective sources.

[2] Score range is from -2.5 to 2.5.

[3] Bolivia has a below-average score of 4.52/10, Bolivia Corruption Risk Forecast.

[4] WJP Rule of Law Index | Bolivia Insights.

[5] Index of Economic Freedom: Bolivia | The Heritage Foundation.

[6] Bolivia Corruption Risk Forecast.

[7] Latinobarómetro 2020 indicated that 44 percent of the respondents believed that it was alright to pay the price of some corruption if problems were solved.

2. **The threat of corruption to economic growth, the business environment, investment, and equity in Bolivia is emphasized in several government and external reports.** The Annual Report of the Comptroller General's Office (CGR) indicated that detected corruption and recovery of

assets exceeded 200 million Bolivianos (around 30 million USD) in 2021.[7] The country's 2022 national risk assessment for AML/CFT points to corruption as a major threat and highlights the effect of corruption, weak judicial system, and insufficient institutional capacities as important system vulnerabilities.[8] These threats have adversely affected the private sector, deferred investment, and reduced tax revenues in Bolivia.[9] The business environment has also been eroded by organized crime associated with corruption.[10] Corruption, alongside political instability and governance challenges, deepens poverty and inequality by weakening public service delivery and contributing to inefficient resource allocation.

3. The structure of the Bolivian economy presents particular vulnerabilities to corruption. Bolivia is heavily dependent on exports of commodities such as natural gas and minerals. Extractive industries remain among the sectors with highest risk of corruption, given the large volume of associated revenues and the complexity of their regulatory frameworks, presenting broader opportunities for rent-seeking. With substantial state participation and intervention in strategic sectors, SOEs play an essential role in Bolivia's economy.[11] However, lack of transparency, insufficient financial oversight, and weak governance can open room for corrupt conducts. Bolivia also has a large informal sector,[12] which is both an avenue for rent-seeking behavior, as it operates outside the formal legal system, and driven by negative corruption perceptions given the additional expected costs in formalizing a business. Several studies have found that lowering corruption reduces the shadow economy and boosts productivity growth.[13]

4. The nature of corruption is further aggravated by weak law enforcement. Over the past decade, there have been several corruption cases involving high-level state officials.[14] Corruption incidents ranged from deforestation concessions, large-scale infrastructure projects, and hydrocarbon contracts to judge and district attorney appointments and rural land regularization.[15] Resource constraints and insufficient human capital in the investigative, prosecutorial, and adjudicative agencies lead to significant delays in enforcement of corruption cases. In turn, insufficient autonomy and accountability in the justice sector can compound the impunity of corruption.

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[7] Informe del Contralor General del Estado (Report of the Comptroller General of the State), 2021.

[8] Mutual Evaluation Report of the Plurinational State of Bolivia. GAFILAT, December 2023.

[9] Bolivia: Staff Report for the 2018 Article IV Consultation, IMF Country Report No. 18/379.

[10] Bolivia: Country File, Economic Risk Analysis | Coface.

[11] BTI 2024 Bolivia Country Report.

[12] The informal sector has increased from 80 percent in 2015 to 84 percent in 2023 and accounted for 84 percent of businesses and 73 percent of GDP (Annex VII).

[13] Economic Issues No. 30 -- Hiding in the Shadows: The Growth of the Underground Economy.

[14] PPO Legal (2023): Compliance in Bolivia:-Trends-and-Updates, 2023; BTI 2024 Bolivia Country Report.

[15] Ibid.

Strengthening Bolivia's Anti-corruption and Rule of Law Frameworks

5. **Effective anti-corruption and rule of law frameworks are essential to a prosperous economy.** Such frameworks help boost public trust in institutions, create a sound business environment for investment, enhance tax compliance—creating fiscal space for priority spending—and contribute to sustainable growth. However, a robust anti-corruption response cannot be a standalone effort. It requires broad governance reforms in key state functions to curb incentives and opportunities for corruption and restore the rule of law.

6. **In recent years, the authorities have taken measures to enhance the anti-corruption framework.** Bolivia has promulgated the Law on Reinforcing the Fight against Corruption (Law No. 1390, 2021) to strengthen enforcement of corruption offences. Furthermore, a draft law was developed for the creation of a risk management system for the prevention and fight against corruption.[16] Bolivia has also adopted an updated national policy on transparency and fight against corruption in 2023[17], in line with the 2021-2025 Economic and Social Development Plan, which aims to enhance the fight against corruption by strengthening the digitization of information, coordination with civil society and compliance in the private sector. The 2024/2025 National Plan for the Fight against Corruption was recently approved. In addition, the development of digital systems for tracking and managing complaints of corruption and misconduct of public officials (SITPRECO) and the improved processing of criminal prosecution and proceedings (JL-2) are welcome steps. Despite these efforts, effective implementation remains a challenge.[18,19]

7. **Promoting access to information plays a vital role in ensuring transparency and accountability.** The publication of accountability reports by various ministries and agencies is commendable. However, Bolivia stands as one of the few countries in the region that does not have a dedicated law or specific legal rules governing access to information. Despite the 2009 constitutional requirement of promoting transparency in governance (and a related bill pending approval at the Legislative Assembly), this legal gap persists, granting excessive discretion to individual government bodies, creating significant hurdles for public access to information, and ultimately reducing transparency and accountability.

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[16] The enactment of this law will advance institutional transparency through, inter alia, controlling and monitoring the management of assets and accounts of officials in charge of public financial resources and private companies having contracts with public companies.

[17] "Towards Digitalized and Transparent Public Management" (Supreme Decree No. 4872).

[18] Freedom House: Bolivia, 2024; According to the 2024 Latin America Corruption Survey, 66 percent of respondents held that anti-corruption laws were not effective in Bolivia; EU Special Incentive Arrangement for Sustainable Development and Good Governance (GSP+) assessment of the Plurinational State of Bolivia covering the period 2020-2022.

[19] In relation to gaps, both the Implementation Review Mechanism of the United Nations Convention against Corruption (UNCAC) and MESICIC under the Inter-American Convention against Corruption have identified a range of challenges regarding Bolivia's implementation of the conventions, both on enforcement and prevention of corruption (UNODC: Bolivia country profile; OAS: Anticorruption Portal of the Americas).

8. Adequate rules to prevent and manage conflicts of interest are essential to mitigate corruption risks. Although there are some legal rules to prevent conflicts of interest (e.g., submission of affidavit on the information of family members, prohibition of "incompatibility", etc.), public officials in Bolivia are not obliged to systematically declare potential conflicts of interest or report external work or projects undertaken after assuming their position in government,[20] leaving loopholes for corrupt interests and undermining integrity and accountability. Post-employment restriction is only applicable to freely appointed high-level public officials (art.130 of Supreme Decree 29894), which may also limit the scope for reducing undue advantage and encouraging ethical behavior.[21]

9. Enhancing verification and publication of asset declarations facilitates public scrutiny, deterring corruption. Bolivian law establishes the obligation for all public officials to submit sworn declarations of assets and income (Art. 53, Civil Service Statute). However, verification is relatively limited—performed either on a random basis or after a denunciation—and unrelated to the actual corruption risks associated with each public position. The authorities envisage an automation of the verification process; a welcome step. While the publication of relevant declarations in summary format on the CGR's website (Art. 18, Supreme Decree 1233) is also a positive step, access requires registration using a national ID (preventing anonymity) and the previous practice of disclosing historical declarations to facilitate public oversight has been suspended.

10. Enhancing the capacity and integrity of law enforcement officials is essential to reduce impunity of corruption. Bolivia faces challenges in ensuring autonomy and sufficient resources for public prosecutors and investigators, with associated low salaries and limited professional capacities.[22] A number of prosecutors are in office on an interim basis and police officers rotate frequently, potentially hampering job security and continuity of investigations. Weak governance, low salaries, and limited professional capacities (e.g., in conducting international cooperation and asset recovery) create incentives for corruption and clientelism, which can be exploited by wealthy private actors or criminal groups. More stringent rules on declaring conflicts of interest, verification of asset declarations and imposition of disciplinary measures are recommended, particularly for anti-corruption prosecutors and investigators.

11. Further measures to strengthen corruption risk assessments and the use of digital tools can help bolster transparency and integrity. The Anti-Corruption Policy includes objectives and measures on these fronts and the Vice Ministry of Transparency and Fight against Corruption has initiated corruption risk assessments. However, Bolivia has not yet formally identified any positions considered particularly vulnerable to corruption, which limits the effect of integrity measures on personnel subject to high corruption risks (e.g., law enforcement, tax and custom

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[20] UNCAC country review report of Bolivia under the 2nd cycle.

[21] Post employment restriction refers to the prohibition of former public officials from engaging in professional activities or taking up employment in the private sector where such activities or employment relate directly to their former functions, UNCAC country review report of Bolivia under the 2nd cycle.

[22] Bolivia only achieved 0.83/10 in "Independence and resources for the Chief Prosecutor's Office and investigators" - see The Capacity to Combat Corruption (CCC) Index 2023.

collections, etc.).[23] A thorough assessment of corruption risks in all government bodies can enhance the authorities' understanding of key vulnerabilities and their calibration of anti-corruption measures. Strengthening digital measures to facilitate public reporting in all branches and access to information are critical measures to ensure transparency.

12. **The selection of judges should be aligned with international best practices to ensure independence and effective functioning of the judiciary.** Judges for the Supreme Court (TSJ), Plurinational Constitutional Tribunal (TCP), and Agro-Environmental Court as well as members of the Council of the Judiciary, are preselected and nominated by the Legislative Assembly and elected by universal suffrage. Although the transparency of the preselection process has been significantly enhanced in the recent election, lack of fixed preselection standards and procedure, inconsistent practices across different Joint Commissions of the Legislative Assembly, and scope for political influence may undermine the fairness of the selection process and jeopardize judicial independence, transparency, and objectivity.[24,25]

13. **Strengthening judiciary integrity plays an essential role in restoring confidence on the rule of law.** The Ibero-American Model Code of Judicial Ethics, adopted by the Supreme Court, applies to all members of the judiciary (Plenary Chamber Agreement 36/2018). However, strong perception of corruption in the judiciary persists and undermines public trust.[26] The Council of the Judiciary is responsible for exercising disciplinary control over members, judges and supporting staff of the judiciary (Art. 195(2), Constitution), but limited information is available.[27] Only the judgements issued by the TSJ, TCP and Agro-Environmental Court are published in Bolivia.

14. **Enforcement of contracts and resolution of land disputes are hampered by a shortage of resources in the judiciary.** Resource constraints in the justice system prevent an adequate geographical coverage of justice services, transparency, and efficient service delivery.[28] Although contractual and property rights are enforced under a civil law system, the legal process can be time

[23] The Capacity to Combat Corruption (CCC) Index 2023.

[24] Each election needs to follow a special regulation/transient law regarding the preselection and qualification of judicial candidates. There are two Joint Commissions of the Legislative Assembly in charge of the preselection process for different judicial bodies, but relevant practices are not consistent. Bolivia: New Report Highlights Shortcomings and Challenges of Judicial Independence.

[25] The importance of a transparent and participatory process for selecting judicial candidates has been highlighted by the United Nations Special Rapporteur on the Independence of Judges and Lawyers. The Special Rapporteur emphasized the crucial criteria of nonpolitical appointment procedures, strictly linked to professional quality and merit and to the commitment to the values of the rule of law, and the standards contained in the Basic Principles on the Independence of the Judiciary. These are considered international best practices. Visit to the Plurinational State of Bolivia - Report of the UN Special Rapporteur on the Independence of Judges and Lawyers.

[26] A general population poll on the rule of law in 2022 illustrated a 19 percent increase of respondents who believed engagement in corrupt practices by judges and magistrates The Rule of Law in Bolivia: Key Findings from the General Population Poll 2022.

[27] Only the judgements issued by the TSJ, TCP and Agro-Environmental Court are published in Bolivia. The Council of Judiciary uses a digital system for case management.

[28] EU Special Incentive Arrangement for Sustainable Development and Good Governance (GSP+) assessment of the Plurinational State of Bolivia covering the period 2020-2022.

consuming and is at risk of political influence and corruption. Persistently insufficient budget (less than 0.5% of national budget) for the judiciary and previous wide use of temporary judges results in excessive burdens and backlogs at the courts, jeopardizing effectiveness of contract enforcement and protection of property rights.[29] Arbitration can be used to resolve commercial disputes, but international arbitration is not permitted when the dispute is against the government or an SOE, according to the Arbitration Law 2015.

15. Enhancing transparency and inter-agency coordination in land governance, including through digital means, can help reduce rents for corruption. Bolivia has a decentralized land registration system with fragmented information stored in different registers which are not always publicly accessible.[30] These registers include the rural cadastral registry under the responsibility of the National Institute of Agrarian Reform (INRA), the urban cadastral registry maintained by the Cadaster Unit, the local registries put in charge by the municipal governments, and the Property Rights Registry maintained by different Real Estate Offices under the judicial branch. Bureaucratic delays and a cumbersome dispute resolution process increase corruption risks and create uncertainties in property rights protection.[31] Despite efforts in rural land reform (supported by the IADB), digitalization of cadastral plans and property records remains limited due to the lack of resources. Inter-agency coordination, such as between state and municipal governments and administrative and judicial branches, is essential to ensure the integrity of land registration.

16. Effective anti-corruption responses help address governance weakness in key state functions. In sum, this necessitates (i) comprehensive legislation and policies for the prevention and combating of corruption; (ii) adequate institutional frameworks to enable rigorous enforcement; (iii) sufficient measures to ensure integrity, transparency, and accountability; and (iv) broad stakeholder participation in policy-making and monitoring. To accelerate anti-corruption and rule of law reforms, the following actions should be prioritized:

- Expediting the enactment of a dedicated law governing access to information and strengthening the use of digital tools to facilitate public participation and scrutiny of the development and implementation of public policies;

- Enhancing the asset declarations system, including extending such declarations to include a wider conflict of interest disclosure and enabling the easy access to asset declarations and disclosure of historical data to facilitate public oversight;

- Enhancing capacities and integrity of law enforcement officials and mitigating political influence, including granting enough resources to relevant bodies, enhancing professional capacities of prosecutors and investigators (e.g., in international cooperation and asset recovery), further

[29] Ibid. The authorities reported that 98% of judges had been institutionalized up to date, significantly reducing the number of interim judges.

[30] Except the rural cadastral registry, other registers are not publicly accessible.

[31] BTI 2024 Bolivia Country Report: BTI 2024.

reducing the number of interim prosecutors, ensuring continuity of investigations, and strengthening verification of asset declarations of these officials;

- Designating the National Council against Corruption, Illicit Enrichment and Money-Laundering to perform a systematic corruption risk assessment, with a view to understanding key vulnerabilities, identifying positions/sectors particularly vulnerable to corruption, and adopting mitigation plans accordingly;

- Implementing the UN Special Rapporteur's recommendations on maintaining judicial credibility and independence, in line with international best practices;

- Strengthening judicial integrity and transparency by publishing decisions/judgements of all courts;

- Establishing a dedicated budget for the judiciary to reduce backlogs for effective enforcement of contracts and resolution of land disputes; and

- Strengthening inter-agency coordination in land registration to ensure consistency and accuracy of data, enhancing digitization of cadastral plans and property records, and enabling public access to various land registers.

INTERNATIONAL MONETARY FUND

BOLIVIA

April 16, 2025

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION — INFORMATIONAL ANNEX

Prepared By	The Western Hemisphere Department (in consultation with other departments)

CONTENTS

FUND RELATIONS

(As of March 31, 2025)

Membership Status: Joined: December 27, 1945;		Article VIII
General Resources Account:	**SDR Million**	**% Quota**
Quota	240.10	100.00
IMF's Holdings of Currency (Holdings Rate)	214.08	89.16
Reserve Tranche Position	26.02	10.84
SDR Department: SDR Million %Allocation		
Net cumulative allocation	394.26	100.00
Holdings	14.81	3.76
Outstanding Purchases and Loans: None		

Safeguards Assessment: Under the Fund's safeguards assessment policy, the Central Bank of Bolivia (BCB) was subject to an assessment with respect to the April 2, 2003, Stand-By Arrangement (SBA). A safeguards assessment was completed on June 27, 2003, and while no systemic risks with the BCB's safeguards were identified, uncertainties were expressed about the de facto lack of operational independence and program monetary data. An update assessment was completed on September 27, 2004, in conjunction with an augmentation of the SBA. This assessment confirmed that measures had been implemented to address all previously identified vulnerabilities, except for those requiring a change in the central bank law. Currently, BCB is not subject to the policy.

Exchange Rate Arrangements: The de jure exchange rate regime is a crawling peg to the U.S. dollar and the de facto exchange rate arrangement is stabilized. The Bolivian currency is the boliviano. Within the scope of the official crawling peg exchange rate regime, in an external environment characterized by market exchange rate volatility and decreasing external inflation, the sliding rate was set to zero in 2011 to anchor the public's expectations. Consequently, the boliviano has stabilized against the U.S. dollar since November 2011. Bolivia has accepted the obligations under Article VIII, Sections 2(a), 3, and 4 of the IMF' Articles of Agreements. Bolivia maintains an exchange restriction subject to the Fund's approval under Article VIII, Section 2(a), and Section 3. The exchange restriction arises from the authorities' rationing and prioritization of the allocation of FX for payments for limited transactions (mainly fuel imports and external debt service) resulting in FX shortages and undue delays in accessing FX for current international transactions.

Article IV Consultation: The last Article IV consultation was completed by the Executive Board on March 22, 2024 (IMF Country Report No. 2025/034). Bolivia is on a standard 12-month consultation cycle.

LIST OF MULTILATERALS AND OTHER FINANCIAL INSTITUTIONS

World Bank

https://www.worldbank.org/en/country/bolivia

Inter-American Development Bank

https://www.iadb.org/en/countries/bolivia/overview

CAF – Development Bank of Latin America

https://www.caf.com/en/countries/bolivia/

FONPLATA – Development Bank

https://www.fonplata.org/es/operaciones-por-pais/bolivia

European Union

https://eeas.europa.eu/delegations/bolivia_en

United Nations

http://www.nu.org.bo/

Statement by Mr. Leonardo Madcur and Mr. Rodrigo Alfaro
on Bolivia
May 2, 2025

On behalf of the Bolivian authorities, we thank staff for the cordial discussions under the Article IV Consultation. They also express their appreciation for the IMF's support through technical assistance on issues relevant for the country.

In the authorities' view, in recent years, Bolivia has faced significant pressures amid an extremely complex external and domestic environment, with persistent geopolitical tensions, still-high prices and supply costs, and recently, the escalation of trade tensions on the external front; and, on the domestic side, extreme weather events impacting production, and political tensions that led to roadblocks and a sustained blockage in Parliament primarily to access to external financing needed to confront the challenges. Against this backdrop and despite the difficulties, the authorities continued efforts to address these pressures and advance the objectives of promoting growth and strengthening the country's productive capacity, as well as improving the population's well-being, within the framework of the national development plan. Here are additional comments from the authorities:

Economic Developments and Outlook

Despite the complex external and local panorama, the Bolivian economy remained resilient. Several factors impacted the normal development of economic activity in 2024, such as roadblocks and weather events, including fires and a severe drought, which affected the production and export of key products. While hydrocarbon production continued to decline, the economy remained to show positive performance in other sectors, including financial establishments, agriculture, manufacturing, restaurants, hotels and other services, and transportation and communications. Thus, the country recorded growth of 2.1 percent as of the third quarter of 2024, and for the year as a whole, a rate of around 2 percent is expected, above the staff forecast of 1.3 percent. The labor market remained dynamic, with unemployment continuing below 4 percent and a growing labor force participation rate in 2024.

On the other hand, adverse weather conditions, roadblocks, speculation, reverse smuggling, and imported inflation put significant pressures on prices. To counter these pressures and protect the population's purchasing power, the authorities adopted a series of measures, including the continued implementation of fuel and food subsidies, increased controls on smuggling and speculation, the militarization of borders, the establishment of producer-to-consumer fairs, the strengthening of the state-owned food production support company (EMAPA)'s work, and the temporary suspension of tariffs on the import of food products and inputs, as well as other important items in the basic family basket. The government remains committed to implementing the necessary actions to ensure price stability.

While the authorities acknowledge the high risks and uncertainty surrounding the economic outlook for 2025, they are more optimistic than staff, due to expectations of improved weather conditions, major public investment projects and private sector promotion initiatives expected to begin showing results this year, and other actions. Therefore, GDP growth of 3.5 percent and inflation of
7.5 percent are expected for 2025. Given the high level of uncertainty and risks to the economic performance, including the risk of political tensions ahead of the upcoming presidential elections, the government is closely monitoring the external and domestic context to adopt the measures it deems necessary and appropriate.

Fiscal Policy

The authorities agree on the need for fiscal consolidation and are working toward it with a more gradual approach to safeguard economic recovery and social and political stability. The government highlights the reduction in the fiscal deficit level in 2024 and reaffirms its commitment to continuing actions to contain it. On the revenue side, while it agrees that further efforts are essential to broaden the tax base, reforms to the VAT rate and the introduction of personal income tax are not considered necessary at the current conjuncture. The authorities emphasize that they persist in working to improve revenue collection primarily through tax administration measures, leveraging digitalization and strengthening the capacity of tax administrators, in addition to incentivizing formalization. The IMF's support through technical assistance on this front has been relevant.
Furthermore, they clarify that tariff deferrals intended to contain imported inflationary pressures are temporary.

Regarding spending, and particularly fuel subsidies, actions continue to be adopted to address their high burden on fiscal accounts. While the authorities agree on the need for reforms in this regard, they believe that a fuel subsidy withdrawal in the current situation would generate social unrest and severely impact the most vulnerable populations and strategic sectors of the economy. Therefore, they underscore the more gradual and structural approach they are taking to reforms in this area, such as the acceleration of public investment projects for the construction of biodiesel plants, incentives for private sector participation in these initiatives through tax exemptions for the import of industrial plants and equipment, progress in the introduction of new, higher-quality gasoline and diesel at higher than subsidized prices; and the establishment of free fuel importation and sale by the private sector, among others. These measures will also contribute to reduce the country's dependence on fuel imports and its need for foreign currency.

In relation to other spending items, efforts continued to improve public investment management and the transparency and efficiency of public procurement processes through the program *Subasta Electrónica*. Regarding wages, the authorities clarify that a significant portion of the payroll, approximately 54 percent of the budget, is allocated to the education and health sectors, which are essential for strengthening the country's human capital, and that only 2 percent of the budget is allocated to executive branch employees. They also consider that the second bonus, called *Segundo Aguinaldo*, is not a cause for concern since it is triggered only when a certain level of economic growth is reached, which is currently below the threshold. Furthermore, while the authorities emphasize that existing social protection programs are geared toward the most vulnerable sectors of the population, such as public education students, pregnant women without access to health insurance, and the elderly population, they agree on the importance of improving the system's efficiency and targeting.

The government continued to face a difficult scenario for access to external financing in 2024. Given the tight international financial conditions and the national Legislative Assembly's systematic blockage of bilateral and multilateral loans totaling more than US$1.8 billion to date, the authorities had no alternative but to resort to domestic financing to meet the country's financing and essential spending needs. The blockage in access to external financing also caused Bolivia to experience negative net external debt transfers starting in 2023, which in turn contributed to pressures on foreign currency availability. However, the government underscores that despite the challenges and contrary to the forecasts of credit rating agencies, the country continues to regularly meet its debt service obligations. It is also worth noting that the country has room for external public debt, reflected in the downward trend in this debt, which reached 24.4 percent of GDP as of February 2025.

Monetary and Exchange Rate Policies

Several factors contributed to pressures on foreign exchange liquidity, which the authorities continue to address through various efforts. The decline in hydrocarbon production; an export sector affected by climate-related events, roadblocks, and a context of weakened external demand; rising fuel subsidy costs; speculation; and parliamentary refusal to approve external financing persist in exerting significant pressure on foreign currency availability. The government adopted several measures to tackle the situation and guarantee the supply of foreign currency to the economy and remain committed to this aim, through actions such as the purchase of gold on the domestic market by the Central Bank of Bolivia (BCB), the issuance of BCB bonds in US dollars, the establishment of limits on fees for transfers abroad, the authorization of use of crypto assets, and more structural measures such as initiatives to strengthen the export sector, the facilitation of tax refund mechanisms (CEDEIM), the creation of a single window for foreign trade, various public projects and incentives for the private sector under the import substitution strategy, among others. These will help generate foreign currency and address the external imbalance. In this regard, the authorities disagree with the staff's assessment that their actions have led to a limitation in the supply of foreign currency to the economy; on the contrary, although the BCB is not obligated to provide foreign currency to the market considering that exporters can manage their own foreign currency, the government is making every effort to ensure that supply.

On exchange rate and monetary policy recommendations, while recognizing the significant challenge of foreign exchange liquidity pressures and the need to strengthen international reserves, the authorities consider that a sharp and frontloaded depreciation, as recommended by staff, would have a high cost for the economy and the population that would take time to dissipate. The government is confident that the aforementioned measures adopted will help gradually address the challenges in the foreign exchange market. In this regard, the recovery of net international reserves is noteworthy, having stabilized since September 2023, increased in 2024, and continued a similar trend in the first quarter of this year, reaching a level of around US$2.3 billion. On the monetary policy framework, the authorities underscore the ongoing efforts to strengthen the BCB's institutional capacity and note that the existing framework, including sterilization measures, has worked well in containing inflationary pressures.

Financial Policy

The financial system remained solid despite the shocks. After experiencing the failure of one of the system's largest banks in 2023, the impact of which was contained, the sector recorded in 2024 capitalization levels above the minimum required, profit growth of 27 percent, low non-performing loan ratios despite the impact of adverse natural phenomena that affected borrowers' payment capacity, adequate provisioning levels, and a low degree of exposure to public sector debt. The authorities continued to implement relief measures for borrowers affected by local shocks, without affecting the system's solvency. Furthermore, in the face of foreign exchange liquidity pressures, various actions were adopted to protect users' access to foreign currency. Regarding the role the financial system can play in supporting economic development, the authorities reiterate that the interest rate ceilings and portfolio minimums aim to foster the productive sector and facilitate the population's access to homeownership and/or better housing conditions. The government remains committed to closely monitoring the financial system to ensure its soundness and solvency.

During 2024, significant progress was recorded in strengthening the financial sector's regulatory, supervisory, and macroprudential frameworks. The Financial System Supervisory Authority (ASFI) has undertaken and continues to work to improve the stress testing framework, information granularity, systemic risk monitoring, liquidity indicators, the crisis management, intervention, and resolution framework, among others, which will reinforce the sector's supervision and regulation and contain systemic risks, in line with international standards. On the other hand, regarding governance issues, and specifically the coordination of the Financial Stability Board, the authorities reiterate that the current framework, based on the provisions of the country's Financial Services Act, has worked adequately, and therefore they do not consider any changes necessary at this stage. They also emphasize ASFI's commitment to the objectives of stability and soundness of the financial system, and that its actions are aimed at achieving these goals. On the AML/CFT framework, the authorities highlight the significant progress made in implementing GAFILAT's recommendations to improve the framework efficiency. After presenting the advances, the government is awaiting a decision on the matter by the organization next June.

Structural Reforms

Productive strengthening is one of the main objectives on the authorities' agenda. In this regard, the government continues efforts through public investment projects and incentive measures to boost the private sector. On the public sector, progress is being made in implementing major investment projects in different sectors, including mining, food, and manufacturing, which are expected to yield results in the short and medium term. In terms of hydrocarbons, the government is carrying out an ambitious exploration plan with a view to reversing the downward trend in production. Likewise, on the private sector side, efforts continue to boost this sector through tax incentives for the import of capital goods, financing at preferential interest rates for projects related to import substitution and export promotion, and openness to the use of biotechnology, among others. Bolivia's accession as a Full Member of MERCOSUR and an Associate State of the BRICS represents an important milestone for the country, which will contribute to strengthen foreign trade through the opening of new markets, foreign investment, human capital, and productive activity.

The country has shown significant progress in anti-corruption frameworks. These efforts include the approval and implementation of relevant regulations in this area, including the 2021 Law to Strengthen the Fight Against Corruption, the development of a system for tracking complaints and cases of corruption in the public sector, the institutionalization of transparency offices in public sector entities, and an effective system for asset declaration of public sector officials, among others, which contribute to containing corruption risks. The authorities express their commitment to continue efforts on this front, recognizing the importance of fighting corruption and improving governance frameworks for the efficient use of public resources and the development of economic activities.