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CSP

BOLIVIA

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Document Date	Document Type	
17 February, 1994	Board Record	

Correspondents / Participants

Subject / Title
Chairman's Concluding Remarks
Bolivia Country Assistance Strategy

Exception(s)

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THE WORLD BANK / IFC / M.I.G.A.

OFFICE MEMORANDUM

DATE: July 13, 1993

TO: Mr. Sven Sandstrom (EXC)

FROM: Sri-ram Aiyer, Acting Vice President, (LAC) [redacted]

EXTENSION: 39003

SUBJECT: **BOLIVIA - Country Strategy Paper (CSP)**

1. Attached for your review is the final Country Strategy Paper (CSP) for Bolivia.

2. This CSP was reviewed by the LAC Regional Loan Committee (RLC) on June 30, 1993 (please see Minutes attached). The RLC endorsed the proposed strategy and agreed that the size and front-loading of the lending program will be conditional on adequate fiscal management. This final version of the CSP reflects the results of the election in Bolivia on June 6, 1993.

Distribution: Messrs./Mmes.

Stern, Karaosmanoglu, Rajagopalan (EXC); Shihata (LEGVP); Linn (FPRVP); Eccles (CTRVP); Jaycox (AFRVP); Kaji (EAPVP); Koch-Weser (MNAVP); Rao (DECVP); Kashiwaya (CFSV); Alisbah (PAAVP); Ryrie (CEXVP); Iida (MIGEX)

Regional Loan Committee:

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García-Zamor, Vasiliades (LA3DR); de Tray, Morrow (LA3C1); Krafft (LA3AG); Ludwig (LA3IN); Challa (LA3TF); van der Gaag (LA3HR); Delvoie (LA3C2)

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THE WORLD BANK / IFC / M.I.G.A.

OFFICE MEMORANDUM

DATE: July 2, 1993

TO: Files

FROM: Myrna Alexander, Senior Operations Adviser

EXTENSION: 3-3262

SUBJECT: BOLIVIA CSP -- Minutes of the RVP Meeting, June 30, 1993

1. A Meeting, chaired by Mr. Husain, was held on June 30, 1993, to consider the draft CSP for Bolivia [1]. Mr. Abe opened the meeting with an update on the results of the Presidential elections. He noted that the incoming President, Mr. Gonzalo Sanchez de Lozada, had won 36 percent of the popular vote which will be sufficient to secure a majority in the Senate and control in the Lower House with coalition partners. Discussions were on-going with the transition team and Mr. Abe expressed optimism about the likelihood of developing solid relations with the new Government.

The Reform Agenda

2. To start the discussion, Mr. Husain sought the Department's assessment of the chances of realizing the reform agenda set out in the draft CSP. He also queried the extent to which the intellectual underpinnings to support those reforms were at hand and how much more needed to be done. In response, Mr. de Tray indicated that extensive knowledge had been accumulated in the areas of privatization and regulatory reform. This was also true in judicial reform but less so in the area of the civil service. One uncertainty was how quickly the new Government will be able to absorb what had already been done quite effectively by the previous Government. Another was the extent to which political compromises inevitably had to be made. To assist the Government in making this transition, the Department was in the process of estimating the costs of the reform package.

Fiscal Discipline

3. Several speakers underscored the importance of maintaining fiscal discipline. Public finances had obviously deteriorated in the latter part of 1992 through to the elections. The Fund representative provided additional

---

1. The meeting was attended by Messrs/Mmes. Abe, Garcia-Zamor (LA3DR), Bale (LA1DR), De Ferranti (LA2C1), Gerken (LA4CO), Hicks (LACCE), de Tray, Morrow, Fretes-Cibils, Iwase, Bateman (LA3C1), Van der Gaag (LA3HR), Collell (LEGLA), McCarthy (DPG), Jay (FRMRO), Collell (LEGLA), Lupberger (CLAD3), Brenner, Gudoc (IMF).

detail on recent performance and noted that the status quo, if perpetuated, could lead to even worse results than projected in the draft. Sharing these concerns, the Department indicated that very specific options are presently being discussed to improve resource mobilization and/or reduce expenditures. Among other things, the Government was expected to move aggressively in the area of hydrocarbons in order to create the fiscal space to increase social sector spending. However, there is less assurance about the new Government's stance on public sector wages. As noted by the Fund representative, Bolivia was entering a critical period, in the coming months, before the new Government could assert control over expenditures.

4. Recognizing that Bolivia's long term development prospects depended on sound investments and effective social programs, Mr. Husain emphasized that public finances had to remain an important part of our continuing dialogue.

Poverty Alleviation

5. Discussion of the lending program focussed on its impact on poverty. Mr. de Tray highlighted that the essence of the proposed strategy was to build the foundation for sustainable poverty alleviation by encouraging broad based economic growth and investment in human capital. The on-going Health project and the recently approved Social Investment Fund II and Integrated Child Development projects plus the proposed projects for Land and Education Reform were all part of that strategy. Mr. Husain observed that two areas were vital: land reform and integrating indigenous people into the economic mainstream. The Department provided more elaboration on how specific operations addressed these concerns.

Conclusion

6. The meeting endorsed the strategy set out in the draft CSP. In closing, Mr. Husain reiterated that the size of the program and its front loading in the initial years were contingent on strengthening fiscal management.

cc. Messrs/Mmes. Husain (LACVP), Edwards (LACCE), Rodriguez (LACSA), Aiyer (LATDR), Sierra (LATSO), Abe, Garcia-Zamor (LA3DR), de Tray, Morrow, Fretes-Cibils, Bateman, Iwase (LA3C1), Steckhan (LA1DR), Segura (LA2DR), Loh (LA4DR), Collell, Molares (LEGLA)

Bolivia: Country Strategy Paper

July 13, 1993

Latin America and the Caribbean Region
Department III, Country Division I

Bolivia - Country Strategy Paper

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Bolivia Country Strategy Paper

Executive Summary

An ambitious strategy:
Take advantage of the opportunity provided by the new Government to complete major economic and social reforms to accelerate growth and reduce poverty.

Social and political consensus in Bolivia supports the current economic model and the need for additional reforms more strongly now than at any time in the past eight years. This consensus will give the next government, which will come to power in August 1993, a solid foundation from which to dismantle remaining barriers to investment, growth and poverty reduction. The leading edge of this attack should be a series of second-generation adjustment reforms that will redefine and refine the role of the state. If properly implemented, these reforms would: unbind the productive and export potential of Bolivia's natural resources by eliminating monopolistic roles of state enterprises, establishing an appropriate legislative and institutional framework and improving transport; strengthen the core public institutions of the civil service and judiciary; and broaden access to good quality basic education. Bolivia would then have the growth and the government needed to aggressively attack its stubborn and pervasive poverty.

The lending program for FY94-98 is designed to take advantage of the upcoming window of opportunity and aggressively support these reforms. To do so, the program is front-loaded, with 70% of the overall program consisting of operations directed at structural reform in the major public enterprises, the civil service, the judiciary and the education sector, to be committed over the next two fiscal years. The remainder of the program would emphasize projects that directly reduce poverty or mitigate the consequences of being poor (21%) and strengthen natural resource management capacity (9%) to ensure sustainable growth for future generations of Bolivians.

In the election of June 6, Mr. Gonzalo Sanchez de Lozada received a substantial plurality, and he has quickly put together a coalition ensuring his selection as President. His past record of market-oriented macroeconomic management as well as the favorable prospects for a smooth transition suggest that the next government will likely take decisive action early in its administration to tackle a broad program. Nevertheless, strong opposition from affected interest groups could delay or derail its execution. In this event, the lending program would be reduced to concentrate on investments in social and economic infrastructure, as well as those reform areas where it may still be possible to proceed. Important early indicators of government commitment will be the actions it takes to reform and restructure YPFB, the state enterprise which dominates the hydrocarbons sector, and the make-up of the new cabinet, especially the health and education ministries.

Bolivia Country Strategy Paper

I. The Point of it all: Reducing Poverty

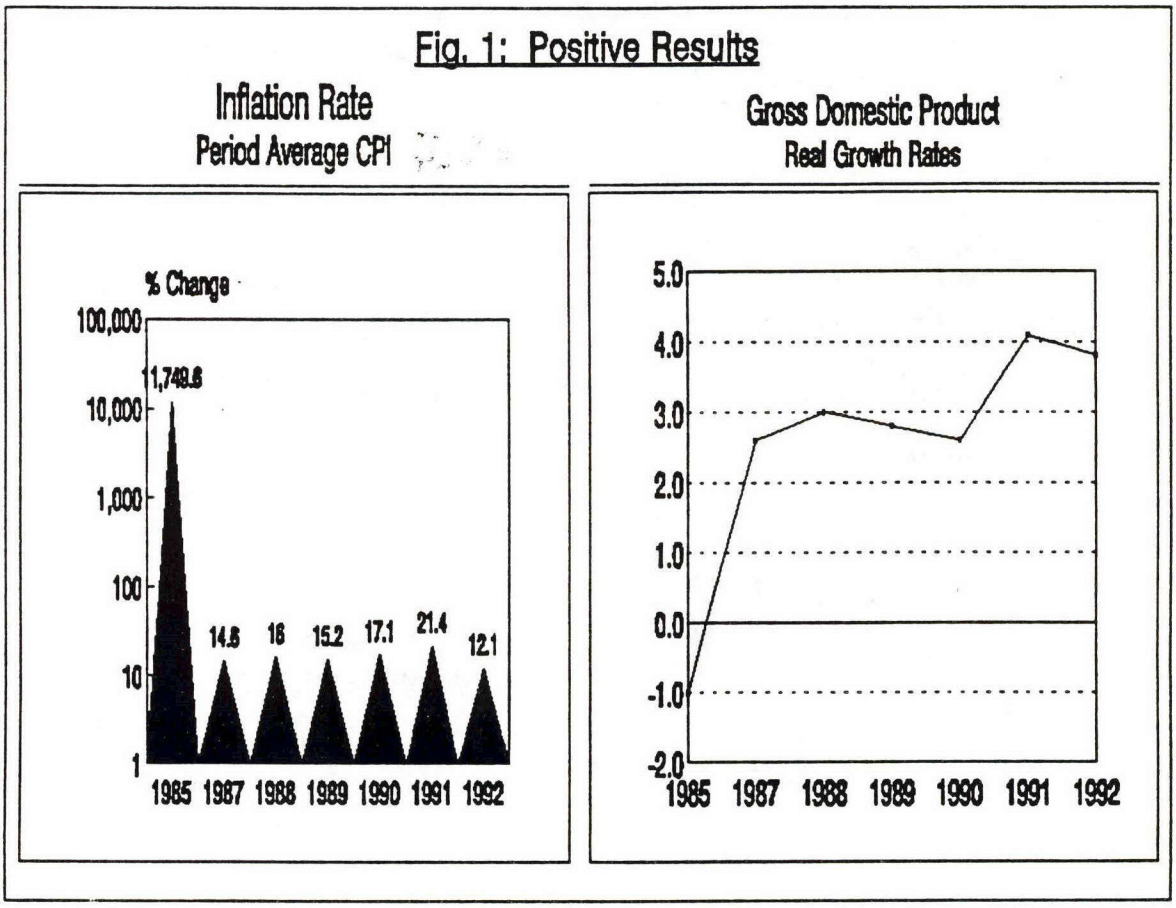
1. By any reasonable standard, most Bolivians are poor. They are poor in terms of income: per capita GDP is less than $750 and not equitably distributed. They are poor as well in terms of basic necessities: half or more of the population lacks access to clean water, adequate sanitation and basic health care; the coverage and especially the quality of public education are low and deteriorating. The consequences are: an infant mortality rate (92 per 1,000 live births) nearly double the regional average and a population more than half of which is functionally illiterate. Standards of living for most Bolivians will rise only through a significant acceleration in, and equitable distribution of, economic growth and a significant improvement in levels and quality of social services. The strategy outlined in this paper represents a practical, sustainable means of achieving these two fundamental goals of development as quickly as possible. The cornerstones of this strategy are a series of second-generation reforms that will restructure and redirect the role of state and a reform of the country's education system that will give all Bolivians access to good quality basic education.

2. Most Bolivians are poor, but some are much poorer than others. The strategy developed here recognizes that in the near term, the Government must also direct its efforts toward increasing access to basic social services (education, health care, water and sanitation, nutrition intervention) for the country's most vulnerable groups, especially women and children. In some cases mechanisms to further this goal already exist (Bolivia's Social Investment Fund, for example); in others new mechanisms are being developed (an Integrated Child Development Project, for example). In all cases, the success of these programs depends critically on the Government's ability to improve the efficiency of its own operations and its targeting of scarce public resources for social needs. An essential first step is a program that maximizes the substitution of private capital for public capital in all areas where such substitution is possible and uses the fiscal space thus created for increased social sector investments.

3. The arrival of a new government in August 1993 may present a unique opportunity to Bolivia and to the Bank to shorten the country's development path. The strong, reform-minded government which will take office can accelerate economic growth by fostering private sector investment while withdrawing the state from the major productive sectors and strengthening its capacity to make policy, to regulate and to enforce laws. These reforms offer the best hope of unleashing the country's income-generating potential from its natural resource base and freeing up public sector resources to fund much-expanded programs in education and health to the benefit of all Bolivians.

II. The Foundation

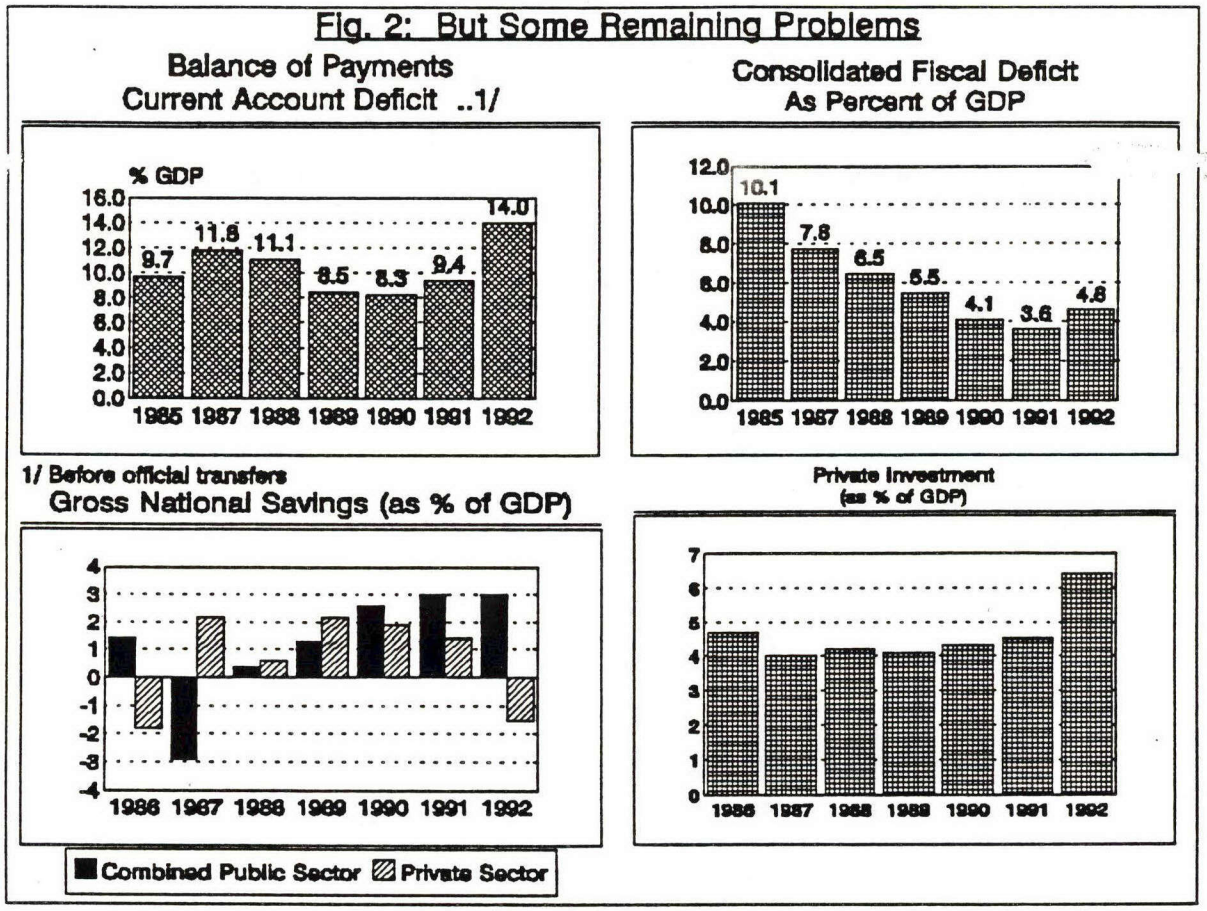
4. Bolivia launched and sustained profound political and economic reform in the last decade. During this period, democratic institutions succeeded in replacing a violent and unpredictable political environment, and economic reform brought stability and modest growth. Bolivia nevertheless remains a country of untapped potential, yet to take advantage of its generous endowments in land, mineral and hydrocarbon resources.



The dominant economic role of the state, coupled with the weakness of its institutions, shackles growth. In addition, strong disparities in education and economic opportunity continue to separate the white and mestizo elite from the indigenous majority.

Economic Reform and Performance

5. One of the Latin American pioneers in free market-based reform, Bolivia has gained solid economic ground during the past eight years. Inflation fell from stratospheric levels in 1985 to about 12% in 1992, and growth accelerated gradually to close to 4% annually in the last two years (see Figure 1). Despite these positive signs, the economic system remains fragile (see Figure 2). Declining terms of trade and rising import volume weakened the balance of payments position during the last five years, and the current account deficit widened from 8.5% to 14% of GDP between 1989 and 1992. The most serious problems were drops in tin and natural gas prices, mitigated only slightly by robust growth in nontraditional exports (gold, zinc, soya, timber and manufactured goods) and partly offset by illegal coca exports (the value-added of coca production retained in Bolivia is estimated to have been about 2% of GDP in 1991). The deficit of the nonfinancial public sector increased from 3.6% of GDP during 1991 to 4.6% of GDP in 1992, exceeding the agreed target with the IMF under a fourth-year ESAF by 1% of GDP. The increase was due to nearly equal acceleration in both capital and current



(mainly wages and salaries) expenditures. Public sector savings have improved, but remain quite low (3% of GDP in 1992), especially given that the main productive and infrastructural sectors are still dominated by the state. The benefits of tax reform have been constrained by slow improvements in tax administration, and YPFB, the state-owned enterprise which controls the hydrocarbons sector, still accounts for about half of total government revenues. Bolivia is heavily dependent on concessional external aid to finance its fiscal and balance of payments gaps and remains vulnerable to adverse developments in a small number of markets and commodities.

6. Although there are encouraging signs of increased private sector confidence, such as the rapid increase in bank deposits, the private investment rate remains low (about 6% of GDP in 1992), even relative to historical levels. There are several reasons for this cautious response. Perhaps most importantly, state enterprises continue to play a monopolistic role in the two most important productive sectors, mining and hydrocarbons. In addition, the Government's attitude toward an increased role for private investors has been ambivalent, as demonstrated by the failure of the negotiations for private lithium development and by persistent delays in the negotiations of joint ventures for state-owned mining properties.

7. Systemic problems also affect Bolivia's attractiveness to investors. An archaic and poorly functioning legal/judicial system

creates an unpredictable environment and adds to perceived risk. Weak and sometimes corrupt public institutions at national and municipal levels increase the cost of doing business through cumbersome regulations and procedures. For those of wealth or political clout, these barriers are easily surmounted; for the average Bolivian, they lower the returns to entrepreneurship, to risk-taking, to hard work. The result is growth that benefits mainly the rich and worsens income distribution. Legal and institutional reforms are needed to level the playing field not only between the public and private sectors, but also between large-scale and small-scale entrepreneurs within the private sector. Such reforms are essential for a private-sector-led strategy that both raises growth and improves equity.

A New Political Consensus

8. Difficulties in reaching agreement, both within the Government coalition and in the larger society, delayed the progress of economic reform during the past four years. In the last 18 months, however, a pragmatic consensus among the major political parties has emerged concerning the need to reduce and rationalize the role of the state and to move the social agenda forward. This agreement appears to be the consequence of the perceived success of the neoliberal model, the positive examples of Chile and Mexico and the negative one of Peru, and recent developments in the former eastern bloc. This consensus is reflected in formal multipartisan agreements as well as the similarity among the platforms of the major parties.

9. The elections on June 6 marked Bolivia's third peaceful democratic transition since 1985. Mr. Gonzalo Sanchez de Lozada of the Movimiento Nacionalista Revolucionario (MNR) received a substantial plurality (34%) of the vote. MNR secured a majority in the Senate and maintains a fairly strong position in the Chamber of Deputies. The MNR has quickly formed a coalition with two minor parties, and Mr. Sanchez de Lozada will be selected as President by the new Congress on August 6. Mr. Sanchez de Lozada was the architect of the 1985 New Economic Policy which succeeded in bringing down hyperinflation and in restoring macroeconomic stability. His stronger-than-expected performance reflects the public's support for the economic and social reform, proposed in MNR's election platform, "El Plan de Todos," and is similar to the strategy we propose. Early signals from the transition team indicate that the administration will move quickly to attack the remaining barriers to investment and growth.

III. The Economic and Social Agenda

10. Bolivia's most serious challenge in its efforts to reduce poverty over the next five years is to remove the remaining barriers to investment and growth by redefining the role of the state, through a set of second-generation structural reforms which will both reduce the size of government and strengthen its capacity. The rationalization of the Government's role will give Bolivia its best chance for sustaining economic growth at about 4% over the next three to four years. It will also provide the foundation for accelerating economic growth to about 5% over the medium term and for generating the resources necessary to increase the welfare and productivity of its human capital.

11. There are three critical areas of reform necessary to transform Bolivia's economy and accelerate development (see Box 1). First, the country needs to **unbind**

the productive and export potential of its most important natural resources--hydrocarbons, minerals and land--by eliminating monopolistic roles for state enterprises, providing a legal and institutional framework which supports private investment and improvement of key economic infrastructure, all within a policy context which promotes the long-term sustainability of natural resources (see Box 2). Second, the country needs to **strengthen essential public institutions** which define and enforce policy by implementing such programs as the civil service and legal/judicial reforms. Finally, it must take action to address a major cause of the country's deep-seated poverty by **providing broad access to and improving the quality of basic education.**

Box 1: The Three Critical Areas of Reform

- **Unbind the potential of the productive sectors**
  - *-Hydrocarbons restructuring*
  - *-Reform of COMIBOL*
  - *-Land tenure reform*
  - *-Improve economic infrastructure*
- **Strengthen essential public institutions**
  - *-Civil service reform*
  - *-Legal and judicial reform*
- **Provide broad access to quality basic education**

Box 2: Natural Resource Management

Bolivia's growth prospects over the next decade are rooted in its natural resource management. Unless rational management of these resources is assured, the country will not be able to maintain sustained growth. This is particularly true for land and forest resources, where the existing policies and institutional framework do not provide for optimal use. Other environmental problems, such as industrial and mining pollution of rivers, exacerbate the impact of poverty. Fortunately, because of its low population density, Bolivia's environmental problems are less intractable than those in many countries. Last year, the Government passed a framework environmental law and established two environmental agencies with normative and executive functions (SENMA and FONAMA). The next task is to develop the regulatory framework, enforcement procedures, and coordination mechanisms which will make environmental policy operational.

Hydrocarbons

12. The oil and gas industry represented 50% of Government revenues, 25% of public investment and 25% of exports in 1990. With potential reserves estimated at the equivalent of 4.8 billion barrels of oil or 4 times the already discovered volume, the sector has strong potential for attracting foreign direct investment and increasing exports. Although private entry is theoretically permitted, YPFB's dominance in the sector and the current pricing, legal and regulatory frameworks effectively inhibit private investment and competition. Limited prospects for participation in the sector are constraining private sector interest in investing in the construction of a gas pipeline to Sao Paulo, Brazil (see Box 3). In order to increase proven reserves and minimize public outlays in the sector, the new government will need to take legislative action to: (a) eliminate YPFB's monopoly; (b) liberalize markets for import, export and domestic sale of hydrocarbon products; (c) introduce a new tax regime for petroleum products which restores price transparency and stimulates competition in downstream operations; (d) deregulate petroleum prices; (e) introduce more flexibility in contractual arrangements for private exploration and production; and (f) establish an independent regulatory agency for the sector. Given the importance of revenues from this sector, are either

revenue neutral or increase the flow of resources to the Treasury.

Box 3: The Gas Export Project

The construction of a gas pipeline to Brazil has been a Bolivian dream for twenty years. The most recent phase of discussion of the project began about 18 months ago, when the burgeoning industrial region of Sao Paulo became interested in gas as a cheaper and environmentally more attractive fuel than the thermal alternatives in use in Brazil. Earlier this year, YPFB signed a framework agreement with PETROBRAS providing for the sale of 8 million cubic meters a day, increasing over seven years to 15 million, at a wellhead price of 90 cents per million BTU. The project would require construction of a 28" or 30" pipeline, about 1,900 km long, from Santa Cruz to Sao Paulo. The pipeline would open a market in Brazil potentially 2½ times the size of Bolivia's current export volume. The signatories have a period of 18 months to identify financing for the pipeline, which is estimated to cost in total $1.5 billion. This project, if successful, would allow Bolivia to recover from the collapse of gas exports to Argentina, and would provide a substantial market for new gas production.

Mining

13. Bolivia has traditionally been a mining country and still has substantial unexplored and unexploited potential for gold, zinc, antimony, tin, and other minerals. Nontraditional minerals have been one of the fastest growing exports in recent years. COMIBOL, the state enterprise which inherited the mining properties nationalized in the 1950s, has played a negative role in the sector, mainly through mismanagement of some of the highest potential mining properties in the country. To address the problems created by declining tin prices in the 1980s, the Government initiated a severe rationalization program in 1986. The program reduced employment by some 27,000 workers, but progress on measures to enable concessions and joint ventures with private sector partners for COMIBOL properties has been slow, mainly because of steadfast union opposition. Finally, in the second half of 1992, the Government reorganized COMIBOL as a small holding company for minority government shares in joint venture operations, contracted international consultants to design a transition strategy and began to negotiate joint ventures on three properties put up for bid some 18 months earlier. The stage is now set for the new Government to proceed rapidly with restructuring: dismantling COMIBOL along the lines already initiated; reviewing mining legislation and regulations to improve the environment for private investment; and strengthening the Ministry of Mining to administer mineral concessions more effectively.

Land Management

14. The insecurity and injustice of land management and tenure in Bolivia have far-reaching negative economic, social and environmental consequences. The land tenure reform is perhaps the single most important element for the rural poor in generating employment and income. The legal and institutional framework needs to be reexamined and adapted to current needs. The current regime has resulted in the parallel existence of *minifundia* in the altiplano and river valleys with *latifundia* in the developing eastern lowlands region, with attendant disincentives for rational land use. Existing legislation restricts purchase, sale, rent and use of land as collateral, although these rules are widely violated in practice. Land management institutions have been corrupt and inefficient, permitting the virtual grant of lands in overly large plots to influential individuals. Recently, in response to several public scandals concerning land distribution as well as pressure from the

Bank, the Government declared a moratorium on distribution of state-owned land pending institutional restructuring of its tenure regime and established a ministerial commission to oversee the process. Although there are few issues as potentially divisive, a consensus on the need for reform has clearly emerged in the past year.

Economic Infrastructure

15. Transport, power and telecommunications infrastructure and services will be fundamental to economic growth, and reforms to improve the provision of such infrastructure must be a high priority. Inadequate **transport** is the most serious infrastructural deficiency affecting investment and competitiveness. A 1991 Bank-executed private investment survey found that companies cited high transport costs most frequently as a constraint to new investment. Recent improvements in funding, management and investment planning for road construction and maintenance are encouraging, but fiscal and institutional constraints threaten efficient expansion and maintenance of the road network. Reforms in improving services in the rail, air and river sub-sectors will also be necessary. Possibilities for substituting private for public investment exist in other infrastructure sectors. In the **power** sector, service to date has been adequate, but rapid growth will require reforms to: (a) strengthen the legal and regulatory framework, e.g., placing the authority to regulate retail prices at the national rather than the municipal level; (b) removal of barriers to private entry in the sector; and (c) design long-term operations which facilitate the entry of private investors. Substantial private investment in **telecommunications** will be required over the next decade to improve service, and Bolivia will need to reform the structure and regulatory framework of the sector to attract such investment. The major elements of the reform will be: (a) establishment of an independent regulatory agency; (b) definition of the principles for new tariff structures; (c) privatization of ENTEL, the state-owned long distance telephone company; (d) facili- ... of private sector entry into all other aspects of the telecommunications sector; and (e) corporatization and capitalization of the major local telephone cooperatives.

Civil Service Reform

16. Because government institutions are weak and politicized, Bolivia has difficulty in designing policy, choosing and implementing investment projects, executing social programs and regulating public utilities. Although to some extent this problem reflects a scarcity of skilled human resources in the economy, it is primarily the legacy of a political system in which government jobs are considered political spoils. To address these problems, the Government has recently launched a comprehensive civil service reform program targeting the entire central public administration, which is responsible for the strategic management of Government activities, especially the state reform process under implementation. The program includes the use of transparent selection processes in which there is extensive international donor participation and establishes an adequate compensation scale and secure financing for public employees, and is overseen by a civil service unit reporting directly to the Minister of Finance. Continued execution of this program will be at risk during the upcoming political transition, since the new Government will have political obligations. Given the current weakness of government institutions, it is possible that policy reforms could be undermined over time; strong international support will help increase the chances that the reform program will be maintained.

Legal and Judicial Reform

17. A similar problem in the legal and judicial sector constrains growth and equity. The Bolivian legal system lacks efficiency and public credibility. Since the private sector relies on the court system to protect private property, enforce contracts, secure assets, collect payments and gain access to essential information, ineffective courts increase the transaction costs and riskiness of doing business. These costs hit new entrants and small-scale entrepreneurs especially hard. The Government recently passed a new judicial organization law which reforms the selection procedures for Supreme Court justices and guarantees a minimum budget for the sector, and proposes to establish a new judicial commission responsible for sector administration. Actions currently under consideration to improve the legal framework for business and the financial sector include: (a) promulgation of a law on administrative procedures and establishment of specialized administrative courts that would resolve disputes with regulatory agencies swiftly; (b) introduction of legislation to facilitate arbitration of commercial transactions; and (c) introduction of legislation to ease the creation and enforcement of security interests and liens, and executive action to improve the quality of and private access to registries. Over the longer term, measures to simplify court procedures and increase the professionalism of the judiciary are required.

Education

18. Low coverage and poor quality of education are major causes of Bolivia's deep-seated structural poverty. About 20% of the adult population is illiterate and at least 55% is functionally illiterate, including many who finished primary and even secondary school. On average, the population has completed 4 years of school; only 44% have completed primary school. These problems reflect an inefficient and centralized administration, poorly paid and badly trained teachers, dilapidated infrastructure and the scarcity of teaching materials. The Government has recently initiated design of an education reform program which is directed at restructuring the sector and will have significant long-term effects on poverty reduction. Its objectives include increasing participation at the community level in educational decisions, delegating administration to local entities, restructuring and limiting the role of the Ministry, reducing and rationalizing expenditures on tertiary education, introducing tuition fees, training and appropriate incentives for teachers, and rehabilitation of infrastructure.

IV. The Danger of Complacency, the Rewards of Reform

Financing Reform and Investment with Limited Resources

19. The next five years will provide Bolivia the opportunity to sustain higher economic growth by freeing its productive sectors from unnecessary constraints and supporting their development with appropriate legislation and institutions. The reforms proposed are not "stroke of the pen" and, at the very least, will take one to two years to implement. During this transition period, the Government will face challenging problems in economic management. Macroeconomic stability will be a prerequisite to growth, beginning with measures to improve the country's fiscal position early in the new administration. Within this framework, the Government will need to finance the transition and incremental costs of reforms and social initiatives. Difficult tradeoffs are inevitable, and careful analysis of financial

impact and appropriate phasing of these programs is needed. The more quickly private sector investment begins to substitute for state investment in productive and infrastructure sectors, the more resources will be available to finance urgently needed public goods.

20. Bolivia's future depends critically on the policies its next government chooses to pursue. In the worst case, if the new government fails to consolidate macroeconomic stability and slows or stops implementation of the structural reform program, the economy would likely contract or, at best, expand by no more than 1 to 2% per year for the rest of the decade. With macroeconomic stability and slow implementation of the structural reforms needed to attract private sector investment, we would expect moderate growth with GDP increasing at 2 to 3% per year for the foreseeable future. Under this moderate growth scenario, the major sources of growth would continue to be agriculture, construction and services mainly oriented toward domestic markets.

21. If the new government chooses to pursue the recommended high-growth policy path and is successful in mounting major reforms in the first year of its administration, we would expect sustained economic growth of about 4% annually for the next three years, increasing to an annual average of 5% during 1997-2000. If construction of the gas pipeline begins within the next two years, even higher rates are possible towards the end of the decade. This projected level of growth assumes that annual investment averages about 18% of GDP over the period. The growth in investment is predicated on the proposed reforms stimulating substantial increases in private investment, mainly in hydrocarbons, mining, communications and agriculture. Total private investment is projected to increase from about 6% of GDP in 1992 to about 10% by the year 2000. The level of public investment would remain at 8-9% of GDP, but its efficiency would be improved, and it would be reallocated towards essential economic and social infrastructure.

22. The high-growth scenario assumes a change in the structure of investment financing. Foreign savings, which financed about three-quarters of investment in 1990, are expected to finance about one-third of investment by the year 2000. Moreover, the composition of foreign savings is projected to change, with direct foreign investment growing from its current low level to account for about half of the total. National savings are expected to double--to about 13% of GDP--by the year 2000. To supplement these savings and achieve this growth scenario, continued high levels of concessional assistance and debt relief will be required. It is projected that Bolivia will continue to receive grants averaging $180 million annually and that gross disbursements from multilaterals, bilaterals and Paris Club reschedulings, averaging $480 million annually, would help to finance the projected current account deficit, which is expected to decline to about 7.5% of GDP by the end of the decade.

23. To increase national savings to support high growth, the Government must improve fiscal management by increasing the efficiency of tax administration, raising tax collection by 20% and controlling the rate of expenditure expansion to produce a credible fiscal adjustment path. Liberalized financial markets, improved bank supervision and increased private sector confidence should contribute to private savings rates. In addition, consideration is currently being given to a reform of Bolivia's social security system which will require increasing fiscal support over the next few years if it is to meet its obligations. A reform which introduces

individual choice and private sector management into the pension system is now being discussed (see Box 4). Such a reform would have a long-term positive effect on national savings by providing better incentives to savers and by reducing fiscal costs, but would require increased cash outlays by the Government over the near-term to fund the transition.

Box 4: Social Security

The social security system is experiencing structural and financial problems. The pension system overall is characterized by poor administration, lack of investment policy and supervision, low coverage of the economically active population, and high contributor evasion. Pension benefits are low (averaging less than $100 a month), and the quality of services is poor. The pension system currently represents a serious fiscal drain, requiring US$26 million in budget support in 1992. The Government is already financing two complementary semi-private funds and is likely to finance another six in the near future. With IDA and USAID support, the Government is currently evaluating options which would utilize private financial management to restructure the system and has drafted new legislation. Restructuring the pension system is of priority because it would increase private sector savings rates, improve the social safety net and provide a much-needed source of long-term financing for investment. The cash requirement of such restructuring is about $100 million a year for the next 7 years, about half of which represents existing obligations and the rest, the costs of switching to the new system.

Risk Assessment

24. The uncertainty of the economic projections described above is high. The major risks associated with accomplishing the macroeconomic objectives are:

(a) Strong union opposition to reforms in YPFB, COMIBOL and the education sector, which could delay or block implementation completely. At present, these reforms do not imply major reductions in public sector employment, but they do affect the economic interests and political clout of union leadership. Such opposition could undermine and erode political and social consensus.

(b) Further unfavorable international developments in price or demand, especially for gas and mineral exports. In the case of gas, Bolivia's potential markets are limited to its immediate neighbors, and changes in the Argentine or Brazilian markets could substantially change prospects for exports.

(c) Unanticipated shortfalls in official capital inflows resulting from competing aid requirements in the new eastern European nations, recessionary situations in many of Bolivia's traditional donors and modifications of U.S. policy in regard to drug control policies.

If the reform program is delayed for these or other reasons, economic growth would probably not exceed an average annual rate of 2 to 3% before the end of the decade.

Creditworthiness

25. Bolivia is not likely to become creditworthy for commercial borrowing in the near future. Despite impressive efforts toward debt management during the past four years, which have resulted in the virtual retirement of commercial bank debt, the country still suffers from a heavy debt burden (debt service amounts to about 40% of exports of goods and non-factor services), with little hope for improvement over the next four or five years. Continued restructuring of bilateral debt will be necessary for the next several years to maintain this level of debt. Given this level of indebtedness, the low levels of national savings, and the vulnerability of both the balance of payments and

public finances to external shocks, it will be some time before Bolivia could be considered creditworthy for even limited amounts of borrowing on commercial terms.

V. Bank Strategy

26. The strategy below proposes to use the Bank's leverage aggressively to advance the most critical reforms, through the vehicles of lending (both ongoing and proposed), economic and sector work and aid coordination. The window during which difficult political decisions can be taken will be a narrow one, in the first months of the administration, and that analysis and proposals from the Bank on the priority areas for action could help expedite decision-making. The highest short-term priority is, accordingly, preparation of a country assistance strategy paper, which can be presented to the new government when it takes office. In addition, the FY94 CEM will assess the fiscal implications of various reforms and propose a sequence of key reforms taking into account the fiscal space.

Lending

27. Since 1986 when it resumed lending after a four year hiatus, IDA's main goals have been to encourage economic reform and reactivation, improve infrastructure and provide basic social services (see Box 5). The proposed five-year lending program would shift to focus intensively on the remaining stubborn structural constraints to growth, particularly in the three most critical areas of reform, and would increase resources available for poverty and human resource development. These priorities reflect an economic agenda aimed at reducing the role of the state in investment in productive and infrastructure sectors while increasing relative levels of spending in the social sectors. The proposed 5-year lending program would amount to $400 million spread among 15 projects (see Annex A). The projects fall in the following major categories.

28. **Rationalizing the role of the State (70% of the Lending Program).** As we argue in sec. I, Bolivia cannot reduce its pervasive poverty unless it first restructures its public sector and increases incentives for private sector investment. A restructured public sector is needed to provide a legal and regulatory framework that is open and fair to all Bolivians, and social services, especially basic education and health, efficiently and equitably. Private sector investment is needed to fuel growth and to free public resources for increased investment in the social sectors. A core group of projects would focus primarily on the three critical areas of reform. A public enterprise/private sector development (PE/PSD) policy loan would set the stage by supporting technical, legislative and regulatory work needed to recast the role of the state in the hydrocarbons and major infrastructure sectors. It would be followed by two other operations in the hydrocarbons sector, one to support the restructuring process and one to help mobilize private sector participation in the construction of the proposed gas pipeline. A project to support implementation of the Agrarian Reform Law and reform of the land tenure system would help rationalize land ownership and use, with important implications for production, equity and the environment. Projects to strengthen essential public institutions through judiciary and civil service reform would improve the state's ability to set, regulate and enforce policy. Finally, a sector loan would support the Government's education reform, directed at broadening access to and improving the quality of basic education.

29. Rationalizing the role of the state would also be the major theme in the three

Box 5: Ongoing IDA Operations

Economic Reform and Reactivation	
Economic Management Strengthening Operation (FY89)	Financial Sector Adjustment (FY91)
Mining Sector Rehabilitation (FY89)	Technology Development (FY91)
Eastern Lowlands (FY90)	Public Financial Management II (FY91)
Private Enterprise Development (FY90)	Structural Adjustment (FY92)
	Agro-Export Development (FY92)
Improving Infrastructure	
Export Corridors (FY89)	Road Maintenance (FY92)
Water Supply & Sewerage (FY91)	
Providing Basic Social Services	
Integrated Health (FY90)	Integrated Child Development (FY93)
Social Investment Fund (FY90)	Social Investment Fund II (FY93)
Environment	Environmental Technical Assistance (FY93)

infrastructure projects included in the program. A proposed third municipal project would finance economic and social infrastructure in small municipalities and institute a civil service reform at the municipal level to increase institutional capability. A power sector loan would build on ongoing efforts to restructure the sector and increase private sector involvement and investment. A proposed transport sector loan would build on ongoing operations to promote clear definition of priorities in the sector within a decentralized framework.

30. **Poverty and Human Resource Development (21%).** As Bolivia positions its public sector to attack the root causes of poverty, it must also recognize and serve the immediate needs of its poorest citizens. Our poverty strategy for FY94-98 builds on the FY93 lending program that included two important investment projects in the social sector: the Integrated Child Development Project and the Second Social Investment Fund Project. The former will attempt to reach some 50% of children under 6 through low-cost, home-based daycare centers in urban and peri-urban low-income neighborhoods to prevent permanent damage caused by malnutrition. The latter would provide continued support to Bolivia's successful Social Investment Fund. In addition to the core program aimed at rationalizing the role of the state, little over one fifth of the portfolio would focus on direct alleviation of poverty during FY94-98. A rural water supply and sanitation project would attempt to decisively reduce the incidence of child mortality and enteric diseases. The project would rely on low-cost technology and heavy community involvement in installation and maintenance. The lending program also includes a rural investment project directed at increasing rural incomes through productive investments at the community level and a proposed second health project.

31. **Natural Resource Management (9%).** The lending program includes two projects directed at strengthening the Government's ability to manage the country's natural resources to support sustainable growth. A technical assistance project to define standards and enforcement mechanisms for industry and mining is proposed; decreasing pollution of rivers and aquifers

would be the major objective. A follow-up project to the ongoing environmental technical assistance credit, directed primarily at strengthening the capacity of SENMA and FONAMA, is also proposed.

Vehicles for Bank Assistance

32. The proposed lending program would rely on adjustment lending to a lesser extent than in the past; only one policy loan is programmed. Instead, sector and project loans would permit deeper entry into and longer-term involvement into key reform areas. The proposed lending program would also rely on some relatively small operations, mainly financing technical assistance, with ambitious reform objectives (land administration, civil service, and regulatory/judicial reform). Given the importance and the controversial nature of these operations, the Bank will need to keep their progress and objectives at the center of the policy dialogue.

33. One of the biggest challenges in the program is to design vehicles adequate to deliver social programs to the local level, given the centralized nature of government administration, the lack of local institutions and the opportunities for bureaucratic delay in the long chain between La Paz and remote, sparsely populated agricultural villages. Reaching the poorest people in isolated rural communities is a difficult challenge and will be a central issue in the design of most human resource projects. Although there are interesting models in both Colombia and Mexico in this regard, population density in Bolivia is much lower and local institutions are far weaker than in either of those countries. Some of the proposed sector work will focus on the question of what mechanisms are most appropriate to the Bolivian environment.

Project Implementation: Lessons Learned

34. The proposed lending program is built on our lending experience over the past seven years. Ongoing projects such as the Mining Rehabilitation, EMSO, Eastern Lowlands and Export Corridors Projects have laid the base for more intensive focus on development constraints in the proposed lending program, and will continue to serve as vehicles in policy dialogue. In regard to execution, there have been two major constraints: the weakness of counterpart institutions, as evident in low staff skill levels and high turnover rates; and lack of government ownership of Bank projects and programs. With weak or uninterested counterparts and rapid changes of staff, the concept of Government ownership is nebulous. It is frequently the case that the Bank is the primary source of leadership and continuity in the execution of projects.

35. These problems have been persistently addressed in project design through inclusion of financing for local consultants, topping off of Government salaries, establishment of project units with separate salary scales and even creation of new institutions whose administrative costs are funded internationally. Project preparation facilities provided by the Bank typically have funded items such as rent and office furniture. Although this approach has frequently enabled projects or programs which otherwise could not have been executed to be implemented, but it has tended to further minimize government commitment. The proposed lending program would phase out the major budget support which has characterized lending to Bolivia in recent years and would bring issues of institutional development to the center of the policy dialogue. Specifically, in new projects, we propose to: (a) phase out "topping off" of salaries as a practice, (b) phase out financing of line personnel and local consul-

tants taking on line roles (with the possible exception of the civil service project), and (c) minimize financing of administrative budgets. This change in policy may carry the cost of slowing project preparation and implementation, but we feel is necessary to achieve the longer term goals of efficiency and government ownership of projects. We also propose to continue the current policy which requires Bolivia to pay at least 20% of project costs.

Box 6: The Policy Agenda and Related Bank Instruments

Policy Objectives	Bank Instrument
Unbinding the Productive Sectors	
Limiting the role of the state and improving capacity for concession management in hydrocarbons, mining, and economic infrastructure sectors	PE/PSD Project; Hydrocarbons Restructuring Proj.; Gas Exp., Mining Rehab. Proj.*
Reforming legal framework and institutions for land tenure	Eastern lowlands*; Land Adm. Project
Improving economic infrastructure	Transport Sector Proj.: Export Corridor Proj.*; Road Maint.*; Power Proj.
Strengthening State Institutions	
Increasing professionalism and continuity in the civil service	EMSO*; Civil Serv. Proj.; other Bank projects
Creating predictable and responsive legal and judicial environment	PE/PDS Proj.; Regulatory/Judicial Reform Proj.
Broadening Access to and Improving Quality of Education	Education Reform Project

Bank Supervision

36. Complex, multi-sector projects, a broad-ranging lending program, technical assistance and local support in the form of many small contracts and lack of certain scarce skills have complicated supervision of the portfolio, and, together with the institu-tional weaknesses described above, have resulted in supervision coefficients higher than LAC averages. The nature of the proposed lending program is likely to require similar levels of supervision. Although there is little room to reduce total supervision resources, we will use these resources more effectively by shifting more supervision responsibility to the Resident Mission and by relying on local and more junior consultants for on-the-ground follow-up of project problems.

Economic and Sector Work

37. The proposed economic and sector work program is directed at supporting policy dialogue, advancing aid coordination and contributing to the development of lending operations. This year, a Country Economic Memorandum (CEM) will provide the foundation for our policy dialogue and support the new Government in its decision making. A Country Assistance Strategy Paper, based on recent economic and sector work, will be used to initiate our dialogue with key officials in the new Government. The FY94 CEM will also be used for the next meeting of the Consultative Group (CG). The next full CEM is planned for FY96, although we will prepare relatively brief Updating Economic Memoranda in the alternate years to serve as documentation for the CG and will also provide an update on issues related to the public sector investment program.

38. Sector work would concentrate on human resources, poverty, resource management and economic infrastructure, mainly transport. The most important analytical work in human resources would be a poverty assessment directed at determining income distribution, diagnosing poverty and recommending additional areas of action for alleviating poverty. A separate rural development study will focus on a strategy for increasing incomes in rural areas. These works will be followed up by a comprehensive reassessment of the health sector, including health benefits under the social security system. In the area of resource management, an assessment of environmental priorities and strategy is planned for FY95 to determine progress and define priorities for action. In the infrastructure sector, work will be done to identify the potential for and the means to promote private sector involvement in infrastructure development.

Box 7: Increasing Government Participation

***Annual CIR/programming missions**
Agreement would be reached on the lending program, the ESW program, and strategies for addressing problem projects. Timing would coincide with preparation of the business plan, which would be discussed during the mission.

***Joint ESW projects**
Collaboration with appropriate ministry or UDAPE on design, terms of reference and review of economic work undertaken on Bolivia.

***Participation of government representatives,** when possible, in Bank decision meetings on projects and programs. Routine distribution of decision documents to government.

***Routine translation** of key Bank documents into Spanish.

39. For the ESW program, we will undertake a participatory approach by agreeing on priorities with the Government annually, executing the work jointly when this seems appropriate and involving Government at early stages of review (see Box 7). Key ESW products will be translated into Spanish. When appropriate, and if the Government agrees, we will also seek a wider audience for ESW products.

Donor Coordination

40. Joining forces with other donors is a central part of our strategy. The Consultative Group for Bolivia met for the seventh time last year, and has evolved into a mechanism as much for identifying and agreeing on Bolivia's development priorities as for mobilizing aid. One sign of success is the dominant role taken by the Government in the last three years in shaping the agenda and preparing supporting documents. Cofinancing has become the most useful mechanism of coordination; we currently have cofinancing arrangements on most ongoing and proposed new projects. While cofinancing arrangements substantially increase the time and work involved in project preparation, the benefits of avoiding duplication of effort and working at cross purposes seem well worth it. In order to share the administrative costs of supervision, we recently negotiated three arrangements with bilateral donors (USAID, Holland and Switzerland) to finance some of the supervision costs of jointly financed projects. We will seek additional, similar arrangements in the future, in particular for supervision of social projects. One area where coordination could be improved is in the preparation of economic and sector work. We are generally unaware of studies and technical work financed by other agencies. Moreover, there may be some options for work sharing, in particular with IDB.

Program Size and Bank Exposure

41. **Levels.** We propose a lending level of $400 million in 15 credits during FY94-98, or $80 million in commitments annually. The actual size of the program is likely to be somewhat higher, given that Bolivia will continue to benefit from IDA reflows. This volume is roughly the same as annual lending rates during the past five years. Total debt service to the World Bank Group amounted to 5.6% of exports in 1992, but is expected to drop to about 2% of exports by the end of the decade.

42. **Risks and the fall-back position.** The proposed lending program is ambitious, and there is a high risk that we will not be able to achieve all of its objectives. Nevertheless, we need to be ready to provide maximum support to the new Government if it chooses to pursue the high-growth policy path. Early indications from the President-elect's transition team are encouraging. The new administration is likely to put the fiscal program back on track and to take decisive actions on key reform areas quickly. Our active commitment to and promotion of this high-growth strategy will increase its chances of implementation. We believe the risk is warranted because of the Bank's special relationship with Bolivia, the opportunity presented by the new government, and because even partial success could substantially accelerate development and expand economic opportunities for Bolivia's poorest people. Should government commitment waver in one or more of the priority areas, however, we would modify and reduce the lending program to focus on objectives where reform remained possible and maintain the poverty alleviation portfolio. An early indication of the Government's commitment to proceed will be the action it takes on the reform of the hydrocarbons sector and in its appointment of key social sector ministers.

Annex A: Proposed FY1994-1998 Lending Program (US$ millions)

	FY94	FY95	FY96	FY97	FY98	FY94-98 Total	FY94-98 %
Rationalizing the Role of the State							
Public Enterprise Reform	50						
Hydrocarbon Deregulation			20				
Natural Gas Export				35			
Civil Service Reform		15					
Regulatory/Judicial Reform		10					
Educational Reform*	40						
Land Administration*		20					
Transport Sector Loan					25		
Municipal Development*	40						
Power Sector Restr.				25			
Subtotal	130	45	20	60	25	280	70%
Poverty & Human Resource Development							
Rural Water and Sanitation*			30				
Rural Investment Project*				30			
Health II*					25		
Subtotal			30	30	25	85	21%
Natural Resource Management							
Environment, Mining & Industry			15				
Environmental Fund II					20		
Subtotal			15		20	35	9%
Total	130	45	65	90	70	400	100%
Number of Projects	3	3	3	3	3	15	

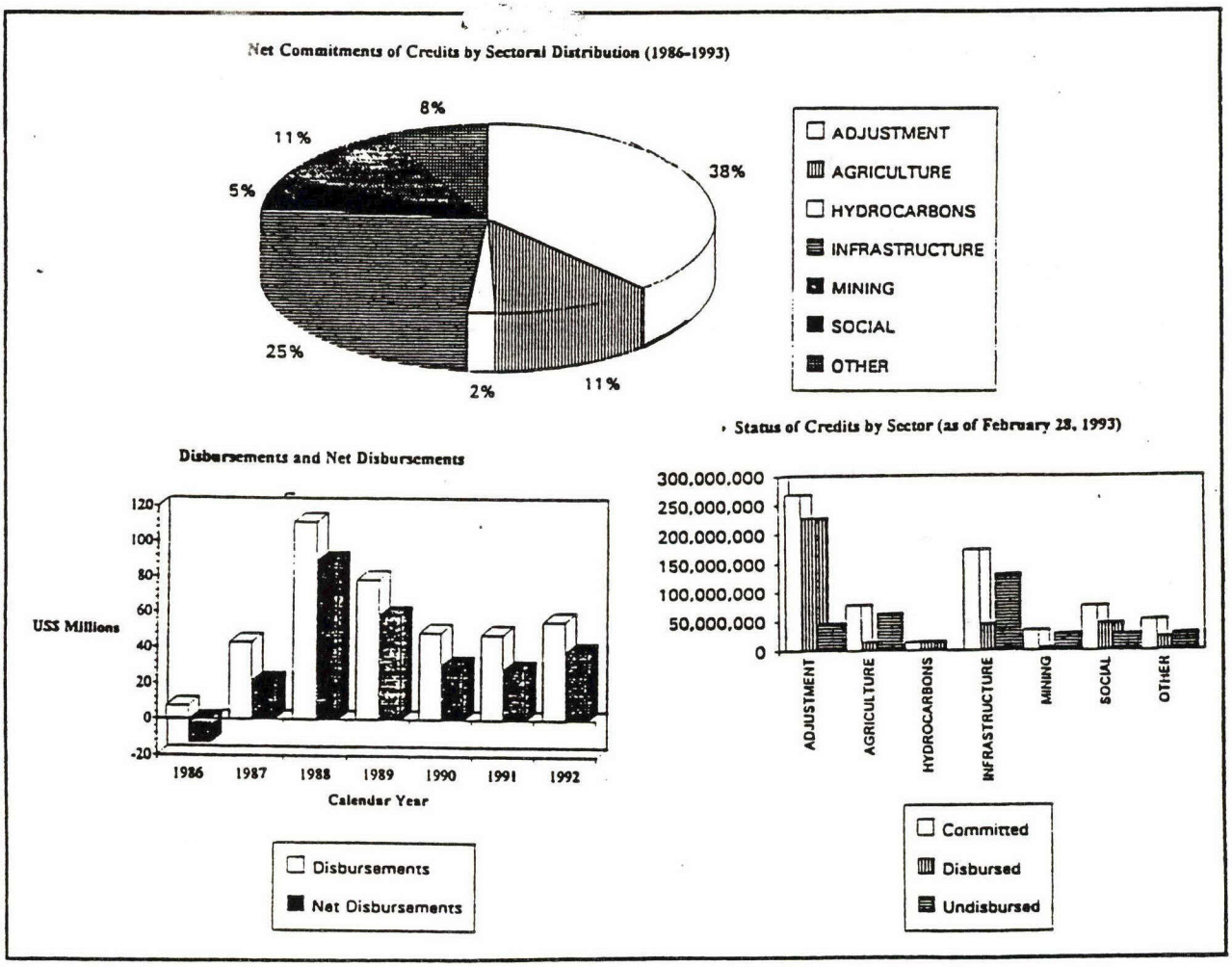
* Projects with substantial poverty reduction impact.

Annex B: Proposed FY93-97 Economic & Sector Work Program (staffweeks)

	FY93	FY94	FY95	FY96	FY97
Macroeconomic Monitoring and Policy Dialogue					
Updating Economic Memoranda/ Public Sector Investment Review	15 *		25		25
Country Economic Memorandum	30	35		60	
Restructuring for Growth	10 *				
Policy Options Paper	5	5 *			
Human Resource Development					
Education Strategy	10				
Rural Development Strategy		20	20 *		
Poverty Assessment		30	10 *		
Health Sector Assessment				25	
Social Security: Beyond the Pension Reform					30
Resource Management					
Environmental Priorities and Strategy			30		
Forestry Subsector Review	15 *				
Infrastructure					
Transport Sector Strategy	15				
Private Sector Development in Infrastructure					30
Total	100	90	85	85	85

* Initiated in previous FY.

Annex C: The Bank Portfolio



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Statistical Annex

Table No.	Content	Period
1.	Social Indicators of Development: Human Resources and Natural Resources	Most Recent Estimate
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ANNEX D

Bolivia
Country Strategy Paper
Table 1: Social Indicators of Development
Human Resources and Natural Resources

	Unit of Measure	25-30 Years ago	15-20 Years ago	Most Recent Estimate	Compared to Same Region & Other Income Groups: Latin America and Caribbean	Lower Middle Income Group	Next Higher Income Group
A. Human Resources							
1. Size & Structure							
Total Population (MRE = 1990)	Thousands	3,841	4,894	7,171	433,190	629,102	458,731
14 and under	% of pop.	42.8	43.2	42.5	36.2	37.3	33.8
15-64	% of pop.	53.9	53.5	54.1	59.3	57.8	60.9
Age Dependency Ratio	Unit	0.86	0.87	0.89	0.68	0.72	0.63
Percentage in Urban Areas	% of pop.	40.0	41.5	51.2	73.5	58.6	71.8
Female per 100 males							
Urban	Number	..	100	105	104	..	..
Rural	Number	..	100	100	..	..	..
Population Growth Rate	Annual growth	2.3	2.5	2.5	1.9	2.0	1.7
Urban	Annual growth	2.7	2.9	3.8	2.7	3.2	2.8
Urban/Rural growth differential	Difference	0.6	0.6	2.8	2.9	2.4	3.6
Projected Populations: year 2000	Thousands	..	..	9,145	515,607	768,976	541,229
Stationary Population	Thousands	..	..	21,009	..	..	..
2. Determinants of Population Growth							
Fertility							
Crude Birth Rate	Per thousand pop.	45.8	44.1	36.0	27.0	29.5	24.9
Total Fertility Rate	Births per woman	6.6	6.3	4.8	3.3	3.7	3.1
Contraceptive Prevalence	% of women 15-49	..	..	30.0	..	..	..
Child (0-4)/Woman (15-49) Ratio							
Urban	Per 100 woman	..	69	63	..	..	..
Rural	Per 100 woman	..	69	84	..	..	..
Mortality							
Crude Death Rate	Per thousand pop.	20.7	17.1	9.7	6.9	8.5	7.5
Infant Mortality Rate	Per thou.live births	159.8	139.0	91.9	47.4	49.5	41.8
Under 5 Mortality Rate	Per thou.live births	..	..	118.0	57.0	79.5	49.8
Life expectancy at birth	Years	44.4	49.3	60.0	67.6	65.3	68.3
o/w Female	Years	46.6	51.6	62.3	70.7	67.9	71.5
3. Labor Force (15-64)							
Total Labor Force	Thousands	1,291	1,565	2,283	153,543	237,840	172,535
Agriculture	% of labor force	54.2	49.2	..	..	..	..
Industry	% of labor force	20.0	19.9	..	..	..	..
Female	% of labor force	21.0	22.0	25.8	26.7	32.3	30.4
Female per 100 males							
Urban	Number	..	99	108	106	..	..
Rural	Number	..	99	109	88	..	..
Participation Rate (Overall)	% of labor force	33.6	32.0	31.2	35.2	40.6	38.5
Female	% of labor force	13.9	13.9	15.9	18.6	25.6	23.3
4. Educational Attainment of Labor Force							
School Years Completed (Overall)	Years	..	..	..	..	..	..
Male	Years	..	..	..	..	..	..
B. Natural Resources							
1. Area							
Total Area	Thousand sq.km.	1,099	1,099	1,099	20,397	22,765	18,709
Density	Population per.sq.km	3	4	6	21	27	24
Agricultural Land	% of land area	27.1	27.7	27.4	36.6	40.9	34.3
Agricultural Density	Population per.sq.km	13	16	23	57	66	70
Forests & Woodland	Thousand sq.km.	595.00	568.00	557.00	9,537	6,174	7,116
Deforestation Rate (net)	Annual %	-0.4	-0.5	-0.1	-0.5	-0.5	-0.5
2. Access to Safe Water							
Total	% of population	..	34.0	53.4	73.2	..	80.0
Urban	% of population	..	81.0	30.0	83.6	78.2	88.7
Rural	% of population	..	6.0	76.0	88.1	46.9	63.8

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Table 2: Social Indicators of Development
Income, Poverty, and Expenditures

	Unit of Measure	25-30 Year ago	15-20 Year ago	Most Recent Estimate	Compared to Same Region & Other Income Groups: Latin America and Caribbean	Lower Middle Income Group	Next Higher Income Group
C. Income & Poverty							
1. Income							
GNP per capita (MRE - 1991)	US$	180	360	652	2,180	1,530	3,450
Total Household Income							
Share to top 10% of Households	% of income	..	..	..	..	..	..
Share to top 20% of Households	% of income	..	59.0	..	..	..	..
Share to bottom 40% of Households	% of income	..	13.0	..	..	..	..
Share to bottom 20% of Households	% of income	..	4.0	..	..	..	..
2. Poverty							
Absolute Poverty Income							
Urban	US$ per person	..	..	..	..	..	..
Rural	US$ per person	..	134.0	..	..	..	..
Population In Absolute Povery							
Urban	% of population	..	..	..	..	..	..
Rural	% of population	..	85.0	..	..	..	..
Privalence of Malnutrition (under 5)	% of age group	..	..	18.0	..	..	..
D. Expenditure							
1. Food							
Food	% of GDP	..	..	..	..	..	..
Staples	% of GDP	..	..	..	..	..	..
Meat, fish, milk, cheese, eggs.	% of GDP	..	..	..	..	..	..
Cereal imports	Thou. metric tonnes	168	241	147	19,477	38,668	39,280
Food aid in cereals	Thou. metric tonnes	..	22	93	..	..	..
Food Production per capita	1979-81 = 100	89.1	106.8	114.2	103.2	98.9	106.0
Share of Agriculture in GDP	% of GDP	22.9	20.3	23.9	10.2	16.8	9.0
Daily Calorie Supply	Calories per person	1,868	2,019	1,916	2,726	2,780	3,013
Daily Protien Supply	Grams per person	50	53	53	68	72	77
2. Housing							
Housing	% of GDP	..	..	..	..	..	..
Average Household Size	Persons per household	..	6.8	1.2	..	..	..
Urban	Persons per household	..	..	..	..	..	..
Fixed Investments Housing	% of GDP	..	..	..	..	..	..
3. Fuel and Power							
Fuel & Power	% of GDP	..	..	..	..	..	..
Energy Consumption per capita	kg of oil equivalent	155.6	258.2	236.9	1,060.5	1,102.2	1,794.4
Households with electricity							
Urban	% of household	76.4	..	..	..	..	..
Rural	% of household	7.6	..	..	..	..	..
4. Transport and Communication							
Transport and Communication	% of GDP	..	..	..	..	..	..
Population per Passenger Car	Persons	388	165	197	14	24	11
Fixed Investments Transport Equipment	% of GDP	..	6.7	..	..	..	..
Total road length	Km	..	..	39,824	..	..	..
Population per telephone	Persons	..	..	36	..	..	..

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Table 3: Social Indicators of Developments
Investment in Human Capital

	Unit of Measure	25-30 Year ago	15-20 Year ago	Most Recent Estimate	Compared to Same Region & Other Inco Latin America and Caribbean	Lower Middle Income Group	Groups Upper Higher Income Group
E. Investment in Human Capital							
E1. Medical Care							
Medical Care	% of GDP	..	..	..	..	..	..
Population per Physician	Persons	3,300	2,098	1,334	936	..	..
Population per Nurse	Persons	3,989	3,074	2,466	877	..	..
Population per Hospital Bed	Persons	..	499	..	..	..	..
Access to Health Care	% of population	..	..	..	..	..	..
Immunized (under 12 months):							
Measles	% of age group	..	..	53.0	74.7	65.3	78.5
DPT	% of age group	..	..	41.0	74.5	67.1	81.5
Oral Rehydration Therapy Use (under 5)	% of cases	..	..	60.0	44.5	39.8	..
E2. Education							
Education	% of GDP	..	..	..	..	..	..
Gross Enrollment Ratios							
Primary (total)	%of school-age group	73.0	85.0	81.0	107.4	100.5	105.9
Female	%of school-age group	60.0	76.0	77.0	..	97.4	..
Secondary (total)	%of school-age group	18.0	31.0	34.0	47.2	58.3	56.3
Female	%of school-age group	15.0	..	31.0	52.8	56.5	58.9
Tertiary: Science/Engineering	%of tertiary student	14.8	15.8	21.2	..	..	..
Pupil-teacher Ratio:							
Primary	Pupils per teacher	28.0	22.0	25.0	25.0	26.0	25.0
Secondary	Pupils per teacher	21.0	19.0	..	..	18.0	..
Pupils Reaching Grade 4	% of cohort	..	52.4	..	69.3	86.7	77.8
Repeater Rate: Primary	% of total enroll.	..	..	..	19.9	6.6	17.6
Illitracy Rate: Overall	% of pop.(age 15+)	..	..	22.5	15.5	22.9	15.1
Female	%of females(age 15+)	..	..	29.3	17.2	28.8	17.7
Newspaper Circulation	Per thousand pop.	24.7	40.7	44.9	81.9	72.0	100.9

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Table 4: Key Macroeconomic Indicators

	(Actual)						(Projected)									
	1985	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Real Growth Rates																
Gross Domestic Product (GDP)	-1.0	2.6	3.0	2.8	2.6	4.1	3.4	3.6	3.8	4.0	4.4	4.8	5.0	5.0	5.0	5.0
Gross Domestic Income (GDY)	-1.0	1.4	0.5	0.8	0.2	3.2	2.3	1.6	4.2	4.5	4.5	5.0	5.5	5.5	5.5	5.2
Real per Capita Growth Rates																
Gross Domestic Product ..1/	-3.5	0.1	0.5	0.4	0.1	1.6	0.8	1.0	1.2	1.4	2.0	2.4	2.7	2.6	2.6	2.6
Total Consumption	4.0	0.7	-3.5	-3.4	-2.8	1.9	1.8	-0.1	0.4	0.5	1.4	2.4	3.0	2.7	2.7	2.5
Private Consumption	10.2	0.6	-6.3	-2.9	-3.3	0.9	2.0	0.8	0.3	0.5	1.5	2.6	3.3	2.9	2.9	2.8
Debt and Debt Service:																
Total DOD in US$M (LT+IMF+ST)	4804.7	5836.2	4901.2	4120.7	4269.2	4072.2	4188.7	4269.7	4514.7	4703.0	4947.3	5271.0	5610.0	5945.8	6270.1	6616.4
DOD/GDP	93.9	135.4	110.8	91.4	94.9	81.1	79.3	78.1	77.6	76.2	75.0	74.3	73.6	72.6	71.2	69.9
Debt Service in US$M (LT+IMF+ST) ..2/	427.7	546.1	481.5	416.2	522.8	511.2	600.3	575.2	499.6	556.2	544.3	520.9	541.7	544.3	534.5	471.5
Debt Service/Exports	58.0	81.9	69.9	46.7	57.5	54.3	70.9	62.8	49.8	51.2	46.1	40.8	39.6	37.2	34.2	28.5
Debt Service/GDP	8.4	12.7	10.9	9.2	12.7	10.2	11.4	10.5	8.6	9.0	8.2	7.3	7.1	6.6	6.1	5.0
Interest Burden in US$M (LT+IMF+ST) ..	229.8	219.9	192.5	198.0	236.2	215.0	265.7	264.5	234.2	235.1	233.2	237.3	250.9	267.0	285.2	257.9
Interest Paid in US$M	167.6	100.9	121.5	128.2	160.5	142.3	202.1	221.8	232.4	234.2	232.9	237.3	250.9	267.0	285.2	257.9
Interest/Exports	31.2	33.0	27.9	22.2	23.5	22.8	31.4	26.9	23.3	21.6	19.8	18.6	18.4	18.3	18.2	15.6
Interest/GDP	4.5	5.1	4.4	4.4	5.2	4.3	5.0	4.8	4.0	3.8	3.5	3.3	3.3	3.3	3.2	2.7
Investment & Savings																
Gross Investment/GDP	10.2	11.1	12.1	12.0	12.7	13.8	14.1	14.6	15.3	15.9	17.0	17.3	17.9	18.0	18.2	18.4
Public Fixed Investment/GDP	3.5	6.2	8.1	8.8	8.9	9.3	8.8	8.6	8.8	8.9	9.0	8.9	8.8	8.8	8.7	8.6
Private Investment /GDP	3.7	4.0	4.2	4.1	4.3	4.5	5.2	6.0	6.4	6.9	8.0	8.4	9.0	9.3	9.5	9.8
Change in Stock/GDP	2.9	0.8	-0.2	-0.8	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ICOR (5 year average) ..4/	-5.3	-5.5	19.5	5.4	3.1	1.9	0.3	0.4	0.5	3.8	3.8	3.7	3.6	3.6	3.6	3.6
Domestic Savings/GDP	8.5	4.8	6.6	8.5	9.3	8.7	7.1	6.3	7.8	9.4	10.5	10.8	11.2	11.7	12.2	12.5
Resource Balance/GDP	-1.7	-6.2	-5.5	-3.5	-3.4	-5.0	-7.0	-8.3	-7.5	-6.5	-6.5	-6.5	-6.7	-6.3	-6.0	-5.9
National Savings/GDP	0.5	-0.7	1.0	3.5	4.5	4.4	3.8	3.1	4.9	6.6	7.9	8.4	8.9	9.5	10.1	10.7
Current Account Balance	-9.7	-11.8	-11.1	-8.5	-8.3	-9.4	-10.3	-11.5	-10.4	-9.3	-9.1	-9.0	-9.0	-8.5	-8.1	-7.7
Marginal Domestic Savings Rate	6.93	-0.12	1.31	1.29	1.09	0.11	-0.06	0.43	0.34	0.36	0.30	0.19	0.13	0.18	0.19	0.20
Marginal National Savings Rate	8.77	0.52	1.29	1.46	1.18	0.16	0.20	0.43	0.40	0.36	0.30	0.20	0.14	0.19	0.18	0.23
Public Fixed Investment/GDP	3.5	6.2	8.1	8.8	8.9	9.3	8.8	8.6	8.8	8.9	9.0	8.9	8.8	8.8	8.7	8.6
Public Savings/GDP		-1.8	0.6	1.7	2.8	3.9	3.3	3.8	4.1	4.3	4.6	4.9	5.3	5.3	5.5	5.3
Private Investment /GDP	3.7	4.0	4.2	4.1	4.3	4.5	5.2	6.0	6.4	6.9	8.0	8.4	9.0	9.3	9.5	9.8
Private Savings/GDP		1.1	0.4	1.8	1.6	0.4	0.4	-0.7	0.8	2.3	3.3	3.5	3.6	4.2	4.7	5.4
Public Finance																
Government Revenues/GDP		25.8	27.9	29.2	31.5	32.4	31.8	31.3	31.4	31.5	31.4	31.2	31.3	30.8	30.4	30.1
Government Expenditures/GDP		33.4	34.4	34.7	35.7	35.9	35.5	34.5	34.1	34.2	33.8	33.2	32.7	32.1	31.5	31.2
Budget Deficit(-) or Surplus/GDP ..5/		-7.7	-6.5	-5.5	-4.1	-3.6	-3.7	-3.2	-3.0	-2.8	-2.4	-2.0	-1.5	-1.3	-1.1	-1.1
Primary Deficit(-) or Surplus/GDP ..5		-3.2	-2.3	-1.7	-0.8	-0.3	0.1	0.3	0.4	0.5	0.7	0.9	1.3	1.3	1.4	1.4
Prices & Exchange Rates																
CPI (% Growth Rate)	11749.6	14.6	16.0	15.2	17.1	21.4	10.4	6.2	6.3	5.0	5.1	5.1	5.0	4.9	4.9	4.9
GDP Deflator (% Growth Rate)	11289.1	15.7	14.0	13.5	14.6	20.9	10.6	6.2	6.3	5.0	5.1	5.1	5.0	4.9	4.9	4.9
REER Index (1980=100)	285.8	80.8	74.7	72.4	60.8	62.9	..	..	..	..	..	..	..	..	..	..
Terms of Trade Index (1990=100)					100.0	92.7	83.5	79.6	81.7	83.6	84.2	84.7	85.4	86.1	86.8	86.1
Trade and Balance of Payments																
Exports (GNFS) Volume Growth	-5.9	-2.5	6.1	24.7	15.5	0.7	-0.8	9.5	4.6	3.4	4.4	4.3	3.2	3.0	3.1	3.3
Exports (GNFS)/GDP	14.3	15.1	15.2	19.3	21.7	18.3	15.8	16.5	16.9	17.2	17.5	17.7	17.6	17.6	17.5	17.2
Imports (GNFS) Volume Growth	41.7	8.3	-10.6	11.5	9.6	3.3	0.9	8.6	2.6	1.0	4.5	4.6	4.9	2.5	2.5	2.4
Imports (GNFS)/GDP	16.0	21.4	20.7	22.8	25.1	23.4	22.7	24.8	24.3	23.8	24.0	24.2	24.3	23.9	23.5	23.1
Current Account Balance (US$M)	-494.0	-508.7	-490.5	-384.7	-371.4	-473.5	-546.5	-629.5	-603.3	-576.2	-602.4	-636.3	-685.0	-698.0	-711.2	-730.0
Net Reserves (- = increase, US$M)	-28.7	41.0	29.8	139.8	-98.9	-89.8	-78.4	-55.1	-23.7	-18.4	-24.3	-24.1	-24.9	-30.3	-46.7	-41.4
Gr. Reserves in Months of Imp. of GNS	3.4	5.5	5.4	4.2	3.9	3.9	4.6	4.6	4.6	4.6	4.4	4.2	4.1	4.0	4.1	4.1

1/ Using World Bank population figures and projections
2/ Includes interest and principal repayments due but rescheduled by bilateral creditors.
3/ Includes interest due but rescheduled by bilateral creditors.
4/ 1981-90 period was derived from a 1980 base year series; & 1991-2001 is calculated from a 1990 base year series.
5/ Overall non-financial public sector

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Table 5: National Accounts at Current Prices

	(Actual)								(Projected)									
	1980	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
A.1. GDP at market prices	0.1	2252.4	7462.2	8855.9	10393.9	12135.9	14273.5	17974.5	20556.5	22626.0	24961.6	27240.9	29873.8	32894.7	36257.2	39933.6	43984.8	48441.3
2. Net Indirect Taxes on Imports	0.0	25.0	141.1	180.3	169.8	196.3	179.9	169.1	322.7	385.9	402.9	488.7	531.8	580.7	638.9	683.2	730.1	779.2
3. GDP at producer prices	0.1	2227.4	7321.1	8675.6	10224.1	11939.6	14093.6	17805.4	20233.9	22240.1	24558.6	26752.2	29342.0	32314.0	35618.3	39249.7	43254.8	47662.1
B.1. Imports of GNFS	0.0	360.1	1563.5	1891.8	2153.6	2761.0	3586.1	4200.4	4671.1	5601.7	6072.3	6474.4	7168.4	7952.0	8817.7	9551.6	10348.3	11200.5
2. Exports of GNFS	0.0	321.9	1349.9	1341.3	1581.8	2338.0	3104.4	3292.7	3239.8	3729.4	4209.0	4694.0	5234.4	5820.7	6391.1	7021.6	7713.9	8355.4
3. Resource balance	0.0	-38.2	-213.6	-550.5	-571.8	-423.0	-481.7	-907.7	-1431.2	-1872.2	-1863.3	-1780.4	-1934.0	-2131.4	-2426	-2529.6	-2634.5	-2845.1
C.1. Total Expenditures	0.1	2290.6	7675.9	9406.5	10965.7	12558.9	14755.2	18882.2	21987.8	24498.2	26824.9	29021.3	31807.7	35026.1	38677.8	42462.5	46619.3	51286.4
2. Total consumption, etc	0.1	2061.9	7088.8	8426.6	9710.3	11101.0	12940.1	16403.3	19088.3	21195.1	23016.1	24685.4	26728.9	29326.9	32197.6	35258.1	38605.8	42368.9
a. General government	0.0	300.4	855.5	1060.4	1493.0	1680.9	2000.9	2651.4	3045.4	3134.5	3449.6	3736.7	4063.1	4419.2	4801.4	5212.9	5660.1	6144.8
b. Private, etc	0.1	1761.5	6233.3	7366.2	8217.3	9420.1	10939.2	13751.9	16042.9	18060.6	19566.5	20948.7	22665.7	24907.8	27396.1	30045.2	32945.7	36224.1
c. Statistical discrepancy																		
D.1. Gross domestic investment	0.0	228.7	587.1	979.9	1255.4	1457.9	1815.1	2478.9	2899.5	3303.2	3808.8	4335.9	5078.9	5699.1	6480.2	7204.7	8013.5	8917.6
a. GDFI	0.0	162.8	705.5	911.0	1271.8	1555.8	1885.0	2478.9	2889.3	3292.0	3796.5	4325.2	5068.6	5689.4	6471.3	7196.8	8007.0	8910.4
i. Nonfinancial Pub. Sector	0.0	79.8	356.9	552.5	839.7	1063.7	1276.5	1664.3	1813.6	1943.8	2190.8	2437.6	2688.9	2938.7	3208.3	3500.1	3818.7	4165.7
ii. Private Sector	0.0	83.0	348.6	358.5	432.1	492.1	608.5	814.6	1075.7	1348.3	1605.6	1887.6	2379.7	2750.8	3263.0	3696.7	4188.3	4744.7
b. Changes in Stocks	0.0	66.0	-118.4	68.9	-16.4	-97.9	-69.9	0.0	10.1	11.1	12.3	10.7	10.3	9.7	8.9	7.8	6.5	7.1
E.1. Gross domestic saving	0.0	190.5	373.5	429.4	683.6	1034.9	1333.4	1571.2	1468.2	1430.9	1945.5	2555.5	3144.9	3567.8	4059.6	4674.8	5379.1	6072.4
2. Net factor income	0.0	-185.9	-593.7	-531.8	-611.1	-671.0	-764.9	-868.4	-782.6	-837.9	-842.4	-887.2	-927.4	-965.8	-995.9	-1047.1	-1109.8	-1115.1
3. Net current transfers	0.0	6.4	32.7	36.8	30.1	58.9	68.5	80.6	88.3	103.9	117.5	125.7	134.9	145.7	158.9	174.0	190.4	222.7
4. Gross national saving	0.0	11.0	-187.6	-65.7	102.6	422.8	637.0	783.4	773.9	696.9	1220.6	1794.0	2352.5	2747.6	3222.5	3801.7	4459.6	5180.0
F.1. Gross national product	0.1	2066.5	6868.5	8324.1	9782.8	11464.9	13508.6	17106.1	19773.9	21788.1	24119.1	26353.7	28946.4	31928.9	35261.2	38885.8	42875.0	47326.1
2. IFS conversion factor	0.0	0.4	1.9	2.1	2.4	2.7	3.2	3.6	3.9	4.1	4.3	4.4	4.5	4.6	4.8	4.9	5.0	5.1
3. GDP at mp (curr. mill. US$)	5014	5119.2	3882.5	4309.7	4422.5	4508.6	4498.8	5019.4	5284.9	5465.2	5818.8	6174.5	6600.7	7091.1	7623.5	8191.5	8802.2	9461.2

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Table 6: National Accounts at Constant 1980 prices

	(Actual)								(Projected)									
	1980	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
A.1. GDP at market prices	122,946	111,609	108,829	111,660	114,963	118,221	121,316	126,341	130,670	135,404	140,487	146,064	152,469	159,764	167,748	176,126	184,924	194,161
2. Net Indirect Taxes on Imp.	3,288	1,307	1,982	2,277	1,827	1,811	1,527	1,187	2,381	2,759	2,832	3,219	3,363	3,519	3,692	3,784	3,878	3,974
3. GDP at Producer Prices	119,658	110,302	106,847	109,383	113,136	116,410	119,789	125,154	128,289	132,644	137,655	142,845	149,106	156,244	164,056	172,341	181,045	190,187
B.1. Imports of GNFS	20,718	21,978	21,469	23,245	20,788	23,177	25,412	26,243	26,469	28,757	29,514	29,818	31,155	32,601	34,198	35,056	35,934	36,810
2. Exports of GNFS	25,585	22,780	26,448	25,793	27,366	34,123	39,399	39,674	39,361	43,092	44,833	46,341	48,379	50,453	52,043	53,629	55,276	57,112
3. Resource balance	4,867	802	4,979	2,548	6,578	10,946	13,987	13,431	12,892	14,336	15,319	16,522	17,224	17,852	17,845	18,573	19,342	20,302
C.1. Total Expenditures	118,079	110,807	103,850	109,112	108,385	107,275	107,329	112,910	117,778	121,068	125,168	129,541	135,245	141,912	149,903	157,553	165,582	173,859
2. Total consumption, etc	99,898	104,285	99,517	102,685	101,645	100,690	100,415	104,905	109,479	112,167	115,515	119,073	123,573	129,448	136,402	143,245	150,411	157,765
a. General government	17,330	10,509	11,343	11,769	14,204	13,654	14,117	15,571	16,069	15,571	16,116	16,632	17,214	17,816	18,440	19,085	19,753	20,445
b. Private, etc	82,568	93,776	88,174	90,916	87,441	87,036	86,298	89,334	93,410	96,596	99,399	102,441	106,359	111,631	117,962	124,159	130,658	137,320
D.1. Gross domestic investment	18,181	6,522	4,333	6,427	6,740	6,585	6,914	8,005	8,299	8,901	9,652	10,468	11,672	12,464	13,500	14,308	15,171	16,095
a. GDFI	17,637	5,022	5,333	5,927	6,840	7,085	7,214	8,005	8,270	8,871	9,621	10,443	11,648	12,443	13,482	14,293	15,158	16,082
1. Nonfin. Pub. Sector	8,593	2,462	2,698	3,598	4,516	4,844	4,885	5,375	5,191	5,238	5,552	5,885	6,179	6,426	6,683	6,951	7,229	7,518
11. Private Sector	9,044	2,560	2,635	2,329	2,324	2,241	2,329	2,630	3,079	3,633	4,069	4,558	5,469	6,016	6,798	7,342	7,930	8,564
b. Changes in Stocks	544	1,500	(1,000)	500	(100)	(500)	(300)	0	29	30	31	26	24	21	19	16	12	13
E.1. Net factor income	(7,250)	(10,181)	(8,373)	(6,565)	(6,502)	(6,200)	(5,929)	(5,640)	(4,537)	(4,573)	(4,624)	(4,338)	(4,316)	(4,278)	(4,202)	(4,212)	(4,255)	(4,076)
2. Net current transfers	311	321	478	466	332	562	559	548	576	617	660	672	685	706	734	767	800	893
3. Gross national product	115,696	101,428	100,456	105,095	108,461	112,021	115,387	120,701	126,133	130,831	136,163	141,725	148,153	155,486	163,546	171,914	180,669	190,085
4. Gross domestic saving ..1/	23,048	7,324	9,312	8,975	13,318	17,531	20,901	21,436	21,191	23,237	24,971	26,991	28,896	30,316	31,346	32,881	34,513	36,396
5. Gross domestic saving ..2/	23,048	4,191	1,399	(337)	1,221	3,034	3,501	2,334	189	(710)	596	2,769	3,267	3,726	4,111	5,024	6,023	6,744
6. Gross national saving ..1/	16,109	(2,536)	1,417	2,876	7,148	11,893	15,531	16,344	17,230	19,281	21,307	23,325	25,265	26,744	27,878	29,436	31,058	33,213
7. Gross national saving ..2/	16,109	(5,669)	(6,496)	(6,436)	(4,949)	(2,604)	(1,869)	(2,758)	(3,772)	(4,666)	(3,068)	(1,397)	(364)	154	643	1,579	2,567	3,561
8. Capacity to import	25,585	19,647	18,535	16,481	15,269	19,626	21,999	20,572	18,359	19,145	20,457	21,618	22,750	23,863	24,809	25,771	26,786	27,460
9. Terms of trade adjustment	0	(3,133)	(7,913)	(9,312)	(12,097)	(14,497)	(17,400)	(19,102)	(21,002)	(23,947)	(24,375)	(24,722)	(25,629)	(26,590)	(27,234)	(27,857)	(28,490)	(29,652)
10. Gross domestic income	122,946	108,476	100,916	102,348	102,866	103,724	103,916	107,239	109,668	111,457	116,111	121,341	126,840	133,174	140,514	148,268	156,434	164,509
11. Gross national income	115,696	98,295	92,543	95,783	96,364	97,524	97,987	101,599	105,131	106,884	111,787	117,003	122,524	128,896	136,312	144,056	152,179	160,433

1/ Excluding terms of trade adjustment

2/ Including terms of trade adjustment

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Country Strategy Paper

Table 7: National Accounts - Percent Share of VA by Sector

	(Actual)								(Projected)									
	1980	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
A.1. GDP at market prices	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2. GDP at Producer Prices	97.3	98.9	98.1	98.0	98.4	98.4	98.7	99.1	98.4	98.3	98.4	98.2	98.2	98.2	98.2	98.3	98.3	98.4
3. Agriculture	..	..	..	..	..	..	20.7	19.5	19.5	20.4	20.5	20.5	20.4	20.2	20.0	19.8	19.6	19.4
4. Industry	..	..	..	..	..	..	32.2	31.4	29.9	30.0	30.5	31.0	31.4	31.8	32.1	32.5	32.8	33.1
a. Manufacturing	..	..	..	..	..	..	13.4	14.7	15.5	15.7	15.9	16.0	16.2	16.3	16.4	16.5	16.6	16.8
b. Construction	..	..	..	..	..	..	2.7	2.9	3.0	3.0	3.0	2.9	2.9	2.9	2.9	2.9	2.8	2.8
c. Mining and quarrying	..	..	..	..	..	..	15.1	12.8	10.3	10.3	10.6	11.0	11.3	11.5	11.8	12.1	12.4	12.4
d. Gas, Electricity & Water	..	..	..	..	..	..	1.0	1.1	1.1	1.1	1.1	1.1	1.0	1.0	1.0	1.0	1.0	1.0
5. Services, etc.	..	..	..	..	..	..	45.9	48.2	49.0	47.8	47.4	46.7	46.4	46.	46.1	46.0	45.9	45.9

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Table 8: National Accounts - Real Growth Rates

	(Actual)								(Projected)									
	1981	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
A.1. GDP at market prices	0.9	-1.0	-2.5	2.6	3.0	2.8	2.6	4.1	3.4	3.6	3.8	4.0	4.4	4.8	5.0	5.0	5.0	5.0
2. Agriculture	-0.9	7.7	-3.5	3.5	2.4	-1.3	-2.0	7.2	5.0	3.5	3.5	3.5	3.6	3.8	4.0	4.0	4.0	4.0
3. Industry	-2.4	-8.8	-7.6	1.5	12.2	8.9	6.3	5.6	2.4	6.5	5.2	4.9	5.6	5.7	5.8	5.8	5.9	6.0
a. Manufacturing	-7.8	-8.3	1.9	2.5	5,4	3.5	5.7	6.7	6.0	5.0	5.5	5.5	5.5	5.6	5.7	5.8	5.9	6.0
b. Construction	-10.2	-3.7	-21.5	-0.9	14.5	6.6	2.5	2.0	6.0	3.0	3.3	3.4	3.8	4.5	4.5	4.5	4.5	4.5
c. Mining and quarrying	3.8	-10.6	-14.4	1.5	19.9	15.1	7.6	5.3	-1.6	8.8	5.3	4.8	6.1	6.1	6.1	6.2	6.3	6.4
d. Gas, Electricity & Water	12.5	-3.8	7.4	-5.9	5.5	5.1	5.4	6.5	4.0	3.0	3.0	3.0	3.5	4.0	4.0	4.0	4.0	4.0
4. Services, etc.	3.5	-0.2	-0.2	2.3	-1.0	1.1	2.9	2.4	1.4	1.1	2.9	3.0	3.8	4.6	4.9	4.9	4.8	4.7
B.1. Imports of GNFS	37.7	41.7	-2.3	8.3	-10.6	11.5	9.6	3.3	0.9	8.6	2.6	1.0	4.5	4.6	4.9	2.5	2.5	2.4
2. Exports of GNFS	-4.1	-5.9	16.1	-2.5	6.1	24.7	15.5	0.7	-0.8	9.5	4.0	3.4	4.4	4.3	3.2	3.0	3.1	3.3
C.1. Total Expenditures	8.5	6.5	-6.3	5.1	-0.7	-1.0	0.1	5.2	4.3	2.8	3.4	3.5	4.4	4.9	5.6	5.1	5.1	5.0
2. Total consumption, etc	10.2	6.6	-4.6	3.2	-1.0	-0.9	-0.3	4.5	4.4	2.5	3.0	3.1	3.8	4.8	5.4	5.0	5.0	4.9
a. General government	-21.0	-28.3	7.9	3.8	20.7	-3.9	3.4	10.3	3.2	-3.1	3.5	3.2	3.5	3.5	3.5	3.5	3.5	3.5
b. Private, etc	16.8	12.7	-6.0	3.1	-3.8	-0.5	-0.8	3.5	4.6	3.4	2.9	3.1	3.8	5.0	5.7	5.3	5.2	5.1
D.1. Gross domestic investment	-1.3	5.9	-33.6	48.3	4.9	-2.3	5.0	15.8	3.7	7.3	8.4	8.5	11.5	6.8	8.3	6.0	6.0	6.1
GDFI	-19.1	-25.7	6.2	11.1	15.4	3.6	1.8	11.0	3.3	7.3	8.5	8.5	11.5	6.8	8.4	6.0	6.1	6.1
i. Nonfin. Pub. Sector	8.4	-31.4	9.6	33.4	25.5	7.3	0.8	10.0	-3.4	0.9	6.0	6.0	5.0	4.0	4.0	4.0	4.0	4.0
ii. Private Sector	-45.2	-19.3	2.9	-11.6	-0.2	-3.6	3.9	12.9	17.1	18.0	12.0	12.0	20.0	10.0	13.0	8.0	8.0	8.0
2. Gross national product	1.0	-3.0	-1.0	4.6	3.2	3.3	3.0	4.6	4.5	3.7	4.1	4.1	4.5	4.9	5.2	5.1	5.1	5.2
3. Gross domestic saving ..1/	-39.4	-50.7	27.1	-3.6	48.4	31.6	19.2	2.6	-1.1	9.7	7.5	8.1	7.1	4.9	3.4	4.9	5.0	5.5
4. Gross national saving ..1/	-56.8	-136.3	155.9	103.0	148.5	66.4	30.6	5.2	5.4	11.9	10.5	9.5	8.3	5.9	4.2	5.6	5.5	6.9
5. Gross domestic income	1.2	-1.0	-7.0	1.4	0.5	0.8	0.2	3.2	2.3	1.6	4.2	4.5	4.5	5.0	5.5	5.5	5.5	5.2
6. Gross national income	1.3	-3.1	-5.9	3.5	0.6	1.2	0.5	3.7	3.5	1.7	4.6	4.7	4.7	5.2	5.8	5.7	5.6	5.4

1/ Excluding terms of trade adjustment

Bolivia
Country Strategy Paper
Table 9: Balance of Payments (US$ Millions)

	(Actual)						(Projected)									
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
A. Exports of GNFS	1023.6	652.7	673.1	868.5	978.4	919.6	832.9	900.8	981.2	1063.9	1156.5	1254.8	1364.8	1440.4	1543.7	1631.9
1. Merchandise (FOB)	942.2	518.7	542.4	723.4	830.7	760.3	665.7	726.1	799.9	878.9	966.8	1060.0	1145.3	1237.0	1336.5	1419.5
2. Non-factor services	81.4	134.0	130.7	145.1	147.7	159.3	167.2	174.7	181.2	185.1	189.8	194.8	199.6	203.4	207.2	212.4
B. Imports of GNFS	795.4	920.5	916.4	1025.8	1130.3	1173.1	1200.9	1353.1	1415.5	1467.5	1583.9	1714.2	1853.8	1959.3	2070.9	2187.6
1. Merchandise (FOB)	678.4	767.2	767.7	861.7	962.7	992.4	1011.3	1150.6	1207.2	1256.2	1368.8	1487.8	1616.4	1718.3	1826.2	1939.2
2. Non-factor services	117.0	153.3	148.7	164.1	167.6	180.7	189.6	202.5	208.3	211.3	215.1	226.4	237.4	241.0	244.7	248.4
C. Resource balance	228.2	-267.8	-243.3	-157.3	-151.9	-253.5	-368.0	-452.2	-434.4	-403.6	-427.3	-459.5	-509.0	-518.9	-527.2	-555.7
D. Net factor income	-295.7	-258.8	-260.0	-249.3	-241.1	-242.5	-201.2	-202.4	-196.6	-201.1	-204.9	-208.2	-209.4	-214.8	-222.1	-217.8
1. Factor receipts	22.1	14.3	15.8	22.1	17.0	22.3	13.5	15.7	22.0	23.1	22.9	22.6	22.2	21.4	20.9	23.0
2. Factor payments	317.8	273.1	275.8	271.4	258.1	264.8	214.7	218.1	219.7	224.2	227.8	230.8	231.6	236.2	243.0	240.8
E. Net current transfers	12.7	17.9	12.8	21.9	21.6	22.5	22.7	25.1	27.4	28.5	29.8	31.4	33.4	35.7	38.1	43.5
F. Current Account Balance																
1. Before official grants	-54.8	-508.7	-490.5	-384.7	-371.4	-473.5	-546.5	-629.5	-603.3	-576.2	-602.4	-636.3	-685.0	-698.0	-711.2	-730.0
2. Official grants	46.8	103.2	123.9	133.9	153.4	160.0	165.5	149.0	162.6	169.1	170.6	175.4	180.6	185.9	190.1	195.2
3. After official grants	-8.0	-405.5	-366.6	-250.8	-218.0	-313.5	-380.9	-480.5	-440.7	-407.1	-431.8	-460.9	-504.4	-512.1	-521.1	-534.8
G. LT Capital Inflows n.e.i.	326.3	206.0	204.9	278.1	142.3	200.3	204.5	281.3	260.3	225.9	313.7	414.9	471.6	481.7	511.7	525.8
1. Direct investment	43.9	36.4	30.0	35.0	35.0	50.0	60.0	70.0	81.0	94.0	109.5	128.0	149.0	173.0	198.0	225.0
2. Net LT Borrowing ..1/	311.5	169.6	174.9	243.1	107.3	150.3	144.5	211.3	179.3	131.9	204.2	286.9	322.6	308.7	313.7	300.8
a. Disbursements (DRS)	456.8	257.2	333.7	381.7	299.7	286.8	342.6	454.1	365.7	353.3	432.6	501.6	536.6	520.4	519.3	492.4
b. Repayments	145.3	87.7	158.7	138.6	192.4	136.6	198.2	242.9	186.3	221.3	228.4	214.6	214.0	211.7	205.6	191.6
3. Other LT inflows (net)	-29.1	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
H. Total Other Items (Net)	-222.5	158.5	131.9	-167.1	174.6	203.1	254.8	254.3	204.4	200.5	142.4	70.0	57.6	60.8	56.1	50.4
1. Net ST capital (n.e.i)	-45.2	119.0	-27.1	-90.7	70.6	72.0	175.8	132.2	81.8	80.9	70.3	70.0	57.6	60.8	56.1	50.4
a. Interest arrears ..2/		119.0	71.0	69.8	73.7	72.7	63.6	42.7	1.8	0.9	0.3	0.0	0.0	0.0	0.0	
b. Other Net ST Capital	-45.2	0.0	-98.1	-160.5	-3.1	-0.7	112.2	89.5	80.0	80.0	70.0	70.0	57.6	60.8	56.1	50.4
2. Capital flows n.e.i. ..3/	0.0	55.0	54.2	-49.7	-47.3	1.2	79.0	122.1	122.6	119.6	72.1	0.0	0.0	0.0	0.0	0.0
3. Errors and omissions	-177.3	-15.5	104.8	-26.7	151.3	129.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
I. Changes in net reserves	-95.8	41.0	29.8	139.8	-98.9	-89.8	-78.4	-55.1	-23.0	-19.4	-24.3	-24.1	-24.9	-30.3	-46.7	-41.4
1. Net credit from IMF	96.4	-34.5	42.4	50.6	-11.2	-15.0	13.8	-9.4	-14.1	-23.6	-29.9	-33.3	-41.2	-33.7	-24.4	-12.0
2. Reserve changes (n.e.i)	-192.2	75.5	-12.6	89.2	-87.7	-74.8	-92.2	-45.7	-9.0	4.2	5.6	9.2	16.3	3.4	-22.5	-29.4
3. Escrow account	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
J. As Shares of GDP (current US$)																
1. Resource balance 4/	4.6	-6.2	-5.5	-3.5	-3.4	-5.1	-7.0	-8.3	-7.1	-6.5	-6.5	-6.5	-6.7	-6.3	-6.0	-5.9
2. Interest payments (LT+IMF+ST)	3.5	1.8	2.2	2.1	2.9	2.4	3.3	3.6	3.5	3.2	3.0	2.8	2.7	2.7	2.7	2.2
3. Current account balance	-1.1	-11.8	-11.1	-8.5	-8.3	-9.4	-10.3	-11.5	-10.5	-9.3	-9.1	-9.0	-9.0	-8.5	-8.1	-7.7
4. LT capital inflow	6.5	4.8	4.6	6.2	3.2	4.0	3.9	5.1	4.5	3.7	4.8	5.9	6.2	5.9	5.8	5.6
5. Net credit from the IMF	1.9	-0.8	1.0	1.1	-0.2	-0.3	0.3	-0.2	-0.2	-0.4	-0.5	-0.5	-0.5	-0.4	-0.3	-0.1
K. Foreign Exchange Reserves																
1. Gross reserves including gold.	128.5	424.7	408.8	361.2	363.9	381.0	459.4	514.5	538.1	557.6	581.9	606.0	630.9	661.2	707.9	749.3
2. Gr. reserves in months of imports	1.9	5.5	5.4	4.2	3.9	3.9	4.6	4.6	4.6	4.6	4.4	4.2	4.1	4.0	4.1	4.1
L. Exchange Rates																
1. In nominal terms (LCU/US$)																
a. Average rate	0.0	2.1	2.4	2.7	3.2	3.6	3.9	4.1	4.3	4.4	4.5	4.6	4.8	4.9	5.0	5.1
b. End Year	0.0	2.2	2.4	2.9	3.4	3.7										
2. In real terms																
a. Real Effective Exchange Rate	100.0	80.8	74.7	72.4	60.8	62.9										
M. Memorandum Item: GDP (current US$M)	5014.1	4309.7	4422.5	4508.6	4498.8	5019.4	5284.9	5465.2	5818.8	6174.5	6600.7	7091.1	7623.5	8191.5	8802.2	9461.2

1/ 1980-1991, on cash basis; 1992 and thereafter, on accrual basis.
2/ Data available only from 1985 and onwards
3/ Includes unpaid Argentine Gas, change in arrears, net relief of Brazil arrears, debt cancellation and other exceptional financing items..
4/ Note that, for the historical period, there are some inconsistences between these figures and those reported in national accounts.

Bolivia
Country Strategy Paper
Table 10: External Debt - Disbursements and Repayments

	(Actual)								(Projected)									
	1980	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
DISBURSEMENTS																		
A. Public & Publicly Guar. LT	440.8	137.1	328.4	257.2	333.7	381.7	299.7	286.8	342.6	454.1	365.7	353.3	432.6	501.6	536.6	520.4	519.3	492.4
1. Official Creditors	194.9	134.8	321.7	232.2	333.7	376.6	290.7	272.2	338.5	451.8	365.1	353.0	432.6	501.6	536.6	520.4	519.3	492.4
a) Multilateral	107.7	73.3	243.2	154.6	257.4	277.0	204.3	197.0	255.6	320.4	265.7	248.7	303.7	346.8	363.6	342.4	344.3	306.8
IDA	1.8	1.7	4.0	41.3	111.5	78.8	48.7	47.9	66.4	80.0	86.8	93.4	98.8	84.9	80.7	63.9	65.0	24.5
IBRD	72.6	10.5	3.3	1.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
b) Bilateral	87.2	61.5	78.6	77.6	76.2	99.5	86.4	75.2	82.8	131.4	99.4	104.3	129.0	154.8	173.0	178.0	175.0	185.6
2. Private Creditors	245.9	2.3	6.7	25.0	0.0	5.1	9.1	14.6	4.2	2.4	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0
a) Suppliers	21.8	0.8	6.7	0.0	0.0	1.5	9.1	2.4	1.2	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
b) Financial Markets	57.8	0.0	0.0	25.0	0.0	0.0	0.0	6.6	2.4	1.6	0.6	0.3	0.0	0.0	0.0	0.0	0.0	0.0
o/w: Financial Inst.	57.8	0.0	0.0	25.0	0.0	0.0	0.0	6.6	2.4	1.6	0.6	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
c) Export Credit	166.3	1.5	0.0	0.0	0.0	3.6	0.0	5.6	0.6	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
B. Private Non-Guaranteed LT	16.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
C. Total LT Disbursements (A+B)	456.8	137.1	328.4	257.2	333.7	381.7	299.7	286.8	342.6	454.1	365.7	353.3	432.6	501.6	536.6	520.4	519.3	492.4
D. IMF Purchases	96.4	0.0	134.7	0.0	91.3	56.9	30.8	31.0	50.2	18.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
E. Net Short-Term Capital	-228.0	10.0	45.0	93.0	-171.0	-40.0	-57.0	-8.0	121.9	89.5	80.0	80.0	70.0	70.0	57.6	60.8	56.1	58.0
F. Total Disbursements (C+D+E)	325.2	147.1	508.1	350.2	254.0	398.6	273.5	309.8	514.7	562.3	445.7	433.3	502.6	571.6	594.2	581.2	575.4	550.4
REPAYMENTS ..1/																		
A. Public & Publicly Guar. LT	126.3	148.6	103.6	87.7	158.7	138.6	168.4	111.6	198.2	242.9	186.3	221.3	228.4	214.6	214.0	211.7	205.6	191.6
1. Official Creditors	41.1	135.9	92.4	80.9	127.6	131.8	162.7	106.0	183.0	235.8	181.3	215.7	225.1	212.3	212.0	209.8	204.3	190.3
a) Multilateral	7.2	72.7	71.3	60.8	71.3	110.1	116.9	81.2	92.4	110.4	123.6	144.6	160.1	162.6	157.4	152.0	152.5	142.9
o/w: IBRD	2.6	11.7	17.9	18.6	22.7	18.7	20.9	25.3	22.3	22.8	22.6	22.4	22.9	19.8	14.6	13.3	11.6	0.3
IDA	0.3	1.0	1.0	1.1	1.2	1.4	1.6	1.7	8.2	8.2	2.4	2.4	3.0	4.1	6.3	8.4	10.5	13.6
b) Bilateral	33.9	63.3	21.1	20.1	56.3	21.7	45.8	24.8	90.6	125.4	57.7	71.1	65.0	49.7	54.7	57.9	51.9	47.4
2. Private Creditors	85.2	12.7	11.2	6.8	31.2	6.8	5.8	5.6	15.1	7.0	5.0	5.6	3.3	2.3	2.0	1.9	1.3	1.3
a) Suppliers	28.8	5.0	4.8	2.4	3.0	4.4	3.9	4.7	8.4	5.0	3.2	3.2	1.0	0.3	0.0	0.0	0.0	0.0
b) Financial Markets	48.6	3.9	1.3	2.1	25.9	0.0	0.0	0.0	2.1	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
o/w: Financial Inst.	47.7	3.0	0.5	1.2	25.0	0.0	0.0	0.0	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	0.9	0.9	0.9	0.9	0.9	0.0	0.0	0.0	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
c) Export Credit	7.9	3.8	5.0	2.4	2.2	2.4	1.9	0.8	4.6	1.4	1.3	1.8	1.7	1.4	1.4	1.3	0.7	0.7
B. Private Non-Guaranteed LT	19.0	25.8	0.0	0.0	0.0	0.0	24.0	25.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
C. Total LT Repayments (A+B)	145.3	174.4	103.6	87.7	158.7	138.6	192.4	136.6	198.2	242.9	186.3	221.3	228.4	214.6	214.0	211.7	205.6	191.6
D. IMF Repurchases	0.0	23.5	38.2	34.5	48.9	6.3	42.0	46.0	36.4	28.1	14.3	23.6	29.9	33.3	41.2	33.7	24.4	12.0
E. Total LT Repay + IMF Repurchases	145.3	197.9	141.8	122.2	207.6	144.9	234.4	182.6	234.6	271.0	200.6	244.9	258.3	247.9	255.2	245.4	230.0	203.6

1/ 1980 - 1991, principal paid only.

Bolivia
Country Strategy Paper
CSP Table 11: External Debt - Interest and DOD
(US$ Millions at Current Prices)

	(Actual)								(Projected)									
	1980	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
INTEREST ..1/																		
A. Public & Publicly Guar. LT	163.8	99.7	53.5	76.6	96.6	93.3	116.5	107.0	138.3	160.7	163.5	161.8	156.9	157.5	16	179.3	194.8	210.9
1. Official Creditors	42.2	77.1	50.2	73.0	91.7	88.1	114.1	104.4	133.0	157.0	160.2	158.8	153.7	154.9	16	177.1	192.7	208.9
a) Multilateral	21.2	35.9	43.2	51.4	61.1	67.7	69.0	74.5	85.5	92.8	98.1	98.9	96.6	97.5	10	113.7	124.8	136.3
o/w: IBRD	10.5	15.6	19.6	20.2	19.8	17.9	15.3	16.3	13.6	11.8	9.9	8.1	6.2	4.4	3	1.8	0.7	0.0
IDA	0.5	0.8	0.7	1.2	1.7	2.0	2.5	3.0	3.7	4.2	4.6	5.2	5.9	6.6	7	7.9	5.4	8.8
b) Bilateral	21.0	41.2	7.0	21.6	30.6	20.5	45.1	29.9	47.6	64.2	62.1	59.8	57.0	57.3	60.2	63.4	67.9	72.6
2. Private Creditors	121.6	22.6	3.3	3.6	4.9	5.2	2.4	2.6	5.2	3.8	3.3	3.0	3.2	2.7	2.3	2.2	2.1	2.1
a) Suppliers	13.2	0.6	1.2	0.8	0.8	2.0	1.6	1.2	1.4	0.8	0.5	0.3	0.7	0.2	0.0	0.0	0.0	0.0
b) Financial Markets	98.2	1.4	1.2	1.9	3.5	0.0	0.6	0.9	1.6	1.0	0.9	0.9	0.9	0.9	0.9	0.8	0.8	0.8
o/w: Financial Inst.	94.8	0.3	0.1	0.0	1.7	0.0	0.6	0.9	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	3.4	1.1	1.1	1.9	1.9	0.0	0.0	0.0	1.0	1.0	0.9	0.9	0.9	0.9	0.9	0.8	0.8	0.8
c) Export Credit	10.2	20.6	0.9	1.0	0.6	3.2	0.2	0.6	2.2	2.0	1.9	1.8	1.7	1.6	1.5	1.4	1.3	1.2
B. Private Non-Guaranteed LT	9.4	57.5	45.0	0.0	0.0	0.0	14.0	12.0	36.2	36.9	37.9	38.6	39.4	40.2	41.0	41.8	40.0	0.0
C. Total LT Interest (A+B)	173.2	157.2	98.5	76.6	96.6	93.3	130.5	119.0	174.5	197.6	201.4	200.4	196.3	197.7	208.0	221.1	234.8	210.9
D. IMF Service Charges	2.5	5.4	4.3	8.8	8.7	14.7	16.0	13.3	9.0	5.0	4.0	3.9	3.7	3.6	3.3	3.2	3.1	3.0
E. Interest Paid on ST Debt	44.5	5.0	6.2	15.5	16.2	20.2	14.0	10.0	18.6	19.2	27.0	29.9	32.9	36.0	39.6	42.7	47.3	44.0
F. Total Interest Paid (C+D+E)	220.2	167.6	109.0	100.9	121.5	128.2	160.5	142.3	202.1	221.8	232.4	234.2	232.9	237.3	250.9	267.0	285.2	257.9
DEBT OUTSTANDING & DISB (DOD)																		
A. Public & Publicly Guar. LT	2181.6	3511.4	4070.2	4621.3	4139.8	3428.8	3681.4	3523.4	3652.9	3653.8	3833.1	3965.0	4169.2	4456.2	4778.8	5087.5	5380.1	5680.4
1. Official Creditors	1095.8	2087.8	2749.6	3504.5	3610.0	3078.4	3356.3	3218.9	3365.2	3580.5	3764.3	3901.5	4109.0	4398.3	4722.9	5033.4	5327.4	5629.5
a) Multilateral	447.2	724.1	941.5	1104.6	1291.4	1440.0	1592.4	1718.1	1881.3	2091.2	2233.3	2337.3	2480.9	2665.1	2871.4	3061.9	3232.7	3396.6
o/w: IBRD	175.3	207.0	234.7	270.1	227.9	199.2	193.7	171.9	149.6	126.8	104.2	81.8	58.9	39.1	25.1	11.9	0.3	0.0
IDA	63.8	94.4	97.4	141.0	249.3	324.9	393.3	443.2	501.4	573.2	657.6	748.6	844.4	925.2	999.6	1055.1	1088.6	1100.0
b) Bilateral	648.6	1363.6	1808.2	2399.8	2318.6	1638.4	1763.9	1500.8	1483.9	1489.3	1531.0	1564.2	1628.1	1733.2	1851.5	1971.6	2094.7	2232.9
2. Private Creditors	1085.7	1423.6	1320.6	1116.8	529.8	350.4	325.2	304.5	287.7	73.3	68.8	63.5	60.2	57.9	55.9	54.0	52.7	50.9
a) Suppliers	152.8	110.0	85.9	86.4	55.4	40.9	42.1	26.3	18.1	13.6	10.5	7.3	6.3	6.0	6.0	6.0	6.0	6.0
b) Financial Markets	681.5	939.2	931.8	955.7	427.2	268.6	248.3	244.7	241.9	33.1	33.1	32.7	32.1	31.5	30.9	30.2	29.6	28.5
o/w: Financial Inst.	608.0	901.6	895.1	919.8	392.2	233.6	213.3	209.7	209.9	1.7	2.3	2.6	2.6	2.6	2.6	2.6	2.6	2.1
Bonds	73.4	37.7	36.8	35.9	35.0	35.0	35.0	35.0	32.0	31.4	30.7	30.1	29.5	28.9	28.3	27.7	27.1	26.4
c) Export Credit	251.5	374.4	302.9	74.7	47.2	40.9	34.8	33.6	27.7	26.6	25.3	23.5	21.8	20.4	19.1	17.8	17.1	16.4
B. Private Non-Guaranteed LT	92.0	555.0	555.0	200.0	200.0	200.0	177.0	152.0	152.0	152.0	152.0	152.0	152.0	152.0	152.0	152.0	152.0	152.0
C. Total LT Debt (A+B)	2273.6	4066.4	4625.2	4821.3	4339.8	3628.8	3858.4	3675.4	3804.9	3805.8	3985.1	4117.0	4321.2	4608.2	4930.8	5239.5	5532.1	5832.4
D. Use of IMF Credit	126.3	82.2	192.3	185.7	208.8	237.0	256.8	241.8	255.6	246.2	231.9	208.3	178.4	145.1	103.9	70.2	45.8	33.8
E. Short-Term Debt	300.0	656.1	757.3	829.2	352.6	254.9	154.0	155.0	128.2	217.7	297.7	377.7	447.7	517.7	575.3	636.1	692.2	750.2
F. Total External Debt (C+D+E)	2699.9	4804.7	5574.8	5836.2	4901.2	4120.7	4269.2	4072.2	4188.7	4269.7	4514.7	4703.0	4947.3	5271.0	5610.0	5945.8	6270.1	6616.4

1/ 1980-1991, on cash basis.

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Table 12: External Debt - Net Disbursement & Percent Distribution of DOD

	(Actual)								(Projected)									
	1980	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
NET DISBURSEMENTS ..1/																		
A. Public & Publicly Guar. LT	314.5	-11.6	224.8	169.6	174.9	243.1	131.3	175.3	144.5	211.3	179.9	131.9	204.2	286.9	322.6	308.7	313.7	300.8
1. Official Creditors	153.8	-1.1	229.3	151.4	206.1	244.8	128.0	166.2	155.4	215.9	183.8	137.3	207.5	289.2	324.6	310.6	315.0	302.1
a) Multilateral	100.5	0.7	171.9	93.8	186.2	166.9	87.4	115.8	163.2	209.9	142.1	104.1	143.5	184.2	206.3	190.4	191.9	163.9
IDA	1.5	0.7	3.0	40.3	110.4	77.4	47.1	46.2	58.1	71.8	84.4	91.0	95.8	80.8	74.4	55.5	54.5	11.4
IBRD	70.0	-1.2	-14.6	-16.6	-22.7	-18.7	-20.9	-25.3	-22.3	-22.8	-22.6	-22.4	-22.9	-19.8	-14.0	-13.3	-11.6	-0.3
b) Bilateral	53.2	-1.8	57.4	57.6	19.9	77.9	40.6	50.4	-7.8	6.0	41.7	33.2	64.0	105.0	118.3	120.1	123.1	138.2
2. Private Creditors	160.7	-10.4	-4.5	18.2	-31.2	-1.7	3.3	9.1	-10.9	-4.7	-4.0	-5.3	-3.3	-2.3	-2.0	-1.9	-1.3	-1.3
a) Suppliers	-6.9	-4.2	1.9	-2.4	-3.0	-2.9	5.2	-2.3	-7.2	-4.5	-3.2	-3.2	-1.0	-0.3	0.0	0.0	0.0	0.0
b) Financial Markets	9.2	-3.9	-1.3	22.9	-25.9	0.0	0.0	6.6	0.3	1.0	0.0	-0.3	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6
o/w: Financial Inst.	10.1	-3.0	-0.5	23.8	-25.0	0.0	0.0	6.6	0.9	1.6	0.6	0.3	0.0	0.0	0.0	0.0	0.0	-0.5
Bonds	-0.9	-0.9	-0.9	-0.9	-0.9	0.0	0.0	0.0	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6
c) Export Credit	158.4	-2.3	-5.0	-2.4	-2.2	1.2	-1.9	4.7	-4.0	-1.1	-1.3	-1.8	-1.7	-1.4	-1.4	-1.3	-0.7	-0.7
B. Private Non-Guaranteed LT	-3.0	-25.8	0.0	0.0	0.0	0.0	-24.0	-25.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
C. Total LT Disbursements (A+B)	311.5	-37.4	224.8	169.6	174.9	243.1	107.3	150.3	144.5	211.3	179.9	131.9	204.2	286.9	322.6	308.7	313.7	300.8
D. IMF Purchases	96.4	-23.5	96.5	-34.5	42.4	50.6	-11.2	-15.0	13.8	-9.4	-14.3	-23.6	-29.9	-33.3	-41.2	-33.7	-24.4	-12.0
E. Net Short-Term Capital	-228.0	10.0	45.0	93.0	-171.0	-40.0	-57.0	-8.0	121.9	89.5	80.0	80.0	70.0	70.0	57.6	60.8	56.1	58.6
F. Total Disbursements (C+D+E)	179.9	-50.9	366.3	228.1	46.3	253.7	39.1	127.3	280.2	291.4	245.6	188.3	244.3	323.6	339.0	335.8	345.4	346.8
PERCENT DISTRIBUTION OF DOD																		
A. Public & Publicly Guar. LT	80.8	73.1	73.0	79.2	84.5	83.2	86.2	86.5	87.2	85.6	84.1	84.3	84.3	84.5	85.2	85.6	85.8	85.9
1. Official Creditors	40.6	43.5	49.3	60.0	73.7	74.7	78.6	79.0	80.3	83.9	83.1	83.0	83.1	83.4	84.2	84.7	85.0	85.1
a) Multilateral	16.6	15.1	16.9	18.9	26.3	34.9	37.3	42.2	44.9	49.0	49.5	49.7	50.1	50.6	51.2	51.5	51.6	51.5
o/w: IBRD	6.5	4.3	4.2	4.6	4.7	4.8	4.5	4.2	3.6	3.0	2.5	1.7	1.2	0.7	0.4	0.2	0.0	0.0
IDA	2.4	2.0	1.7	2.4	5.1	7.9	9.2	10.9	12.0	13.4	14.6	15.9	17.1	17.6	17.8	17.7	17.4	16.6
b) Bilateral	24.0	28.4	32.4	41.1	47.3	39.8	41.3	36.9	35.4	34.9	33.9	33.3	32.9	32.9	33.0	33.2	33.4	33.7
2. Private Creditors	40.2	29.6	23.7	19.1	10.8	8.5	7.6	7.5	6.9	1.7	1.5	1.4	1.2	1.1	1.0	0.9	0.8	0.8
a) Suppliers	5.7	2.3	1.5	1.5	1.1	1.0	1.0	0.6	0.4	0.3	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
b) Financial Markets	25.2	19.5	16.7	16.4	8.7	6.5	5.8	6.0	5.8	0.8	0.7	0.7	0.6	0.6	0.6	0.5	0.5	0.4
o/w: Financial Inst.	22.5	18.8	16.1	15.8	8.0	5.7	5.0	5.1	5.0	0.0	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Bonds	2.7	0.8	0.7	0.6	0.7	0.8	0.8	0.9	0.8	0.7	0.7	0.6	0.6	0.5	0.5	0.5	0.4	0.4
c) Export Credit	9.3	7.8	5.4	1.3	1.0	1.0	0.8	0.8	0.7	0.6	0.6	0.5	0.4	0.4	0.3	0.3	0.3	0.2
B. Private Non-Guaranteed LT	3.4	11.6	10.0	3.4	4.1	4.9	4.1	3.7	3.6	3.6	3.4	3.2	3.1	2.9	2.7	2.6	2.4	2.3
C. Total LT Debt (A+B)	84.2	84.6	83.0	82.6	88.5	88.1	90.4	90.3	90.8	89.1	88.3	87.5	87.3	87.4	87.9	88.1	88.2	88.2
D. Use of IMF Credit	4.7	1.7	3.4	3.2	4.3	5.8	6.0	5.9	6.1	5.8	5.1	4.4	3.6	2.8	1.9	1.2	0.7	0.5
E. Short-Term Debt	11.1	13.7	13.6	14.2	7.2	6.2	3.6	3.8	3.1	5.1	6.6	8.0	9.0	9.8	10.2	10.7	11.0	11.3
F. Total External Debt (C+D+E)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

1/ 1980 - 1991, on cash basis.

Bolivia
Country Strategy Paper
Table 13: IBRD and IDA Debt Indicators

	(Actual)								(Projected)									
	1980	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
IBRD																		
Disbursements	72.6	10.5	3.3	1.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments	2.6	11.7	17.9	18.6	22.7	18.7	20.9	25.3	22.3	22.8	22.6	22.4	22.9	19.8	14.0	13.3	11.6	0.3
Interest	10.5	15.6	19.6	20.2	19.8	17.9	15.3	16.3	13.6	11.8	9.9	8.1	6.2	4.4	2.9	1.8	0.7	0.0
Stock	175.3	207.0	234.7	270.1	227.9	199.2	193.7	171.9	149.6	126.8	104.2	81.8	58.9	39.1	25.1	11.9	0.3	0.0
IDA																		
Disbursements	1.8	1.7	4.0	41.3	111.5	78.8	48.7	47.9	66.4	80.0	86.8	93.4	98.8	84.9	80.7	63.9	65.0	24.5
Repayments	0.3	1.0	1.0	1.1	1.2	1.4	1.6	1.7	8.2	8.2	2.4	2.4	3.0	4.1	6.3	8.4	10.5	13.0
Interest	0.5	0.8	0.7	1.2	1.7	2.0	2.5	3.0	3.7	4.2	4.6	5.2	5.9	6.6	7.3	7.9	5.4	8.8
Stock	63.8	94.4	97.4	141.0	249.3	324.9	393.3	443.2	501.4	573.2	657.6	748.6	844.4	925.2	999.6	1055.1	1088.6	1100.0
IBRD & IDA																		
Disbursements	74.4	12.2	7.3	43.2	111.5	78.8	48.7	47.9	66.4	80.0	86.8	93.4	98.8	84.9	80.7	63.9	65.0	24.5
Repayments	2.9	12.7	18.9	19.6	23.8	20.1	22.5	27.0	30.5	31.0	25.0	24.8	25.9	23.9	20.3	21.7	22.0	13.3
Net Disbursement	71.5	-0.5	-11.6	23.6	87.7	58.7	26.2	20.8	35.8	49.0	61.8	68.6	72.9	61.0	60.4	42.2	43.0	11.2
Interest	10.9	16.4	20.4	21.3	21.5	19.9	17.8	19.2	17.3	15.9	14.5	13.3	12.1	11.0	10.2	9.7	6.1	8.8
Net Flow	60.5	-16.8	-32.0	2.3	66.2	38.8	8.4	1.6	18.5	33.1	47.3	55.3	60.8	5	50.2	32.5	36.9	2.4
Stock	239.1	301.4	332.1	411.1	477.3	524.0	587.0	615.2	651.0	700.0	761.8	830.4	903.3	96	1024.7	1066.9	1088.8	1100.0
IBRD & IDA Debt Service																		
Total in US$M	13.8	29.1	39.3	40.9	45.3	40.0	40.3	46.3	47.8	47.0	39.5	38.1	38.0	34.8	30.5	31.5	28.1	22.1
As Percent of Export of G&S	1.3	3.9	5.5	6.1	6.6	4.5	4.0	4.9	5.6	5.1	3.9	3.5	3.2	2.7	2.2	2.2	1.8	1.3
As Share of GDP	0.3	0.6	1.0	1.0	1.0	0.9	0.9	0.9	0.9	0.9	0.7	0.6	0.6	0.5	0.4	0.4	0.3	0.2
As Share of Total Debt Service 1/	3.8	6.8	12.3	7.5	9.4	9.6	7.0	9.1	8.0	8.2	7.9	6.9	7.0	6.7	5.6	5.8	5.3	4.7
As Share of PPG Debt Service 1/	4.8	9.4	17.5	8.4	11.1	10.7	8.7	11.4	9.6	9.7	9.5	8.3	8.7	8.5	7.3	7.4	6.7	5.4
As Share of Multilateral Debt Service	48.8	26.8	34.3	36.5	34.2	22.5	21.7	29.7	26.9	23.1	17.8	15.6	14.8	13.4	11.7	11.8	10.2	7.9
Prefered Creditors' Debt Service																		
Prefered Debt Service in US$M	28.4	108.6	114.5	112.1	132.3	177.8	186.0	155.6	177.9	203.2	221.7	243.6	256.8	260.1	261.8	265.7	277.3	279.1
Pref. Debt Service/PPG Debt Service 1/	9.8	35.0	51.0	23.0	32.5	47.4	40.2	38.4	35.6	41.8	53.2	52.9	58.6	63.8	62.8	62.8	66.1	67.7
Total External Debt Indicators																		
Total DOD/GDP	53.8	93.9	143.6	135.4	110.8	91.4	94.9	81.1	79.3	78.1	77.6	76.2	75.0	74.3	73.6	72.6	71.2	69.9
Total Debt Service/Exports 1/	34.9	58.0	44.4	81.9	69.9	46.7	57.5	54.3	70.9	62.8	49.8	51.2	46.1	40.8	39.6	37.2	34.2	28.5
Total Debt Service/GDP 1/	7.3	8.4	8.2	12.7	10.9	9.2	12.7	10.2	11.4	10.5	8.6	9.0	8.2	7.3	7.1	6.6	6.1	5.0
IBRD & IDA Stock of Debt																		
As Share of Total External Debt	8.9	6.3	6.0	7.0	9.7	12.7	13.7	15.1	15.5	16.4	16.9	17.7	18.3	18.3	18.3	17.9	17.4	16.6
As Share of Total Exports of G&S	22.9	40.9	46.3	61.6	69.3	58.8	59.0	65.3	76.9	76.4	75.9	76.4	76.6	75.5	75.0	73.0	69.6	66.5

1/ I... debt service due but rescheduled by bilateral creditors.

THE WORLD BANK/IFC/MIGA

OFFICE MEMORANDUM

DATE: June 30, 1993

TO: FILES

FROM: F. Desmond McCarthy, Economic Adviser, DPG

EXTENSION: 31362

SUBJECT: Bolivia - CSP - RVP Meeting

1. I attended the above meeting today chaired by Mr. Shahid Husain. It was a brief meeting of about 30 minutes.

2. On the macro there was some concern. The new government is expected to introduce revenue enhancing measures. The Region is studying the fiscal impact of all fiscal reforms. The civil service reform is expected to be financed by donors in the short term. The IMF representative indicated that the section on risks might be expanded. They felt that the lowcase scenario could be far worse than suggested. It could lead to a contraction of the economy.

3. On land reform the Chair asked whether those appropriating the lowlands would be checked? The Region felt that the program proposed would be a good one for land reform; since over half the population were poor the overall strategy was addressing poverty in a broader context; hence the emphasis on education. They felt it might require as much as twenty years.

4. An important issue, not addressed directly in this meeting, was noted in the memo to Abe of June 28. If the privatization of the hydrocarbon sector goes through then the government could loose as much as 6 to percent of GDP in revenue. If the government intends to maintain a level of expenditure similar to the present that they will need much stronger action on the revenue enhancing side.

5. Further details will be given in the minutes of the meeting.

cc: Messrs. Ray, Chaudhri, Lav

THE WORLD BANK/IFC/MIGA

OFFICE MEMORANDUM

DRAFT

DATE: June 28, 1993

TO: Mr. Yoshiaki Abe, Director, LA3DR

THROUGH: Anandarup Ray, Acting Director, DPG

FROM: F. Desmond McCarthy, Economic Adviser, DPG

EXTENSION: 31362

SUBJECT: Bolivia CSP - RVP Meeting

We feel that this is an excellent CSP that highlights the many difficulties faced by the Bank and the Bolivian authorities in a rather difficult socio political situation. We would like to suggest the following issues for discussion at the Regional loan committee.

1. Adjustment Lending. At the moment reserves are about 4 months of import cover. The export prospects in the projections do not indicate any major shift. What is the case for adjustment lending?

2. Fiscal adjustment. What has been the quality of the fiscal adjustment to date? One would expect that at this stage after eight years of adjustment, most structural reforms should be in place. What has been accomplished to date? Have the measures taken been only the more politically expedient ones, and are they sustainable? Recent problems with the IMF suggest that the macro situation is not satisfactory. Before we give further quick-disbursing loans are we confident that the fiscal policy is the best?

3. Overall lending program. How will the overall lending program be linked to progress on policy reform? What specific actions are envisaged in the hydrocarbon sector for the high case? For example, what up-front actions are expected on price liberalization, public investment levels? Is there a time table for actions? Since the

privatization of the hydrocarbon sector will result in a significant loss of government revenue, what compensatory measures are envisaged?

cc: Messrs. Husain, Edwards, de Tray, Fretes-Cibils

THE WORLD BANK / IFC / M.I.G.A.

OFFICE MEMORANDUM

cc: DM

DATE: June 14, 1993

TO: Distribution Below

FROM: Myrna Alexander, Sr. Operations Adviser, LAC

EXTENSION: 33262

SUBJECT: **BOLIVIA: Country Strategy Paper - RVP Review**

A Meeting, to be chaired by Mr. Husain to review the above paper, issued under cover of Mr. Abe's memorandum dated June 8, 1993, will be held on **Tuesday, June 29, 1993 at 4:00 p.m. in Room I-8004.**

Distribution:

Messrs./Mesdames. Regional Loan Committee:
Husain (LACVP), Aiyer (LATDR), Edwards, Fleisig (LACCE), Rodriguez (LACSA), Sierra (LATSO), Steckhan (LA1DR), Segura (LA2DR), Loh (LA4DR), Gregory (LACCA), Abe (LA3DR), Collell (LEGLA)

Outside the Region:
Kashiwaya (CFSVP), Rao (DECVP), Choksi (HROVP), Rischard (FPDVP), Serageldin (ESDVP), Linn (FPRVP), Shihata (LEGVP), Einhorn (TREVP), Eccles (CTRVP), Picciotto (DGO), Thahane (SECVP), Alisbah (PAAVP), Ryrie (CEXVP), Paul (CLADR), Lupberg (CLAD), Hartigan (MIGPA), Brenner (IMF)

Inside the Region:
Garcia-Zamor, Vasiliades (LA3DR), de Tray, Morrow, Iwase, Fretes-Cibils, Bateman, Mubarak (LA3C1), Challa, Saez, Dorfman, Goldmark, Megateli, Barham, Rajasingham (LA3TF), van der Gaag, Corbett, Schneidman, Lashman (LA3HR), Coll (LA4HR); Krafft, Ferrer, Girardot-Berg, Wholey (LA3AG), Ludwig, Brizzi, Alonso-Biarge, Menendez, Ramani (LA3IN), Remy (IENIM), Chaudhry, Tobelem, Malik (LATPS), Mahar, Hazelton (LATEN) Molares (LEG), Formoso (LOAEL), Bernard, Ruderfer (LA3BO)

cc: LAC Information Center
DC

DM

THE WORLD BANK / IFC / M.I.G.A.

OFFICE MEMORANDUM

RECEIVED
93 JUN -8 PM 6:14
OFFICE OF THE V.P.
L A C REGION

DATE: June 8, 1993

TO: Mr. Ping-Cheung, Loh, Acting Vice President, LAC

FROM: Krishna Challa, Acting Director, LA3

EXTENSION: 30049

SUBJECT: **BOLIVIA: Country Strategy Paper (CSP)**

1. Attached please find the draft Bolivia Country Strategy Paper. It incorporates comments received during a Working Level review meeting held on May 25, 1993, including suggestions from the Chief Economist's office. We would like to request a regional meeting to review the CSP at your earliest convenience.

2. We propose for Bolivia an ambitious high-growth strategy based on a series of second generation adjustment reforms aimed at redefining and refining the role of the state. The strategy builds on the fact that Bolivia's next government, to take power in August of this year, will have a unique window of opportunity to accelerate remaining structural reforms. If implemented quickly and successfully these reforms will increase private sector investment, raise growth rates and free fiscal resources for increased public investment in the social sectors.

3. We recommend a lending program of US$400 million for FY94-98, which is consistent with Bolivia's IDA allocation for FY94-96. To aggressively support reforms, the program is front-loaded, with most of its core, consisting of operations directed at structural reform in the major public enterprises, the civil service, the judiciary and the education sector, to be committed over the next two fiscal years.

4. In reviewing the CSP, management may wish to consider the following implications of the proposed strategy. If the next government is committed to decisive action early in its administration, we may need to advance some of the FY95 projects to FY94, resulting in higher demand for both IDA and staff resources. If, however, execution of the reform program is delayed or derailed, the lending program would need to be reduced to concentrate on investments in social and economic infrastructure.

Attachment

cc: Messrs./Mmes. Regional Loan Committee:
Husain (o/r), Edwards, Fleisig (LACCE); Gregory (LACCA); Alexander (LATSO); Rodriguez (LACSA); Sierra (LATSO); Steckhan (LA1DR); Segura (LA2DR); Abe (LA3DR) (o/r); Loh (LA4DR); Aiyer (LATDR); Collell (LEGLA)

Outside the Region:

Kashiwaya (CFSVP); Rao (DECVP); Choksi (HROVP); Rischard (FPDVP); Serageldin (ESDVP); Linn (FPRVP); Shihata (LEGVP); Einhorn (TREVP); Eccles (CTRVP); Picciotto (DGO); Thahane (SECVP); Alisbah (PAAVP); Ryrie (CEXVP); Paul (CLADR); Lupberger (CLAD); El-Rifai (MIGPA); Brenner (IMF)

Inside the Region:

Garcia-Zamor, Vasiliades (LA3DR); Gregory (LACCA); de Tray, Morrow, Fretes-Cibils, Bateman, Iwase, Mubarak (LA3C1); Saez, Dorfman, Goldmark, Megateli, Barham, Rajasingham (LA3TF); van der Gaag, Corbett, Schneidman, Lashman (LA3HR); Coll (LA4HR); Krafft, Ferrer, Girardot-Berg, Wholey (LA3AG); Ludwig, Brizzi, Alonso-Biarge, Menendez, Ramani (LA3IN); Remy (IENIM); Chaudhry, Tobelem, Malik (LATPS); Mahar, Hazelton (LATEN); Molares (LEGLA); Formoso (LOAEL)
Bernard, Ruderfer (LA3BO); LACIC

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BOLIVIA

Country Strategy Paper

Latin America and the Caribbean Region
Country Department III, Division I

June 8, 1993

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Bolivia Country Strategy Paper

Executive Summary

An ambitious strategy:
Take advantage of the opportunity provided by the new Government to complete major economic and social reforms to accelerate growth and reduce poverty.

Social and political consensus in Bolivia supports the current economic model and the need for additional reforms more strongly now than at any time in the past eight years. This consensus will give the next government, which will come to power in August 1993, a solid foundation from which to dismantle remaining barriers to investment, growth and poverty reduction. The leading edge of this attack should be a series of second-generation adjustment reforms that will redefine and refine the role of the state. If properly implemented, these reforms would: unbind the productive and export potential of Bolivia's natural resources by eliminating monopolistic roles of state enterprises, establishing an appropriate legislative and institutional framework and improving transport; strengthen the core public institutions of the civil service and judiciary; and broaden access to good quality basic education. Bolivia would then have the growth and the government needed to aggressively attack its stubborn and pervasive poverty.

The lending program for FY94-98 is designed to take advantage of the upcoming window of opportunity and aggressively support these reforms. To do so, the program is front-loaded, with 70% of the overall program consisting of operations directed at structural reform in the major public enterprises, the civil service, the judiciary and the education sector, to be committed over the next two fiscal years. The remainder of the program would emphasize projects that directly reduce poverty or mitigate the consequences of being poor (21%) and strengthen natural resource management capacity (9%) to ensure sustainable growth for future generations of Bolivians.

Government commitment to the above reform program, although probable, is not guaranteed, and strong opposition from affected interest groups could delay or derail its execution. In this event, the lending program would be reduced to concentrate on investments in social and economic infrastructure, as well as those reform areas where it may still be possible to proceed. Important early indicators of government commitment will be the actions it takes to reform and restructure YPFB, the state enterprise which dominates the hydrocarbons sector, and the make-up of the new cabinet, especially the health and education ministries.

Drew Early

June 8, 1993

Bolivia Country Strategy Paper

I. The Point of it all: Reducing Poverty

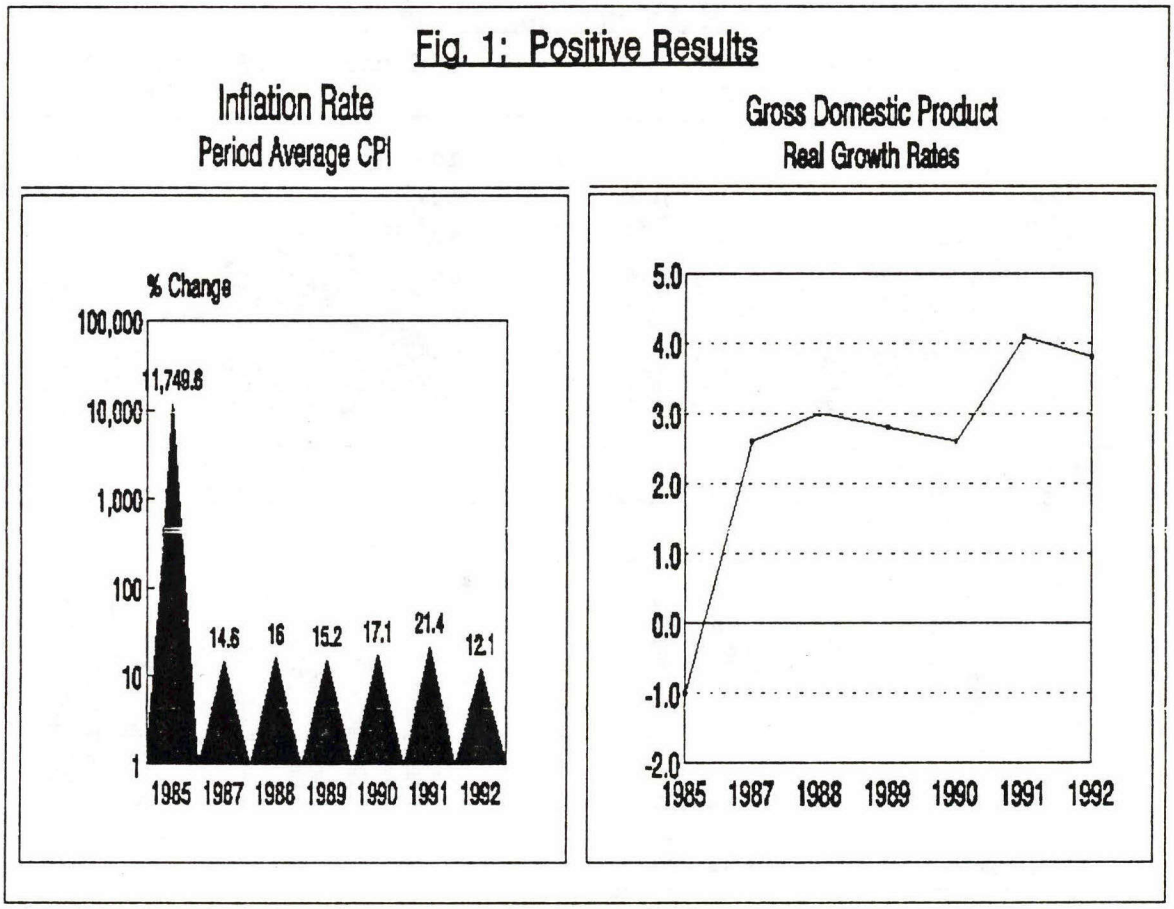
1. By any reasonable standard, most Bolivians are poor. They are poor in terms of income: per capita GDP is less than $750 and not equitably distributed. They are poor as well in terms of basic necessities: half or more of the population lacks access to clean water, adequate sanitation and basic health care; the coverage and especially the quality of public education are low and deteriorating. The consequences are: an infant mortality rate (92 per 1,000 live births) nearly double the regional average and a population more than half of which is functionally illiterate. Standards of living for most Bolivians will rise only through a significant acceleration in, and equitable distribution of, economic growth and a significant improvement in levels and quality of social services. The strategy outlined in this paper represents a practical, sustainable means of achieving these two fundamental goals of development as quickly as possible. The cornerstones of this strategy are a series of second-generation reforms that will restructure and redirect the role of state and a reform of the country's education system that will give all Bolivians access to good quality basic education.

2. Most Bolivians are poor, but some are much poorer than others. The strategy developed here recognizes that in the near term, the Government must also direct its efforts toward increasing access to basic social services (education, health care, water and sanitation, nutrition intervention) for the country's most vulnerable groups, especially women and children. In some cases mechanisms to further this goal already exist (Bolivia's Social Investment Fund, for example); in others new mechanisms are being developed (an Integrated Child Development Project, for example). In all cases, the success of these programs depends critically on the Government's ability to improve the efficiency of its own operations and its targeting of scarce public resources for social needs. An essential first step is a program that maximizes the substitution of private capital for public capital in all areas where such substitution is possible and uses the fiscal space thus created for increased social sector investments.

3. The arrival of a new government in August 1993 may present a unique opportunity to Bolivia and to the Bank to shorten the country's development path. A strong, reform-minded government can accelerate economic growth by fostering private sector investment while withdrawing the state from the major productive sectors and strengthening its capacity to make policy, to regulate and to enforce laws. These reforms offer the best hope of unleashing the country's income-generating potential from its natural resource base and freeing up public sector resources to fund much-expanded programs in education and health to the benefit of all Bolivians.

II. The Foundation

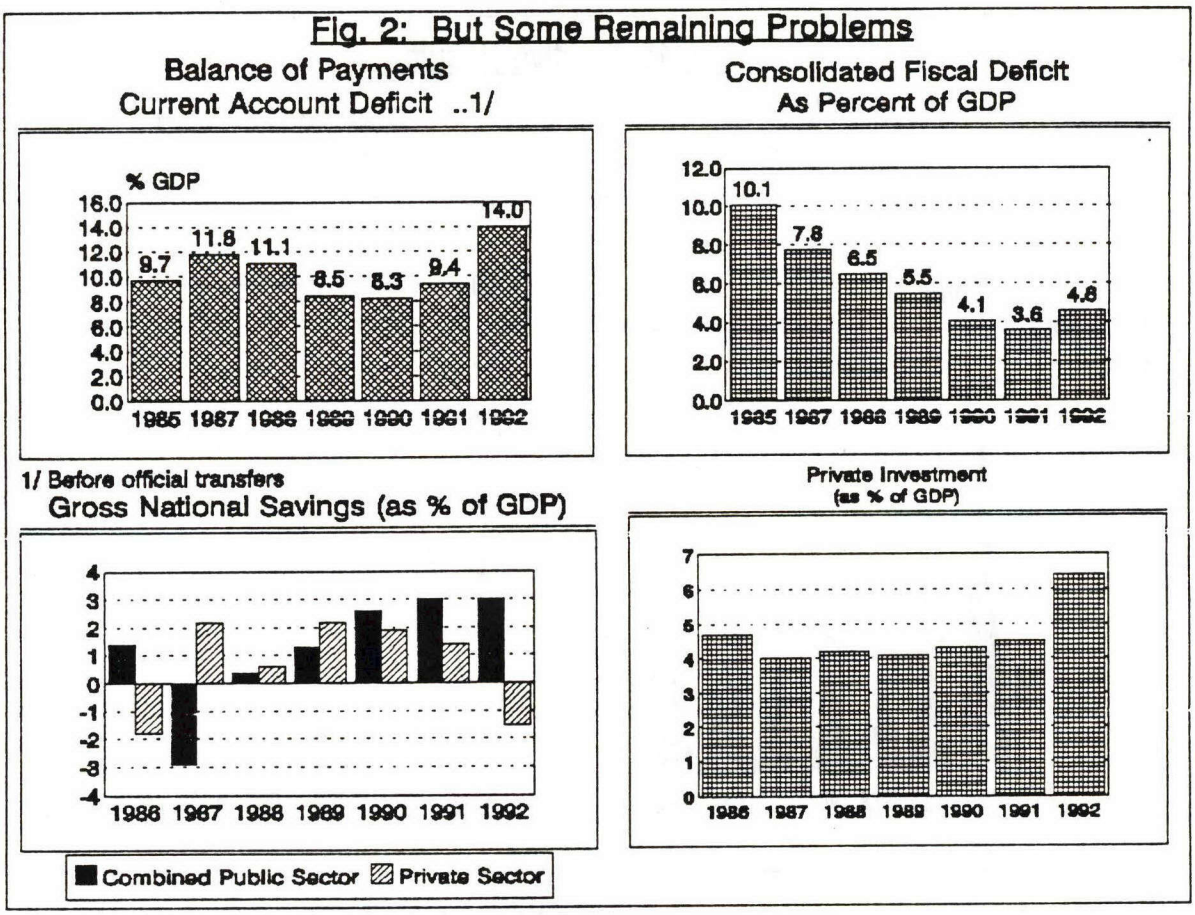
4. Bolivia launched and sustained profound political and economic reform in the last 11 years. During this period, democratic institutions succeeded in replacing a violent and unpredictable political environment, and economic reform brought stability and modest growth. Bolivia nevertheless remains a country of untapped potential, yet



to take advantage of its generous endowments in land, mineral and hydrocarbon resources. The dominant economic role of the state, coupled with the weakness of its institutions, shackles growth. In addition, strong disparities in education and economic opportunity continue to separate the white and mestizo elite from the indigenous majority.

Economic Reform and Performance

5. One of the Latin American pioneers in free market-based reform, Bolivia has gained solid economic ground during the past eight years. Inflation fell from stratospheric levels in 1985 to about 12% in 1992, and growth accelerated gradually to close to 4% annually in the last two years (see Figure 1). Despite these positive signs, the economic system remains fragile (see Figure 2). Declining terms of trade and rising import volume weakened the balance of payments position during the last five years, and the current account deficit widened from 8.5% to 14% of GDP between 1989 and 1992. The most serious problems were drops in tin and natural gas prices, mitigated only slightly by robust growth in nontraditional exports (gold, zinc, soya, timber and manufactured goods) and partly offset by illegal coca exports (the value-added of coca production retained in Bolivia is estimated to have been about 2% of GDP in 1991). The deficit of the nonfinancial public sector increased from 3.6% of GDP during 1991 to 4.6% of GDP in 1992, exceeding the agreed target with the IMF



under a fourth-year ESAF by 1% of GDP. The increase was due to nearly equal acceleration in both capital and current (mainly wages and salaries) expenditures. Public sector savings have improved, but remain quite low (3% of GDP in 1992), especially given that the main productive and infrastructural sectors are still dominated by the state. The benefits of tax reform have been constrained by slow improvements in tax administration, and YPFB, the state-owned enterprise which controls the hydrocarbons sector, still accounts for about half of total government revenues. Bolivia is heavily dependent on concessional external aid to finance its fiscal and balance of payments gaps and remains vulnerable to adverse developments in a small number of markets and commodities.

6. Although there are encouraging signs of increased private sector confidence, such as the rapid increase in bank deposits, the private investment rate remains low (about 6% of GDP in 1992), even relative to historical levels. There are several reasons for this cautious response. Perhaps most importantly, state enterprises continue to play a monopolistic role in the two most important productive sectors, mining and hydrocarbons. In addition, the Government's attitude toward an increased role for private investors has been ambivalent, as demonstrated by the failure of the negotiations for private lithium development and by persistent delays in the negotiations of joint venture for state-owned mining properties.

7. Systemic problems also affect Bolivia's attractiveness to investors. An archaic and poorly functionlegal/judicial system creates an unpredictable environment and adds to perceived risk. Weak and sometimes corrupt public institutions at national and municipal levels increase the cost of doing business through cumbersome regulations and procedures. For those of wealth or political clout, these barriers are easily surmounted; for the average Bolivian, they lower the returns to entrepreneurship, to risk-taking, to hard work. The result is growth that benefits mainly the rich and worsens income distribution. Legal and institutional reforms are needed to level the playing field not only between the public and private sectors, but also between large-scale and small-scale entrepreneurs within the private sector. Such reforms are essential for a private-sector-led strategy that both raises growth and improves equity.

A New Political Consensus

8. Difficulties in reaching agreement, both within the Government coalition and in the larger society, delayed the progress of economic reform during the past four years. In the last 18 months, however, a pragmatic consensus among the major political parties has emerged concerning the need to reduce and rationalize the role of the state and to move the social agenda forward. This agreement appears to be the consequence of the perceived success of the neoliberal model, the positive examples of Chile and Mexico and the negative one of Peru, and recent developments in the former eastern bloc. This consensus is reflected in formal multipartisan agreements as well as the similarity among the platforms of the major parties.

9. With elections scheduled for June 1993, Bolivia is currently looking forward to its third peaceful democratic transition. There is no clear front-runner so the next administration will almost surely be another coalition of two or more parties. As in the current administration, difficulties in the internal relations of the coalition may slow decision making. But regardless of which political parties form the government that will take office in August, the new administration should have a clear mandate for economic and social reform and, consequently, should have a unique opportunity for a concerted attack on the remaining barriers to investment and growth.

III. The Economic and Social Agenda

10. Bolivia's most seriuos challenge in its efforts to reduce poverty over the next five years is to remove the remaining barriers to investment and growth by redefining the role of the state, through a set of second-generation structural reforms which will both reduce the size of government and strengthen its capacity. The rationalization of the Government's role will give Bolivia its best chance for sustaining economic growth at about 4% over the next three to four years. It will also provide the foundation for accelerating economic growth to about 5% over the medium term and for generating the resources necessary to increase the welfare and productivity of its human capital.

11. There are three critical areas of reform necessary to transform Bolivia's economy and accelerate development (see Box 1). First, the country needs to **unbind the productive and export potential of its most important natural resources**--hydrocarbons, minerals and land--by eliminating monopolistic roles for state enterprises,

providing a legal and institutional framework which supports private investment and improvement of key economic infrastructure, all within a policy context which promotes the long-term sustainability of natural resources (see Box 2). Second, the country needs to **strengthen essential public institutions** which define and enforce policy by implementing such programs as the civil service and legal/judicial reforms. Finally, it must take action to address a major cause of the country's deep-seated poverty by **providing broad access to and improving the quality of basic education.**

Box 1: The Three Critical Areas of Reform

* **Unbind the potential of the productive sectors**
  -Hydrocarbons restructuring
  -Reform of COMIBOL
  -Land tenure reform
  -Improve economic infrastructure

* **Strengthen essential public institutions**
  -Civil service reform
  -Legal and judicial reform

* **Provide broad access to quality basic education**

Box 2: Natural Resource Management

Bolivia's growth prospects over the next decade are rooted in its natural resource management. Unless rational management of these resources is assured, the country will not be able to maintain sustained growth. This is particularly true for land and forest resources, where the existing policies and institutional framework do not provide for optimal use. Other environmental problems, such as industrial and mining pollution of rivers, exacerbate the impact of poverty. Fortunately, because of its low population density, Bolivia's environmental problems are less intractable than those in many countries. Last year, the Government passed a framework environmental law and established two environmental agencies with normative and executive functions (SENMA and FONAMA). The next task is to develop the regulatory framework, enforcement procedures, and coordination mechanisms which will make environmental policy operational.

Hydrocarbons

12. The oil and gas industry represented 50% of Government revenues, 25% of public investment and 25% of exports in 1990. With potential reserves estimated at the equivalent of 4.8 billion barrels of oil or 4 times the already discovered volume, the sector has strong potential for attracting foreign direct investment and increasing exports. Although private entry is theoretically permitted, YPFB's dominance in the sector and the current pricing, legal and regulatory frameworks effectively inhibit private investment and competition. Limited prospects for participation in the sector are constraining private sector interest in investing in the construction of a gas pipeline to Sao Paolo, Brazil (see Box 3). In order to increase proven reserves and minimize government outlays in the sector, the new government will need to take legislative action to: (a) eliminate YPFB's monopoly; (b) liberalize markets for import, export and domestic sale of hydrocarbon products; (c) introduce a new tax regime for petroleum products which restores price transparency and stimulates competition in downstream operations; (d) deregulate petroleum prices; (e) introduce more flexibility in contractual arrangements for private exploration and production; and (f) establish an independent regulatory agency for the sector. Given the importance of revenues from this sector, these changes (in particular those related to the deregulation of prices and taxation levels) will need to be designed so that they

are either revenue neutral or increase the flow of resources to the Treasury.

Box 3: The Gas Export Project

The construction of a gas pipeline to Brazil has been a Bolivian dream for twenty years. The most recent phase of discussion of the project began about 18 months ago, when the burgeoning industrial region of Sao Paolo became interested in gas as a cheaper and environmentally more attractive fuel than the thermal alternatives in use in Brazil. Earlier this year, YPFB signed a framework agreement with PETROBRAS providing for the sale of 8 million cubic meters a day, increasing over seven years to 15 million, at a wellhead price of 90 cents per million BTU. The project would require construction of a 28" or 30" pipeline, about 1,900 km long, from Santa Cruz to Sao Paolo. The pipeline would open a market in Brazil potentially 2½ times the size of Bolivia's current export volume. The signatories have a period of 18 months to identify financing for the pipeline, which is estimated to cost in total $1.5 billion. This project, if successful, would allow Bolivia to recover from the collapse of gas exports to Argentina, and would provide a substantial market for new gas production.

Mining

13. Bolivia has traditionally been a mining country and still has substantial unexplored and unexploited potential for gold, zinc, antimony, tin, and other minerals. Nontraditional minerals have been one of the fastest growing exports in recent years. COMIBOL, the state enterprise which inherited the mining properties nationalized in the 1950s, has played a negative role in the sector, mainly through mismanagement of some of the highest potential mining properties in the country. To address the problems created by declining tin prices in the 1980s, the Government initiated a severe rationalization program in 1986. The program reduced employment by some 27,000 workers, but progress on measures to enable concessions and joint ventures with private sector partners for COMIBOL properties has been slow, mainly because of steadfast union opposition. Finally, in the second half of 1992, the Government reorganized COMIBOL as a small holding company for minority government shares in joint venture operations, contracted international consultants to design a transition strategy and began to negotiate joint ventures on three properties put up for bid some 18 months earlier. The stage is now set for the new Government to proceed rapidly with restructuring: dismantling COMIBOL along the lines already initiated; reviewing mining legislation and regulations to improve the environment for private investment; and strengthening the Ministry of Mining to administer mineral concessions more effectively.

Land Management

14. The insecurity and injustice of land management and tenure in Bolivia have far-reaching negative economic, social and environmental consequences. The land tenure reform is perhaps the single most important element for the rural poor in generating employment and income. The legal and institutional framework needs to be reexamined and adapted to current needs. The current regime has resulted in the parallel existence of *minifundia* in the altiplano and river valleys with *latifundia* in the developing eastern lowlands region, with attendant disincentives for rational land use. Existing legislation restricts purchase, sale, rent and use of land as collateral, although these rules are widely violated in practice. Land management institutions have been corrupt and inefficient, permitting the virtual grant of lands in overly large plots to influential individuals. Recently, in response to

several public scandals concerning land distribution as well as pressure from the Bank, the Government declared a moratorium on distribution of state-owned land pending institutional restructuring of its tenure regime and established a ministerial commission to oversee the process. Although there are few issues as potentially divisive, a consensus on the need for reform has clearly emerged in the past year.

Economic Infrastructure

15. Transport, power and telecommunications infrastructure and services will be fundamental to economic growth, and reforms to improve the provision of such infrastructure must be a high priority. Inadequate **transport** is the most serious infrastructural deficiency affecting investment and competitiveness. A 1991 Bank-executed private investment survey found that companies cited high transport costs most frequently as a constraint to new investment. Recent improvements in funding, management and investment planning for road construction and maintenance are encouraging, but fiscal and institutional constraints threaten efficient expansion and maintenance of the road network. Reforms in improving services in the rail, air and river sub-sectors will also be necessary. Possibilities for substituting private for public investment exist in other infrastructure sectors. In the **power** sector, service to date has been adequate, but rapid growth will require reforms to: (a) strengthen the legal and regulatory framework, e.g., placing the authority to regulate retail prices at the national rather than the municipal level; (b) removal of barriers to private entry in the sector; and (c) design long-term operations which facilitate the entry of private investors. Substantial private investment in **telecommunications** will be required over the next decade to improve service, and Bolivia will need to reform the structure and regulatory framework of the sector to attract such investment. The major elements of the reform will be: (a) establishment of an independent regulatory agency; (b) definition of the principles for new tariff structures; (c) privatization of ENTEL, the state-owned long distance telephone company; (d) facilitation of private sector entry into all other aspects of the telecommunications sector; and (e) corporatization and capitalization of the major local telephone cooperatives.

Civil Service Reform

16. Because government institutions are weak and politicized, Bolivia has difficulty in designing policy, choosing and implementing investment projects, executing social programs and regulating public utilities. Although to some extent this problem reflects a scarcity of skilled human resources in the economy, it is primarily the legacy of a political system in which government jobs are considered political spoils. To address these problems, the Government has recently launched a comprehensive civil service reform program targeting the entire central public administration, which is responsible for the strategic management of Government activities, especially the state reform process under implementation. The program includes the use of transparent selection processes in which there is extensive international donor participation and establishes an adequate compensation scale and secure financing for public employees, and is overseen by a civil service unit reporting directly to the Minister of Finance. Continued execution of this program will be at risk during the upcoming political transition, since the new Government will have political obligations. Given the current weakness of government institutions, it is possible that policy reforms could be undermined over time; strong international support will help

increase the chances that the reform program will be maintained.

Legal and Judicial Reform

17. A similar problem in the legal and judicial sector constrains growth and equity. The Bolivian legal system lacks efficiency and public credibility. Since the private sector relies on the court system to protect private property, enforce contracts, secure assets, collect payments and gain access to essential information, ineffective courts increase the transaction costs and riskiness of doing business. These costs hit new entrants and small-scale entrepreneurs especially hard. The Government recently passed a new judicial organization law which reforms the selection procedures for Supreme Court justices and guarantees a minimum budget for the sector, and proposes to establish a new judicial commission responsible for sector administration. Actions currently under consideration to improve the legal framework for business and the financial sector include: (a) promulgation of a law on administrative procedures and establishment of specialized administrative courts that would resolve disputes with regulatory agencies swiftly; (b) introduction of legislation to facilitate arbitration of commercial transactions; and (c) introduction of legislation to ease the creation and enforcement of security interests and liens, and executive action to improve the quality of and private access to registries. Over the longer term, measures to simplify court procedures and increase the professionalism of the judiciary are required.

Education

18. Low coverage and poor quality of education are major causes of Bolivia's deep-seated structural poverty. About 20% of the adult population is illiterate and at least 55% is functionally illiterate, including many who finished primary and even secondary school. On average, the population has completed 4 years of school; only 44% have completed primary school. These problems reflect an inefficient and centralized administration, poorly paid and badly trained teachers, dilapidated infrastructure and the scarcity of teaching materials. The Government has recently initiated design of an education reform program which is directed at restructuring the sector. Its objectives include increasing participation at the community level in educational decisions, delegating administration to local entities, restructuring and limiting the role of the Ministry, reducing and rationalizing expenditures on tertiary education, introducing tuition fees, training and appropriate incentives for teachers, and rehabilitation of infrastructure.

IV. The Danger of Complacency, the Rewards of Reform

Financing Reform and Investment with Limited Resources

19. The next five years will provide Bolivia the opportunity to sustain higher economic growth by freeing its productive sectors from unnecessary constraints and supporting their development with appropriate legislation and institutions. The reforms proposed are not "stroke of the pen" and, at the very least, will take one to two years to implement. During this transition period, the Government will face challenging problems in economic management. Macroeconomic stability will be a prerequisite to growth, beginning with measures to improve the country's fiscal position early in the new administration. Within this framework, the Government will need to finance the transi-

tion and incremental costs of reforms and social initiatives. Difficult tradeoffs are inevitable, and careful analysis of financial impact and appropriate phasing of these programs is needed. The more quickly private sector investment begins to substitute for state investment in productive and infrastructure sectors, the more resources will be available to finance urgently needed public goods.

20. Bolivia's future depends critically on the policies its next government chooses to pursue. In the worst case, if the new government fails to consolidate macroeconomic stability and slows or stops implementation of the structural reform program, the economy would likely contract or, at best, expand by no more than 1 to 2% per year for the rest of the decade. With macroeconomic stability and slow implementation of the structural reforms needed to attract private sector investment, we would expect moderate growth with GDP increasing at 2 to 3% per year for the foreseeable future. Under this moderate growth scenario, the major sources of growth would continue to be agriculture, construction and services mainly oriented toward domestic markets.

21. If the new government chooses to pursue the recommended high-growth policy path and is successful in mounting major reforms in the first year of its administration, we would expect sustained economic growth of about 4% annually for the next three years, increasing to an annual average of 5% during 1997-2000. If construction of the gas pipeline begins within the next two years, even higher rates are possible towards the end of the decade. This projected level of growth assumes that annual investment averages about 18% of GDP over the period. The growth in investment is predicated on the proposed reforms stimulating substantial increases in private investment, mainly in hydrocarbons, mining, communications and agriculture. Total private investment is projected to increase from about 6% of GDP in 1992 to about 10% by the year 2000. The level of public investment would remain at 8-9% of GDP, but its efficiency would be improved, and it would be reallocated towards essential economic and social infrastructure.

22. The high-growth scenario assumes a change in the structure of investment financing. Foreign savings, which financed about three-quarters of investment in 1990, are expected to finance about one-third of investment by the year 2000. Moreover, the composition of foreign savings is projected to change, with direct foreign investment growing from its current low level to account for about half of the total. National savings are expected to double--to about 13% of GDP--by the year 2000. To supplement these savings and achieve this growth scenario, continued high levels of concessional assistance and debt relief will be required. It is projected that Bolivia will continue to receive grants averaging $180 million annually and that gross disbursements from multilaterals, bilaterals and Paris Club reschedulings, averaging $480 million annually, would help to finance the projected current account deficit, which is expected to decline to about 7.5% of GDP by the end of the decade.

23. To increase national savings to support high growth, the Government must improve fiscal management by increasing the efficiency of tax administration, raising tax collection by 20% and controlling the rate of expenditure expansion to produce a credible fiscal adjustment path. Liberalized financial markets, improved bank supervision and increased private sector confidence should contribute to private savings rates. In addition, consideration is currently being

given to a reform of Bolivia's social security system which will require increasing fiscal support over the next few years if it is to meet its obligations. A reform which introduces individual choice and private sector management into the pension system is now being discussed (see Box 4). Such a reform would have a long-term positive effect on national savings by providing better incentives to savers and by reducing fiscal costs, but would require increased cash outlays by the Government over the near-term to fund the transition.

Box 4: Social Security

The social security system is experiencing structural and financial problems. The pension system overall is characterized by poor administration, lack of investment policy and supervision, low coverage of the economically active population, and high contributor evasion. Pension benefits are low (averaging less than $100 a month), and the quality of services is poor. The pension system currently represents a serious fiscal drain, requiring US$26 million in budget support in 1992. The Government is already financing two complementary semi-private funds and is likely to finance another six in the near future. With IDA and USAID support, the Government is currently evaluating options which would utilize private financial management to restructure the system and has drafted new legislation. Restructuring the pension system is of priority because it would increase private sector savings rates, improve the social safety net and provide a much-needed source of long-term financing for investment. The cash requirement of such restructuring is about $100 million a year for the next 7 years, about half of which represents existing obligations and the rest, the costs of switching to the new system.

Risk Assessment

24. The uncertainty of the economic projections described above is high. The major risks associated with accomplishing the macroeconomic objectives are:

(a) Strong union opposition to reforms in YPFB, COMIBOL and the education sector, which could delay or block implementation completely. At present, these reforms do not imply major reductions in public sector employment, but they do affect the economic interests and political clout of union leadership. Such opposition could undermine and erode political and social consensus.

(b) Further unfavorable international developments in price or demand, especially for gas and mineral exports. In the case of gas, Bolivia's potential markets are limited to its immediate neighbors, and changes in the Argentine or Brazilian markets could substantially change prospects for exports.

(c) Unanticipated shortfalls in official capital inflows resulting from competing aid requirements in the new eastern European nations, recessionary situations in many of Bolivia's traditional donors and modifications of U.S. policy in regard to drug control policies.

If the reform program is delayed for these or other reasons, economic growth would probably not exceed an average annual rate of 2 to 3% before the end of the decade.

Creditworthiness

25. Bolivia is not likley to become creditworthy for commercial borrowing in the near future. Despite impressive efforts toward debt management during the past four years, which have resulted in the virtual retirement of commercial bank debt, the country still suffers from a heavy debt burden (debt service amounts to about 40% of exports of goods and non-factor services), with little hope for improvement over the next four or five years. Continued restructuring of bilateral debt will be necessary for

the next several years to maintain this level of debt. Given this level of indebtedness, the low levels of national savings, and the vulnerability of both the balance of payments and public finances to external shocks, it will be some time before Bolivia could be considered creditworthy for even limited amounts of borrowing on commercial terms.

V. Bank Strategy

26. The strategy below proposes to use the Bank's leverage aggressively to advance the most critical reforms, through the vehicles of lending (both ongoing and proposed), economic and sector work and aid coordination. Most of the political candidates agree that the window during which difficult political decisions can be taken will be a narrow one, in the first months of the administration, and that analysis and proposals from the Bank on the priority areas for action could help expedite decision-making. The highest short-term priority is, accordingly, preparation of a policy options paper, supported by existing technical work, which can be presented to the new government when it takes office.

Lending

27. Since 1986 when it resumed lending after a four year hiatus, IDA's main goals have been to encourage economic reform and reactivation, improve infrastructure and provide basic social services (see Box 5). The proposed five-year lending program would shift to focus intensively on the remaining stubborn structural constraints to growth, particularly in the three most critical areas of reform, and would increase resources available for poverty and human resource development. These priorities reflect an economic agenda aimed at reducing the role of the state in investment in productive and infrastructure sectors while increasing relative levels of spending in the social sectors. The proposed 5-year lending program would amount to $400 million spread among 15 projects (see Annex A). The projects fall in the following major categories.

28. **Rationalizing the role of the State (70% of the Lending Program).** A core group of projects would focus primarily on the three critical areas of reform forms the core of the program. A public enterprise/ private sector development (PE/PSD) policy loan would set the stage by supporting technical, legislative and regulatory work needed to recast the role of the state in the hydrocarbons and major infrastructure sectors. It would be followed by two other operations in the hydrocarbons sector, one to support the restructuring process and one to help mobilize private sector participation in the construction of the proposed gas pipeline. A project to support implementation of the Agrarian Reform Law and reform of the land tenure system would help rationalize land ownership and use, with important implications for production, equity and the environment. Projects to strengthen essential public institutions through judiciary and civil service reform would improve the state's ability to set, regulate and enforce policy. Finally, a sector loan would support the Government's education reform, directed at broadening access to and improving the quality of basic education.

29. Rationalizing the role of the state would also be the major theme in the three infrastructure projects included in the program. A proposed third municipal project would finance economic and social infrastructure in small municipalities and institute a civil service reform at the municipal level to increase institutional capability. A power

Box 5: Ongoing IDA Operations

Economic Reform and Reactivation	
Economic Management Strengthening Operation (FY89)	Financial Sector Adjustment (FY91)
	Technology Development (FY91)
Mining Sector Rehabilitation (FY89)	Public Financial Management II (FY91)
Eastern Lowlands (FY90)	Structural Adjustment (FY92)
Private Enterprise Development (FY90)	Agro-Export Development (FY92)
Improving Infrastructure	
Export Corridors (FY89)	Road Maintenance (FY92)
Water Supply & Sewerage (FY91)	
Providing Basic Social Services	
Integrated Health (FY90)	Integrated Child Development (FY93 Expected)
Social Investment Fund (FY90)	Social Investment Fund II (FY93 Expected)
Environment	Environmental Technical Assistance (FY93)

sector loan would buld on ongoing efforts to restructure the sector and increase private sector involvement and investment. A proposed transport sector loan would build on ongoing operations to promote clear definition of priorities in the sector within a decentralized framework.

30. **Poverty and Human Resource Development (21%).** Our poverty strategy for FY94-98 builds on the FY93 lending program that included two important investment projects in the social sector: the Integrated Child Development Project and the Second Social Investment Fund Project. The former will attempt to reach some 50% of children under 6 through low-cost, home-based daycare centers in urban and peri-urban low-income neighborhoods to prevent permanent damage caused by malnutrition. The latter would provide continued support to Bolivia's successful Social Investment Fund. During FY94-98, a little over one fifth of the portfolio would focus on direct alleviation of poverty. A rural water supply and sanitation project would attempt to decisively reduce the incidence of child mortality and enteric diseases. The project would rely on low-cost technology and heavy community involvement in installation and maintenance. The lending program also includes a rural investment project directed at increasing rural incomes through productive investments at the community level and a proposed second health project.

31. **Natural Resource Management (9%).** The lending program includes two projects directed at strengthening the Government's ability to manage the country's natural resources to support sustainable growth. A technical assistance project to define standards and enforcement mechanisms for industry and mining is proposed; decreasing pollution of rivers and aquifers would be the major objective. A follow-up project to the ongoing environmental technical assistance credit, directed primarily at strengthening the capacity of SENMA and FONAMA, is also proposed.

Vehicles for Bank Assistance

32. The proposed lending program would rely on adjustment lending to a lesser extent than in the past; only one policy loan is programmed. Instead, sector and project loans would permit deeper entry into and longer-term involvement into key reform areas. The proposed lending program would also rely on some relatively small operations, mainly financing technical assistance, with ambitious reform objectives (land administration, civil service, and regulatory/judicial reform). Given the importance and the controversial nature of these operations, the Bank will need to keep their progress and objectives at the center of the policy dialogue.

33. One of the biggest challenges in the program is to design vehicles adequate to deliver social programs to the local level, given the centralized nature of government administration, the lack of local institutions and the opportunities for bureaucratic delay in the long chain between La Paz and remote, sparsely populated agricultural villages. Reaching the poorest people in isolated rural communities is a difficult challenge and will be a central issue in the design of most human resource projects. Although there are interesting models in both Colombia and Mexico in this regard, population density in Bolivia is much lower and local institutions are far weaker than in either of those countries. Some of the proposed sector work will focus on the question of what mechanisms are most appropriate to the Bolivian environment.

Project Implementation: Lessons Learned

34. The proposed lending program is built on our lending experience over the past seven years. Ongoing projects such as the Mining Rehabilitation, EMSO, Eastern Lowlands and Export Corridors Projects have laid the base for more intensive focus on development constraints in the proposed lending program, and will continue to serve as vehicles in policy dialogue. In regard to execution, there have been two major constraints: the weakness of counterpart institutions, as evident in low staff skill levels and high turnover rates; and lack of government ownership of Bank projects and programs. With weak or uninterested counterparts and rapid changes of staff, the concept of Government ownership is nebulous. It is frequently the case that the Bank is the primary source of leadership and continuity in the execution of projects.

35. These problems have been persistently addressed in project design through inclusion of financing for local consultants, topping off of Government salaries, establishment of project units with separate salary scales and even creation of new institutions whose administrative costs are funded internationally. Project preparation facilities provided by the Bank typically have funded items such as rent and office furniture. Although this approach has frequently enabled projects or programs which otherwise could not have been executed to be implemented, but it has tended to further minimize government commitment. The proposed lending program would phase out the major budget support which has characterized lending to Bolivia in recent years and would bring issues of institutional development to the center of the policy dialogue. Specifically, in new projects, we propose to: (a) phase out "topping off" of salaries as a practice, (b) phase out financing of line personnel and local consultants taking on line roles (with the possible exception of the civil service project), and (c) minimize financing of administrative budgets. This change in policy may carry the cost of slowing project preparation and implementa-

tion, but we feel is necessary to achieve the longer term goals of efficiency and government ownership of projects. We also propose to continue the current policy which requires Bolivia to pay at least 20% of project costs.

Bank Supervision

36. Complex, multi-sector projects, a broad-ranging lending program, technical assistance and local support in the form of many small contracts and lack of certain scarce skills have complicated supervision of the portfolio, and, together with the institutional weaknesses described above, have resulted in supervision coefficients higher than LAC averages. The nature of the proposed lending program is likely to require similar levels of supervision. Although there is little room to reduce total supervision resources, we will use these resources more effectively by shifting more supervision responsibility to the Resident Mission and by relying on local and more junior consultants for on-the-ground follow-up of project problems.

Box 6: The Policy Agenda and Related Bank Instruments

Policy Objectives	Bank Instrument
Unbinding the Productive Sectors	
Limiting the role of the state and improving capacity for concession management in hydrocarbons, mining, and economic infrastructure sectors	PE/PSD Project; Hydrocarbons Restructuring Proj.; Gas Exp., Mining Rehab. Proj.*
Reforming legal framework and institutions for land tenure	Eastern lowlands*; Land Adm. Project
Improving economic infrastructure	Transport Sector Proj.: Export Corridor Proj.*; Road Maint.*; Power Proj.
Strengthening State Institutions	
Increasing professionalism and continuity in the civil service	EMSO*; Civil Serv. Proj.; other Bank projects
Creating predictable and responsive legal and judicial environment	PE/PDS Proj.; Regulatory/Judicial Reform Proj.
Broadening Access to and Improving Quality of Education	Education Reform Project

* Ongoing operations.

Economic and Sector Work

37. The proposed economic and sector work program is directed at supporting policy dialogue, advancing aid coordination and contributing to the development of lending operations. This year, a Country Economic Memorandum (CEM) will provide the foundation for our policy dialogue and support the new Government in its decision making. A Policy Options Paper, based on recent economic and sector work, directed to key officials in the new Government will sum up alternative courses of action and their consequences. The FY94 CEM will also be used for the next meeting of the Consultative Group (CG). The next full CEM is planned for FY96, although we will prepare relatively brief Updating Economic Memoranda in the alternate years to serve as documentation for the CG and will also provide an update on issues related to the public sector investment program.

38. Sector work would concentrate on human resources, poverty, resource management and economic infrastructure, mainly transport. The most important analytical work in human resources would be a poverty assessment directed at determining in-

come distribution, diagnosing poverty and recommending additional areas of action for alleviating poverty. A separate rural development study will focus on a strategy for increasing incomes in rural areas. These works will be followed up by a comprehensive reassessment of the health sector, including health benefits under the social security system. In the area of resource management, an assessment of environmental priorities and strategy is planned for FY95 to determine progress and define priorities for action. In the infrastructure sector, work will be done to identify the potential for and the means to promote private sector involvement in infrastructure development.

Box 7: Increasing Government Participation

***Annual CIR/programming missions**
Agreement would be reached on the lending program, the ESW program, and strategies for addressing problem projects. Timing would coincide with preparation of the business plan, which would be discussed during the mission.

***Joint ESW projects**
Collaboration with appropriate ministry or UDAPE on design, terms of reference and review of economic work undertaken on Bolivia.

***Participation of government representatives,** when possible, in Bank decision meetings on projects and programs. Routine distribution of decision documents to government.

***Routine translation** of key Bank documents into Spanish.

39. For the ESW program, we will undertake a participatory approach by agreeing on priorities with the Government annually, executing the work jointly when this seems appropriate and involving Government at early stages of review (see Box 7). Key ESW products will be translated into Spanish. When appropriate, and if the Government agrees, we will also seek a wider audience for ESW products.

Donor Coordination

40. Joining forces with other donors is a central part of our strategy. The Consultative Group for Bolivia met for the seventh time last year, and has evolved into a mechanism as much for identifying and agreeing on Bolivia's development priorities as for mobilizing aid. One sign of success is the dominant role taken by the Government in the last three years in shaping the agenda and preparing supporting documents. Cofinancing has become the most useful mechanism of coordination; we currently have cofinancing arrangements on most ongoing and proposed new projects. While cofinancing arrangements substantially increase the time and work involved in project preparation, the benefits of avoiding duplication of effort and working at cross purposes seem well worth it. In order to share the administrative costs of supervision, we recently negotiated three arrangements with bilateral donors (USAID, Holland and Switzerland) to finance some of the supervision costs of jointly financed projects. We will seek additional, similar arrangements in the future, in particular for supervision of social projects. One area where coordination could be improved is in the preparation of economic and sector work. We are generally unaware of studies and technical work financed by other agencies. Moreover, there may be some options for work sharing, in particular with IDB.

Program Size and Bank Exposure

41. **Levels.** We propose a lending level of $400 million in 15 credits during FY94-98, or $80 million in commitments annually. The actual size of the program is likely to

be somewhat higher, given that Bolivia will continue to benefit from IDA reflows. This volume is roughly the same as annual lending rates during the past five years. Total debt service to the World Bank Group amounted to 5.6% of exports in 1992, but is expected to drop to about 2% of exports by the end of the decade.

42. **Risks and the fall-back position.** The proposed lending program is ambitious, and there is a high risk that we will not be able to achieve all of its objectives. Nevertheless, we need to be ready to provide maximum support to the new Government if it chooses to pursue the high growth policy path. Our active commitment to and promotion of this high-growth strategy will increase its chances of implementation. We believe the risk is warranted because of the Bank's special relationship with Bolivia, the opportunity presented by the new government, and because even partial success could substantially accelerate development and expand economic opportunities for Bolivia's poorest people. Should government commitment waver in one or more of the priority areas, however, we would modify and reduce the lending program to focus on objectives where reform remained possible and maintain the poverty alleviation portfolio. An early indication of the Government's commitment to proceed will be the action it takes on the reform of the hydrocarbons sector and in its appointment of key social sector ministers.

reform by decree?

Annex A: Proposed FY1994-1998 Lending Program (US$ millions)

	FY94	FY95	FY96	FY97	FY98	FY94-98 Total	FY94-98 %
Rationalizing the Role of the State							
Public Enterprise Reform	50						
Hydrocarbon Deregulation			20				
Natural Gas Export				35			
Civil Service Reform		15					
Regulatory/Judicial Reform		10					
Educational Reform	40						
Land Administration		20					
Transport Sector Loan					25		
Municipal Development	40						
Power Sector Restr.				25			
Subtotal	130	45	20	60	25	280	70%
Poverty & Human Resource Development							
Rural Water and Sanitation			30				
Rural Investment Project				30			
Health II					25		
Subtotal			30	30	25	85	21%
Natural Resource Management							
Environment, Mining & Industry			15				
Environmental Fund II					20		
Subtotal			15		20	35	9%
Total	130	45	65	90	70	400	100%
Number of Projects	3	3	3	3	3	15	

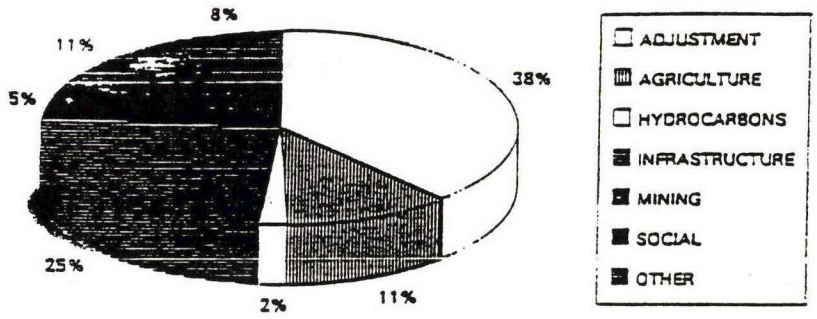
Annex B: Proposed FY93-97 Economic & Sector Work Program (staffweeks)

	FY93	FY94	FY95	FY96	FY97
Macroeconomic Monitoring and Policy Dialogue					
Updating Economic Memoranda/ Public Sector Investment Review	15 *		25		25
Country Economic Memorandum	30	35		60	
Restructuring for Growth	10 *				
Policy Options Paper	5	5 *			
Human Resource Development					
Education Strategy	10				
Rural Development Strategy		20	20 *		
Poverty Assessment		30	10 *		
Health Sector Assessment				25	
Social Security: Beyond the Pension Reform					30
Resource Management					
Environmental Priorities and Strategy			30		
Forestry Subsector Review	15 *				
Infrastructure					
Transport Sector Strategy	15				
Private Sector Development in Infrastructure					30
Total	100	90	85	85	85

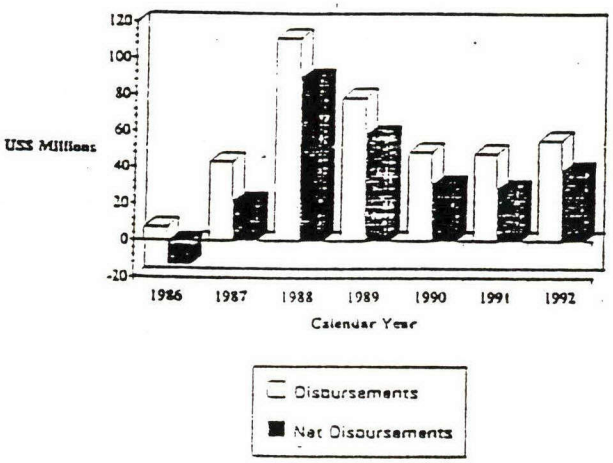
* Initiated in previous FY.

Annex C: The Bank Portfolio

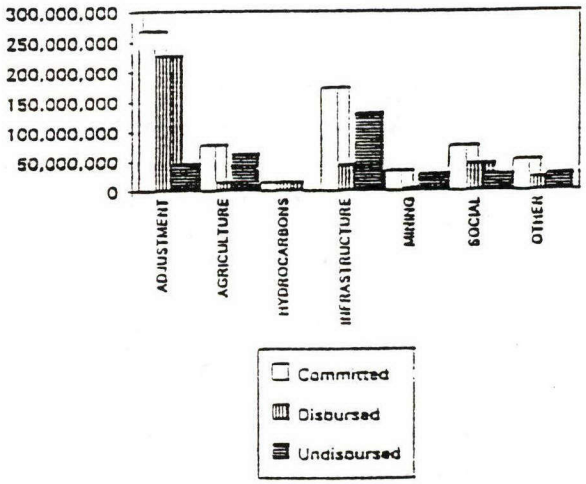
Net Commitments of Credits by Sectoral Distribution (1986-1993)



Disbursements and Net Disbursements



Status of Credits by Sector (as of February 28, 1993)



Bolivia

Country Strategy Paper

Statistical Annex

Table No.	Content	Period
1.	Social Indicators of Development: Human Resources and Natural Resources	Most Recent Estimate
2.	Social Indicators of Development: Income, Poverty, and Expenditures	Most Recent Estimate
3.	Social Indicators of Development: Investment in Humand Capital	Most Recent Estimate
4.	Key Macroeconomic Indicators Table	1985 - 2001
5.	National Accounts in Current Prices	1980 - 2001
6.	National Accounts in Constant 1980 Prices	1980 - 2001
7.	National Accounts: Percent Share of VA by Sector	1980 - 2001
8.	National Accounts: Real Growth Rates	1981 - 2001
9.	Balance of Payments	1980 - 2001
10.	External Debt: Disbursements and Repayments	1980 - 2001
11.	External Debt: Interest Payments and Debt Outstanding & Disbursed	1980 - 2001
12.	External Debt: Net Disbusements and Percent Composition	1980 - 2001
13.	IBRD and IDA: Country Exposure Indicators	1980 - 2001
14.	Projection Assumptions	1992 - 2001

ANNEX D

Bolivia
Country Strategy Paper
Table 1: Social Indicators of Development
Human Resources and Natural Resources

	Unit of Measure	25-30 Years ago	15-20 Years ago	Most Recent Estimate	Compared to Same Region & Other Income Groups: Latin America and Caribbean	Lower Middle Income Group	Next Higher Income Group
A. Human Resources							
1. Size & Structure							
Total Population (MRE = 1990)	Thousands	3,841	4,894	7,171	433,190	629,102	458,731
14 and under	% of pop.	42.8	43.2	42.5	36.2	37.3	33.8
15-64	% of pop.	53.9	53.5	54.1	59.3	57.8	60.9
Age Dependency Ratio	Unit	0.86	0.87	0.89	0.68	0.72	0.63
Percentage in Urban Areas	% of pop.	40.0	41.5	51.2	73.5	58.6	71.8
Female per 100 males							
Urban	Number	..	100	105	104	..	..
Rural	Number	..	100	100	..	..	..
Population Growth Rate	Annual growth	2.3	2.5	2.5	1.9	2.0	1.7
Urban	Annual growth	2.7	2.9	3.8	2.7	3.2	2.8
Urban/Rural growth differential	Difference	0.6	0.6	2.8	2.9	2.4	3.6
Projected Population: year 2000	Thousands	..	..	9,145	515,607	768,976	541,229
Stationary Population	Thousands	..	..	21,009	..	..	..
2. Determinants of Population Growth							
Fertility							
Crude Birth Rate	Per thousand pop.	45.8	44.1	36.0	27.0	29.5	24.9
Total Fertility Rate	Births per woman	6.6	6.3	4.8	3.3	3.7	3.1
Contraceptive Prevalence	% of woman 15-49	..	..	30.0	..	..	..
Child (0-4)/Woman (15-49) Ratio							
Urban	Per 100 woman	..	69	63	..	..	..
Rural	Per 100 woman	..	69	84	..	..	..
Mortality							
Crude Death Rate	Per thousand pop.	20.7	17.1	9.7	6.9	8.5	7.5
Infant Mortality Rate	Per thou.live births	159.8	139.0	91.9	47.4	49.5	41.8
Under 5 Mortality Rate	Per thou.live births	..	..	118.0	57.0	79.5	49.8
Life expectancy at birth	Years	44.4	49.3	60.0	67.6	65.3	68.3
o/w: Female	Years	46.6	51.6	62.3	70.7	67.9	71.5
3. Labor Force (15-64)							
Total Labor Force	Thousands	1,291	1,565	2,283	153,543	237,840	172,535
Agriculture	% of labor force	54.2	49.2	..	..	..	..
Industry	% of labor force	20.0	19.9	..	..	..	..
Female	% of labor force	21.0	22.0	25.8	26.7	32.3	30.4
Female per 100 males							
Urban	Number	..	99	108	106	..	..
Rural	Number	..	99	109	88	..	..
Participation Rate (Overall)	% of labor force	33.6	32.0	31.2	35.2	40.6	38.5
Female	% of labor force	13.9	13.9	15.9	18.6	25.6	23.3
4. Educational Attainment of Labor Force							
School Years Completed (Overall)	Years	..	..	..	..	..	..
Male	Years	..	..	..	..	..	..
B. Natural Resources							
1. Area							
Total Area	Thousand sq.km.	1,099	1,099	1,099	20,397	22,765	18,709
Density	Population per.sq.km	3	4	6	21	27	24
Agricultural Land	% of land area	27.1	27.7	27.4	36.6	40.9	34.3
Agricultural Density	Population per.sq.km	13	16	23	57	66	70
Forests & Woodland	Thousand sq.km.	595.00	568.00	557.00	9,537	6,174	7,116
Deforestation Rate (net)	Annual %	-0.4	-0.5	-0.1	-0.5	-0.5	-0.5
2. Access to Safe Water							
Total	% of population	..	34.0	53.4	73.2	..	80.0
Urban	% of population	..	81.0	30.0	83.6	78.2	88.7
Rural	% of population	..	6.0	76.0	88.1	46.9	63.8

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Table 2: Social Indicators of Development
Income, Poverty, and Expenditures

	Unit of Measure	25-30 Year ago	15-20 Year ago	Most Recent Estimate	Compared to Same Region & Other Income Groups: Latin America and Caribbean	Lower Middle Income Group	Next Higher Income Group
C. Income & Poverty							
1. Income							
GNP per capita (MKE - 1991)	US$	180	360	652	2,180	1,530	3,450
Total Household Income							
Share to top 10% of Households	% of income	..	..	..	..	..	..
Share to top 20% of Households	% of income	..	59.0	..	..	..	..
Share to bottom 40% of Households	% of income	..	13.0	..	..	..	..
Share to bottom 20% of Households	% of income	..	4.0	..	..	..	..
2. Poverty							
Absolute Poverty Income							
Urban	US$ per person	..	..	..	..	..	..
Rural	US$ per person	..	134.0	..	..	..	..
Population In Absolute Povery							
Urban	% of population	..	..	..	..	..	..
Rural	% of population	..	85.0	..	..	..	..
Privalence of Malnutrition (under 5)	% of age group	..	..	18.0	..	..	..
D. Expenditure							
1. Food							
Food	% of GDP	..	..	..	..	..	..
Staples	% of GDP	..	..	..	..	..	..
Meat, fish, milk, cheese, eggs.	% of GDP	..	..	..	..	..	..
Cereal Imports	Thou. metric tonnes	168	241	147	19,477	38,868	39,280
Food aid in cereals	Thou. metric tonnes	..	22	93	..	..	..
Food Production per capita	1979-81 = 100	89.1	106.8	114.2	103.2	98.9	106.0
Share of Agriculture in GDP	% of GDP	22.9	20.3	23.9	10.2	16.8	9.0
Daily Calorie Supply	Calories per person	1,868	2,019	1,916	2,726	2,780	3,013
Daily Protien Supply	Grams per person	50	53	53	68	72	77
2. Housing							
Housing	% of GDP	..	..	..	..	..	..
Average Household Size	Persons per household	..	6.8	1.2	..	..	..
Urban	Persons per household	..	..	..	..	..	..
Fixed Investment: Housing	% of GDP	..	..	..	..	..	..
3. Fuel and Power							
Fuel & Power	% of GDP	..	..	..	..	..	..
Energy Consumption per capita	kg of oil equivalent	155.6	258.2	256.9	1,060.5	1,102.2	1,794.4
Households with electricity							
Urban	% of household	76.4	..	..	..	..	..
Rural	% of household	7.6	..	..	..	..	..
4. Transport and Communication							
Transport and Communication	% of GDP	..	..	..	..	..	..
Population per Passenger Car	Persons	388	165	197	14	24	11
Fixed Investment: Transport Equipment	% of GDP	..	6.7	..	..	..	..
Total road length	Km	..	..	39,824	..	..	..
Population per telephone	Persons	..	..	36	..	..	..

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Table 3: Social Indicators of Developments
Investment in Human Capital

	Unit of Measure	25-30 Year ago	15-20 Year ago	Most Recent Estimate	Compared to Same Region & Other Income Groups: Latin America and Caribbean	Lower Middle Income Group	Next Higher Income Group
E. Investment in Human Capital							
E1. Medical Care							
Medical Care	% of GDP	..	..	..	..	..	..
Population per Physician	Persons	3,300	2,098	1,534	936	..	..
Population per Nurse	Persons	3,989	3,074	2,466	877	..	..
Population per Hospital Bed	Persons	..	499	..	..	..	..
Access to Health Care	% of population	..	..	..	..	..	..
Immunized (under 12 months):							
Measles	% of age group	..	..	53.0	74.7	65.3	78.5
DPT	% of age group	..	..	41.0	74.5	67.1	81.5
Oral Rehydration Therapy Use (under 5)	% of cases	..	..	60.0	44.5	39.8	..
E2. Education							
Education	% of GDP	..	..	..	..	..	..
Gross Enrollment Ratios							
Primary (total)	%of school-age group	73.0	85.0	81.0	107.4	100.5	105.9
Female	%of school-age group	60.0	76.0	77.0	..	97.4	..
Secondary (total)	%of school-age group	18.0	31.0	34.0	47.2	58.3	56.3
Female	%of school-age group	15.0	..	31.0	52.8	56.5	58.9
Tertiary: Science/Engineering	%of tertiary student	14.8	15.8	21.2	..	..	..
Pupil-teacher Ratio:							
Primary	Pupils per teacher	28.0	22.0	25.0	25.0	26.0	25.0
Secondary	Pupils per teacher	21.0	19.0	..	..	18.0	..
Pupils Reaching Grade 4	% of cohort	..	52.4	..	69.3	86.7	77.8
Repeater Rate: Primary	% of total enroll.	..	..	..	19.9	6.6	17.6
Illitracy Rate: Overall	% of pop.(age 15+)	..	..	22.5	15.5	22.9	15.1
Female	%of females(age 15+)	..	..	29.3	17.2	28.8	17.7
Newspaper Circulation	Per thousand pop.	24.7	40.7	44.9	81.9	72.0	100.9

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Table 4: Key Macroeconomic Indicators

	(Actual)						(Projected)									
	1985	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Real Growth Rates																
Gross Domestic Product (GDP)	-1.0	2.6	3.0	2.8	2.6	4.1	3.4	3.6	3.8	4.0	4.4	4.8	5.0	5.0	5.0	5.0
Gross Domestic Income (GDY)	-1.0	1.4	0.5	0.8	0.2	3.2	2.3	1.6	4.2	4.5	4.5	5.0	5.5	5.5	5.5	5.2
Real per Capita Growth Rates																
Gross Domestic Product ..1/	-3.5	0.1	0.5	0.4	0.1	1.6	0.8	1.0	1.2	1.4	2.0	2.4	2.7	2.6	2.6	2.6
Total Consumption	4.0	0.7	-3.5	-3.4	-2.8	1.9	1.8	-0.1	0.4	0.5	1.4	2.4	3.0	2.7	2.7	2.5
Private Consumption	10.2	0.6	-6.3	-2.9	-3.3	0.9	2.0	0.8	0.3	0.5	1.5	2.6	3.3	2.9	2.9	2.8
Debt and Debt Service:																
Total DOD in US$M (LT+IMF+ST)	4804.7	5836.2	4901.2	4120.7	4269.2	4072.2	4188.7	4269.7	4514.7	4703.0	4947.3	5271.0	5610.0	5945.8	6270.1	6616.4
DOD/GDP	93.9	135.4	110.8	91.4	94.9	81.1	79.3	78.1	77.6	76.2	75.0	74.3	73.6	72.6	71.2	69.9
Debt Service in US$M (LT+IMF+ST) ..2/	427.7	546.1	481.5	416.2	572.8	511.2	600.3	575.2	499.6	556.2	544.3	520.9	541.7	544.3	534.3	471.5
Debt Service/Exports	58.0	81.9	69.9	46.7	57.5	54.3	70.9	62.8	49.8	51.2	46.1	40.8	39.6	37.2	34.2	28.5
Debt Service/GDP	8.4	12.7	10.9	9.2	12.7	10.2	11.4	10.5	8.6	9.0	8.2	7.3	7.1	6.6	6.1	5.0
Interest Burden in US$M (LT+IMF+ST) ..	229.8	219.9	192.5	198.0	234.2	215.0	265.7	264.5	234.2	235.1	233.2	237.3	250.9	267.0	285.2	257.9
Interest Paid in US$M	167.6	100.9	121.5	128.2	160.5	142.3	202.1	221.8	232.4	234.2	232.9	237.3	250.9	267.0	285.2	257.9
Interest/Exports	31.2	33.0	27.9	22.2	23.5	22.8	31.4	28.9	23.3	21.6	19.8	18.6	18.4	18.3	18.2	15.6
Interest/GDP	4.5	5.1	4.4	4.4	5.2	4.3	5.0	4.8	4.0	3.8	3.5	3.3	3.3	3.3	3.2	2.7
Investment & Savings																
Gross Investment/GDP	10.2	11.1	12.1	12.0	12.7	13.8	14.1	14.6	15.3	15.9	17.0	17.3	17.9	18.0	18.2	18.4
Public Fixed Investment/GDP	3.5	6.2	8.1	8.8	8.9	9.3	8.8	8.6	8.8	8.9	9.0	8.9	8.8	8.8	8.7	8.6
Private Investment /GDP	3.7	4.0	4.2	4.1	4.3	4.5	5.2	6.0	6.4	6.9	8.0	8.4	9.0	9.3	9.5	9.8
Change in Stock/GDP	2.9	0.8	-0.2	-0.8	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ICOR (5 year average) ..4/	-5.3	-5.5	19.5	5.4	3.1	1.9	0.3	0.4	0.5	3.8	3.8	3.7	3.6	3.6	3.6	3.6
Domestic Savings/GDP	8.5	4.8	6.6	8.5	9.3	8.7	7.1	6.3	7.8	9.4	10.5	10.8	11.2	11.7	12.2	12.5
Resource Balance/GDP	-1.7	-6.2	-5.5	-3.5	-3.4	-5.0	-7.0	-8.3	-7.5	-6.5	-6.5	-6.5	-6.7	-6.3	-6.0	-5.9
National Savings/GDP	0.5	-0.7	1.0	3.5	4.5	4.4	3.8	3.1	4.9	6.6	7.9	8.4	8.9	9.5	10.1	10.7
Current Account Balance	-9.7	-11.8	-11.1	-8.5	-8.3	-9.4	-10.3	-11.5	-10.4	-9.3	-9.1	-9.0	-9.0	-8.5	-8.1	-7.7
Marginal Domestic Savings Rate	6.93	-0.12	1.31	1.29	1.09	0.11	-0.06	0.43	0.34	0.36	0.30	0.19	0.13	0.18	0.19	0.20
Marginal National Savings Rate	8.77	0.52	1.29	1.46	1.18	0.16	0.20	0.43	0.40	0.36	0.30	0.20	0.14	0.19	0.18	0.23
Public Fixed Investment/GDP	3.5	6.2	8.1	8.8	8.9	9.3	8.8	8.6	8.8	8.9	9.0	8.9	8.8	8.8	8.7	8.6
Public Savings/GDP		-1.8	0.6	1.7	2.8	3.9	3.3	3.8	4.1	4.3	4.6	4.9	5.3	5.3	5.5	5.3
Private Investment /GDP	3.7	4.0	4.2	4.1	4.3	4.5	5.2	6.0	6.4	6.9	8.0	8.4	9.0	9.3	9.5	9.8
Private Savings/GDP		1.1	0.4	1.8	1.6	0.4	0.4	-0.7	0.8	2.3	3.3	3.5	3.6	4.2	4.7	5.4
Public Finance																
Government Revenues/GDP		25.8	27.9	29.2	31.5	32.4	31.8	31.3	31.4	31.5	31.4	31.2	31.3	30.8	30.4	30.1
Government Expenditures/GDP		33.4	34.4	34.7	35.7	35.9	35.5	34.5	34.3	34.2	33.8	33.2	32.7	32.1	31.5	31.2
Budget Deficit(-) or Surplus/GDP ..5/		-7.7	-6.5	-5.5	-4.1	-3.6	-3.7	-3.2	-3.0	-2.8	-2.4	-2.0	-1.5	-1.3	-1.1	-1.1
Primary Deficit(-) or Surplus/GDP ..5		-3.2	-2.3	-1.7	-0.8	-0.3	0.1	0.3	0.4	0.5	0.7	0.9	1.3	1.3	1.4	1.4
Prices & Exchange Rates																
CPI (% Growth Rate)	11749.6	14.6	16.0	15.2	17.1	21.4	10.4	6.2	6.3	5.0	5.1	5.1	5.0	4.9	4.9	4.9
GDP Deflator (% Growth Rate)	11289.1	15.7	14.0	13.5	14.6	20.9	10.6	6.2	6.3	5.0	5.1	5.1	5.0	4.9	4.9	4.9
REER Index (1980=100)	285.8	80.8	74.7	72.4	60.8	62.9	..	..	..	..	..	..	..	..	..	..
Terms of Trade Index (1990=100)					100.0	92.7	83.5	79.6	81.7	83.6	84.2	84.7	85.4	86.1	86.8	86.1
Trade and Balance of Payments																
Exports (GNFS) Volume Growth	-5.9	-2.5	6.1	24.7	15.5	0.7	-0.8	9.5	4.0	3.4	4.4	4.3	3.2	3.0	3.1	3.3
Exports (GNFS)/GDP	14.3	15.1	15.2	19.3	21.7	18.3	15.8	16.5	16.9	17.2	17.5	17.7	17.6	17.6	17.5	17.2
Imports (GNFS) Volume Growth	41.7	8.3	-10.6	11.5	9.6	3.3	0.9	8.6	2.6	1.0	4.5	4.6	4.9	2.5	2.5	2.4
Imports (GNFS)/GDP	16.0	21.4	20.7	22.8	25.1	23.4	22.7	24.8	24.3	23.8	24.0	24.2	24.3	23.9	23.5	23.1
Current Account Balance (US$M)	-494.0	-508.7	-490.5	-384.7	-371.4	-473.5	-546.5	-629.5	-603.3	-576.2	-602.4	-636.3	-685.0	-698.0	-711.2	-730.0
Net Reserves (- = increase, US$M)	-28.7	41.0	29.8	139.8	-98.9	-89.8	-78.4	-55.1	-23.7	-19.4	-24.3	-24.1	-24.9	-30.3	-46.7	-41.4
Gr. Reserves in Months of Imp. of G&S	3.4	5.5	5.4	4.2	3.9	3.9	4.6	4.6	4.6	4.6	4.4	4.2	4.1	4.0	4.1	4.1

1/ Using World Bank population figures and projections
2/ Includes interest and principal repayments due but rescheduled by bilateral creditors.
3/ Includes interest due but rescheduled by bilateral creditors.
4/ 1981-90 period was derived from a 1980 base year series; & 1991-2001 is calculated from a 1990 base year series.
5/ Overall non-financial public sector

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Table 5: National Accounts at Current Prices

	(Actual)								(Projected)										
	1980	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
A.1. GDP at market prices	0.1	2252.4	7462.2	8855.9	10393.9	12135.9	14273.5	17974.5	20556.5	22626.0	24961.6	27240.9	29873.8	32894.7	36257.2	39933.6	43984.8	48441.3
2. Net Indirect Taxes on Imports	0.0	25.0	141.1	180.3	169.8	196.3	179.9	169.1	322.7	385.9	402.9	488.7	531.8	580.7	639.3	683.2	730.1	779.2
3. GDP at producer prices	0.1	2227.4	7321.1	8675.6	10224.1	11939.6	14093.6	17805.4	20233.9	22240.1	24558.6	26752.2	29342.0	32314.0	35617.9	39249.7	43254.8	47662.1
B.1. Imports of GNFS	0.0	360.1	1563.5	1891.8	2153.6	2761.0	3586.1	4200.4	4671.1	5601.7	6072.3	6474.4	7168.4	7952.0	8816.7	9551.6	10348.3	11200.5
2. Exports of GNFS	0.0	321.9	1349.9	1341.3	1581.8	2338.0	3104.4	3292.7	3239.8	3729.4	4209.0	4694.0	5234.4	5820.7	6396.1	7021.8	7713.9	8355.4
3. Resource balance	0.0	-38.2	-213.6	-550.5	-571.8	-423.0	-481.7	-907.7	-1431.2	-1872.2	-1863.3	-1780.4	-1934.0	-2131.4	-2420.6	-2529.8	-2634.5	-2845.1
C.1. Total Expenditures	0.1	2290.6	7675.9	9406.5	10965.7	12558.9	14755.2	18882.2	21987.8	24498.2	26824.9	29021.3	31807.7	35026.1	38677.8	42462.5	46619.3	51286.4
2. Total consumption, etc	0.1	2061.9	7088.8	8426.6	9710.3	11101.0	12940.1	16403.3	19088.3	21195.1	23016.1	24685.4	26728.9	29326.9	32197.6	35258.1	38605.8	42368.9
a. General government	0.0	300.4	855.5	1060.4	1493.0	1680.9	2000.9	2651.4	3045.4	3134.5	3449.6	3736.7	4063.1	4419.2	4801.4	5212.9	5660.1	6144.8
b. Private, etc	0.1	1761.5	6233.3	7366.2	8217.3	9420.1	10939.2	13751.9	16042.9	18060.6	19566.5	20948.7	22665.7	24907.8	27396.1	30045.2	32945.7	36224.1
c. Statistical discrepancy																		
D.1. Gross domestic investment	0.0	228.7	587.1	979.9	1255.4	1457.9	1815.1	2478.9	2899.5	3303.2	3808.8	4335.9	5078.9	5699.1	6480.2	7204.7	8013.5	8917.6
a. GDFI	0.0	162.8	705.5	911.0	1271.8	1555.8	1885.0	2478.9	2889.3	3292.0	3796.5	4325.2	5068.6	5689.4	6471.3	7196.8	8007.0	8910.4
i. Nonfinancial Pub. Sector	0.0	79.8	356.9	552.5	839.7	1063.7	1276.5	1664.3	1813.6	1943.8	2190.8	2437.6	2688.9	2938.7	3208.3	3500.1	3818.7	4165.7
ii. Private Sector	0.0	83.0	348.6	358.5	432.1	492.1	608.5	814.6	1075.7	1348.3	1605.6	1887.6	2379.7	2750.8	3263.0	3696.7	4188.3	4744.7
b. Changes in Stocks	0.0	66.0	-118.4	68.9	-16.4	-97.9	-69.9	0.0	10.1	11.1	12.3	10.7	10.3	9.7	8.9	7.8	6.5	7.1
E.1. Gross domestic saving	0.0	190.5	373.5	429.4	683.6	1034.9	1333.4	1571.2	1468.2	1430.9	1945.5	2555.5	3144.9	3567.8	4059.6	4674.8	5379.1	6072.4
2. Net factor income	0.0	-185.9	-593.7	-531.8	-611.1	-671.0	-764.9	-868.4	-782.6	-837.9	-842.4	-887.2	-927.4	-965.8	-995.9	-1047.1	-1109.8	-1115.1
3. Net current transfers	0.0	6.4	32.7	36.8	30.1	58.9	68.5	80.6	88.3	103.9	117.5	125.7	134.9	145.7	158.9	174.0	190.4	222.7
4. Gross national saving	0.0	11.0	-187.6	-65.7	102.6	422.8	637.0	783.4	773.9	696.9	1220.6	1794.0	2352.5	2747.6	3222.5	3801.7	4459.6	5180.0
F.1. Gross national product	0.1	2066.5	6868.5	8324.1	9782.8	11464.9	13508.6	17106.1	19773.9	21788.1	24119.1	26353.7	28946.4	31928.9	35261.2	38885.8	42875.0	47326.1
2. IFS conversion factor	0.0	0.4	1.9	2.1	2.4	2.7	3.2	3.6	3.9	4.1	4.3	4.4	4.5	4.6	4.8	4.9	5.0	5.1
3. GDP at mp (curr. mill. US$)	5014	5119.2	3882.5	4309.7	4422.5	4508.6	4498.8	5019.4	5284.9	5465.2	5818.8	6174.5	6600.7	7091.1	7623.5	8191.5	8802.2	9461.2

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Table 6: National Accounts at Constant 1980 prices

	(Actual)								(Projected)									
	1980	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
A.1. GDP at market prices	122,946	111,609	108,829	111,660	114,963	118,221	121,316	126,341	130,670	135,404	140,487	146,064	152,469	159,764	167,748	176,126	184,924	194,161
2. Net Indirect Taxes on Imp.	3,288	1,307	1,982	2,277	1,827	1,811	1,527	1,187	2,381	2,759	2,832	3,219	3,363	3,519	3,692	3,784	3,879	3,974
3. GDP at Producer Prices	119,658	110,302	106,847	109,383	113,136	116,410	119,789	125,154	128,289	132,644	137,655	142,845	149,106	156,244	164,056	172,341	181,045	190,187
B.1. Imports of GNFS	20,718	21,978	21,469	23,245	20,788	23,177	25,412	26,243	26,469	28,757	29,514	29,818	31,155	32,601	34,198	35,056	35,934	36,810
2. Exports of GNFS	25,585	22,780	26,448	25,793	27,366	34,123	39,399	39,674	39,361	43,092	44,833	46,341	48,379	50,453	52,043	53,629	55,276	57,112
3. Resource balance	4,867	802	4,979	2,548	6,578	10,946	13,987	13,431	12,892	14,336	15,319	16,522	17,224	17,852	17,845	18,573	19,342	20,302
C.1. Total Expenditures	118,079	110,807	103,850	109,112	108,385	107,275	107,329	112,910	117,778	121,068	125,168	129,541	135,245	141,912	149,903	157,553	165,582	173,859
2. Total consumption, etc	99,898	104,285	99,517	102,685	101,645	100,690	100,415	104,905	109,479	112,167	115,515	119,073	123,573	129,448	136,402	143,245	150,411	157,765
a. General government	17,330	10,509	11,343	11,769	14,204	13,654	14,117	15,571	16,069	15,571	16,116	16,632	17,214	17,816	18,440	19,085	19,753	20,445
b. Private, etc	82,568	93,776	88,174	90,916	87,441	87,036	86,298	89,334	93,410	96,596	99,399	102,441	106,359	111,631	117,962	124,159	130,658	137,320
D.1. Gross domestic investment	18,181	6,522	4,333	6,427	6,740	6,585	6,914	8,005	8,299	8,901	9,652	10,468	11,672	12,464	13,500	14,308	15,171	16,095
a. GDFI	17,637	5,022	5,333	5,927	6,840	7,085	7,214	8,005	8,270	8,871	9,621	10,443	11,648	12,443	13,482	14,293	15,158	16,082
i. Nonfin. Pub. Sector	8,593	2,462	2,698	3,598	4,516	4,844	4,885	5,375	5,191	5,238	5,552	5,885	6,179	6,426	6,683	6,951	7,229	7,518
ii. Private Sector	9,044	2,560	2,635	2,329	2,324	2,241	2,329	2,630	3,079	3,633	4,069	4,558	5,469	6,016	6,798	7,342	7,930	8,564
b. Changes in Stocks	544	1,500	(1,000)	500	(100)	(500)	(300)	0	29	30	31	26	24	21	19	16	12	13
E.1. Net factor income	(7,250)	(10,181)	(8,373)	(6,565)	(6,502)	(6,200)	(5,929)	(5,640)	(4,537)	(4,573)	(4,524)	(4,338)	(4,316)	(4,278)	(4,202)	(4,212)	(4,255)	(4,076)
2. Net current transfers	311	321	478	466	332	562	559	548	576	617	660	672	685	706	734	767	800	893
3. Gross national product	115,696	101,428	100,456	105,095	108,461	112,021	115,387	120,701	126,133	130,831	136,163	141,725	148,153	155,486	163,546	171,914	180,669	190,085
4. Gross domestic saving ..1/	23,048	7,324	9,312	8,975	13,318	17,531	20,901	21,436	21,191	23,237	24,971	26,991	28,896	30,316	31,346	32,881	34,513	36,396
5. Gross domestic saving ..2/	23,048	4,191	1,399	(337)	1,221	3,034	3,501	2,334	189	(710)	596	2,269	3,267	3,726	4,111	5,024	6,023	6,744
6. Gross national saving ..1/	16,109	(2,536)	1,417	2,876	7,148	11,893	15,531	16,344	17,230	19,281	21,307	23,325	25,265	26,744	27,878	29,436	31,058	33,213
7. Gross national saving ..2/	16,109	(5,669)	(6,496)	(6,436)	(4,949)	(2,604)	(1,869)	(2,758)	(3,772)	(4,666)	(3,068)	(1,397)	(364)	154	643	1,579	2,567	3,561
8. Capacity to import	25,585	19,647	18,535	16,481	15,269	19,626	21,999	20,572	18,359	19,145	20,457	21,618	22,750	23,863	24,809	25,771	26,786	27,460
9. Terms of trade adjustment	0	(3,133)	(7,913)	(9,312)	(12,097)	(14,497)	(17,400)	(19,102)	(21,002)	(23,947)	(24,375)	(24,722)	(25,629)	(26,590)	(27,234)	(27,857)	(28,490)	(29,652)
10. Gross domestic income	122,946	108,476	100,916	102,348	102,866	103,724	103,916	107,239	109,668	111,457	116,111	121,341	126,840	133,174	140,514	148,268	156,434	164,509
11. Gross national income	115,696	98,295	92,543	95,783	96,364	97,524	97,987	101,599	105,131	106,884	111,787	117,003	122,524	128,896	136,312	144,056	152,179	160,433

1/ Excluding terms of trade adjustment

2/ Including terms of trade adjustment

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Table 7: National Accounts - Percent Share of VA by Sector

	(Actual)								(Projected)									
	1980	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
A.1. GDP at market prices	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2. GDP at Producer Prices	97.3	98.9	98.1	98.0	98.4	98.4	98.7	99.1	98.4	98.3	98.4	98.2	98.2	98.2	98.2	98.3	98.3	98.4
3. Agriculture	..	..	..	..	..	..	20.7	19.5	19.5	20.4	20.5	20.5	20.4	20.2	20.0	19.8	19.6	19.4
4. Industry	..	..	..	..	..	..	32.2	31.4	29.9	30.0	30.5	31.0	31.4	31.8	32.1	32.5	32.8	33.1
a. Manufacturing	..	..	..	..	..	..	13.4	14.7	15.5	15.7	15.9	16.0	16.2	16.3	16.4	16.5	16.6	16.8
b. Construction	..	..	..	..	..	..	2.7	2.9	3.0	3.0	3.0	2.9	2.9	2.9	2.9	2.9	2.8	2.8
c. Mining and quarrying	..	..	..	..	..	..	15.1	12.8	10.3	10.3	10.6	11.0	11.3	11.5	11.8	12.1	12.4	12.4
d. Gas, Electricity & Water	..	..	..	..	..	..	1.0	1.1	1.1	1.1	1.1	1.1	1.0	1.0	1.0	1.0	1.0	1.0
5. Services, etc.	..	..	..	..	..	..	45.9	48.2	49.0	47.8	47.4	46.7	46.4	46.3	46.1	46.0	45.9	45.9

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Table 8: National Accounts - Real Growth Rates

	(Actual)								(Projected)									
	1981	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
A.1. GDP at market prices	0.9	-1.0	-2.5	2.6	3.0	2.8	2.6	4.1	3.4	3.6	3.8	4.0	4.4	4.8	5.0	5.0	5.0	5.0
2. Agriculture	-0.9	7.7	-3.5	3.5	2.4	-1.3	-2.0	7.2	5.0	3.5	3.5	3.5	3.6	3.8	4.0	4.0	4.0	4.0
3. Industry	-2.4	-8.8	-7.6	1.5	12.2	8.9	6.3	5.6	2.4	6.5	5.2	4.9	5.6	5.7	5.8	5.8	5.9	6.0
a. Manufacturing	-7.8	-8.3	1.9	2.5	5.4	3.5	5.7	6.7	6.0	5.0	5.5	5.5	5.5	5.6	5.7	5.8	5.9	6.0
b. Construction	-10.2	-3.7	-21.5	-0.9	14.5	6.6	2.5	2.0	6.0	3.0	3.3	3.4	3.8	4.5	4.5	4.5	4.5	4.5
c. Mining and quarrying	3.8	-10.6	-14.4	1.5	19.9	15.1	7.6	5.3	-1.6	8.8	5.3	4.8	6.1	6.1	6.1	6.2	6.3	6.4
d. Gas, Electricity & Water	12.5	-3.8	7.4	-5.9	5.5	5.1	5.4	6.5	4.0	3.0	3.0	3.0	3.5	4.0	4.0	4.0	4.0	4.0
4. Services, etc.	3.5	-0.2	-0.2	2.3	-1.0	1.1	2.9	2.4	1.4	1.1	2.9	3.0	3.8	4.6	4.9	4.9	4.8	4.7
B.1. Imports of GNFS	37.7	41.7	-2.3	8.3	-10.6	11.5	9.6	3.3	0.9	8.6	2.6	1.0	4.5	4.6	4.9	2.5	2.5	2.4
2. Exports of GNFS	-4.1	-5.9	16.1	-2.5	6.1	24.7	15.5	0.7	-0.8	9.5	4.0	3.4	4.4	4.3	3.2	3.0	3.1	3.3
C.1. Total Expenditures	8.5	6.5	-6.3	5.1	-0.7	-1.0	0.1	5.2	4.3	2.8	3.4	3.5	4.4	4.9	5.6	5.1	5.1	5.0
2. Total consumption, etc	10.2	6.6	-4.6	3.2	-1.0	-0.9	-0.3	4.5	4.4	2.5	3.0	3.1	3.8	4.8	5.4	5.0	5.0	4.9
a. General government	-21.0	-28.3	7.9	3.8	20.7	-3.9	3.4	10.3	3.2	-3.1	3.5	3.2	3.5	3.5	3.5	3.5	3.5	3.5
b. Private, etc	16.8	12.7	-6.0	3.1	-3.8	-0.5	-0.8	3.5	4.6	3.4	2.9	3.1	3.8	5.0	5.7	5.3	5.2	5.1
D.1. Gross domestic investment	-1.3	5.9	-33.6	48.3	4.9	-2.3	5.0	15.8	3.7	7.3	8.4	8.5	11.5	6.8	8.3	6.0	6.0	6.1
GDFI	-19.1	-25.7	6.2	11.1	15.4	3.6	1.8	11.0	3.3	7.3	8.5	8.5	11.5	6.8	8.4	6.0	6.1	6.1
i. Nonfin. Pub. Sector	8.4	-31.4	9.6	33.4	25.5	7.3	0.8	10.0	-3.4	0.9	6.0	6.0	5.0	4.0	4.0	4.0	4.0	4.0
ii. Private Sector	-45.2	-19.3	2.9	-11.6	-0.2	-3.6	3.9	12.9	17.1	18.0	12.0	12.0	20.0	10.0	13.0	8.0	8.0	8.0
2. Gross national product	1.0	-3.0	-1.0	4.6	3.2	3.3	3.0	4.6	4.5	3.7	4.1	4.1	4.5	4.9	5.2	5.1	5.1	5.2
3. Gross domestic saving ..1/	-39.4	-50.7	27.1	-3.6	48.4	31.6	19.2	2.6	-1.1	9.7	7.5	8.1	7.1	4.9	3.4	4.9	5.0	5.5
4. Gross national saving ..1/	-56.8	-136.3	155.9	103.0	148.5	66.4	30.6	5.2	5.4	11.9	10.5	9.5	8.3	5.9	4.2	5.6	5.5	6.9
5. Gross domestic income	1.2	-1.0	-7.0	1.4	0.5	0.8	0.2	3.2	2.3	1.6	4.2	4.5	4.5	5.0	5.5	5.5	5.5	5.2
6. Gross national income	1.3	-3.1	-5.9	3.5	0.6	1.2	0.5	3.7	3.5	1.7	4.6	4.7	4.7	5.2	5.8	5.7	5.6	5.4

1/ Excluding terms of trade adjustment

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Table 9: Balance of Payments (US$ Millions)

	(Actual)						(Projected)									
	1980	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
A. Exports of GNFS	1023.6	652.7	673.1	868.5	978.4	919.6	832.9	900.8	981.2	1063.9	1156.5	1254.8	1344.8	1440.4	1543.7	1631.9
1. Merchandise (FOB)	942.2	518.7	542.4	723.4	830.7	760.3	665.7	726.1	799.9	878.9	966.8	1060.0	1145.3	1237.0	1336.5	1419.5
2. Non-factor services	81.4	134.0	130.7	145.1	147.7	159.3	167.2	174.7	181.2	185.1	189.8	194.8	199.6	203.4	207.2	212.4
B. Imports of GNFS	795.4	920.5	916.4	1025.8	1130.3	1173.1	1200.9	1353.1	1415.5	1467.5	1583.9	1714.2	1853.8	1959.3	2070.9	2187.6
1. Merchandise (FOB)	678.4	767.2	767.7	861.7	962.7	992.4	1011.3	1150.6	1207.2	1256.2	1368.8	1487.8	1616.4	1718.3	1826.2	1939.2
2. Non-factor services	117.0	153.3	148.7	164.1	167.6	180.7	189.6	202.5	208.3	211.3	215.1	226.4	237.4	241.0	244.7	248.4
C. Resource balance	228.2	-267.8	-243.3	-157.3	-151.9	-253.5	-368.0	-452.2	-434.4	-403.6	-427.3	-459.5	-509.0	-518.9	-527.2	-555.7
D. Net factor income	-295.7	-258.8	-260.0	-249.3	-241.1	-242.5	-201.2	-202.4	-196.4	-201.1	-204.9	-208.2	-209.4	-214.8	-222.1	-217.8
1. Factor receipts	22.1	14.3	15.8	22.1	17.0	22.3	13.5	15.7	22.0	23.1	22.9	22.6	22.2	21.4	20.9	23.0
2. Factor payments	317.8	273.1	275.8	271.4	258.1	264.8	214.7	218.1	219.3	224.2	227.8	230.8	231.6	236.2	243.0	240.8
E. Net current transfers	12.7	17.9	12.8	21.9	21.6	22.5	22.7	25.1	27.4	28.5	29.8	31.4	33.4	35.7	38.1	43.5
F. Current Account Balance																
1. Before official grants	-54.8	-508.7	-490.5	-384.7	-371.4	-473.5	-546.5	-629.5	-603.3	-576.2	-602.4	-636.3	-685.0	-698.0	-711.2	-730.0
2. Official grants	46.8	103.2	123.9	133.9	153.4	160.0	165.5	149.0	162.6	169.1	170.6	175.4	180.6	185.9	190.1	195.2
3. After official grants	-8.0	-405.5	-366.6	-250.8	-218.0	-313.5	-380.9	-480.5	-440.7	-407.1	-431.8	-460.9	-504.4	-512.1	-521.1	-534.8
G. LT Capital Inflows n.e.i.	326.3	206.0	204.9	278.1	142.3	200.3	204.5	281.3	260.3	225.9	313.7	414.9	471.6	481.7	511.7	525.8
1. Direct investment	43.9	36.4	30.0	35.0	35.0	50.0	60.0	70.0	81.0	94.0	109.5	128.0	149.0	173.0	198.0	225.0
2. Net LT Borrowing ..1/	311.5	169.6	174.9	243.1	107.3	150.3	144.5	211.3	179.3	131.9	204.2	286.9	322.6	308.7	313.7	300.8
a. Disbursements (DRS)	456.8	257.2	333.7	381.7	299.7	286.8	342.6	454.1	365.7	353.3	432.6	501.6	536.6	520.4	519.3	492.4
b. Repayments	145.3	87.7	158.7	138.6	192.4	136.6	198.2	242.9	186.3	221.3	228.4	214.6	214.0	211.7	205.6	191.6
3. Other LT inflows (net)	-29.1	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
H. Total Other Items (Net)	-222.5	158.5	131.9	-167.1	174.6	203.1	254.8	254.3	204.1	200.5	142.4	70.0	57.6	60.8	56.1	50.4
1. Net ST capital (n.e.i)	-45.2	119.0	-27.1	-90.7	70.6	72.0	175.8	132.2	81.8	80.9	70.3	70.0	57.6	60.8	56.1	50.4
a. Interest arrears ..2/		119.0	71.0	69.8	73.7	72.7	63.6	42.7	1.8	0.9	0.3	0.0	0.0	0.0	0.0	
b. Other Net ST Capital	-45.2	0.0	-98.1	-160.5	-3.1	-0.7	112.2	89.5	80.0	80.0	70.0	70.0	57.6	60.8	56.1	50.4
2. Capital flows n.e.i. ..3/	0.0	55.0	54.2	-49.7	-47.3	1.2	79.0	122.1	122.3	119.6	72.1	0.0	0.0	0.0	0.0	0.0
3. Errors and omissions	-177.3	-15.5	104.8	-26.7	151.3	129.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
I. Changes in net reserves	-95.8	41.0	29.8	139.8	-98.9	-89.8	-78.4	-55.1	-23.9	-19.4	-24.3	-24.1	-24.9	-30.3	-46.7	-41.4
1. Net credit from IMF	96.4	-34.5	42.4	50.6	-11.2	-15.0	13.8	-9.4	-14.3	-23.6	-29.9	-33.3	-41.2	-33.7	-24.4	-12.0
2. Reserve changes (n.e.i)	-192.2	75.5	-12.6	89.2	-87.7	-74.8	-92.2	-45.7	-9.6	4.2	5.6	9.2	16.3	3.4	-22.3	-29.4
3. Escrow account	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
J. As Shares of GDP (current US$)																
1. Resource balance 4/	4.6	-6.2	-5.5	-3.5	-3.4	-5.1	-7.0	-8.3	-7.5	-6.5	-6.5	-6.5	-6.7	-6.3	-6.0	-5.9
2. Interest payments (LT+IMF+ST)	3.5	1.8	2.2	2.1	2.9	2.4	3.3	3.6	3.5	3.2	3.0	2.8	2.7	2.7	2.7	2.2
3. Current account balance	-1.1	-11.8	-11.1	-8.5	-8.3	-9.4	-10.3	-11.5	-10.6	-9.3	-9.1	-9.0	-9.0	-8.5	-8.1	-7.7
4. LT capital inflow	6.5	4.8	4.6	6.2	3.2	4.0	3.9	5.1	4.5	3.7	4.8	5.9	6.2	5.9	5.8	5.6
5. Net credit from the IMF	1.9	-0.8	1.0	1.1	-0.2	-0.3	0.3	-0.2	-0.2	-0.4	-0.5	-0.5	-0.5	-0.4	-0.3	-0.1
K. Foreign Exchange Reserves																
1. Gross reserves including gold.	128.5	424.7	408.8	361.2	363.9	381.0	459.4	514.5	538.2	557.6	581.9	606.0	630.9	661.2	707.9	749.3
2. Gr. reserves in months of imports	1.9	5.5	5.4	4.2	3.9	3.9	4.6	4.6	4.6	4.6	4.4	4.2	4.1	4.0	4.1	4.1
L. Exchange Rates																
1. In nominal terms (LCU/US$)																
a. Average rate	0.0	2.1	2.4	2.7	3.2	3.6	3.9	4.1	4.3	4.4	4.5	4.6	4.8	4.9	5.0	5.1
b. End Year	0.0	2.2	2.4	2.9	3.4	3.7										
2. In real terms																
a. Real Effective Exchange Rate	100.0	80.8	74.7	72.4	60.8	62.9										
M. Memorandum Item: GDP (current US$M)	5014.1	4309.7	4422.5	4508.6	4498.8	5019.4	5284.9	5465.2	5818.8	6174.5	6600.7	7091.1	7623.5	8191.5	8802.2	9461.2

1/ 1980-1991, on cash basis; 1992 and thereafter, on accrual basis.
2/ Data available only from 1985 and onwards
3/ Includes unpaid Argentina Gas, change in arrears, net relief of Brazil arrears, debt cancellation and other exceptional financing items..
4/ Note that, for the historical period, there are some inconsistences between these figures and those reported in national accounts.

Bolivia

Country Strategy Paper

Table 10: External Debt - Disbursements and Repayments

	(Actual)								(Projected)									
	1980	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
DISBURSEMENTS																		
A. Public & Publicly Guar. LT	440.8	137.1	328.4	257.2	333.7	381.7	299.7	286.8	342.6	454.1	365.7	353.3	432.6	501.6	536.6	520.4	519.3	492.4
1. Official Creditors	194.9	134.8	321.7	232.2	333.7	376.6	290.7	272.2	338.5	451.8	365.1	353.0	432.6	501.6	536.6	520.4	519.3	492.4
a) Multilateral	107.7	73.3	243.2	154.6	257.4	277.0	204.3	197.0	255.6	320.4	265.7	248.7	303.7	346.8	363.6	342.4	344.3	306.8
IDA	1.8	1.7	4.0	41.3	111.5	78.8	48.7	47.9	66.4	80.0	86.8	93.4	98.8	84.9	80.7	63.9	65.0	24.5
IBRD	72.6	10.5	3.3	1.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
b) Bilateral	87.2	61.5	78.6	77.6	76.2	99.5	86.4	75.2	82.8	131.4	99.4	104.3	129.0	154.8	173.0	178.0	175.0	185.6
2. Private Creditors	245.9	2.3	6.7	25.0	0.0	5.1	9.1	14.6	4.2	2.4	0.6	0.3	0.0	0.0	0.0	0.0	0.0	0.0
a) Suppliers	21.8	0.8	6.7	0.0	0.0	1.5	9.1	2.4	1.2	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
b) Financial Markets	57.8	0.0	0.0	25.0	0.0	0.0	0.0	6.6	2.4	1.6	0.6	0.3	0.0	0.0	0.0	0.0	0.0	0.0
o/w: Financial Inst.	57.8	0.0	0.0	25.0	0.0	0.0	0.0	6.6	2.4	1.6	0.6	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
c) Export Credit	166.3	1.5	0.0	0.0	0.0	3.6	0.0	5.6	0.6	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
B. Private Non-Guaranteed LT	16.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
C. Total LT Disbursements (A+B)	456.8	137.1	328.4	257.2	333.7	381.7	299.7	286.8	342.6	454.1	365.7	353.3	432.6	501.6	536.6	520.4	519.3	492.4
D. IMF Purchases	96.4	0.0	134.7	0.0	91.3	56.9	30.8	31.0	50.2	18.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
E. Net Short-Term Capital	-228.0	10.0	45.0	93.0	-171.0	-40.0	-57.0	-8.0	121.9	89.5	80.0	80.0	70.0	70.0	57.6	60.8	56.1	58.0
F. Total Disbursements (C+D+E)	325.2	147.1	508.1	350.2	254.0	398.6	273.5	309.8	514.7	562.3	445.7	433.3	502.6	571.6	594.2	581.2	575.4	550.4
REPAYMENTS ..1/																		
A. Public & Publicly Guar. LT	126.3	148.6	103.6	87.7	158.7	138.6	168.4	111.6	198.2	242.9	186.3	221.3	228.4	214.6	214.0	211.7	205.6	191.8
1. Official Creditors	41.1	135.9	92.4	80.9	127.6	131.8	162.7	106.0	183.0	235.8	181.3	215.7	225.1	212.3	212.0	209.8	204.3	190.3
a) Multilateral	7.2	72.7	71.3	60.8	71.3	110.1	116.9	81.2	92.4	110.4	123.6	144.6	160.1	162.6	157.3	152.0	152.5	142.9
o/w: IBRD	2.6	11.7	17.9	18.6	22.7	18.7	20.9	25.3	22.3	22.8	22.6	22.4	22.9	19.8	14.0	13.3	11.6	0.3
IDA	0.3	1.0	1.0	1.1	1.2	1.4	1.6	1.7	8.2	8.2	2.4	2.4	3.0	4.1	6.3	8.4	10.5	13.0
b) Bilateral	33.9	63.3	21.1	20.1	56.3	21.7	45.8	24.8	90.6	125.4	57.7	71.1	65.0	49.7	54.7	57.9	51.9	47.4
2. Private Creditors	85.2	12.7	11.2	6.8	31.2	6.8	5.8	5.6	15.1	7.0	5.0	5.6	3.3	2.3	2.0	1.9	1.3	1.3
a) Suppliers	28.8	5.0	4.8	2.4	3.0	4.4	3.9	4.7	8.4	5.0	3.2	3.2	1.0	0.3	0.0	0.0	0.0	0.0
b) Financial Markets	48.6	3.9	1.3	2.1	25.9	0.0	0.0	0.0	2.1	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
o/w: Financial Inst.	47.7	3.0	0.5	1.2	25.0	0.0	0.0	0.0	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	0.9	0.9	0.9	0.9	0.9	0.0	0.0	0.0	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
c) Export Credit	7.9	3.8	5.0	2.4	2.2	2.4	1.9	0.8	4.6	1.4	1.3	1.8	1.7	1.4	1.4	1.3	0.7	0.7
B. Private Non-Guaranteed LT	19.0	25.8	0.0	0.0	0.0	0.0	24.0	25.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
C. Total LT Repayments (A+B)	145.3	174.4	103.6	87.7	158.7	138.6	192.4	136.6	198.2	242.9	186.3	221.3	228.4	214.6	214.0	211.7	205.6	191.8
D. IMF Repurchases	0.0	23.5	38.2	34.5	48.9	6.3	42.0	46.0	36.4	28.1	14.3	23.6	29.9	33.3	41.2	33.7	24.4	12.0
E. Total LT Repay + IMF Repurchases	145.3	197.9	141.8	122.2	207.6	144.9	234.4	182.6	234.6	271.0	200.6	244.9	258.3	247.9	255.2	245.4	230.0	203.8

1/ 1980 - 1991, principal paid only.

Bolivia
Country Strategy Paper
CSP Table 11: External Debt - Interest and DOD
(US$ Millions at Current Prices)

	(Actual)								(Projected)									
	1980	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
INTEREST ..1/																		
A. Public & Publicly Guar. LT	163.8	99.7	53.5	76.6	96.6	93.3	116.5	107.0	138.3	160.7	163.5	161.8	156.9	157.5	167.0	179.3	194.8	210.9
1. Official Creditors	42.2	77.1	50.2	73.0	91.7	88.1	114.1	104.4	133.0	157.0	160.2	158.8	153.7	154.9	164.7	177.1	192.7	208.9
a) Multilateral	21.2	35.9	43.2	51.4	61.1	67.7	69.0	74.5	85.5	92.8	98.1	98.9	96.6	97.5	104.5	113.7	124.8	136.3
o/w: IBRD	10.5	15.6	19.6	20.2	19.8	17.9	15.3	16.3	13.6	11.8	9.9	8.1	6.2	4.4	2.9	1.8	0.7	0.0
IDA	0.5	0.8	0.7	1.2	1.7	2.0	2.5	3.0	3.7	4.2	4.6	5.2	5.9	6.6	7.3	7.9	5.4	8.8
b) Bilateral	21.0	41.2	7.0	21.6	30.6	20.5	45.1	29.9	47.6	64.2	62.1	59.8	57.0	57.3	60.2	63.4	67.9	72.6
2. Private Creditors	121.6	22.6	3.3	3.6	4.9	5.2	2.4	2.6	5.2	3.8	3.3	3.0	3.2	2.7	2.3	2.2	2.1	2.1
a) Suppliers	13.2	0.6	1.2	0.8	0.8	2.0	1.6	1.2	1.4	0.8	0.5	0.3	0.7	0.2	0.0	0.0	0.0	0.0
b) Financial Markets	98.2	1.4	1.2	1.9	3.5	0.0	0.6	0.9	1.6	1.0	0.9	0.9	0.9	0.9	0.9	0.8	0.8	0.8
o/w: Financial Inst.	94.8	0.3	0.1	0.0	1.7	0.0	0.6	0.9	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	3.4	1.1	1.1	1.9	1.9	0.0	0.0	0.0	1.0	1.0	0.9	0.9	0.9	0.9	0.9	0.8	0.8	0.8
c) Export Credit	10.2	20.6	0.9	1.0	0.6	3.2	0.2	0.6	2.2	2.0	1.9	1.8	1.7	1.6	1.5	1.4	1.3	1.2
B. Private Non-Guaranteed LT	9.4	57.5	45.0	0.0	0.0	0.0	14.0	12.0	36.2	36.9	37.9	38.6	39.4	40.2	41.0	41.8	40.0	0.0
C. Total LT Interest (A+B)	173.2	157.2	98.5	76.6	96.6	93.3	130.5	119.0	174.5	197.6	201.4	200.4	196.3	197.7	208.0	221.1	234.8	210.9
D. IMF Service Charges	2.5	5.4	4.3	8.8	8.7	14.7	16.0	13.3	9.0	5.0	4.0	3.9	3.7	3.6	3.3	3.2	3.1	3.0
E. Interest Paid on ST Debt	44.5	5.0	6.2	15.5	16.2	20.2	14.0	10.0	18.6	19.2	27.0	29.9	32.9	36.0	39.6	42.7	47.3	44.0
F. Total Interest Paid (C+D+E)	220.2	167.6	109.0	100.9	121.5	128.2	160.5	142.3	202.1	221.8	232.4	234.2	232.9	237.3	250.9	267.0	285.2	257.9
DEBT OUTSTANDING & DISB (DOD)																		
A. Public & Publicly Guar. LT	2181.6	3511.4	4070.2	4621.3	4139.8	3428.8	3681.4	3523.4	3652.9	3653.8	3833.1	3965.0	4169.2	4456.2	4778.8	5087.5	5380.1	5680.4
1. Official Creditors	1095.8	2087.8	2749.6	3504.5	3610.0	3078.4	3356.3	3218.9	3365.2	3580.5	3764.3	3901.5	4109.0	4398.3	4722.9	5033.4	5327.4	5629.5
a) Multilateral	447.2	724.1	941.5	1104.6	1291.4	1440.0	1592.4	1718.1	1881.3	2091.2	2233.3	2337.3	2480.9	2665.1	2871.4	3061.9	3232.7	3396.6
o/w: IBRD	175.3	207.0	234.7	270.1	227.9	199.2	193.7	171.9	149.6	126.8	104.2	81.8	58.9	39.1	25.1	11.9	0.3	0.0
IDA	63.8	94.4	97.4	141.0	249.3	324.9	393.3	443.2	501.4	573.2	657.6	748.6	844.4	925.2	999.6	1055.1	1088.6	1100.0
b) Bilateral	648.6	1363.6	1808.2	2399.8	2318.6	1638.4	1763.9	1500.8	1483.9	1489.3	1531.0	1564.2	1628.1	1733.2	1851.5	1971.6	2094.7	2232.9
2. Private Creditors	1085.7	1423.6	1320.6	1116.8	529.8	350.4	325.2	304.5	287.7	73.3	68.8	63.5	60.2	57.9	55.9	54.0	52.7	50.9
a) Suppliers	152.8	110.0	85.9	86.4	55.4	40.9	42.1	26.3	18.1	13.6	10.5	7.3	6.3	6.0	6.0	6.0	6.0	6.0
b) Financial Markets	681.5	939.2	931.8	955.7	427.2	268.6	248.3	244.7	241.9	33.1	33.1	32.7	32.1	31.5	30.9	30.2	29.6	28.5
o/w: Financial Inst.	608.0	901.6	895.1	919.8	392.2	233.6	213.3	209.7	209.9	1.7	2.3	2.6	2.6	2.6	2.6	2.6	2.6	2.1
Bonds	73.4	37.7	36.8	35.9	35.0	35.0	35.0	35.0	32.0	31.4	30.7	30.1	29.5	28.9	28.3	27.7	27.1	26.4
c) Export Credit	251.5	374.4	302.9	74.7	47.2	40.9	34.8	33.6	27.7	26.6	25.3	23.5	21.8	20.4	19.1	17.8	17.1	16.4
B. Private Non-Guaranteed LT	92.0	555.0	555.0	200.0	200.0	200.0	177.0	152.0	152.0	152.0	152.0	152.0	152.0	152.0	152.0	152.0	152.0	152.0
C. Total LT Debt (A+B)	2273.6	4066.4	4625.2	4821.3	4339.8	3628.8	3858.4	3675.4	3804.9	3805.8	3985.1	4117.0	4321.2	4608.2	4930.8	5239.5	5532.1	5832.4
D. Use of IMF Credit	126.3	82.2	192.3	185.7	208.8	237.0	256.8	241.8	255.6	246.2	231.9	208.3	178.4	145.1	103.9	70.2	45.8	33.8
E. Short-Term Debt	300.0	656.1	757.3	829.2	352.6	254.9	154.0	155.0	128.2	217.7	297.7	377.7	447.7	517.7	575.3	636.1	692.2	750.2
F. Total External Debt (C+D+E)	2699.9	4804.7	5574.8	5836.2	4901.2	4120.7	4269.2	4072.2	4188.7	4269.7	4514.7	4703.0	4947.3	5271.0	5610.0	5945.8	6270.1	6616.4

1/ 1980-1991, on cash basis.

Bolivia

Country Strategy Paper

Table 12: External Debt - Net Disbursement & Percent Distribution of DOD

	(Actual)								(Projected)									
	1980	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
NET DISBURSEMENTS ..1/																		
A. Public & Publicly Guar. LT	314.5	-11.6	224.8	169.6	174.9	243.1	131.3	175.3	144.5	211.3	179.9	131.9	204.2	286.9	322.6	308.7	313.7	300.8
1. Official Creditors	153.8	-1.1	229.3	151.4	206.1	244.8	128.0	166.2	155.4	215.9	183.8	137.3	207.5	289.2	324.6	310.6	315.0	302.1
a) Multilateral	100.5	0.7	171.9	93.8	186.2	166.9	87.4	115.8	163.2	209.9	142.1	104.1	143.5	184.2	206.3	190.4	191.9	163.9
IDA	1.5	0.7	3.0	40.3	110.4	77.4	47.1	46.2	58.1	71.8	84.0	91.0	95.8	80.8	74.4	55.5	54.5	11.4
IBRD	70.0	-1.2	-14.6	-16.6	-22.7	-18.7	-20.9	-25.3	-22.3	-22.8	-22.6	-22.4	-22.9	-19.8	-14.0	-13.3	-11.6	-0.3
b) Bilateral	53.2	-1.8	57.4	57.6	19.9	77.9	40.6	50.4	-7.8	6.0	41.7	33.2	64.0	105.0	118.3	120.1	123.1	138.2
2. Private Creditors	160.7	-10.4	-4.5	18.2	-31.2	-1.7	3.3	9.1	-10.9	-4.7	-4.1	-5.3	-3.3	-2.3	-2.0	-1.9	-1.3	-1.3
a) Suppliers	-6.9	-4.2	1.9	-2.4	-3.0	-2.9	5.2	-2.3	-7.2	-4.5	-3.2	-3.2	-1.0	-0.3	0.0	0.0	0.0	0.0
b) Financial Markets	9.2	-3.9	-1.3	22.9	-25.9	0.0	0.0	6.6	0.3	1.0	0.0	-0.3	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6
o/w: Financial Inst.	10.1	-3.0	-0.5	23.8	-25.0	0.0	0.0	6.6	0.9	1.6	0.6	0.3	0.0	0.0	0.0	0.0	0.0	-0.5
Bonds	-0.9	-0.9	-0.9	-0.9	-0.9	0.0	0.0	0.0	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6
c) Export Credit	158.4	-2.3	-5.0	-2.4	-2.2	1.2	-1.9	4.7	-4.0	-1.1	-1.3	-1.8	-1.7	-1.4	-1.4	-1.3	-0.7	-0.7
B. Private Non-Guaranteed LT	-3.0	-25.8	0.0	0.0	0.0	0.0	-24.0	-25.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
C. Total LT Disbursements (A+B)	311.5	-37.4	224.8	169.6	174.9	243.1	107.3	150.3	144.5	211.3	179.3	131.9	204.2	286.9	322.6	308.7	313.7	300.8
D. IMF Purchases	96.4	-23.5	96.5	-34.5	42.4	50.6	-11.2	-15.0	13.8	-9.4	-14.3	-23.6	-29.9	-33.3	-41.2	-33.7	-24.4	-12.0
E. Net Short-Term Capital	-228.0	10.0	45.0	93.0	-171.0	-40.0	-57.0	-8.0	121.9	89.5	80.0	80.0	70.0	70.0	57.6	60.8	56.1	58.0
F. Total Disbursements (C+D+E)	179.9	-50.9	366.3	228.1	46.3	253.7	39.1	127.3	280.2	291.4	245.0	188.3	244.3	323.6	339.0	335.8	345.4	346.8
PERCENT DISTRIBUTION OF DOD																		
A. Public & Publicly Guar. LT	80.8	73.1	73.0	79.2	84.5	83.2	86.2	86.5	87.2	85.6	84.8	84.3	84.3	84.5	85.2	85.6	85.8	85.9
1. Official Creditors	40.6	43.5	49.3	60.0	73.7	74.7	78.6	79.0	80.3	83.9	83.1	83.0	83.1	83.4	84.2	84.7	85.0	85.1
a) Multilateral	16.6	15.1	16.9	18.9	26.3	34.9	37.3	42.2	44.9	49.0	49.5	49.7	50.1	50.6	51.2	51.5	51.6	51.3
o/w: IBRD	6.5	4.3	4.2	4.6	4.7	4.8	4.5	4.2	3.6	3.0	2.5	1.7	1.2	0.7	0.4	0.2	0.0	0.0
IDA	2.4	2.0	1.7	2.4	5.1	7.9	9.2	10.9	12.0	13.4	14.6	15.9	17.1	17.6	17.8	17.7	17.4	16.6
b) Bilateral	24.0	28.4	32.4	41.1	47.3	39.8	41.3	36.9	35.4	34.9	33.9	33.3	32.9	32.9	33.0	33.2	33.4	33.7
2. Private Creditors	40.2	29.6	23.7	19.1	10.8	8.5	7.6	7.5	6.9	1.7	1.5	1.4	1.2	1.1	1.0	0.9	0.8	0.8
a) Suppliers	5.7	2.3	1.5	1.5	1.1	1.0	1.0	0.6	0.4	0.3	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
b) Financial Markets	25.2	19.5	16.7	16.4	8.7	6.5	5.8	6.0	5.8	0.8	0.7	0.7	0.6	0.6	0.6	0.5	0.5	0.4
o/w: Financial Inst.	22.5	18.8	16.1	15.8	8.0	5.7	5.0	5.1	5.0	0.0	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Bonds	2.7	0.8	0.7	0.6	0.7	0.8	0.8	0.9	0.8	0.7	0.7	0.6	0.6	0.5	0.5	0.5	0.4	0.4
c) Export Credit	9.3	7.8	5.4	1.3	1.0	1.0	0.8	0.8	0.7	0.6	0.6	0.5	0.4	0.4	0.3	0.3	0.3	0.2
B. Private Non-Guaranteed LT	3.4	11.6	10.0	3.4	4.1	4.9	4.1	3.7	3.6	3.6	3.4	3.2	3.1	2.9	2.7	2.6	2.4	2.3
C. Total LT Debt (A+B)	84.2	84.6	83.0	82.6	88.5	88.1	90.4	90.3	90.8	89.1	88.3	87.5	87.3	87.4	87.9	88.1	88.2	88.2
D. Use of IMF Credit	4.7	1.7	3.4	3.2	4.3	5.8	6.0	5.9	6.1	5.8	5.1	4.4	3.6	2.8	1.9	1.2	0.7	0.5
E. Short-Term Debt	11.1	13.7	13.6	14.2	7.2	6.2	3.6	3.8	3.1	5.1	6.6	8.0	9.0	9.8	10.3	10.7	11.0	11.3
F. Total External Debt (C+D+E)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

1/ 1980 - 1991, on cash basis.

Bolivia
Country Strategy Paper
Table 13: IBRD and IDA Debt Indicators

	(Actual)								(Projected)									
	1980	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
IBRD																		
Disbursements	72.6	10.5	3.3	1.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments	2.6	11.7	17.9	18.6	22.7	18.7	20.9	25.3	22.3	22.8	22.6	22.4	22.9	19.8	14.0	13.3	11.6	0.3
Interest	10.5	15.6	19.6	20.2	19.8	17.9	15.3	16.3	13.6	11.8	9.9	8.1	6.2	4.4	2.9	1.8	0.7	0.0
Stock	175.3	207.0	234.7	270.1	227.9	199.2	193.7	171.9	149.6	126.8	104.2	81.8	58.9	39.1	25.1	11.9	0.3	0.0
IDA																		
Disbursements	1.8	1.7	4.0	41.3	111.5	78.8	48.7	47.9	66.4	80.0	86.8	93.4	98.8	84.9	80.7	63.9	65.0	24.5
Repayments	0.3	1.0	1.0	1.1	1.2	1.4	1.6	1.7	8.2	8.2	2.4	2.4	3.0	4.1	6.3	8.4	10.5	13.0
Interest	0.5	0.8	0.7	1.2	1.7	2.0	2.5	3.0	3.7	4.2	4.6	5.2	5.9	6.6	7.3	7.9	5.4	8.8
Stock	63.8	94.4	97.4	141.0	249.3	324.9	393.3	443.2	501.4	573.2	657.6	748.6	844.4	925.2	999.6	1055.1	1088.6	1100.0
IBRD & IDA																		
Disbursements	74.4	12.2	7.3	43.2	111.5	78.8	48.7	47.9	66.4	80.0	86.8	93.4	98.8	84.9	80.7	63.9	65.0	24.5
Repayments	2.9	12.7	18.9	19.6	23.8	20.1	22.5	27.0	30.5	31.0	25.0	24.8	25.9	23.9	20.3	21.7	22.0	13.3
Net Disbursement	71.5	-0.5	-11.6	23.6	87.7	58.7	26.2	20.8	35.8	49.0	61.8	68.6	72.9	61.0	60.4	42.2	43.0	11.2
Interest	10.9	16.4	20.4	21.3	21.5	19.9	17.8	19.2	17.3	15.9	14.5	13.3	12.1	11.0	10.2	9.7	6.1	8.8
Net Flow	60.5	-16.8	-32.0	2.3	66.2	38.8	8.4	1.6	18.5	33.1	47.3	55.3	60.8	50.0	50.2	32.5	36.9	2.4
Stock	239.1	301.4	332.1	411.1	477.3	524.0	587.0	615.2	651.0	700.0	761.8	830.4	903.3	964.3	1024.7	1066.9	1088.8	1100.0
IBRD & IDA Debt Service																		
Total in US$M	13.8	29.1	39.3	40.9	45.3	40.0	40.3	46.3	47.8	47.0	39.5	38.1	38.0	34.8	30.5	31.5	28.1	22.1
As Percent of Export of G&S	1.3	3.9	5.5	6.1	6.6	4.5	4.0	4.9	5.6	5.1	3.9	3.5	3.2	2.7	2.2	2.2	1.8	1.3
As Share of GDP	0.3	0.6	1.0	1.0	1.0	0.9	0.9	0.9	0.9	0.9	0.7	0.6	0.6	0.5	0.4	0.4	0.3	0.2
As Share of Total Debt Service 1/	3.8	6.8	12.3	7.5	9.4	9.6	7.0	9.1	8.0	8.2	7.9	6.9	7.0	6.7	5.6	5.8	5.3	4.7
As Share of PPG Debt Service 1/	4.8	9.4	17.5	8.4	11.1	10.7	8.7	11.4	9.6	9.7	9.5	8.3	8.7	8.5	7.3	7.4	6.7	5.4
As Share of Multilateral Debt Service	48.8	26.8	34.3	36.5	34.2	22.5	21.7	29.7	26.9	23.1	17.8	15.6	14.8	13.4	11.7	11.8	10.2	7.9
Prefered Creditors' Debt Service																		
Prefered Debt Service in US$M	28.4	108.6	114.5	112.1	132.3	177.8	186.0	155.6	177.9	203.2	221.7	243.6	256.8	260.1	261.8	265.7	277.3	279.1
Pref. Debt Service/PPG Debt Service 1/	9.8	35.0	51.0	23.0	32.5	47.4	40.2	38.4	35.6	41.8	53.2	52.9	58.6	63.8	62.8	62.8	66.1	67.7
Total External Debt Indicators																		
Total DOD/GDP	53.8	93.9	143.6	135.4	110.8	91.4	94.9	81.1	79.3	78.1	77.6	76.2	75.0	74.3	73.6	72.6	71.2	69.9
Total Debt Service/Exports 1/	34.9	58.0	44.4	81.9	69.9	46.7	57.5	54.3	70.9	62.8	49.8	51.2	46.1	40.8	39.6	37.2	34.2	28.5
Total Debt Service/GDP 1/	7.3	8.4	8.2	12.7	10.9	9.2	12.7	10.2	11.4	10.5	8.6	9.0	8.2	7.3	7.1	6.6	6.1	5.0
IBRD & IDA Stock of Debt																		
As Share of Total External Debt	8.9	6.3	6.0	7.0	9.7	12.7	13.7	15.1	15.5	16.4	16.9	17.7	18.3	18.3	18.3	17.9	17.4	16.6
As Share of Total Exports of G&S	22.9	40.9	46.3	61.6	69.3	58.8	59.0	65.3	76.9	76.4	75.9	76.4	76.6	75.5	75.0	73.0	69.6	66.5

1/ Includes debt service due but rescheduled by bilateral creditors.

THE WORLD BANK / IFC / M.I.G.A.

OFFICE MEMORANDUM

DATE: June 4, 1993

TO: Distribution

FROM: Dennis de Tray, Division Chief, LA3C1

EXTENSION: 31967

SUBJECT: **Bolivia: Country Strategy Paper**
Minutes of Working Level Review Meeting

1. A meeting was held May 25, 1993 to review the draft Bolivia CSP. Mr. Abe chaired the meeting. A list of participants and authors of written comments is attached.

2. The meeting endorsed the CSP. The main issues discussed included: (a) the macroeconomic framework and non-compliance of the ESAF condition on fiscal deficits; (b) growth scenarios; (c) linkage between the proposed strategy and poverty reduction; (d) the environment; and (e) IDA allocation. Based on the meeting and comments received, the following changes have been incorporated before RVP review:

- the macro section (paras. 18-21) is revised to include three scenarios: (1) high-growth scenario (successful in major reforms in the first year of the next administration); (2) moderate-growth scenario (restoring macroeconomic stability but slow implementation of major reforms) and (3) worse case scenario (failing to consolidate macroeconomic stability and slowing or stopping implementation of structural reforms). The high-growth scenario, however, remains as our base case supported by projections in the statistical annex.

- the main text reinforces the message that long-term sustainability of natural resources is an underlying theme for our strategy; and a box on natural resource management is added.

- we advanced two projects (Integrated Child Development Project and Second Social Investment Fund) from FY94 to FY93 now that they are to be presented to the Board within FY93; consequently, our lending program for FY94-96 is now consistent with the FY94-96 allocation of IDA resources for Bolivia.

Attachment

Distribution: Messrs./Mmes. Kashiwaya (CFSVP); Sud (CFSDR); Young (CFSPS);

Linn (FPRVP); Ray (DPGDR)(3); Adams (OPRDR); Rao, Walton (DECVP); Nishimizu (FRSDR); Birdsall, Page, Shirley, Gelb (PRD); Petit, Brandao (AGRDR); Long (FSD); El-Ashry (ENVDR); Pouliquen, Cohen (TWUDR); de Morode (PHNDR); Pfeffermann (CE1); Khambata (CCMDR); Stern (IENDR); Paul (CLADR); Lupberger (CLAD3); Hollywood (MIGGU); Weigel (CEFIF); El-Rifai (MIGPA); Collell, Molares (LEGLA); Choksi, Amoako (HRO); Brenner (IMF)

Messrs./Mmes. Edwards, Fleisig, Hicks (LACCE); Alexander (LATSO); Gregory (LACCA)(2); Aiyer (LATDR); Abe, Garcia-Zamor, Vasiliades (LA3DR); Mahar, Hazelton (LATEN); Chaudhry (LATPS); Challa, Saez, Dorfman, Goldmark, Megateli, Barham, Rajasingham (LA3TF); van der gaag, Corbett, Schneidman, Lashman (LA3HR); Coll (LA4HR); Krafft, Ferrer, Girardot-Berg, Wholey (LA3AG); Ludwig, Brizzi, Menendez, Alonso, Ramani (LA3IN); Remy (IENIM); Morrow, Bateman, Fretes-Cibils, Iwase, Mubarak (LA3C1)
Bernard, Ruderfer (LA3BO); LACIC

NIwase

ATTACHMENT

BOLIVIA - CSP WORKING LEVEL REVIEW MEETING

May 25, 1993

Meeting Participants

Yoshiaki Abe (LA3DR) -- Chair
F. Desmond McCarthy (DPG)
Keith Jay (FRMRO)
Heywood Fleisig (LACCE)
Patricia Brenner (IMF)
Toma Gudoc (IMF)
Marie Garcia-Zamor (LA3DR)
Dennis de Tray (LA3C1)
Vicente Fretes-Cibils (LA3C1)
Debbie Bateman (LA3C1)
Noriko Iwase (LA3C1)
Connie Bernard (LA3BO)
Nicholas Krafft (LA3AG)
Gianni Brizzi (LA3IN)
Sue Goldmark (LA3TF)
Abdderrahmane Megateli (LA3TF)
Sanjivi Rajasingham (LA3TF)
Alain Tobelem (LATPS)
Waleed H. Malik (LATPS)

Written Comments Received

Guy Pfeffermann (CEIED)
Antonio Brandao (AGRAP)

Poverty is key — work on this

& Use of Bank Instrument proper?

Land Reform?

IMF. Govt. 3 good years
last year fiscal, publ. sects wages

Trying to hold the line
esp. on fiscal, ---

— Uncertainty in the program

IMF — May be a continuing program
" " an ESAF program.

VRB - RuR
| LAND?
| EDUCATION?
LEGAL SYSTEM?

Projection: include 3 years.

IDA W. - alone allocation $ 240 w. mill.

IDA 94-96 could allow $ 240
$ 275?

Your plans

(2)

Woody Lending Program:

Structural Issues.

- Sensitivity of outputs to fiscal ways.
- Lending - official

- Burden Sharing.
  External flows.

- Para. 17 Educ. & Health.

Para 15 Civil Service Reform

- Use intern. donors. They come and go?

DRUGS?

ENVIRONMENT? - Not under threat at the moment
Land Adjustment
Moratorium ⇒ cutting of high rents?

THE WORLD BANK / IFC / M.I.G.A.

OFFICE MEMORANDUM

DATE: May 18, 1993

TO: Distribution Below

FROM: Noriko Iwase, Acting Division Chief, LA3C1

EXTENSION: 30137

SUBJECT: BOLIVIA: Country Strategy Paper (CSP)
Working Level Review Meeting

1. Attached is the draft Bolivia CSP. Mr. Yoshiaki Abe will be chairing a meeting to review this paper on **Tuesday, May 25, 1993 at 10:00 a.m. in Conf. Room I-4068.**

2. Due to recent leaks in the Bolivian press of some internal documents, each copy is numbered. We would greatly appreciate it if you could handle this document with extra care.

3. If you have written comments, please send them to me (I-5043).

Attachment

Distribution:

Messrs./Mmes.: Kashiwaya (CFSVP); Sud (CFSDR); Young (CFSPS); Linn (FPRVP); Ray (DPGDR)(3); Adams (OPRDR); Rao, Walton (DECVP); Nishimizu (FRSDR); Birdsall, Page, Shirley, Gelb (PRD); Petit (AGRDR); Long (FSD); El-Ashry (ENVDR); Pouliquen, Cohen (TWUDR); Hamilton (PHRDR); Pfeffermann (CEI); Khambata (CCMDR); Stern (IENDR); Paul (CLADR); Henry-May (CLAD4); Hollywood (MIGGU); Weigel (CEFIF); El-Rifai (MIGPA); Collell, Molares (LEGLA); Choksi, Amoako (HRO); Brenner (IMF)

Messrs./Mmes.: Edwards, Fleisig, Hicks (LACCE); Alexander (LATSO); Gregory (LACCA)(2); Aiyer (LATDR); Abe, Garcia-Zamor, Vasiliades (LA3DR); Mahar, Hazelton (LATEN); Chaudhry (LATPS); Challa, Saez, Dorfman, Goldmark, Megateli, Barham, Rajasingham (LA3TF); van der Gaag, Corbett, Schneidman, Lashman (LA3HR); Coll (LA4HR); Krafft, Ferrer, Girardot-Berg, Wholey (LA3AG); Ludwig, Brizzi, Menendez, Ramani (LA3IN); Remy (IENIM); de Tray (o/r), Morrow, Bateman, Fretes-Cibils, Mubarak (LA3C1)
Bernard, Ruderfer (LA3BO); LACIC

DC

DM

✓ Chiefs of Sec Country.

1) Triggers — Hydro/carbon '96

2) Legal - logically first

3) Execution difficulty - more & more high success case?

4) Debt Service of Official? Int/ERD 30% for a poor country?

5) Poverty Pr 13

✓ 5) Projections - does it include reforms.

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BOLIVIA

Country Strategy Paper

Latin America and the Caribbean Region
Country Department III, Division I

May 18, 1993

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Bolivia Country Strategy Paper

Executive Summary

An ambitious strategy:
Take advantage of the opportunity provided by the new Government to complete major economic and social reforms to accelerate growth and reduce poverty.

Social and political consensus in Bolivia support the current economic model and the need for additional reforms more strongly now than at any time in the past eight years. This consensus will give the next government, which will come to power in August, a solid foundation from which to dismantle remaining barriers to investment, growth and poverty reduction. The leading edge of this attack should be a series of second generation adjustment reforms that will redefine and refine the role of the state. If properly implemented these reforms would: Unbind the productive and export potential of Bolivia's natural resources by eliminating monopolistic roles of state enterprises, establishing appropriate legislative and institutional framework, and improving transport; strengthen the core public institutions of the civil service and judiciary; and broaden access to good quality basic education. Bolivia would then have the growth and the government needed to aggressively attack its stubborn and pervasive poverty.

The lending program for FY94-98 is designed to take advantage of the upcoming window of opportunity and aggressively support these reforms. To do so, the program is front-loaded, with most of its core (64%), to be committed over the next two fiscal years, consisting of operations directed at structural reform in the major public enterprises, the civil service, the judiciary, and the educational sector. The remainder of the program would emphasize projects that directly reduce poverty or ameliorate the consequences of being poor (27%) and strengthen natural resource management capacity (9%) to ensure sustainable growth for future generations of Bolivians.

Government commitment to the above reform program, while probable, is not guaranteed, and strong opposition from affected interest groups could delay or derail its execution. In this event, the lending program would be reduced to concentrate on investments in social and economic infrastructure, as well as those reform areas where it may still be possible to proceed. Important early indicators of Government commitment will be its actions in regard to reform and restructuring of YPFB, the state enterprise which dominates the hydrocarbons sector, and the make up of the new cabinet, especially health and education ministries.

May 18, 1993

Bolivia Country Strategy Paper

I. The Point of it all: Reducing Poverty

1. By any reasonable standard most Bolivians are poor. They are poor because they lack income: per capita GDP is less than $750 and not equitably distributed. They are poor, as well, in terms of basic necessities: half or more of the population lacks access to clean water, adequate sanitation, and basic health care; more than half the population is functionally illiterate (see Figure 1). Raising standards of living for most Bolivians will come only through a significant acceleration in, and equitable distribution of, economic growth and a significant improvement in levels and quality of social services. The strategy outlined in this paper represents a practical, sustainable means of achieving these two fundamental goals of development as quickly as possible. The cornerstones of this strategy are a series of second-generation reforms that will restructure and redirect the role of state and a reform of the country's education system that will give all Bolivians access to good quality basic education.

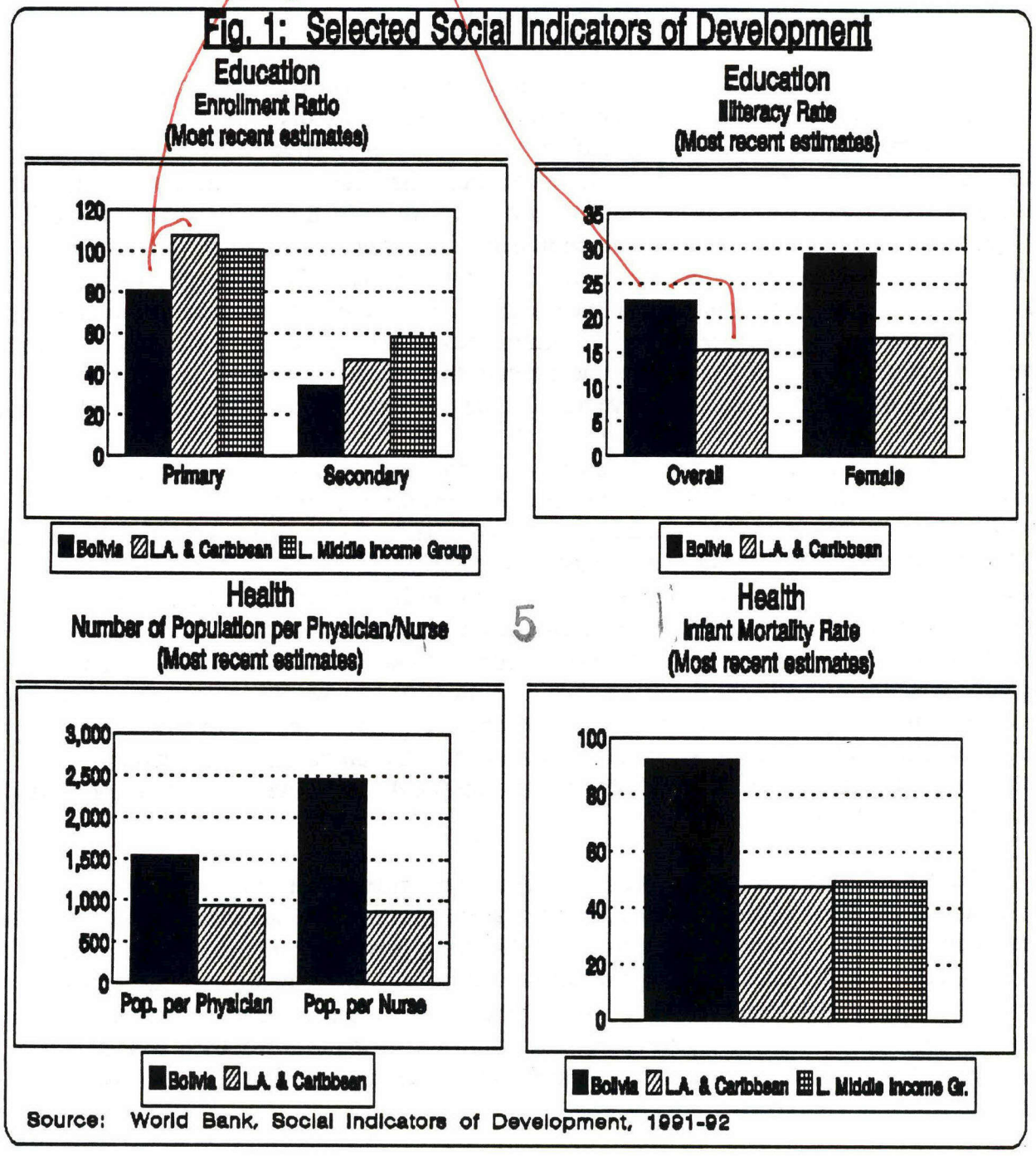
5

2. Most Bolivians are poor but some are much poorer than others. The strategy developed here recognizes that in the near term the government must also direct its efforts toward increasing access to basic social services (education, health care, water and sanitation, nutrition intervention) for the country's most vulnerable groups, especially women and children. In some cases mechanisms already exist to further this goal (Bolivia's Social Investment Fund, for example); in others new mechanisms are being developed (an Integrated Child Development Project, for example). In all cases, the success of these programs depends critically on the government's ability to improve the efficiency of its own operations and its targeting of scarce public resources for social needs. An essential first step is a program that maximizes the substitution of private capital for public capital in all areas where such substitution is possible and uses the fiscal space thus created for increased social sector investments.

3. The arrival of a new government in August may present a unique opportunity to Bolivia and to the Bank to shorten the country's development path. A strong, reform-minded government can accelerate economic growth by fostering private sector investment while withdrawing the state from the major productive sectors and strengthening its capacity to make policy, to regulate and to enforce laws. These reforms offer the best hope of unleashing the country's income-generating potential from its natural resource base and freeing up public sector resources to fund much expanded programs in education and health to the benefit of all Bolivians.

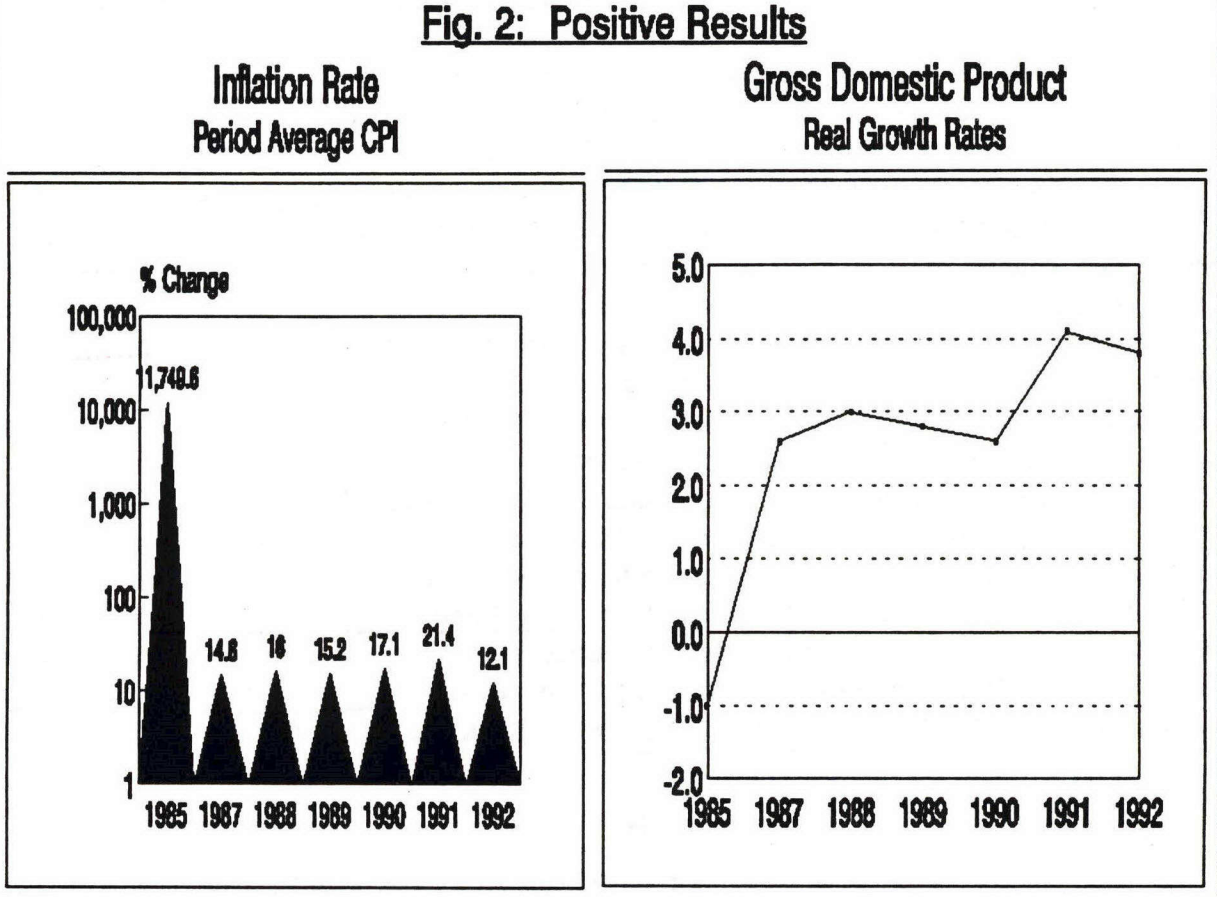
II. The Foundation

4. Bolivia launched and sustained profound political and economic reform in the last 11 years. During this period, democratic institutions succeeded in replacing a violent and unpredictable political environment, and economic reform brought stability and modest growth. Bolivia nevertheless remains a country of untapped potential, yet to take advantage of its generous endowments in land, mineral and hydrocarbon resources. The dominant economic role of the state, coupled with the weakness of its institutions, shackles growth,



and strong disparities in education and economic opportunity continue to divide the white and mestizo elite from the indigenous majority.

Fig. 2: Positive Results



Economic Reform and Performance

5. One of the Latin American pioneers in free market-based reform, Bolivia has gained solid economic ground during the past 8 years. Inflation has fallen from stratospheric levels in 1985 to about 12% in 1992, and growth has accelerated gradually to close to 4% annually in the last two years (see Figure 2). Despite these positive signs, declining terms of trade and rising import volume weakened the balance of payments position during the last five years, and the current account deficit widened from 8-1/2% to 14% of GDP between 1989 and 1992. The most serious problems were dramatic drops in tin and natural gas prices, mitigated only slightly by robust growth in nontraditional exports (gold, zinc, soya, timber and manufactured goods) and partly offset by illegal coca exports. Public sector savings, at about 6% of GDP in 1992, have improved, but remain quite low, given that the main productive and infrastructural sectors are still dominated by the state (see Figure 3). The benefits of tax reform have been constrained by slow improvements in tax administration, and YPFB, the state-owned enterprise which controls the hydrocarbons sector, still accounts

for about half of total government revenues. Bolivia remains heavily dependent on concessional external aid to finance its fiscal and balance of payments gaps, as well as vulnerable to adverse developments for a small number of markets and commodities.

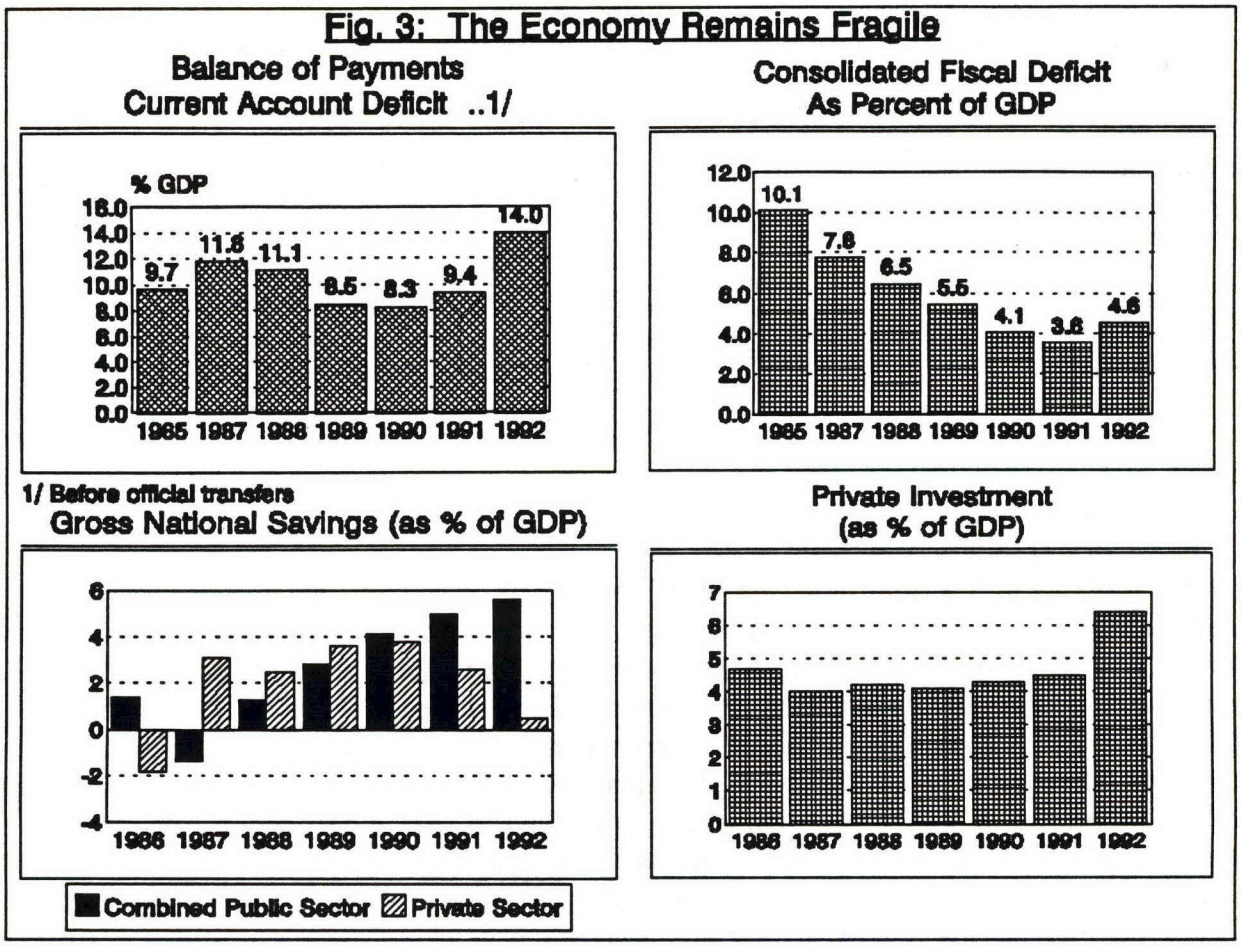
6. While there are encouraging signs of increased private sector confidence, such as the rapid increase in bank deposits, the private investment rate, at about 6% of GDP in 1992, remains low, even relative to historical levels. There are several reasons for this cautious response. Perhaps most importantly, state enterprises continue to play a monopolistic role in the two most important productive sectors, mining and hydrocarbons. In addition, the Government's attitude toward an increased role for private investors has been ambivalent, for example, in the failure of the negotiations for private lithium development and in persistent delays in the negotiations of joint venture for state-owned mining properties. Systemic problems also affect Bolivia's attractiveness for investors. An archaic and poorly functioning legal/judicial system creates an unpredictable environment and adds to perceived risk. Weak and sometimes corrupt public institutions at national and municipal levels increase the cost of doing business through cumbersome regulations and procedures. For those of wealth or political clout these barriers are easily surmounted; for the average Bolivian they lower the returns to entrepreneurship, to risk-taking, to hard work. The result is growth that benefits mainly the rich and worsens income distribution. Legal and institutional reforms are needed to level the playing field not only between the public and private sectors but between large-scale and small-scale entrepreneurs within the private sector. Such reforms are essential for a private-sector-led strategy that both raises growth and improves equity.

A New Political Consensus

5

7. Difficulties in reaching agreement, both within the Government coalition and in the larger society, delayed the progress of economic reform during the past four years. In the last 18 months, however, a pragmatic consensus among the major political parties concerning the need to reduce and rationalize the role of the state and to move the social agenda forward has emerged. This agreement appears to be the consequence of the perceived success of the neoliberal model, the positive examples of Chile and Mexico and the negative one of Peru, and recent developments in the former eastern bloc. This consensus is reflected in formal multipartisan agreements, such as in July 1992 and earlier this year, as well as the similarity among the platforms of the major parties.

8. With elections scheduled for June, Bolivia is currently looking forward to its third peaceful democratic transition. There is no clear front-runner for the June 6 elections, so the next Government will almost surely be another coalition of two or more parties. As in the current administration, difficulties in the internal relations of the coalition may slow decision-making. But regardless of which political parties form the Government that will take office in August, the new administration should have a clearer mandate for economic and social reform than either of its two predecessors, and, consequently, should have a unique opportunity for a concerted attack on the remaining barriers to investment and growth.



III. The Economic and Social Agenda

9. The foremost challenge facing Bolivia over the next five years is to remove the remaining barriers to investment and growth by redefining the role of the state, through a set of second generation structural reforms which will both reduce government's size and strengthen its capacity. The rationalization of Government's role will give Bolivia its best chance for sustaining economic growth at about 4% over the next three to four years. It will, as well, provide the foundation for accelerating economic growth to about 5% over the medium-term and generating the resources necessary to increase the welfare and productivity of its human capital.

10. There are three critical areas of reform necessary to transform Bolivia's economy and accelerate development (see Box 1). First, the country needs to **unbind the productive and export potential of its most important natural resources**--hydrocarbons, minerals, and land--by eliminating monopolistic roles for state enterprises, providing a legal and

institutional framework which supports private investment, and improving key economic infrastructure. Second, the country needs to **strengthen essential public institutions** which define and enforce policy by implementing such programs such as the civil service and the legal/judicial reforms. Finally, it must take action to address a major cause of the country's deep-seated poverty by **providing broad access to and improving quality of basic education.**

- **Unbind the potential of the productive sectors**
  - *-Hydrocarbons restructuring*
  - *-Reform of COMIBOL*
  - *-Land tenure reform*
  - *-Improve economic infrastructure*
- **Strengthen essential public institutions**
  - *-Civil service reform*
  - *-Legal and judicial reform*
- **Provide broad access to quality basic education**

Box 1: The Three Critical Areas of Reform

11. **Hydrocarbons.** The oil and gas industry represented 50% of Government revenues, 25% of public investment and 25% of exports in 1990. With potential reserves estimated at 4.8 billion barrels of oil equivalent or 4 times the already discovered volume, the sector has strong potential for attracting foreign direct investment and increasing exports. The main constraint to the sector's development is the dominant role of the state-owned YPFB. Although private entry is theoretically permitted, YPFB's dominance in the sector and the current legal and regulatory framework effectively inhibit private investment and competition. Limited prospects for participation in the sector constrain the private sector interest in investing in the construction of a gas pipeline to Sao Paolo, Brazil (see Box 2). In order to increase proven reserves and minimize government outlays in the sector, the new government will need to take legislative action to: (i) eliminate YPFB's monopoly position; (ii) liberalize markets for import, export and domestic sale of hydrocarbon products; (iii) introduce a new tax regime for petroleum products which restores price transparency and stimulates competition in downstream operations; (iv) deregulate petroleum prices; (v) introduce more flexibility in contractual arrangements for private exploration and production; and (vi) establish an independent regulatory agency for the sector. Given the importance of revenues from this sector, these changes (in particular those related to the deregulation of prices and taxation levels) will need to be designed so that they are either revenue neutral or increase resources to the Treasury.

12. **Mining.** Bolivia has traditionally been a mining country and still has substantial unexplored and unexploited potential for gold, zinc, antimony, tin, and other minerals. Nontraditional minerals have been one of the fastest growing exports in recent years. COMIBOL, the state enterprise which inherited the mining properties nationalized in the 1950s, has played a negative role in the sector, mainly through mismanagement of some of the highest potential mining properties in the country. To address the problems created by declining tin prices in the 80s, the Government initiated a severe rationalization program in 1986, which reduced employment by some 27,000 workers, but has been slow to move ahead with measures to enable concessions and joint ventures with private sector partners for COMIBOL properties, mainly because of steadfast union opposition. Finally, in the second

The construction of a gas pipeline to Brazil has been a Bolivian dream for twenty years. The most recent phase of discussion of the project began about 18 months ago, when the burgeoning industrial region of Sao Paolo became interested in gas as cheaper and environmentally more attractive fuel than thermal alternatives in Brazil. Earlier this year, YPFB signed a framework agreement with PETROBRAS providing for the sale of 8 million cubic meters a day, increasing over seven years to 15 million, at a wellhead price of 90 cents per million BTU. The project would require construction of a 28" or 30" pipeline of about 1900 km from Santa Cruz to Sao Paolo. The agreement would provide a market in Brazil potentially 2-1/2 times the size of Bolivia's current export volume. The signatories have a period of 18 months to identify financing for the pipeline, which is estimated to cost in total $1.5 billion. This project, if successful, would allow Bolivia to recover from the collapse of gas exports to Argentina, and would provide a substantial market for new gas production.

Box 2: The Gas Export Project

half of 1992, the Government established a new organizational structure for COMIBOL (as a small holding company for minority government shares in joint venture operations), contracted international consultants to design a transition strategy, and began to pursue serious negotiation of joint ventures for three properties put up for bid some 18 months earlier. The stage is now set for the new Government to proceed rapidly with restructuring: dismantling of COMIBOL along the lines already initiated; reviewing mining legislation and regulations to improve the environment for private investment; and strengthening of the Ministry of Mining to administer mineral concessions more effectively.

13. **Land management.** The insecurity and injustice of land management and tenure in Bolivia has far-reaching negative economic, social and environmental consequences. The legal and institutional framework needs to be re-examined and adapted for current needs. The current regime has resulted in the parallel existence of *minifundia* in the altiplano and river valleys with *latifundia* in the developing eastern lowlands region, with attendant disincentives for rational land use. Existing legislation restricts purchase, sale, rent and the use of land as collateral, although these rules are widely violated in practice. Land management institutions have been corrupt and inefficient, permitting the virtual grant of lands in overly large plots to influential individuals. Recently, in response to several public scandals concerning land distribution as well as pressure from the Bank, the Government declared a moratorium on distribution of state-owned land pending institutional restructuring of its tenure regime, and established a ministerial commission to oversee the process. Although there are few issues as potentially divisive, a consensus on the need for reform has clearly emerged in the past year.

14. **Economic infrastructure.** Transport, power, and telecommunications infrastructure and services will be fundamental to economic growth, and reforms to improve the provision of such infrastructure must be a high priority. Inadequate **transport** is the most serious infrastructural deficiency affecting investment and competitiveness as evidenced in a 1991 Bank-executed private investment survey in which companies most frequently cited high transport costs as a constraint to new investment. While recent improvements in funding, management and investment planning for road construction and maintenance are encouraging, fiscal and institutional constraints threaten efficient expansion and maintenance of the road network. Reforms in improving services in the rail, air, and river sub-sectors will also be

necessary. Possibilities for substituting private for public investment exist in other infrastructure sectors. In the **power** sector, while service to date has been adequate, rapid growth will require reforms to: (i) strengthen the legal and regulatory framework, e.g., placing the authority to regulate retail prices at the national rather than the municipal level; (ii) removal of barriers to private entry in the sector; and (iii) design long-term operations which facilitate the entry of private investors. In **telecommunications**, substantial private investment is required over the next decade to improve service and Bolivia will need to reform the structure and regulatory framework of the sector to attract such investment. The major elements of the reform will be: (i) establishment of an independent regulatory agency; (ii) definition of the principles for new tariff structures; (iii) privatization of state-owned ENTEL; (iv) facilitation of private sector entry into all other aspects of the telecommunications sector; and (v) consolidation and capitalization of the major local telephone cooperatives.

15. **Civil Service Reform.** Because government institutions are weak and politicized, Bolivia has difficulty in designing policy, choosing and implementing investment projects, executing social programs, and regulating public utilities. While to some extent this problem reflects a scarcity of skilled human resources in the economy, primarily it is the legacy of a political system in which government jobs are considered as political spoils. To address these problems, the Government has recently launched a comprehensive civil service reform program which targets the entire central public administration. The program includes the use of transparent selection processes in which there is extensive international donor participation, establishes an adequate compensation scale for public employees, and is overseen by a civil service unit reporting directly to the Minister of Finance. Continued execution of this program will be at risk during the upcoming political transition, since the new Government will have political obligations. Strong international support will help increase the chances that the reform program is maintained.

16. **Legal and Judicial Reform.** A similar problem in the legal and judicial sector constrains growth and equity. The Bolivian legal system lacks efficiency and public credibility. Since the private sector relies on the court system to protect private property, enforce contracts, secure assets, collect payments and gain access to essential information, ineffective courts increase the transaction costs and riskiness of doing business. These costs hit new entrance and small-scale entrepreneurs especially hard. The Government recently passed a new law of judicial organization, which reforms the selection procedures for Supreme Court justices and guarantees a minimum budget for the sector, and is proposing to make a new judicial commission responsible for sector administration. Actions currently under consideration to improve the legal framework for business and the financial sector include: (i) promulgation of a law on administrative procedures and establishment of specialized administrative courts to provide for swift resolution of disputes with regulatory agencies; (ii) introduction of legislation to facilitate arbitration of commercial transactions; and (iii) to facilitate access to credit, legislation to ease the creation and enforcement of security interests and liens, as well as executive action to improve the quality of and private access to registries. Over the longer term, measures to simplify court procedures and increase the professionalism of the judiciary are required.

17. **Education.** Low quality and coverage of education is one of the root causes of Bolivia's deep-seated structural poverty. About 20% of the adult population is illiterate, and at least 55% is functionally illiterate, including many who finished primary and even secondary school. On average, the population has completed 4 years of school; only 44% have completed primary school. These problems reflect an inefficient and centralized administration, poorly paid and badly trained teachers, a dilapidated infrastructure, and the scarcity of teaching materials. The Government has recently initiated design of an education reform program which is directed at restructuring the sector, with the objectives of increasing participation at the community level in educational decisions, delegating administration to local entities, restructuring and limiting the role of the ministry, reducing and rationalizing expenditures on tertiary education and introducing tuition fees, training and appropriate incentives for teachers, and rehabilitation of infrastructure.

IV. The Rewards of Reform: Accelerating Economic Growth

18. **Financing reform and investment with limited resources.** The next five years provide Bolivia the opportunity to sustain higher economic growth by freeing its productive sectors from unnecessary constraints and supporting their development with appropriate legislation and institutions. The reforms proposed are not "stroke of the pen" and, at very best, will take one to two years to implement. During this transition period, the Government will face some challenging problems in economic management. Macroeconomic stability will be a prerequisite to growth, beginning with measures to improve its fiscal position early in its administration. Within this framework, it will need to finance the transition and incremental costs of reforms and social initiatives. Difficult trade-offs are inevitable, and careful analysis of financial impact and appropriate phasing of these programs is needed. The more quickly that the private sector begins to substitute for the state investment in productive and infrastructure, the more resources will be available for urgent investments in public goods.

19. If the new Government chooses to pursue the recommended path and is successful in mounting the major reforms in the first year of its administration, we would expect a sustained economic growth at about 4% annually for the next three years, increasing to an annual average of 5% during 1997-2000. If construction of the gas pipeline begins within the next two years, higher rates are possible towards the end of the decade. This projected level of growth assumes that annual investment averages about 18% of GDP over the period. The growth in investment is predicated on the proposed reforms stimulating substantial increases in private investment, which is projected to increase from about 6% of GDP in 1992 to about 10% by the year 2000. The level of public investment should remain at about 8-9% of GDP, but its efficiency needs to improve and its allocation to change to focus on essential economic and social infrastructure.

20. This growth scenario assumes a change in the structure of investment financing. Foreign savings, which financed about three-quarters of investment in 1990, are expected to finance about 30% of investment by the year 2000. Moreover, the composition of foreign savings is projected to change, with direct foreign investment growing from its current

minimal level to account for about half of the total. National savings are expected to double--to about 13% of GDP--by the year 2000. This scenario also assumes continued orderly restructuring of bilateral debt.

21. To increase national savings to this level, the Government will need to improve fiscal management by increasing the efficiency of tax administration and improving expenditure management. In addition, consideration is currently being given to reform of the social security system, which is currently bankrupt and will require increasing fiscal support over the next few years if it is to meet its obligations. A reform which introduces individual choice and private sector management into the system is being discussed (see Box 3). Such a reform would have a long-term positive effect on national savings by providing better incentives to savers and by reducing fiscal costs, but would require increased cash outlays by the Government over the near-term to fund the transition. In addition, the liberalized financial markets, improvements in bank supervision, and increasing private sector confidence should contribute to private savings rates.

22. ***Risk assessment.*** The uncertainty of the economic projections described above is high. The major risks associated with accomplishing these macroeconomic objectives are:

(i) Strong union opposition to reforms in YPFB, COMIBOL and education, which could delay or block implementation completely. While at present, these reforms do not imply major reductions in public sector employment, they do affect the economic interests and political clout of union leadership. Such opposition could undermine and erode political and social consensus.

(ii) Further unfavorable international developments in price or demand, especially for gas and mineral exports. In the case of gas, Bolivia's potential markets are limited to its immediate neighbors, and changes in the Argentine or Brazilian markets could substantially change prospects for exports.

(iii) Unanticipated shortfalls in official capital inflows, resulting from competing aid requirements in the new eastern European nations, recessionary situations in many of Bolivia's traditional donors, and modifications of U.S. policy in regard to drug control policies.

The social security system is experiencing structural and financial problems. The pension system overall is characterized by poor administration, lack of investment policy or supervision, low coverage of the economically active population, and high evasion by contributors. Pension benefits are low (averaging below $100 a month) and the quality of services is poor. The pension system currently represents a serious fiscal drain, requiring US$26 million in budget support in 1992. Despite their semi-private status, the Government is already financing two of the complementary funds, and is likely to finance another six in the near future. With IDA and USAID support, the Government is currently evaluating options which utilize private financial management to restructure the system and has drafted new legislation. Restructuring of the pension system is of priority in order to increase private sector savings rates, to improve the social safety net, and to provide a much-needed source of long-term financing for investment. The cash requirement of such restructuring is about $100 million a year for the next 7 years, about half of which represents existing obligations and the rest, the costs of switching to the new system.

Box 3: Social Security

If the reform program is delayed for these or other reasons, economic growth would probably not exceed an average annual rate of 3.5% before the end of the decade.

23. ***Creditworthiness.*** Prospects for creditworthiness remain some distance in the future. Despite impressive efforts toward debt management during the past four years, which have resulted in the virtual retirement of commercial bank debt, the country still suffers from a heavy debt burden, with debt service amounting to about 40% of exports of goods and nonfactor services, and with little prospect for improvement over the next 4 or 5 years. Continued restructuring of bilateral debt will be necessary for the next several years to maintain this level of debt. Given this level of indebtedness, the low levels of national savings, and the vulnerability of both the balance of payments and public finances to external shocks, it will be some time before Bolivia could be considered creditworthy for even limited amounts of borrowing on commercial terms.

V. Bank Strategy

24. The strategy below proposes to use the Bank's leverage aggressively to advance the most critical reforms, through the vehicles of lending (both ongoing and proposed), economic and sector work, and aid coordination. Most of the political candidates agree that the window during which difficult political decisions can be taken will be a narrow one, in the first days of the administration, and that analysis and proposals from the Bank on the priority areas for action could help expedite decision-making. The highest short-term priority is accordingly preparation of a policy options paper, supported by existing technical work, which can be presented to the new government when it takes office.

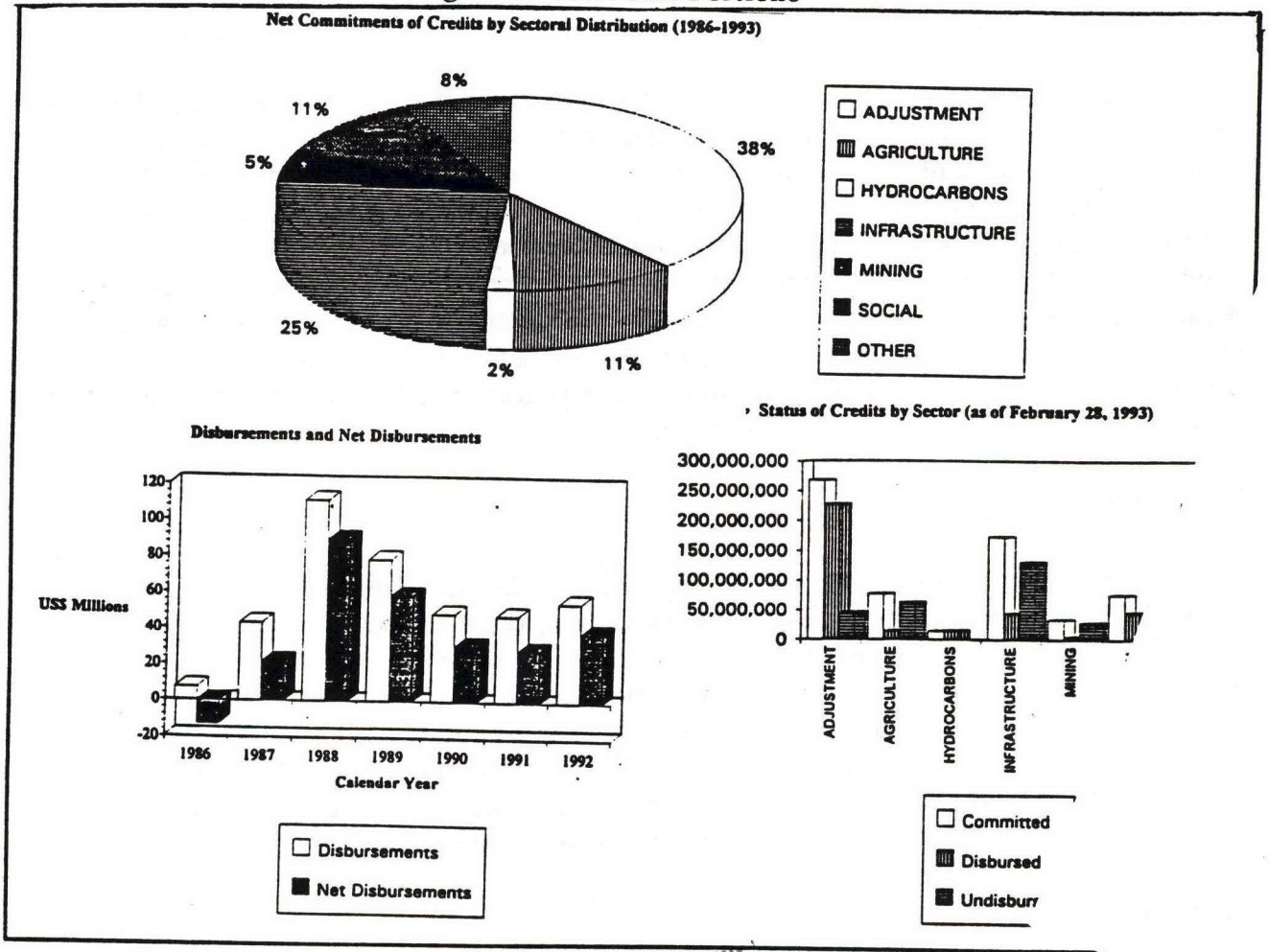
Lending

25. Since 1986, when it resumed lending after a 4 year hiatus, IDA's main goals have been economic reform and reactivation, improving infrastructure, and addressing the immediate social consequences of the adjustment process (see Figure 4). The proposed five-year lending program would shift to focus intensively on the remaining stubborn structural constraints to growth, particularly in the three most critical areas of reform, and would increase resources available for poverty and human resource development. These priorities reflect the economic agenda, which seeks to reduce the role of the state in investment in productive and infrastructure sectors, while increasing relative levels of spending in the social sectors. The proposed 5-year lending program would amount to $405 million spread among 17 projects (see Annex A). The projects fall in the following major categories:

RATIONALIZING THE ROLE OF THE STATE (64%)

A core group of projects would focus primarily on the three critical areas of reform and are the center of the program. A public enterprise/private sector development policy loan would set the stage by supporting technical, legislative and regulatory work needed to recast the role of the state in the hydrocarbons and major

Figure 4: The Bank Portfolio



infrastructure sectors. It would be followed by two other operations in the hydrocarbons sector, one to support the restructuring process, and one to help mobilize private sector participation in the construction of the proposed gas pipeline. A project to support reform of the Agrarian Reform Law and the land tenure system would help rationalize land ownership and use, with important implications for production, equity and the environment. Projects to strengthen essential public institutions through judiciary and civil service reform would improve the state's ability to make policy, regulate and enforce. Finally, a sector loan would support the government's education reform, directed at broadening access to and improving quality of basic education.

Rationalizing the role of the state would also be the major theme in three infrastructure projects included in the program. The proposed third municipal project would finance economic and social infrastructure in small municipalities and institute a type of civil service reform at the municipal level aimed at increasing municipal institutional capability. A power sector loan would build on ongoing work to restructure that sector and increase private sector involvement and investment. A proposed transport sector loan

would build on going operations to promote clear definition of priorities in the sector within a decentralized framework.

POVERTY AND HUMAN RESOURCE DEVELOPMENT (27%)

A little over one quarter of the portfolio would focus on direct alleviation of poverty. A new loan would provide continued support to the Social Investment Fund for social investments in poor communities. In an attempt to reach vulnerable groups and prevent permanent damage caused by malnutrition, an ambitious integrated child development project would attempt to reach some 50% of children under 6 through daycare centers in urban and peri-urban areas. In rural areas, we would attempt to decisively reduce the incidence of child mortality and enteric diseases through a water supply and sanitation project which would rely on low-cost technology and heavy community involvement in installation and maintenance. The lending program also includes a rural investment project directed at increasing rural incomes through productive investments at the community level and a proposed second health project.

NATURAL RESOURCE MANAGEMENT (9%)

Bolivia's growth prospects over the long-term will depend significantly on careful, sustainable management of its natural resources. Fortunately, because of its low population density, Bolivia's environmental problems are less severe than those in many countries. And, in the last few years, Bolivia has made a good start at improving environmental and natural resources management through the approval of a framework Environmental Law and the creation of two environmental agencies with normative and executive functions (SENMA and FONAMA). Hence, despite its great importance, natural resource management issues were not listed among the reform priorities discussed above. Nevertheless, there is much to be done to develop the regulatory framework, enforcement procedures, and coordination mechanisms which will make environmental and natural resources policies operational. The lending program therefore includes two projects directed at strengthening the government's ability to manage the country's natural resources to support sustainable growth. A technical assistance project to define standards and enforcement mechanisms for industry and mining is proposed; decreasing pollution of rivers and aquifers would be the major objective. A follow-up project to the ongoing environmental credit, directed primarily at strengthening the capacity of SENMA and FONAMA, is also proposed.

26. **Vehicles for Bank Assistance.** The proposed lending program would rely on adjustment lending to a lesser extent than in the past; only one policy loan is programmed. Instead, sector and project loans would permit deeper entry and longer-term involvement. The proposed lending program would also rely on some relatively small operations, mainly financing technical assistance, with ambitious reform objectives (land administration, civil service, and legal/judicial reform). Given their importance and their controversial nature,

the Bank will need to maintain their progress and objectives at the center of the policy dialogue.

Policy Objectives	Bank Instrument
Unbinding the Productive Sectors	
* Limiting the role of the state and improving capacity for concession management in hydrocarbons and mining sectors	Hydrocarbons Restructuring Proj., Gas Export, Mining Rehab. Project
* Reforming legal framework and institutions for land tenure	Eastern lowlands; Land Adm. Project
* Improving economic infrastructure	Transport Sector Proj. , Export Corridor Proj. Road Maintenance, Power Proj.
Strengthening State Institutions	
* Increasing professionalism and continuity in the civil service	EMSO, Civil Serv. Proj., other Bank projects
* Creating predictable and responsive legal and judicial environment	Public Enterprise Reform Proj., Judicial Ref. Proj.
Broadening Access to and Improving Quality of Education	Education Reform Project

Box 4: The Policy Agenda and Related Bank Instruments

27. One of the biggest challenge in the program is to design vehicles adequate to deliver social programs to the local level, given the centralized nature of government administration, the lack of local institutions, and the opportunities for bureaucratic delay in the long chain between La Paz and remote sparsely populated agricultural villages. Reaching the poorest people in isolated rural communities is a difficult challenge and will be a central issue in the design of most human resources projects. Although there are interesting models in both Colombia and Mexico in this regard, population density in Bolivia is much lower and local institutions far weaker than in either of those two countries. Some of the proposed sector work (decentralization and rural development) will focus on the question of what mechanisms are most appropriate to the Bolivian environment.

28. **Project implementation: lessons learned.** The proposed lending program is built on our lending experience over the past seven years. Ongoing projects such as mining rehabilitation, EMSO, the eastern lowlands project, and the export corridors project have laid the base for the more intensive focus on development constraints in the proposed lending program, and will continue to serve as vehicles in the policy dialogue. In regard to execution, there have been two major constraints: the weakness of counterpart institutions, as expressed in unskilled staff with high turnover rates; and lack of Government ownership of Bank projects and programs. With weak or uninterested counterparts, and rapid changes of staff, the concept of Government ownership is nebulous, and it is frequently the case that the Bank is the primary source of leadership and continuity in the execution of projects.

29. These problems have been persistently addressed in project design through inclusion of financing for local consultants, topping up of Government salaries, establishment of

project units with separate salary scales, and even creation of new institutions whose administrative costs are funded internationally. Project preparation facilities provided by the Bank typically have funded items such as rent, office furniture, etc. While this approach has frequently enabled execution of projects or programs which otherwise could not have taken place, it tends to further minimize Government commitment. The proposed lending program would phase out the major budgetary support which has characterized lending to Bolivia in recent years and would bring issues of institutional development to the center of the policy dialogue. Specifically, in new projects involving ministries included in the civil service reform program, we propose to: (1) eliminate "topping up" of salaries as a practice, (2) phase out financing of line personnel or local consultants taking on line roles, and (3) minimize financing for administrative budgets. This change in policy may carry the cost of slowing project preparation and implementation, but we feel is necessary to achieve the longer-term goals of efficiency and government ownership of projects. We also propose to continue the current policy which requires Bolivia to pay at least 20% of project costs.

30. **Bank supervision.** Complex, multi-sectoral projects, a broad-ranging lending program, technical assistance and local support in the form of many small contracts, and certain scarce skills (capital markets, water and sanitation engineering, decentralization) have complicated supervision of the portfolio, and, together with the institutional weaknesses described above, have resulted in supervision coefficients higher than LAC averages. Candidly, the nature of the proposed lending program is likely to require similar levels of supervision. While there is little room to reduce total supervision resources, we will use these resources more effectively by shifting more supervision responsibility to the Resident Mission, and by relying on local and more junior consultants for on-the-ground follow-up of project problems.

Economic and Sector Work

31. The proposed economic and sector work program is directed at supporting the policy dialogue, advancing aid coordination and contributing to the development of lending operations. This year, a Country Economic Memorandum (CEM) will provide the foundations for our policy dialogue and support the new Government in its decision making process. Based on recent ESW, a Policy Options Paper directed to key officials in the new Government will sum up alternative courses of policy action and their consequences. The CEM will also be used for the next meeting of the Consultative Group (CG). While the next full CEM is planned for FY96, in the alternate years, we will prepare relatively brief Updating Economic Memoranda which serve as documentation for the CG; these will also provide an update on issues related to the public sector investment program.

32. Sector work would concentrate on human resources, poverty, resource management and economic infrastructure, mainly transport. The most important analytical work in human resources would be a poverty assessment directed at determining income distribution, diagnosing poverty, and recommending additional areas of action for its alleviation. A separate rural development study will focus on a strategy for increasing incomes in rural areas. These works will be followed up by a comprehensive re-assessment of health,

including health benefits under the social security system. In the area of resource management, an assessment of environmental priorities and strategy is planned for FY95 to determine progress and define priorities for action. In the transport sector work will be done to define priorities and a strategy for improving transportation in urban areas.

33. For the ESW program, we will undertake a participatory approach by agreeing on priorities with the Government annually, executing the work jointly when this seems appropriate and involving Government at early stages of review (see Box 5). Key ESW products will be translated into Spanish. When appropriate, and if the Government agrees, we will also seek a wider audience for ESW products.

***Annual CIR/programming missions**
Agreement would be reached on the lending program, the esw program, and strategies for addressing problem projects. Timing would coincide with preparation of business plan, which would be discussed during mission

***Joint esw projects**
Collaboration with appropriate ministry or UDAPE on design, terms of reference and review of economic work undertaken on Bolivia

***Participation of government representatives,** when possible, in Bank decision meetings on projects and programs. Routine distribution of decision documents to government.

***Routine translation of key Bank documents into Spanish.**

Box 5: Increasing Government Participation

Donor Coordination

34. Joining forces with other donors is a central part of our strategy. The Consultative Group for Bolivia met for the 7th time last year, and has evolved into a mechanism as much for identifying and agreeing on Bolivia's development priorities as mobilizing aid. One sign of success is the dominant role taken by the Government in the last three years in shaping the agenda and preparing supporting documents. Cofinancing has become the most useful modality for coordination, and we currently have cofinancing arrangements on most ongoing and proposed new projects. While cofinancing arrangements substantially increase the time and work involved in project preparation, the benefits of avoiding duplication of effort and working at cross purposes seem well worth it. In order to share the administrative costs of supervision, we recently have negotiated three arrangements with bilateral donors (USAID, Holland, and Switzerland) to finance some of the supervision costs for jointly financed projects. We will seek additional similar arrangements in the future, in particular for supervision of social projects. One area where coordination could be improved is in the preparation of economic and sector work. We are generally unaware of studies and technical work financed by other agencies. Moreover, there may be some options for work sharing, in particular with IDB.

Program Size and Bank Exposure

35. ***Levels.*** We propose a lending level of about $405 million a year in 17 credits during FY94-98, or about $80 million annually in commitments. The actual size of the program is likely to be somewhat higher, given that Bolivia will continue to benefit from IDA reflows. This volume is roughly the same as annual lending rates during the past five years. Total

debt service to the World Bank Group amounted to 5.6% of exports in 1992, but is expected to drop to about 2% of exports by the end of the decade.

36. ***Risks and the fall-back position.*** The proposed lending program is ambitious, and there is a high risk that we will not be able to achieve all of its objectives. Nevertheless, we need to be ready to provide maximum support to the new Government if it chooses to pursue the high growth policy path. Our active commitment to and promotion of this high-growth strategy will increase its chances of implementation. We believe the risk is warranted because of the Bank's special relationship with Bolivia, the opportunity presented by the new government, and because even partial success could substantially accelerate development and expand economic opportunities for Bolivia's poorest people. Should Government commitment waver in one or more of priority areas, however, we would modify and reduce the lending program to focus on objectives where reform remained possible, as well as maintain the poverty alleviation portfolio. An early indication of the Government's commitment to proceed will be its action in regard to the reform of the hydrocarbons sector and in its appointment of key social sector ministers.

Triggers ?

Annex A: Proposed FY1994-1998 Lending (US$ millions)

	FY94	FY95	FY96	FY97	FY98	FY94-98 Total	FY94-98 %
Rationalizing the Role of the State							
Public Enterprise Reform	40						
Hydrocarbon Deregulation			20				
Natural Gas Export				35			
Civil Service Reform		10					
Judicial Reform		10					
Educational Reform		40					
Land Administration		20					
Transport Sector Loan					25		
Municipal Development	35						
Power Sector Restr.				25			
Subtotal	75	80	20	60	25	260	64%
Poverty & Human Resource Development							
Integrated Child Development	45						
Social Investment Fund	10						
Rural Water and Sanitation			30				
Rural Investment Project				15			
Health II					10		
Subtotal	55		30	15	10	110	27%
Natural Resource Management							
Industry and Mining Technical Assistance				15			
Environmental Fund II					20		
Subtotal				15	20	35	9%
Total	130	80	65	75	55	405	100%
Number of Projects	4	4	3	3	3	17	

Annex B: Proposed FY93-97 Economic & Sector Work Program (staffweeks)

	FY93	FY94	FY95	FY96	FY97
Macroeconomic Monitoring and Policy Dialogue					
Updating Economic Memoranda/ Public Sector Investment Review	15 *		25		25
Country Economic Memorandum	30	35		60	
Restructuring for Growth	10 *				
Policy Options Paper	5	5 *			
Human Resource Development					
Education Strategy	10				
Rural Development Strategy		20	20 *		
Poverty Assessment		30	10 *		
Health Sector Assessment				25	
Social Security: Beyond the Pension Reform					30
Resource Management					
Environmental Priorities and Strategy			30		
Forestry Subsector Review	15 *				
Infrastructure					
Transport Sector Strategy	15				
Urban Transport Strategy					30
Total	100	90	85	85	85

* Initiated in previous FY.

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Statistical Annex

Table No.	Content	Period
1.	Social Indicators of Development: Human Resources and Natural Resources	Most Recent Estimate
2.	Social Indicators of Development: Income, Poverty, and Expenditures	Most Recent Estimate
3.	Social Indicators of Development: Investment in Humand Capital	Most Recent Estimate
4.	Key Macroeconomic Indicators Table	1985 - 2001
5.	National Accounts in Current Prices	1980 - 2001
6.	National Accounts in Constant 1980 Prices	1980 - 2001
7.	National Accounts: Percent Share of VA by Sector	1980 - 2001
8.	National Accounts: Real Growth Rates	1981 - 2001
9.	Balance of Payments	1980 - 2001
10.	External Debt: Disbursements and Repayments	1980 - 2001
11.	External Debt: Interest Payments and Debt Outstanding & Disbursed	1980 - 2001
12.	External Debt: Net Disbusements and Percent Composition	1980 - 2001
13.	IBRD and IDA: Country Exposure Indicators	1980 - 2001

Country ria ategy Paper
Table 1: Social Indicators of Development
Human Resources and Natural Resources

	Unit of Measure	25-30 Years ago	15-20 Years ago	Most Recent Estimate	Compared to Same Region & Other Income Groups: Latin America and Caribbean	Lower Middle Income Group	Next Higher Income Group
A. Human Resources							
1. Size & Structure							
Total Population (MRE = 1990)	Thousands	3,841	4,894	7,171	433,190	629,102	458,731
14 and under	% of pop.	42.8	43.2	42.5	36.2	37.3	33.8
15-64	% of pop.	53.9	53.5	54.1	59.3	57.8	60.9
Age Dependency Ratio	Unit	0.86	0.87	0.89	0.68	0.72	0.63
Percentage in Urban Areas	% of pop.	40.0	41.5	51.2	73.5	58.6	71.8
Female per 100 males							
Urban	Number	..	100	105	104	..	..
Rural	Number	..	100	100	..	..	..
Population Growth Rate	Annual growth	2.3	2.5	2.5	1.9	2.0	1.7
Urban	Annual growth	2.7	2.9	3.8	2.7	3.2	2.8
Urban/Rural growth differential	Difference	0.6	0.6	2.8	2.9	2.4	3.6
Projected Population: year 2000	Thousands	..	..	9,145	515,607	768,976	541,229
Stationary Population	Thousands	..	..	21,009	..	..	..
2. Determinants of Population Growth							
Fertility							
Crude Birth Rate	Per thousand pop.	45.8	44.1	36.0	27.0	29.5	24.9
Total Fertility Rate	Births per woman	6.6	6.3	4.8	3.3	3.7	3.1
Contraceptive Prevalence	% of woman 15-49	..	..	30.0	..	..	..
Child (0-4)/Woman (15-49) Ratio							
Urban	Per 100 woman	..	69	63	..	..	..
Rural	Per 100 woman	..	69	84	..	..	..
Mortality							
Crude Death Rate	Per thousand pop.	20.7	17.1	9.7	6.9	8.5	7.5
Infant Mortality Rate	Per thou.live births	159.8	139.0	91.9	47.4	49.5	41.8
Under 5 Mortality Rate	Per thou.live births	..	..	118.0	57.0	79.5	49.8
Life expectancy at birth	Years	44.4	49.3	60.0	67.6	65.3	68.3
o/w: Female	Years	46.6	51.6	62.3	70.7	67.9	71.5
3. Labor Force (15-64)							
Total Labor Force	Thousands	1,291	1,565	2,283	153,543	237,840	172,535
Agriculture	% of labor force	54.2	49.2	..	..	..	..
Industry	% of labor force	20.0	19.9	..	..	..	..
Female	% of labor force	21.0	22.0	25.8	26.7	32.3	30.4
Female per 100 males							
Urban	Number	..	99	108	106	..	..
Rural	Number	..	99	109	88	..	..
Participation Rate (Overall)	% of labor force	33.6	32.0	31.2	35.2	40.6	38.5
Female	% of labor force	13.9	13.9	15.9	18.6	25.6	23.3
4. Educational Attainment of Labor Force							
School Years Completed (Overall)	Years	..	..	..	..	..	..
Male	Years	..	..	..	..	..	..
B. Natural Resources							
1. Area							
Total Area	Thousand sq.km.	1,099	1,099	1,099	20,397	22,765	18,709
Density	Population per.sq.km	3	4	6	21	27	24
Agricultural Land	% of land area	27.1	27.7	27.4	36.6	40.9	34.3
Agricultural Density	Population per.sq.km	13	16	23	57	66	70
Forests & Woodland	Thousand sq.km.	595.00	568.00	557.00	9,537	6,174	7,116
Deforestation Rate (net)	Annual %	-0.4	-0.5	-0.1	-0.5	-0.5	-0.5
2. Access to Safe Water							
Total	% of population	..	34.0	53.4	73.2	..	80.0
Urban	% of population	..	81.0	30.0	83.6	78.2	88.7
Rural	% of population	..	6.0	76.0	88.1	46.9	63.8

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Table 2: Social Indicators of Development
Income, Poverty, and Expenditures

	Unit of Measure	25-30 Year ago	15-20 Year ago	Most Recent Estimate	Compared to Same Region & Other Income Groups: Latin America and Caribbean	Lower Middle Income Group	Next Higher Income Group
C. Income & Poverty							
1. Income							
GNP per capita (MRE = 1991)	US$	180	360	652	2,180	1,530	3,450
Total Household Income							
Share to top 10% of Households	% of income	..	..	..	..	..	..
Share to top 20% of Households	% of income	..	59.0	..	..	..	..
Share to bottom 40% of Households	% of income	..	13.0	..	..	..	..
Share to bottom 20% of Households	% of income	..	4.0	..	..	..	..
2. Poverty							
Absolute Poverty Income							
Urban	US$ per person	..	..	..	..	..	..
Rural	US$ per person	..	134.0	..	..	..	..
Population In Absolute Povery							
Urban	% of population	..	..	..	..	..	..
Rural	% of population	..	85.0	..	..	..	..
Privalence of Malnutrition (under 5)	% of age group	..	..	18.0	..	..	..
D. Expenditure							
1. Food							
Food	% of GDP	..	..	..	..	..	..
Staples	% of GDP	..	..	..	..	..	..
Meat, fish, milk, cheese, eggs.	% of GDP	..	..	..	..	..	..
Cereal Imports	Thou. metric tonnes	168	241	147	19,477	38,868	39,280
Food aid in cereals	Thou. metric tonnes	..	22	93	..	..	..
Food Production per capita	1979-81 = 100	89.1	106.8	114.2	103.2	98.9	106.0
Share of Agriculture in GDP	% of GDP	22.9	20.3	23.9	10.2	16.8	9.0
Daily Calorie Supply	Calories per person	1,868	2,019	1,916	2,726	2,780	3,013
Daily Protien Supply	Grams per person	50	53	53	68	72	77
2. Housing							
Housing	% of GDP	..	..	..	..	..	..
Average Household Size	Persons per household	..	6.8	1.2	..	..	..
Urban	Persons per household	..	..	..	..	..	..
Fixed Investment: Housing	% of GDP	..	..	..	..	..	..
3. Fuel and Power							
Fuel & Power	% of GDP	..	..	..	..	..	..
Energy Consumption per capita	kg of oil equivalent	155.6	258.2	256.9	1,060.5	1,102.2	1,794.4
Households with electricity							
Urban	% of household	76.4	..	..	..	..	..
Rural	% of household	7.6	..	..	..	..	..
4. Transport and Communication							
Transport and Communication	% of GDP	..	..	..	..	..	..
Population per Passenger Car	Persons	388	165	197	14	24	11
Fixed Investment: Transport Equipment	% of GDP	..	6.7	..	..	..	..
Total road length	Km	..	..	39,824	..	..	..
Population per telephone	Persons	..	..	36	..	..	..

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Table 3: Social Indicators of Devlepments
Investment in Human Capital

	Unit of Measure	25-30 Year ago	15-20 Year ago	Most Recent Estimate	Compared to Same Region & Other Income Groups: Latin America and Caribbean	Lower Middle Income Group	Next Higher Income Group
E. Investment in Human Capital							
E1. Medical Care							
Medical Care	% of GDP	..	..	..	..	..	..
Population per Physician	Persons	3,300	2,098	1,534	936	..	..
Population per Nurse	Persons	3,989	3,074	2,466	877	..	..
Population per Hospital Bed	Persons	..	499	..	..	..	..
Access to Health Care	% of population	..	..	..	..	..	..
Immunized (under 12 months):							
Measles	% of age group	..	..	53.0	74.7	65.3	78.5
DPT	% of age group	..	..	41.0	74.5	67.1	81.5
Oral Rehydration Therapy Use (under 5)	% of cases	..	..	60.0	44.5	39.8	..
E2. Education							
Education	% of GDP	..	..	..	..	..	..
Gross Enrollment Ratios							
Primary (total)	%of school-age group	73.0	85.0	81.0	107.4	100.5	105.9
Female	%of school-age group	60.0	76.0	77.0	..	97.4	..
Secondary (total)	%of school-age group	18.0	31.0	34.0	47.2	58.3	56.3
Female	%of school-age group	15.0	..	31.0	52.8	56.5	58.9
Tertiary: Science/Engineering	%of tertiary student	14.8	15.8	21.2	..	..	..
Pupil-teacher Ratio:							
Primary	Pupils per teacher	28.0	22.0	25.0	25.0	26.0	25.0
Secondary	Pupils per teacher	21.0	19.0	..	..	18.0	..
Pupils Reaching Grade 4	% of cohort	..	52.4	..	69.3	86.7	77.8
Repeater Rate: Primary	% of total enroll.	..	..	..	19.9	6.6	17.6
Illitracy Rate: Overall	% of pop.(age 15+)	..	..	22.5	15.5	22.9	15.1
Female	%of females(age 15+)	..	..	29.3	17.2	28.8	17.7
Newspaper Circulation	Per thousand pop.	24.7	40.7	44.9	81.9	72.0	100.9

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Table 4: Key Macroeconomic Indicators

	(Actual)						(Projected)									
	1985	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Real Growth Rates																
Gross Domestic Product (GDP)	-1.0	2.6	3.0	2.8	2.6	4.1	3.4	3.6	3.8	4.0	4.4	4.8	5.0	5.0	5.0	5.0
Gross Domestic Income (GDY)	-1.0	1.4	0.5	0.8	0.2	3.2	2.3	1.6	4.2	4.5	4.5	5.0	5.5	5.5	5.5	5.2
Real per Capita Growth Rates																
Gross Domestic Product ..1/	-3.5	0.1	0.5	0.4	0.1	1.6	0.8	1.0	1.2	1.4	2.0	2.4	2.7	2.6	2.6	2.6
Total Consumption	4.0	0.7	-3.5	-3.4	-2.8	1.9	1.8	-0.1	0.4	0.5	1.4	2.4	3.0	2.7	2.7	2.5
Private Consumption	10.2	0.6	-6.3	-2.9	-3.3	0.9	2.0	0.8	0.3	0.5	1.5	2.6	3.3	2.9	2.9	2.8
Debt and Debt Service:																
Total DOD in US$M (LT+IMF+ST)	4804.7	5836.2	4901.2	4120.7	4269.2	4072.2 ✓	4188.7	4269.7	4511.1	4700.1	4938.9	5252.4	5573.6	5883.3	6173.9	6474.1
DOD/GDP	93.9	135.4	110.8	91.4	94.9	81.1 ✓	79.3	78.1	77.5	76.1	74.8	74.0	73.1	71.8	70.1	68.3
Debt Service in US$M (LT+IMF+ST) ..2/	427.7	546.1	481.5	416.2	572.8	511.2	600.3	575.2	501.7	562.9	557.0	538.0	558.3	562.6	554.6	494.5
Debt Service/Exports	58.0	81.9	69.9	46.7	57.5	54.3 ✓	70.9	62.8	50.0	51.8	47.2	42.1	40.8	38.5	35.4	29.9
Debt Service/GDP	8.4	12.7	10.9	9.2	12.7	10.2	11.4	10.5	8.6	9.1	8.4	7.6	7.3	6.9	6.3	5.2
Interest Burden in US$M (LT+IMF+ST) ..	229.8	219.9	192.5	198.0	234.2	215.0 ✓	265.7	264.6	236.3	241.8	245.9	254.5	270.9	289.2	308.7	280.9
Interest Paid in US$M	167.6	100.9	121.5	128.2	160.5	142.3 ✓	202.1	221.9	234.5	240.9	245.6	254.5	270.9	289.2	308.7	280.9
Interest/Exports	31.2	33.0	27.9	22.2	23.5	22.8	31.4	28.9	23.5	22.2	20.8	19.9	19.8	19.8	19.7	17.0
Interest/GDP	4.5	5.1	4.4	4.4	5.2	4.3	5.0	4.8	4.1	3.9	3.7	3.6	3.6	3.5	3.5	3.0
Investment & Savings																
Gross Investment/GDP	10.2	11.1	12.1	12.0	12.7	13.8	14.1	14.6	15.3	15.9	17.0	17.3	17.9	18.0	18.2	18.4
Public Fixed Investment/GDP	3.5	6.2	8.1	8.8	8.9	9.3	8.8	8.6	8.8	8.9	9.0	8.9	8.8	8.8	8.7	8.6
Private Investment /GDP	3.7	4.0	4.2	4.1	4.3	4.5	5.2	6.0	6.4	6.9	8.0	8.4	9.0	9.3	9.5	9.8
Change in Stock/GDP	2.9	0.8	-0.2	-0.8	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ICOR (5 year average) ..4/	-5.3	-5.5	19.5	5.4	3.1	1.9	0.3	0.4	0.5	3.8	3.8	3.7	3.6	3.6	3.6	3.6
Domestic Savings/GDP	8.5	4.8	6.6	8.5	9.3	8.7 ✓	7.1	6.3	7.8	9.4	10.5	10.8	11.2	11.7	12.2	12.5
Resource Balance/GDP	-1.7	-6.2	-5.5	-3.5	-3.4	-5.0 ✓	-7.0	-8.3	-7.5	-6.5	-6.5	-6.5	-6.7	-6.3	-6.0	-5.9
National Savings/GDP	0.5	-0.7	1.0	3.5	4.5	4.4	3.8	3.1	4.9	6.6	7.9	8.4	8.9	9.5	10.1	10.7
Current Account Balance	-9.7	-11.8	-11.1	-8.5	-8.3	-9.4 ✓	-10.3	-11.5	-10.4	-9.3	-9.1	-9.0	-9.0	-8.5	-8.1	-7.7
Marginal Domestic Savings Rate	6.93	-0.12	1.31	1.29	1.09	0.11	-0.06	0.43	0.34	0.36	0.30	0.19	0.13	0.18	0.19	0.20
Marginal National Savings Rate	8.77	0.52	1.29	1.46	1.18	0.16	0.20	0.43	0.40	0.36	0.30	0.20	0.14	0.19	0.18	0.23
Public Fixed Investment/GDP	3.5	6.2	8.1	8.8	8.9	9.3	8.8	8.6	8.8	8.9	9.0	8.9	8.8	8.8	8.7	8.6
Public Savings/GDP		-1.8	0.6	1.7	2.8	3.9	3.3	3.8	4.1	4.3	4.6	4.9	5.3	5.3	5.5	5.3
Private Investment /GDP	3.7	4.0	4.2	4.1	4.3	4.5	5.2	6.0	6.4	6.9	8.0	8.4	9.0	9.3	9.5	9.8
Private Savings/GDP		1.1	0.4	1.8	1.6	0.4	0.4	-0.7	0.8	2.3	3.3	3.5	3.6	4.2	4.7	5.4
Public Finance																
Government Revenues/GDP		25.8	27.9	29.2	31.5	32.4	31.8	31.3	31.4	31.5	31.4	31.2	31.2	30.7	30.4	30.0
Government Expenditures/GDP		33.4	34.4	34.7	35.7	35.9	35.5	34.5	34.3	34.2	33.8	33.2	32.7	32.1	31.5	31.2
Budget Deficit(-) or Surplus/GDP ..5/		-7.7	-6.5	-5.5	-4.1	-3.6	-3.7	-3.2	-3.0	-2.8	-2.4	-2.0	-1.5	-1.3	-1.1	-1.1
Primary Deficit(-) or Surplus/GDP ..5		-3.2	-2.3	-1.7	-0.8	-0.3	0.1	0.3	0.4	0.5	0.7	0.9	1.3	1.3	1.4	1.4
Prices & Exchange Rates																
CPI (% Growth Rate)	11749.6	14.6	16.0	15.2	17.1	21.4	10.4	6.2	6.3	5.0	5.1	5.1	5.0	4.9	4.9	4.9
GDP Deflator (% Growth Rate)	11289.1	15.7	14.0	13.5	14.6	20.9	10.6	6.2	6.3	5.0	5.1	5.1	5.0	4.9	4.9	4.9
REER Index (1980=100)	285.8	80.8	74.7	72.4	60.8	62.9	..	..	..	..	..	..	..	..	..	..
Terms of Trade Index (1990=100)					100.0	92.7	83.5	79.6	81.7	83.6	84.2	84.7	85.4	86.1	86.8	86.1
Trade and Balance of Payments																
Exports (GNFS) Volume Growth	-5.9	-2.5	6.1	24.7	15.5	0.7	-0.8	9.5	4.0	3.4	4.4	4.3	3.2	3.0	3.1	3.3
Exports (GNFS)/GDP	14.3	15.1	15.2	19.3	21.7	18.3	15.8	16.5	16.9	17.2	17.5	17.7	17.6	17.6	17.5	17.2
Imports (GNFS) Volume Growth	41.7	8.3	-10.6	11.5	9.6	3.3	0.9	8.6	2.6	1.0	4.5	4.6	4.9	2.5	2.5	2.4
Imports (GNFS)/GDP	16.0	21.4	20.7	22.8	25.1	23.4	22.7	24.8	24.3	23.8	24.0	24.2	24.3	23.9	23.5	23.1
Current Account Balance (US$M)	-494.0	-508.7	-490.5	-384.7	-371.4	-473.5	-546.5	-629.5	-603.3	-576.2	-602.4	-636.3	-685.0	-698.0	-711.2	-730.0
Net Reserves (- = increase, US$M)	-28.7	41.0	29.8	139.8	-98.9	-89.8	-78.4	-55.1	-20.1	-20.1	-24.9	-24.9	-25.0	-30.3	-48.9	-45.4
Gr. Reserves in Months of Imp. of G&S	3.4	5.5	5.4	4.2	3.9	3.9	4.6	4.6	4.5	4.5	4.4	4.2	4.1	4.0	4.1	4.1

1/ Using World Bank population figures and projections
2/ Includes interest and principal repayments due but rescheduled by bilateral creditors.
3/ Includes interest due but rescheduled by bilateral creditors.
4/ 1981-90 period was derived from a 1980 base year series; & 1991-2001 is calculated from a 1990 base year series.
5/ Overall non-finanacial public sector

Ass. "Y" i.e.g. Does this assume restructy of public sector?

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Table 5: National Accounts at Current Prices

	(Actual)								(Projected)									
	1980	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
A.1. GDP at market prices	0.1	2252.4	7462.2	8855.9	10393.9	12135.9	14273.5	17974.5	20556.5	22626.0	24961.6	27240.9	29879.6	32907.5	36275.6	39962.9	44033.8	48520.5
2. Net Indirect Taxes on Imports	0.0	25.0	141.1	180.3	169.8	196.3	179.9	169.1	322.7	385.9	402.9	488.7	531.9	581.0	639.6	683.8	730.9	780.4
3. GDP at producer prices	0.1	2227.4	7321.1	8675.6	10224.1	11939.6	14093.6	17805.4	20233.9	22240.1	24558.6	26752.2	29347.7	32326.6	35636.0	39279.1	43302.9	47740.1
B.1. Imports of GNFS	0.0	360.1	1563.5	1891.8	2153.6	2761.0	3586.1	4200.4	4671.1	5601.7	6072.3	6474.4	7168.4	7952.0	8816.7	9551.6	10348.3	11200.5
2. Exports of GNFS	0.0	321.9	1349.9	1341.3	1581.8	2338.0	3104.4	3292.7	3239.8	3729.4	4209.0	4694.0	5234.4	5820.7	6396.1	7021.8	7713.9	8355.4
3. Resource balance	0.0	-38.2	-213.6	-550.5	-571.8	-423.0	-481.7	-907.7	-1431.2	-1872.2	-1863.3	-1780.4	-1934.0	-2131.4	-2420.6	-2529.8	-2634.5	-2845.1
C.1. Total Expenditures	0.1	2290.6	7675.9	9406.5	10965.7	12558.9	14755.2	18882.2	21987.8	24498.2	26824.9	29021.3	31813.6	35038.9	38696.3	42492.7	46668.3	51365.7
2. Total consumption, etc	0.1	2061.9	7088.8	8426.6	9710.3	11101.0	12940.1	16403.3	19088.3	21195.1	23016.1	24685.4	26733.7	29337.5	32212.7	35282.7	38645.8	42433.5
a. General government	0.0	300.4	855.5	1060.4	1493.0	1680.9	2000.9	2651.4	3045.4	3134.5	3449.6	3736.7	4063.9	4420.9	4803.9	5216.8	5666.4	6154.9
b. Private, etc	0.1	1761.5	6233.3	7366.2	8217.3	9420.1	10939.2	13751.9	16042.9	18060.6	19566.5	20948.7	22669.8	24916.6	27408.9	30065.8	32979.4	36278.7
c. Statistical discrepancy																		
D.1. Gross domestic investment	0.0	228.7	587.1	979.9	1255.4	1457.9	1815.1	2478.9	2899.5	3303.2	3808.8	4335.9	5079.9	5701.4	6483.5	7210.1	8022.4	8932.2
a. GDFI	0.0	162.8	705.5	911.0	1271.8	1555.8	1885.0	2478.9	2889.3	3292.0	3796.5	4325.2	5069.6	5691.7	6474.6	7202.2	8015.9	8925.0
i. Nonfinancial Pub. Sector	0.0	79.8	356.9	552.5	839.7	1063.7	1276.5	1664.3	1813.6	1943.8	2190.8	2437.6	2689.4	2939.8	3209.9	3502.7	3822.9	4172.5
ii. Private Sector	0.0	83.0	348.6	358.5	432.1	492.1	608.5	814.6	1075.7	1348.3	1605.6	1887.6	2380.2	2751.8	3264.7	3699.5	4193.0	4752.5
b. Changes in Stocks	0.0	66.0	-118.4	68.9	-16.4	-97.9	-69.9	0.0	10.1	11.1	12.3	10.7	10.3	9.7	8.9	7.9	6.5	7.2
E.1. Gross domestic saving	0.0	190.5	373.5	429.4	683.6	1034.9	1333.4	1571.2	1468.2	1430.9	1945.5	2555.5	3145.9	3570.0	4062.9	4680.2	5388.0	6087.0
2. Net factor income	0.0	-185.9	-593.7	-531.8	-611.1	-671.0	-764.9	-868.4	-782.6	-837.9	-842.4	-887.2	-927.4	-965.8	-995.9	-1047.1	-1109.8	-1115.1
3. Net current transfers	0.0	6.4	32.7	36.8	30.1	58.9	68.5	80.6	88.3	103.9	117.5	125.7	134.9	145.7	158.9	174.0	190.4	222.7
4. Gross national saving	0.0	11.0	-187.6	-65.7	102.6	422.8	637.0	783.4	773.9	696.9	1220.6	1794.0	2353.4	2749.8	3225.8	3807.1	4468.5	5194.6
F.1. Gross national product	0.1	2066.5	6868.5	8324.1	9782.8	11464.9	13508.6	17106.1	19773.9	21788.1	24119.1	26353.7	28952.3	31941.7	35279.7	38915.8	42924.0	47405.4
2. IFS conversion factor	0.0	0.4	1.9	2.1	2.4	2.7	3.2	3.6	3.9	4.1	4.3	4.4	4.5	4.6	4.8	4.9	5.0	5.1
3. GDP at mp (curr. mill. US$)	5014	5119.2	3882.5	4309.7	4422.5	4508.6	4498.8	5019.4	5284.9	5465.2	5818.8	6174.5	6601.9	7093.9	7627.3	8197.7	8812.1	9476.7

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Table 6: National Accounts at Constant 1980 prices

	(Actual)								(Projected)									
	1980	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
A.1. GDP at market prices	122,946	111,609	108,829	111,660	114,963	118,221	121,316	126,341	130,670	135,404	140,487	146,064	152,469	159,764	167,748	176,126	184,924	194,161
2. Net Indirect Taxes on Imp.	3,288	1,307	1,982	2,277	1,827	1,811	1,527	1,187	2,381	2,759	2,832	3,219	3,363	3,519	3,692	3,784	3,879	3,974
3. GDP at Producer Prices	119,658	110,302	106,847	109,383	113,136	116,410	119,789	125,154	128,289	132,644	137,655	142,845	149,106	156,244	164,056	172,341	181,045	190,187
B.1. Imports of GNFS	20,718	21,978	21,469	23,245	20,788	23,177	25,412	26,243	26,469	28,757	29,514	29,818	31,155	32,601	34,198	35,056	35,934	36,810
2. Exports of GNFS	25,585	22,780	26,448	25,793	27,366	34,123	39,399	39,674	39,361	43,092	44,833	46,341	48,379	50,453	52,043	53,629	55,276	57,112
3. Resource balance	4,867	802	4,979	2,548	6,578	10,946	13,987	13,431	12,892	14,336	15,319	16,522	17,224	17,852	17,845	18,573	19,342	20,302
C.1. Total Expenditures	118,079	110,807	103,850	109,112	108,385	107,275	107,329	112,910	117,778	121,068	125,168	129,541	135,245	141,912	149,903	157,553	165,582	173,859
2. Total consumption, etc	99,898	104,285	99,517	102,685	101,645	100,690	100,415	104,905	109,479	112,167	115,515	119,073	123,573	129,448	136,402	143,245	150,411	157,765
a. General government	17,330	10,509	11,343	11,769	14,204	13,654	14,117	15,571	16,069	15,571	16,116	16,632	17,214	17,816	18,440	19,085	19,753	20,445
b. Private, etc	82,568	93,776	88,174	90,916	87,441	87,036	86,298	89,334	93,410	96,596	99,399	102,441	106,359	111,631	117,962	124,159	130,658	137,320
D.1. Gross domestic investment	18,181	6,522	4,333	6,427	6,740	6,585	6,914	8,005	8,299	8,901	9,652	10,468	11,672	12,464	13,500	14,308	15,171	16,095
a. GDFI	17,637	5,022	5,333	5,927	6,840	7,085	7,214	8,005	8,270	8,871	9,621	10,443	11,648	12,443	13,482	14,293	15,158	16,082
i. Nonfin. Pub. Sector	8,593	2,462	2,698	3,598	4,516	4,844	4,885	5,375	5,191	5,238	5,552	5,885	6,179	6,426	6,683	6,951	7,229	7,518
ii. Private Sector	9,044	2,560	2,635	2,329	2,324	2,241	2,329	2,630	3,079	3,633	4,069	4,558	5,469	6,016	6,798	7,342	7,930	8,564
b. Changes in Stocks	544	1,500	(1,000)	500	(100)	(500)	(300)	0	29	30	31	26	24	21	19	16	12	13
E.1. Net factor income	(7,250)	(10,181)	(8,373)	(6,565)	(6,502)	(6,200)	(5,929)	(5,640)	(4,537)	(4,573)	(4,324)	(4,338)	(4,315)	(4,276)	(4,200)	(4,209)	(4,250)	(4,069)
2. Net current transfers	311	321	478	466	332	562	559	548	576	617	660	672	685	706	734	767	800	893
3. Gross national product	115,696	101,428	100,456	105,095	108,461	112,021	115,387	120,701	126,133	130,831	136,163	141,725	148,154	155,488	163,548	171,917	180,673	190,092
4. Gross domestic saving ..1/	23,048	7,324	9,312	8,975	13,318	17,531	20,901	21,436	21,191	23,237	24,971	26,991	28,896	30,316	31,346	32,881	34,513	36,396
5. Gross domestic saving ..2/	23,048	4,191	1,399	(337)	1,221	3,034	3,501	2,334	189	(710)	596	2,269	3,267	3,726	4,111	5,024	6,023	6,744
6. Gross national saving ..1/	16,109	(2,536)	1,417	2,876	7,148	11,893	15,531	16,344	17,230	19,281	21,307	23,325	25,266	26,746	27,880	29,439	31,062	33,220
7. Gross national saving ..2/	16,109	(5,669)	(6,496)	(6,436)	(4,949)	(2,604)	(1,869)	(2,758)	(3,772)	(4,666)	(3,068)	(1,397)	(363)	156	645	1,582	2,572	3,568
8. Capacity to import	25,585	19,647	18,535	16,481	15,269	19,626	21,999	20,572	18,359	19,145	20,457	21,618	22,750	23,863	24,809	25,771	26,786	27,460
9. Terms of trade adjustment	0	(3,133)	(7,913)	(9,312)	(12,097)	(14,497)	(17,400)	(19,102)	(21,002)	(23,947)	(24,375)	(24,722)	(25,629)	(26,590)	(27,234)	(27,857)	(28,490)	(29,652)
10. Gross domestic income	122,946	108,476	100,916	102,348	102,866	103,724	103,916	107,239	109,668	111,457	116,111	121,341	126,840	133,174	140,514	148,268	156,434	164,509
11. Gross national income	115,696	98,295	92,543	95,783	96,364	97,524	97,987	101,599	105,131	106,884	111,787	117,003	122,525	128,898	136,314	144,060	152,183	160,439

1/ Excluding terms of trade adjustment

2/ Including terms of trade adjustment

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Table 7: National Accounts - Percent Share of VA by Sector

	(Actual)								(Projected)									
	1980	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
A.1. GDP at market prices	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2. GDP at Producer Prices	97.3	98.9	98.1	98.0	98.4	98.4	98.7	99.1	98.4	98.3	98.4	98.2	98.2	98.2	98.2	98.3	98.3	98.4
3. Agriculture	..	..	..	..	..	..	20.7	19.5	19.5	20.4	20.5	20.5	20.4	20.2	20.0	19.8	19.6	19.4
4. Industry	..	..	..	..	..	..	32.2	31.4	29.9	30.0	30.5	31.0	31.4	31.8	32.2	32.5	32.9	33.1
a. Manufacturing	..	..	..	..	..	..	13.4	14.7	15.5	15.7	15.9	16.0	16.2	16.4	16.5	16.6	16.7	16.9
b. Construction	..	..	..	..	..	..	2.7	2.9	3.0	3.0	3.0	2.9	2.9	2.9	2.9	2.9	2.8	2.8
c. Mining and quarrying	..	..	..	..	..	..	15.1	12.8	10.3	10.3	10.6	11.0	11.3	11.5	11.8	12.0	12.3	12.3
d. Gas, Electricity & Water	..	..	..	..	..	..	1.0	1.1	1.1	1.1	1.1	1.1	1.0	1.0	1.0	1.0	1.0	1.0
5. Services, etc.	..	..	..	..	..	..	45.9	48.2	49.0	47.8	47.4	46.7	46.4	46.3	46.1	46.0	45.9	46.0

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Table 8: National Accounts - Real Growth Rates

	(Actual)								(Projected)									
	1981	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
A.1. GDP at market prices	0.9	-1.0	-2.5	2.6	3.0	2.8	2.6	4.1	3.4	3.6	3.8	4.0	4.4	4.8	5.0	5.0	5.0	5.0
2. Agriculture	-0.9	7.7	-3.5	3.5	2.4	-1.3	-2.0	7.2	5.0	3.5	3.5	3.5	3.6	3.8	4.0	4.0	4.0	4.0
3. Industry	-2.4	-8.8	-7.6	1.5	12.2	8.9	6.3	5.6	2.4	6.5	5.2	4.9	5.5	5.8	5.8	5.8	5.8	5.8
a. Manufacturing	-7.8	-8.3	1.9	2.5	5.4	3.5	5.7	6.7	6.0	5.0	5.5	5.5	5.5	6.0	6.0	6.0	6.0	6.0
b. Construction	-10.2	-3.7	-21.5	-0.9	14.5	6.6	2.5	2.0	6.0	3.0	3.3	3.4	3.5	4.5	4.5	4.5	4.5	4.5
c. Mining and quarrying	3.8	-10.6	-14.4	1.5	19.9	15.1	7.6	5.3	-1.6	8.8	5.3	4.8	5.9	5.9	6.0	6.0	6.0	6.0
d. Gas, Electricity & Water	12.5	-3.8	7.4	-5.9	5.5	5.1	5.4	6.5	4.0	3.0	3.0	3.0	3.5	4.0	4.0	4.0	4.0	4.0
4. Services, etc.	3.5	-0.2	-0.2	2.3	-1.0	1.1	2.9	2.4	1.4	1.1	2.9	3.0	3.9	4.5	4.8	4.9	4.9	4.9
B.1. Imports of GNFS	37.7	41.7	-2.3	8.3	-10.6	11.5	9.6	3.3	0.9	8.6	2.6	1.0	4.5	4.6	4.9	2.5	2.5	2.4
2. Exports of GNFS	-4.1	-5.9	16.1	-2.5	6.1	24.7	15.5	0.7	-0.8	9.5	4.0	3.4	4.4	4.3	3.2	3.0	3.1	3.3
C.1. Total Expenditures	8.5	6.5	-6.3	5.1	-0.7	-1.0	0.1	5.2	4.3	2.8	3.4	3.5	4.4	4.9	5.6	5.1	5.1	5.0
2. Total consumption, etc	10.2	6.6	-4.6	3.2	-1.0	-0.9	-0.3	4.5	4.4	2.5	3.0	3.1	3.8	4.8	5.4	5.0	5.0	4.9
a. General government	-21.0	-28.3	7.9	3.8	20.7	-3.9	3.4	10.3	3.2	-3.1	3.5	3.2	3.5	3.5	3.5	3.5	3.5	3.5
b. Private, etc	16.8	12.7	-6.0	3.1	-3.8	-0.5	-0.8	3.5	4.6	3.4	2.9	3.1	3.8	5.0	5.7	5.3	5.2	5.1
D.1. Gross domestic investment	-1.3	5.9	-33.6	48.3	4.9	-2.3	5.0	15.8	3.7	7.3	8.4	8.5	11.5	6.8	8.3	6.0	6.0	6.1
GDFI	-19.1	-25.7	6.2	11.1	15.4	3.6	1.8	11.0	3.3	7.3	8.5	8.5	11.5	6.8	8.4	6.0	6.1	6.1
i. Nonfin. Pub. Sector	8.4	-31.4	9.6	33.4	25.5	7.3	0.8	10.0	-3.4	0.9	6.0	6.0	5.0	4.0	4.0	4.0	4.0	4.0
ii. Private Sector	-45.2	-19.3	2.9	-11.6	-0.2	-3.6	3.9	12.9	17.1	18.0	12.0	12.0	20.0	10.0	13.0	8.0	8.0	8.0
2. Gross national product	1.0	-3.0	-1.0	4.6	3.2	3.3	3.0	4.6	4.5	3.7	4.1	4.1	4.5	5.0	5.2	5.1	5.1	5.2
3. Gross domestic saving ..1/	-39.4	-50.7	27.1	-3.6	48.4	31.6	19.2	2.6	-1.1	9.7	7.5	8.1	7.1	4.9	3.4	4.9	5.0	5.5
4. Gross national saving ..1/	-56.8	-136.3	155.9	103.0	148.5	66.4	30.6	5.2	5.4	11.9	10.5	9.5	8.3	5.9	4.2	5.6	5.5	6.9
5. Gross domestic income	1.2	-1.0	-7.0	1.4	0.5	0.8	0.2	3.2	2.3	1.6	4.2	4.5	4.5	5.0	5.5	5.5	5.5	5.2
6. Gross national income	1.3	-3.1	-5.9	3.5	0.6	1.2	0.5	3.7	3.5	1.7	4.6	4.7	4.7	5.2	5.8	5.7	5.6	5.4

1/ Excluding terms of trade adjustment

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Table 9: nce of Payments (US$ Millions)

	(Actual)						(Projected)									
	1980	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
A. Exports of GNFS	1023.6	652.7	673.1	868.5	978.4	919.6	832.9	900.8	981.2	1063.9	1156.5	1254.8	1344.8	1440.4	1543.7	1631.9
1. Merchandise (FOB)	942.2	518.7	542.4	723.4	830.7	760.3	665.7	726.1	799.9	878.9	966.8	1060.0	1145.3	1237.0	1336.5	1419.5
2. Non-factor services	81.4	134.0	130.7	145.1	147.7	159.3	167.2	174.7	181.2	185.1	189.8	194.8	199.6	203.4	207.2	212.4
B. Imports of GNFS	795.4	920.5	916.4	1025.8	1130.3	1173.1	1200.9	1353.1	1415.5	1467.5	1583.9	1714.2	1853.8	1959.3	2070.9	2187.6
1. Merchandise (FOB)	678.4	767.2	767.7	861.7	962.7	992.4	1011.3	1150.6	1207.2	1256.2	1368.8	1487.8	1616.4	1718.3	1826.2	1939.2
2. Non-factor services	117.0	153.3	148.7	164.1	167.6	180.7	189.6	202.5	208.3	211.3	215.1	226.4	237.4	241.0	244.7	248.4
C. Resource balance	228.2	-267.8	-243.3	-157.3	-151.9	-253.5	-368.0	-452.2	-434.4	-403.6	-427.3	-459.5	-509.0	-518.9	-527.2	-555.7
D. Net factor income	-295.7	-258.8	-260.0	-249.3	-241.1	-242.5	-201.2	-202.4	-196.4	-201.1	-204.9	-208.2	-209.4	-214.8	-222.1	-217.8
1. Factor receipts	22.1	14.3	15.8	22.1	17.0	22.3	13.5	15.7	22.8	23.1	22.9	22.6	22.2	21.4	20.9	23.0
2. Factor payments	317.8	273.1	275.8	271.4	258.1	264.8	214.7	218.1	219.1	224.2	227.8	230.8	231.6	236.2	243.0	240.8
a. Total interest paid (DRS)	220.2	100.9	121.5	128.2	160.5	142.3	202.1	221.9	234.5	240.9	245.6	254.5	270.9	289.2	308.7	280.9
b. Interest Arrears		119.0	71.0	69.8	73.7	72.7	63.6	42.7	1.8	0.9	0.3	0.0	0.0	0.0	0.0	
c. Other factor payments	97.6	53.2	83.3	73.4	23.9	49.8	-51.0	-46.5	-17.2	-17.6	-18.1	-23.7	-39.3	-53.0	-65.7	-40.1
E. Net current transfers	12.7	17.9	12.8	21.9	21.6	22.5	22.7	25.1	27.4	28.5	29.8	31.4	33.4	35.7	38.1	43.5
F. Current Account Balance																
1. Before official grants	-54.8	-508.7	-490.5	-384.7	-371.4	-473.5	-546.5	-629.5	-603.3	-576.2	-602.4	-636.3	-685.0	-698.0	-711.2	-730.0
2. Official grants	46.8	103.2	123.9	133.9	153.4	160.0	165.5	149.0	162.6	169.1	176.7	186.4	198.6	211.9	226.1	245.2
3. After official grants	-8.0	-405.5	-366.6	-250.8	-218.0	-313.5	-380.9	-480.5	-440.7	-407.1	-425.7	-449.9	-486.4	-486.1	-485.1	-484.8
G. LT Capital Inflows n.e.i.	326.3	206.0	204.9	278.1	142.3	200.3	204.5	281.3	256.7	226.6	308.2	404.8	453.8	455.6	477.9	479.8
1. Direct investment	43.9	36.4	30.0	35.0	35.0	50.0	60.0	70.0	81.0	94.0	109.5	128.0	149.0	173.0	198.0	225.0
2. Net LT Borrowing ..1/	311.5	169.6	174.9	243.1	107.3	150.3	144.5	211.3	175.7	132.6	198.7	276.8	304.8	282.6	279.9	254.8
a. Disbursements (DRS)	456.8	257.2	333.7	381.7	299.7	286.8	342.6	454.1	418.2	422.3	476.4	527.0	551.0	522.3	501.3	456.4
b. Repayments	145.3	87.7	158.7	138.6	192.4	136.6	198.2	242.9	242.4	289.6	277.8	250.2	246.2	239.7	221.4	201.6
3. Other LT inflows (net)	-29.1	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
H. Total Other items (Net)	-222.5	158.5	131.9	-167.1	174.6	203.1	254.8	254.3	204.1	200.5	142.4	70.0	57.6	60.8	56.1	50.4
1. Net ST capital (n.e.i)	-45.2	119.0	-27.1	-90.7	70.6	72.0	175.8	132.2	81.8	80.9	70.3	70.0	57.6	60.8	56.1	50.4
a. Interest arrears ..2/		119.0	71.0	69.8	73.7	72.7	63.6	42.7	1.8	0.9	0.3	0.0	0.0	0.0	0.0	
b. Other Net ST Capital	-45.2	0.0	-98.1	-160.5	-3.1	-0.7	112.2	89.5	80.0	80.0	70.0	70.0	57.6	60.8	56.1	50.4
2. Capital flows n.e.i. ..3/	0.0	55.0	54.2	-49.7	-47.3	1.2	79.0	122.1	122.3	119.6	72.1	0.0	0.0	0.0	0.0	0.0
3. Errors and omissions	-177.3	-15.5	104.8	-26.7	151.3	129.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
I. Changes in net reserves	-95.8	41.0	29.8	139.8	-98.9	-89.8	-78.4	-55.1	-20.1	-20.1	-24.9	-24.9	-25.0	-30.3	-48.9	-45.4
1. Net credit from IMF	96.4	-34.5	42.4	50.6	-11.2	-15.0	13.8	-9.4	-14.3	-23.6	-29.9	-33.3	-41.2	-33.7	-24.4	-12.0
2. Reserve changes (n.e.i)	-192.2	75.5	-12.6	89.2	-87.7	-74.8	-92.2	-45.7	-5.8	3.5	5.0	8.4	16.2	3.4	-24.5	-33.4
3. Escrow account	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
J. As Shares of GDP (current US$)																
1. Resource balance 4/	4.6	-6.2	-5.5	-3.5	-3.4	-5.1	-7.0	-8.3	-7.5	-6.5	-6.5	-6.5	-6.7	-6.3	-6.0	-5.9
2. Interest payments (LT+IMF+ST)	3.5	1.8	2.2	2.1	2.9	2.4	3.3	3.6	3.5	3.4	3.2	3.0	3.0	3.0	2.9	2.5
3. Current account balance	-1.1	-11.8	-11.1	-8.5	-8.3	-9.4	-10.3	-11.5	-10.4	-9.3	-9.1	-9.0	-9.0	-8.5	-8.1	-7.7
4. LT capital inflow	6.5	4.8	4.6	6.2	3.2	4.0	3.9	5.1	4.4	3.7	4.7	5.7	5.9	5.6	5.4	5.1
5. Net credit from the IMF	1.9	-0.8	1.0	1.1	-0.2	-0.3	0.3	-0.2	-0.2	-0.4	-0.5	-0.5	-0.5	-0.4	-0.3	-0.1
K. Foreign Exchange Reserves																
1. Gross reserves including gold.	128.5	424.7	408.8	361.2	363.9	381.0	459.4	514.5	534.6	554.7	579.6	604.5	629.5	659.8	708.7	754.1
2. Gr. reserves in months of imports	1.4	4.3	4.1	3.3	3.1	3.2	3.9	3.9	3.9	3.9	3.8	3.7	3.6	3.6	3.7	3.7
L. Exchange Rates																
1. In nominal terms (LCU/US$)																
a. Average rate	0.0	2.1	2.4	2.7	3.2	3.6	3.9	4.1	4.3	4.4	4.5	4.6	4.8	4.9	5.0	5.1
b. End Year	0.0	2.2	2.4	2.9	3.4	3.7										
2. In real terms																
a. Real Effective Exchange Rate ?	100.0	80.8	74.7	72.4	60.8	62.9										
M. Memorandum Item: GDP (current US$M)	5014.1	4309.7	4422.5	4508.6	4498.8	5019.4	5284.9	5465.2	5818.8	6174.5	6601.9	7093.9	7627.3	8197.7	8812.1	9476.7

1/ 1980-1991, on cash basis; 1992 and thereafter, on accrual basis.
2/ Data available only from 1985 and onwards
3/ Includes unpaid Argentina Gas, change in arrears, net relief of Brazil arrears, debt cancellation and other exceptional financing items..
4/ Note that, for the historical period, there are some inconsistences between these figures and those reported in national accounts.

BOLIVIA

Country Strategy Paper

Table 10: External Debt - Disbursements and Repayments

	(Actual)								(Projected)									
	1980	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
DISBURSEMENTS																		
A. Public & Publicly Guar. LT	440.8	137.1	328.4	257.2	333.7	381.7	299.7	286.8	342.6	454.1	418.2	422.3	476.4	527.0	551.0	522.3	501.3	456.4
1. Official Creditors	194.9	134.8	321.7	232.2	333.7	376.6	290.7	272.2	338.5	451.8	417.6	422.0	476.4	527.0	551.0	522.3	501.3	456.4
a) Multilateral	107.7	73.3	243.2	154.6	257.4	277.0	204.3	197.0	256.5	380.4	346.2	347.7	372.7	392.8	402.6	367.2	351.3	300.8
IDA	1.8	1.7	4.0	41.3	111.5	78.8	48.7	47.9	66.4	80.0	86.8	93.4	98.8	84.9	80.7	63.9	65.0	24.5
IBRD	72.6	10.5	3.3	1.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
b) Bilateral	87.2	61.5	78.6	77.6	76.2	99.5	86.4	75.2	81.9	71.4	71.4	74.3	103.8	134.2	148.4	155.1	150.0	155.6
2. Private Creditors	245.9	2.3	6.7	25.0	0.0	5.1	9.1	14.6	4.2	2.4	0.6	0.3	0.0	0.0	0.0	0.0	0.0	0.0
a) Suppliers	21.8	0.8	6.7	0.0	0.0	1.5	9.1	2.4	1.2	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
b) Financial Markets	57.8	0.0	0.0	25.0	0.0	0.0	0.0	6.6	2.4	1.6	0.6	0.3	0.0	0.0	0.0	0.0	0.0	0.0
o/w: Financial Inst.	57.8	0.0	0.0	25.0	0.0	0.0	0.0	6.6	2.4	1.6	0.6	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
c) Export Credit	166.3	1.5	0.0	0.0	0.0	3.6	0.0	5.6	0.6	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
B. Private Non-Guaranteed LT	16.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
C. Total LT Disbursements (A+B)	456.8	137.1	328.4	257.2	333.7	381.7	299.7	286.8	342.6	454.1	418.2	422.3	476.4	527.0	551.0	522.3	501.3	456.4
D. IMF Purchases	96.4	0.0	134.7	0.0	91.3	56.9	30.8	31.0	50.2	18.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
E. Net Short-Term Capital	-228.0	10.0	45.0	93.0	-171.0	-40.0	-57.0	-8.0	121.9	89.5	80.0	80.0	70.0	70.0	57.6	60.8	56.1	58.0
F. Total Disbursements (C+D+E)	325.2	147.1	508.1	350.2	254.0	398.6	273.5	309.8	514.7	562.3	498.2	502.3	546.4	597.0	608.6	583.1	557.4	514.4
REPAYMENTS ..1/																		
A. Public & Publicly Guar. LT	126.3	148.6	103.6	87.7	158.7	138.6	168.4	111.6	198.2	242.9	242.4	289.6	277.8	250.2	246.2	239.7	221.4	201.6
1. Official Creditors	41.1	135.9	92.4	80.9	127.6	131.8	162.7	106.0	183.0	235.8	237.4	284.0	274.5	247.9	244.2	237.8	220.1	200.3
a) Multilateral	7.2	72.7	71.3	60.8	71.3	110.1	116.9	81.2	92.4	110.4	123.6	144.6	160.1	162.6	158.0	154.0	157.1	142.9
o/w: IBRD	2.6	11.7	17.9	18.6	22.7	18.7	20.9	25.3	22.3	22.8	22.6	22.4	22.9	19.8	14.0	13.3	11.6	0.3
IDA	0.3	1.0	1.0	1.1	1.2	1.4	1.6	1.7	8.2	8.2	2.4	2.4	3.0	4.1	6.3	8.4	10.5	13.0
b) Bilateral	33.9	63.3	21.1	20.1	56.3	21.7	45.8	24.8	90.6	125.4	113.8	139.4	114.3	85.3	86.3	83.8	63.1	57.4
2. Private Creditors	85.2	12.7	11.2	6.8	31.2	6.8	5.8	5.6	15.1	7.0	5.0	5.6	3.3	2.3	2.0	1.9	1.3	1.3
a) Suppliers	28.8	5.0	4.8	2.4	3.0	4.4	3.9	4.7	8.4	5.0	3.2	3.2	1.0	0.3	0.0	0.0	0.0	0.0
b) Financial Markets	48.6	3.9	1.3	2.1	25.9	0.0	0.0	0.0	2.1	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
o/w: Financial Inst.	47.7	3.0	0.5	1.2	25.0	0.0	0.0	0.0	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	0.9	0.9	0.9	0.9	0.9	0.0	0.0	0.0	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
c) Export Credit	7.9	3.8	5.0	2.4	2.2	2.4	1.9	0.8	4.6	1.4	1.3	1.8	1.7	1.4	1.4	1.3	0.7	0.7
B. Private Non-Guaranteed LT	19.0	25.8	0.0	0.0	0.0	0.0	24.0	25.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
C. Total LT Repayments (A+B)	145.3	174.4	103.6	87.7	158.7	138.6	192.4	136.6	198.2	242.9	242.4	289.6	277.8	250.2	246.2	239.7	221.4	201.6
D. IMF Repurchases	0.0	23.5	38.2	34.5	48.9	6.3	42.0	46.0	36.4	28.1	14.3	23.6	29.9	33.3	41.2	33.7	24.4	12.0
E. Total LT Repay + IMF Repurchases	145.3	197.9	141.8	122.2	207.6	144.9	234.4	182.6	234.6	271.0	256.7	313.2	307.7	283.5	287.4	273.4	245.8	213.6

1/ 1980 - 1991, principal paid only.

BOLIVIA
Country Strategy Paper
CSP Table 11: External Debt - Interest and DOD
(US$ Millions at Current Prices)

	(Actual)								(Projected)									
	1980	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
INTEREST ..1/																		
A. Public & Publicly Guar. LT	163.8	99.7	53.5	76.6	96.6	93.3	116.5	107.0	138.3	160.8	165.6	168.5	169.6	174.7	187.0	201.5	218.3	233.9
1. Official Creditors	42.2	77.1	50.2	73.0	91.7	88.1	114.1	104.4	133.0	157.0	162.3	165.5	166.4	172.0	184.6	199.3	216.2	231.8
a) Multilateral	21.2	35.9	43.2	51.4	61.1	67.7	69.0	74.5	85.5	92.8	102.8	109.5	114.4	120.9	131.6	143.9	157.0	168.7
o/w: IBRD	10.5	15.6	19.6	20.2	19.8	17.9	15.3	16.3	13.6	11.8	9.9	8.1	6.2	4.4	2.9	1.8	0.7	0.0
IDA	0.5	0.8	0.7	1.2	1.7	2.0	2.5	3.0	3.7	4.2	4.6	5.2	5.9	6.6	7.3	7.9	5.4	8.8
b) Bilateral	21.0	41.2	7.0	21.6	30.6	20.5	45.1	29.9	47.6	64.1	59.5	56.0	51.9	51.1	53.1	55.4	59.2	63.2
2. Private Creditors	121.6	22.6	3.3	3.6	4.9	5.2	2.4	2.6	5.2	3.8	3.3	3.0	3.2	2.7	2.3	2.2	2.1	2.1
a) Suppliers	13.2	0.6	1.2	0.8	0.8	2.0	1.6	1.2	1.4	0.8	0.5	0.3	0.7	0.2	0.0	0.0	0.0	0.0
b) Financial Markets	98.2	1.4	1.2	1.9	3.5	0.0	0.6	0.9	1.6	1.0	0.9	0.9	0.9	0.9	0.9	0.8	0.8	0.8
o/w: Financial Inst.	94.8	0.3	0.1	0.0	1.7	0.0	0.6	0.9	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	3.4	1.1	1.1	1.9	1.9	0.0	0.0	0.0	1.0	1.0	0.9	0.9	0.9	0.9	0.9	0.8	0.8	0.8
c) Export Credit	10.2	20.6	0.9	1.0	0.6	3.2	0.2	0.6	2.2	2.0	1.9	1.8	1.7	1.6	1.5	1.4	1.3	1.2
B. Private Non-Guaranteed LT	9.4	57.5	45.0	0.0	0.0	0.0	14.0	12.0	36.2	36.9	37.9	38.6	39.4	40.2	41.0	41.8	40.0	0.0
C. Total LT Interest (A+B)	173.2	157.2	98.5	76.6	96.6	93.3	130.5	119.0	174.5	197.7	203.5	207.1	209.0	214.9	228.0	243.3	258.3	233.9
D. IMF Service Charges	2.5	5.4	4.3	8.8	8.7	14.7	16.0	13.3	9.0	5.0	4.0	3.9	3.7	3.6	3.3	3.2	3.1	3.0
E. Interest Paid on ST Debt	44.5	5.0	6.2	15.5	16.2	20.2	14.0	10.0	18.6	19.2	27.0	29.9	32.9	36.0	39.6	42.7	47.3	44.0
F. Total Interest Paid (C+D+E)	220.2	167.6	109.0	100.9	121.5	128.2	160.5	142.3	202.1	221.9	234.5	240.9	245.6	254.5	270.9	289.2	308.7	280.9
DEBT OUTSTANDING & DISB (DOD)																		
A. Public & Publicly Guar. LT	2181.6	3511.4	4070.2	4621.3	4139.8	3428.8	3681.4	3523.4	3652.9	3653.8	3829.5	3962.1	4160.8	4437.6	4742.4	5025.0	5283.9	5538.1
1. Official Creditors	1095.8	2087.8	2749.6	3504.5	3610.0	3078.4	3356.3	3218.9	3365.2	3580.5	3760.7	3898.6	4100.6	4379.7	4686.5	4971.0	5231.1	5487.2
a) Multilateral	447.2	724.1	941.5	1104.6	1291.4	1440.0	1592.4	1718.1	1882.2	2152.1	2374.7	2577.7	2790.3	3020.5	3265.1	3478.4	3651.5	3809.4
o/w: IBRD	175.3	207.0	234.7	270.1	227.9	199.2	193.7	171.9	149.6	126.8	104.2	81.8	58.9	39.1	25.1	11.9	0.3	0.0
IDA	63.8	94.4	97.4	141.0	249.3	324.9	393.3	443.2	501.4	573.2	657.6	748.6	844.4	925.2	999.6	1055.1	1088.6	1100.0
b) Bilateral	648.6	1363.6	1808.2	2399.8	2318.6	1638.4	1763.9	1500.8	1483.0	1428.4	1386.0	1320.9	1310.3	1359.2	1421.3	1492.6	1579.6	1677.8
2. Private Creditors	1085.7	1423.6	1320.6	1116.8	529.8	350.4	325.2	304.5	287.7	73.3	68.8	63.5	60.2	57.9	55.9	54.0	52.7	50.9
a) Suppliers	152.8	110.0	85.9	86.4	55.4	40.9	42.1	26.3	18.1	13.6	10.5	7.3	6.3	6.0	6.0	6.0	6.0	6.0
b) Financial Markets	681.5	939.2	931.8	955.7	427.2	268.6	248.3	244.7	241.9	33.1	33.1	32.7	32.1	31.5	30.9	30.2	29.6	28.5
o/w: Financial Inst.	608.0	901.6	895.1	919.8	392.2	233.6	213.3	209.7	209.9	1.7	2.3	2.6	2.6	2.6	2.6	2.6	2.6	2.1
Bonds	73.4	37.7	36.8	35.9	35.0	35.0	35.0	35.0	32.0	31.4	30.7	30.1	29.5	28.9	28.3	27.7	27.1	26.4
c) Export Credit	251.5	374.4	302.9	74.7	47.2	40.9	34.8	33.6	27.7	26.6	25.3	23.5	21.8	20.4	19.1	17.8	17.1	16.4
B. Private Non-Guaranteed LT	92.0	555.0	555.0	200.0	200.0	200.0	177.0	152.0	152.0	152.0	152.0	152.0	152.0	152.0	152.0	152.0	152.0	152.0
C. Total LT Debt (A+B)	2273.6	4066.4	4625.2	4821.3	4339.8	3628.8	3858.4	3675.4	3804.9	3805.8	3981.5	4114.1	4312.8	4589.6	4894.4	5177.0	5435.9	5690.1
D. Use of IMF Credit	126.3	82.2	192.3	185.7	208.8	237.0	256.8	241.8	255.6	246.2	231.9	208.3	178.4	145.1	103.9	70.2	45.8	33.8
E. Short-Term Debt	300.0	656.1	757.3	829.2	352.6	254.9	154.0	155.0	128.2	217.7	297.7	377.7	447.7	517.7	575.3	636.1	692.2	750.2
F. Total External Debt (C+D+E)	2699.9	4804.7	5574.8	5836.2	4901.2	4120.7	4269.2	4072.2	4188.7	4269.7	4511.1	4700.1	4938.9	5252.4	5573.6	5883.3	6173.9	6474.1

1/ 1980-1991, on cash basis.

Bolivia
Country Strategy Paper
Table 12: External Debt - Net Disbursement & Percent Distribution of DOD

	(Actual)								(Projected)									
	1980	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
NET DISBURSEMENTS ..1/																		
A. Public & Publicly Guar. LT	314.5	-11.6	224.8	169.6	174.9	243.1	131.3	175.3	144.5	211.3	175.7	132.6	198.7	276.8	304.8	282.6	279.9	254.8
1. Official Creditors	153.8	-1.1	229.3	151.4	206.1	244.8	128.0	166.2	155.4	215.9	180.2	138.0	201.9	279.1	306.8	284.5	281.2	256.1
a) Multilateral	100.5	0.7	171.9	93.8	186.2	166.9	87.4	115.8	164.1	269.9	222.6	203.1	212.5	230.2	244.7	213.2	194.2	157.9
IDA	1.5	0.7	3.0	40.3	110.4	77.4	47.1	46.2	58.1	71.8	84.4	91.0	95.8	80.8	74.4	55.5	54.5	11.4
IBRD	70.0	-1.2	-14.6	-16.6	-22.7	-18.7	-20.9	-25.3	-22.3	-22.8	-22.6	-22.4	-22.9	-19.8	-14.0	-13.3	-11.6	-0.3
b) Bilateral	53.2	-1.8	57.4	57.6	19.9	77.9	40.6	50.4	-8.7	-54.0	-42.4	-65.1	-10.6	48.9	62.1	71.3	86.9	98.2
2. Private Creditors	160.7	-10.4	-4.5	18.2	-31.2	-1.7	3.3	9.1	-10.9	-4.7	-4.4	-5.3	-3.3	-2.3	-2.0	-1.9	-1.3	-1.3
a) Suppliers	-6.9	-4.2	1.9	-2.4	-3.0	-2.9	5.2	-2.3	-7.2	-4.5	-3.2	-3.2	-1.0	-0.3	0.0	0.0	0.0	0.0
b) Financial Markets	9.2	-3.9	-1.3	22.9	-25.9	0.0	0.0	6.6	0.3	1.0	0.0	-0.3	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6
o/w: Financial Inst.	10.1	-3.0	-0.5	23.8	-25.0	0.0	0.0	6.6	0.9	1.6	0.6	0.3	0.0	0.0	0.0	0.0	0.0	-0.5
Bonds	-0.9	-0.9	-0.9	-0.9	-0.9	0.0	0.0	0.0	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6
c) Export Credit	158.4	-2.3	-5.0	-2.4	-2.2	1.2	-1.9	4.7	-4.0	-1.1	-1.3	-1.8	-1.7	-1.4	-1.4	-1.3	-0.7	-0.7
B. Private Non-Guaranteed LT	-3.0	-25.8	0.0	0.0	0.0	0.0	-24.0	-25.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
C. Total LT Disbursements (A+B)	311.5	-37.4	224.8	169.6	174.9	243.1	107.3	150.3	144.5	211.3	175.7	132.6	198.7	276.8	304.8	282.6	279.9	254.8
D. IMF Purchases	96.4	-23.5	96.5	-34.5	42.4	50.6	-11.2	-15.0	13.8	-9.4	-14.3	-23.6	-29.9	-33.3	-41.2	-33.7	-24.4	-12.0
E. Net Short-Term Capital	-228.0	10.0	45.0	93.0	-171.0	-40.0	-57.0	-8.0	121.9	89.5	80.0	80.0	70.0	70.0	57.6	60.8	56.1	58.0
F. Total Disbursements (C+D+E)	179.9	-50.9	366.3	228.1	46.3	253.7	39.1	127.3	280.2	291.4	241.4	189.0	238.8	313.5	321.2	309.7	311.6	300.8
PERCENT DISTRIBUTION OF DOD																		
A. Public & Publicly Guar. LT	80.8	73.1	73.0	79.2	84.5	83.2	86.2	86.5	87.2	85.6	84.9	84.3	84.2	84.5	85.1	85.4	85.6	85.5
1. Official Creditors	40.6	43.5	49.3	60.0	73.7	74.7	78.6	79.0	80.3	83.9	83.4	82.9	83.0	83.4	84.1	84.5	84.7	84.8
a) Multilateral	16.6	15.1	16.9	18.9	26.3	34.9	37.3	42.2	44.9	50.4	52.6	54.8	56.5	57.5	58.6	59.1	59.1	58.8
o/w: IBRD	6.5	4.3	4.2	4.6	4.7	4.8	4.5	4.2	3.6	3.0	2.3	1.7	1.2	0.7	0.5	0.2	0.0	0.0
IDA	2.4	2.0	1.7	2.4	5.1	7.9	9.2	10.9	12.0	13.4	14.6	15.9	17.1	17.6	17.9	17.9	17.6	17.0
b) Bilateral	24.0	28.4	32.4	41.1	47.3	39.8	41.3	36.9	35.4	33.5	30.7	28.1	26.5	25.9	25.5	25.4	25.6	25.9
2. Private Creditors	40.2	29.6	23.7	19.1	10.8	8.5	7.6	7.5	6.9	1.7	1.5	1.4	1.2	1.1	1.0	0.9	0.9	0.8
a) Suppliers	5.7	2.3	1.5	1.5	1.1	1.0	1.0	0.6	0.4	0.3	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
b) Financial Markets	25.2	19.5	16.7	16.4	8.7	6.5	5.8	6.0	5.8	0.8	0.7	0.7	0.6	0.6	0.6	0.5	0.5	0.4
o/w: Financial Inst.	22.5	18.8	16.1	15.8	8.0	5.7	5.0	5.1	5.0	0.0	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Bonds	2.7	0.8	0.7	0.6	0.7	0.8	0.8	0.9	0.8	0.7	0.7	0.6	0.6	0.6	0.5	0.5	0.4	0.4
c) Export Credit	9.3	7.8	5.4	1.3	1.0	1.0	0.8	0.8	0.7	0.6	0.6	0.5	0.4	0.4	0.3	0.3	0.3	0.3
B. Private Non-Guaranteed LT	3.4	11.6	10.0	3.4	4.1	4.9	4.1	3.7	3.6	3.6	3.4	3.2	3.1	2.9	2.7	2.6	2.5	2.3
C. Total LT Debt (A+B)	84.2	84.6	83.0	82.6	88.5	88.1	90.4	90.3	90.8	89.1	88.3	87.5	87.3	87.4	87.8	88.0	88.0	87.9
D. Use of IMF Credit	4.7	1.7	3.4	3.2	4.3	5.8	6.0	5.9	6.1	5.8	5.1	4.4	3.6	2.8	1.9	1.2	0.7	0.5
E. Short-Term Debt	11.1	13.7	13.6	14.2	7.2	6.2	3.6	3.8	3.1	5.1	6.6	8.0	9.1	9.9	10.3	10.8	11.2	11.6
F. Total External Debt (C+D+E)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

1/ 1980 - 1991, on cash basis.

Bolivia
ountry Strategy Paper
Table .3: IBRD and IDA Debt Indicators

	(Actual)								(Projected)									
	1980	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
IBRD																		
Disbursements	72.6	10.5	3.3	1.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments	2.6	11.7	17.9	18.6	22.7	18.7	20.9	25.3	22.3	22.8	22.6	22.4	22.9	19.8	14.0	13.3	11.6	0.3
Interest	10.5	15.6	19.6	20.2	19.8	17.9	15.3	16.3	13.6	11.8	9.9	8.1	6.2	4.4	2.9	1.8	0.7	0.0
Stock	175.3	207.0	234.7	270.1	227.9	199.2	193.7	171.9	149.6	126.8	104.2	81.8	58.9	39.1	25.1	11.9	0.3	0.0
IDA																		
Disbursements	1.8	1.7	4.0	41.3	111.5	78.8	48.7	47.9	66.4	80.0	86.8	93.4	98.8	84.9	80.7	63.9	65.0	24.5
Repayments	0.3	1.0	1.0	1.1	1.2	1.4	1.6	1.7	8.2	8.2	2.4	2.4	3.0	4.1	6.3	8.4	10.5	13.0
Interest	0.5	0.8	0.7	1.2	1.7	2.0	2.5	3.0	3.7	4.2	4.6	5.2	5.9	6.6	7.3	7.9	5.4	8.8
Stock	63.8	94.4	97.4	141.0	249.3	324.9	393.3	443.2	501.4	573.2	657.6	748.6	844.4	925.2	999.6	1055.1	1088.6	1100.0
IBRD & IDA																		
Disbursements	74.4	12.2	7.3	43.2	111.5	78.8	48.7	47.9	66.4	80.0	86.8	93.4	98.8	84.9	80.7	63.9	65.0	24.5
Repayments	2.9	12.7	18.9	19.6	23.8	20.1	22.5	27.0	30.5	31.0	25.0	24.8	25.9	23.9	20.3	21.7	22.0	13.3
Net Disbursement	71.5	-0.5	-11.6	23.6	87.7	58.7	26.2	20.8	35.8	49.0	61.8	68.6	72.9	61.0	60.4	42.2	43.0	11.2
Interest	10.9	16.4	20.4	21.3	21.5	19.9	17.8	19.2	17.3	15.9	14.5	13.3	12.1	11.0	10.2	9.7	6.1	8.8
Net Flow	60.5	-16.8	-32.0	2.3	66.2	38.8	8.4	1.6	18.5	33.1	47.3	55.3	60.8	50.0	50.2	32.5	36.9	2.4
Stock	239.1	301.4	332.1	411.1	477.3	524.0	587.0	615.2	651.0	700.0	761.8	830.4	903.3	964.3	1024.7	1066.9	1088.8	1100.0
IBRD & IDA Debt Service																		
Total in US$M	13.8	29.1	39.3	40.9	45.3	40.0	40.3	46.3	47.8	47.0	39.5	38.1	38.0	34.8	30.5	31.5	28.1	22.1
As Percent of Export of G&S	1.3	3.9	5.5	6.1	6.6	4.5	4.0	4.9	5.6	5.1	3.9	3.5	3.2	2.7	2.2	2.2	1.8	1.3
As Share of GDP	0.3	0.6	1.0	1.0	1.0	0.9	0.9	0.9	0.9	0.9	0.7	0.6	0.6	0.5	0.4	0.4	0.3	0.2
As Share of Total Debt Service 1/	3.8	6.8	12.3	7.5	9.4	9.6	7.0	9.1	8.0	8.2	7.9	6.8	6.8	6.5	5.5	5.6	5.1	4.5
As Share of PPG Debt Service 1/	4.8	9.4	17.5	8.4	11.1	10.7	8.7	11.4	9.6	9.7	9.4	8.2	8.4	8.2	7.1	7.1	6.4	5.1
As Share of Multilateral Debt Service	48.8	26.8	34.3	36.5	34.2	22.5	21.7	29.7	26.9	23.1	17.5	15.0	13.9	12.3	10.6	10.6	9.0	7.1
Prefered Creditors' Debt Service																		
Prefered Debt Service in US$M	28.4	108.6	114.5	112.1	132.3	177.8	186.0	155.6	177.9	203.3	226.4	254.1	274.6	283.5	289.5	297.8	314.1	311.6
Pref. Debt Service/PPG Debt Service 1/	9.8	35.0	51.0	23.0	32.5	47.4	40.2	38.4	35.6	41.8	54.1	54.4	60.9	66.7	66.8	67.5	71.4	71.5
Total External Debt Indicators																		
Total DOD/GDP	53.8	93.9	143.6	135.4	110.8	91.4	94.9	81.1	79.3	78.1	77.5	76.1	74.8	74.0	73.1	71.8	70.1	68.3
Total Debt Service/Exports 1/	34.9	58.0	44.4	81.9	69.9	46.7	57.5	54.3	70.9	62.8	50.0	51.8	47.2	42.1	40.8	38.5	35.4	29.9
Total Debt Service/GDP 1/	7.3	8.4	8.2	12.7	10.9	9.2	12.7	10.2	11.4	10.5	8.6	9.1	8.4	7.6	7.3	6.9	6.3	5.2
IBRD & IDA Stock of Debt																		
As Share of Total External Debt	8.9	6.3	6.0	7.0	9.7	12.7	13.7	15.1	15.5	16.4	16.9	17.7	18.3	18.4	18.4	18.1	17.6	17.0
As Share of Total Exports of G&S	22.9	40.9	46.3	61.6	69.3	58.8	59.0	65.3	76.9	76.4	75.9	76.4	76.6	75.5	75.0	73.0	69.6	66.5

1/ Includes debt service due but rescheduled by bilateral creditors.

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

BARBER B. CONABLE
President

EGVA
BK
File

August 3, 1989

Mr. Moeen A. Qureshi

Bolivia CSP

Moeen:

This CSP appropriately describes the significant stabilization effort undertaken by the Bolivian Government since 1985. It also presents a dim growth scenario over the period considered, with no increase in per capita income. While the CSP is informative and well-written, it could be enhanced by including the Bank response to each of the proposed scenarios.

In pursuing the suggested strategy, the following points should be taken into consideration:

(a) The proposed increased IDA lending level is predicated upon sustained strong policy performance. The CSP should be more explicit on the lending levels associated with each of the scenarios and their trigger points.

(b) The decline of the agricultural sector must be reversed. The lending program should ensure that sufficient support is provided for the development of the agricultural sector, as a means to diversify long-term growth prospects and contribute to poverty alleviation.

(c) Institutional strengthening efforts should be vigorously pursued in order to improve the Country's public investment and implementation capacity.

(d) The Bank poverty alleviation program should strive to reach the poorest segments of the population and to reduce significant existing social inequalities.

(e) A specific environmental action program should be developed and integrated in the Country Strategy based on the ongoing Environmental Issues Paper.

Barber Conable

cc: Members, President's Council
Messrs. Dubey, Husain, Fischer, Loh, Shakow, Vergin
Mme. Marshall

PC Copy PC Review 8/2/89

THE WORLD BANK
OPERATIONS COMMITTEE

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BOLIVIA

COUNTRY STRATEGY PAPER

Postscript

106. The Operations Committee met on July 17, 1989 to discuss the CSP for Bolivia which proposed a lending program of $410 million over the 1990-94 period. The discussion broadly followed the agenda prepared by the Economic Advisory Staff.

107. The discussion focussed on the uncertainties affecting adjustment program. These include the forthcoming political change, the volatility of tin and gas prices, and the difficulties of receiving payment from gas sales to Argentina. The success of the recent stabilization effort was noted as well as the fact that supply responses have yet to occur on a significant scale. The Chairman suggested that the priorities of the Bank's program should be presented on a more selective basis, and that the trigger points for revising the lending program should be indicated in more specific terms. He also stated that if the availability of IDA funds at the level indicated in the CSP cannot be assured, the overall lending strategy would need to be reviewed.

108. The issue of growth versus poverty while generating a reasonable growth scenario was addressed. For this the policy reform process needs to be deepened with a switch to the productive sectors to help remove supply side constraints. The poverty impact was being strengthened not by proposing increases in expenditure on the social sectors but rather by reallocations of current levels of expenditure towards the poor. It was noted that there are major environmental as well as financial costs to establishing a new growth pole through agricultural development in the lowlands. The Chairman agreed that environmental concerns should be emphasized in the program for bringing new lowland areas into cultivation.

109. The interaction between the coca cultivation, the drug economy and the economic prospects were discussed. It was noted that increased coca leaf production in neighboring countries coupled with reduced demand is likely to lead to a significant decline in Bolivia's foreign exchange earnings from coca now estimated at US$500-600 million per year. Alternative sources of growth are essential. The need for looking into the costs and benefits of moving away from coca, not just in Bolivia but in the LAC region more generally, was discussed. However, the magnitude of the problem and the Bank's ability to carry out such a study was questioned.

110. With respect to debt and finance, the advantages of debt buy-backs were noted, and questions were raised about what would happen if the assumed IDA allocations were not forthcoming. It was noted that IDB funds cannot substitute easily because soft terms are currently only available for social projects. It was suggested that any proposal for debt reduction should look not just at commercial debt but at the overall debt structure and debt management strategy, including the possibilities of obtaining Toronto terms for Bolivia.

111. As regards the proposal to raise the current ceiling on project cost-sharing, the Chairman stated that the present ceiling should be maintained. The subject, he felt, needs to be reviewed by the Central Operations Department on a cross-country basis.

ARay:vlw
July 17, 1989

LIST OF PERSONS ATTENDING THE OPERATIONS COMMITTEE MEETING

BOLIVIA - COUNTRY STRATEGY PAPER

MONDAY, JULY 17, 1989 AT 10:30 A.M. IN ROOM E-1243

Committee Members

Messrs.	A. Karaosmanoglu	- Chairman
	A. Stoutjesdijk	- EMNVP
	S. O'Brien	- AFRVP
	J. Linn	- DECVP
	D. Goldberg	- LEGVP
	J. Wood	- FPRVP
	H. Vergin	- OPNSV

Other Attendees

Messrs. V. Dubey (EAS)
A. Ray (EAS)
E. Barandiaran (LACVP)
P. Loh (LA3DR)
K. Marshall (LA3C1)
W. Shaw (LA3C1)
S. Jorgensen (LA3C1)
R. Drysdale (LA3HR)
T. Thahane (SEC)
O. Yenal (ASIVP)
M. Molares (LEGLA)
A. Heron (CODOP)
F. Lysy (LA3C1)
E. Wetzler (CL2C1)

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: July 10, 1989

TO: Operations Committee

FROM: Anandarup Ray, Acting Director, EAS

EXTENSION: 78073

SUBJECT: BOLIVIA - Country Strategy Paper - Agenda

1. The Operations Committee will meet on Monday, July 17, 1989, at 10:30 a.m., in Room E-1243, to discuss the Country Strategy Paper for Bolivia.

2. At the time the administration of President Paz Estenssoro came to power in 1985, Bolivia was in a deep crisis. GDP had dropped by about 25% since 1980 and the inflation rate exceeded 20,000 percent per year. The economy was highly controlled, there were severe trade and payments restrictions, and large external arrears. The economic recovery program that Estenssoro initiated in late 1985 succeeded in stabilizing the economy, and there was some GDP growth in 1987 and 1988 after many years of decline. However, the decline in per capita consumption levels has not yet been arrested.

3. There has been some policy slippage during the last year. Inflation was 21.5% in 1988 rather than the programmed 12.5%, and the real exchange rate appreciated, albeit by a small amount. There were large net capital outflows in 1988. The fiscal deficit widened during the first quarter of this year. Planned reductions in average tariff levels have been postponed, there have been delays in adjusting public sector prices, the program to privatize some of the public enterprises has made little progress, and the planned improvements in incentives for private sector investments have not been completed. With the new administration scheduled to take office in August, the CSP correctly identifies the "viability and durability of the present Government's achievements" as the major concern at this point.

Issues

4. This CSP presents four "scenarios" to illustrate the possible effects of different degrees of policy effort (Table 1). In addition to the conventional "base" and "low" cases, two upside and downside extremes have been added. These do not indicate Bolivia's vulnerability to external shocks, however. There is another scenario in Table 6, which reflects the possible effects of a 25% drop in the prices of tin and natural gas. This is the only external contingency considered. There are several sets of issues that the Committee might consider with reference to these quantitative illustrations:

- the realism of the base case. The Region's base case is more conservative than the one adopted by the IMF due to more

conservative assumptions on Argentina's willingness to pay for natural gas and on capital inflows. Nonetheless the Region might comment on how confident we can be regarding the acceleration of the growth rate in the near term. In particular, the Region might comment on (a) the prospects for 3.5% growth in 1989 and 4% growth in 1990, given the emerging needs for controlling aggregate demand; (b) the realism of a 10% growth rate in non-traditional exports during 1989-97 (past data are not provided for that group); and (c) the jumps in domestic savings and investments (over 40%) assumed in the base case during 1988-90. One notes that the declining trend in private investments during the 1980s has barely been reversed. Annex 4 indicates high optimism regarding marginal savings rates; it also suggests possible optimism regarding the ICOR;

- "acceptability" of the base case and policy leverage. While the Region characterizes the base case as "acceptable", one must note that it implies continuously declining per capita consumption levels until 1997. This implication of the base case also raises questions regarding its viability. However, the Region also believes in the high potency of better policies, as a comparison of the base case with the "high" case shows. The Region has identified two crucial policy variables in this context: better incentives for private sector investments and rapid improvements in public sector administration. Can the Region specify concrete measures that the new administration should take to move towards the "high" case, in contrast to the base-case measures we have included in the draft PFP? What can be done, for example, to rapidly improve Bolivia's ability to use external resources (undisbursed commitments of foreign aid totals $1 billion at this time)? What can the Bank and the other donors do by way of technical assistance? Do the Bank and the IMF agree on the additional policy measures required in the "high" case, and are they to be discussed with the Government in the PFP context?

- downside scenarios. The two downside scenarios reflect policy slippages. In the "low" case, IDA will respond to policy slippages by adopting the "core" program shown in Annex 1B, and in the very low "disaster" case lending will cease. But these two cases do not fully reflect risks because Bolivia is also extremely vulnerable to adverse external shocks: a combination of a 25% price drop with only moderate policy slippages can, for example, lead to very adverse results. Another important source of risk is Argentina's ability or willingness to make timely payments on natural gas and to renew the contract at favorable terms. The Region might elaborate upon (a) the overall risk of Bolivia getting into non-accrual status with IDA; (b) anything the Bank and the Fund can do to moderate the impact of adverse external shocks, such as helping to create a fund for stabilizing export earnings; and (c) the appropriateness of the planned "core" program. While the importance of fighting poverty can hardly be exaggerated, it may be more appropriate to design a highly-productive, foreign- exchange earning core program instead. This

is because per capita incomes would be declining rapidly in the core-program scenario, and specializing on social projects would be like running up a down escalator; there would also be a serious default risk in that scenario;

- level of concessional assistance. Bolivia's performance during the last four years has generally been highly rated, but access to concessional finance may not have been fully commensurate; it has not, for example, received Toronto terms or debt cancellations. Even within IDA its "norm" share is less than it would be without the Africa pre-allocation. The Region might explain what the financing gap is and what our assumptions are regarding sources of finance and burden-sharing, especially if adverse contingencies occur. With respect to IDA, the Region's proposal for an annual average of US$82 million beginning in 1990 is considerably higher than the annual average recommended by SPR/OPS. One issue is whether the higher size would be justified; another is whether we should plan for a graduated response. If Bolivia's performance improves, we might want to be able to respond with higher levels of IDA. We might therefore plan on a smaller level in the base case;

- debt strategy and debt buy-back. The CSP mentions "distinct advantages" to extinguishing the remaining commercial bank debt through new buy-back operations (page ii), but the advantages are not spelled out. Since Bolivia has not serviced commercial bank debt since 1984, and, according to the CSP, will not be able to afford new commercial borrowings for a long time, the Region might explain the benefits of another buy-back at this time. This is important because Bolivia would be a candidate for additional IDA resources from the proposed debt-reduction fund;

5. In addition to these issues, the Committee might also wish to focus on the following:

- the CSP puts great emphasis on income-redistribution and poverty-redressal objectives. The sharp disparities in income and social development between the elite and the poor Indian populations, as well as absolute poverty, have become accentuated due to the overall decline of the economy. How are poverty-alleviation and equity objectives specifically pursued within the operations proposed in the lending program? How are these objectives reflected in Bolivia's current and capital expenditure programs? In view of the great need to raise savings, investments and growth, what is the scope for social programs that are complementary to growth?

- the CSP proposes financing of up to 85% of project costs, with a maximum of 90% taking cofinancing into account. This is only a modest increase from the current ceiling of 80% without cofinancing, but the proposal is not explained at all in the paper. There are many countries with similar or lower per capita incomes with lower ceilings on project cost-sharing. For example,

the Philippines, Sri Lanka, Ghana and Nigeria have ceilings on cost-sharing of 75%;

- the importance of the drug traffic for the Bolivian economy. It is noted that total recorded receipts from cocaine exports is probably as large as all other exports. It is not clear, however, how the cocaine issue has been reflected in the projections. Furthermore, the Committee might consider whether our posture on the cocaine trade has been appropriate;

- to what extent environmental concerns feature or should feature in our policy dialogue and lending operations?

6. The Committee might recommend a CSP update early next year after we ascertain the plans and capabilities of the new administration.

OC Members

Messrs. Qureshi, Husain, Jaycox, Karaosmanoglu, Thalwitz, Rajagopalan, Fischer, Shihata, Wood, Vergin.

cc: Messrs. Lee, COD; Shakow, Liebenthal, SPR; Holsen, CEC; Rao, Steer, FRS; Burmester/Thahane, SEC; Baudon, OPNSV; Hopper, PPR; Bock, DFS; Goldberg, LEGOP; Kavalsky, FRM; Parmar, CIO; Pfeffermann, CEI; Baneth, IEC; Robless, OPNSV; (Ms.) Haug, Tanaka, EXC; Aguirre-Sacasa, EXT; Selowsky, Loh, (Ms.) Marshall, Miovic, Potashnik, LAC.

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BOLIVIA

COUNTRY STRATEGY PAPER

July 21, 1989

Latin America and Caribbean Region
Country Department III
Country Operations Division 1

BOLIVIA

COUNTRY STRATEGY PAPER

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SUMMARY AND CONCLUSIONS

(i) Bolivia faces formidable challenges in the decade ahead. Long-standing poverty problems, accentuated by sharp gaps between the elite (generally white/mestizo) and the poor Indian populations, have worsened in recent years with overall economic decline and crises, followed by rigorous stabilization and adjustment measures. Bolivia's traditional exports face uncertain future prospects, necessitating a fundamental realignment of the economy towards a new sectoral balance and different development strategies. The problems of Latin America, particularly those of Bolivia's neighbors, limit trade possibilities or lend uncertainty to them. Even optimistic scenarios assume tight economic management and show slow resumption of growth in this century. Paradoxically, the country's political situation, once turbulent and unpredictable, now gives some grounds for optimism. Despite a history marked by frequent changes of government and swings in economic policy, Bolivia has completed nearly four years with strong economic management under a democratic regime. It has followed consistently bold, coherent economic stabilization programs premised on the vision of a fundamental change in economic strategy: reliance on private sector growth. Bolivia's presidential election on May 7 appears to have affirmed the nation's commitment to the basic objectives of recent economic management and thus provides a foundation for continuation and deepening of those policies when a new Government takes office in August, 1989.

(ii) The past four years have been dominated by contending with the acute economic crisis which the Government inherited in 1985. The policies of the 1970s, a period of apparent prosperity which saw heavy external borrowing and misinvestment, set the stage for crisis. They were succeeded by incoherent and misguided efforts in the early 1980s that exacerbated the problems: mismanagement of exchange rate and financial sector policies, failure to arrest the erosion of the tax base (collections were 0.9% of GDP in 1984), and still further increases in the already complex web of price controls, subsidies, and direct state production activities. The emergence of the cocaine economy as a major force during this period complicated the picture from both domestic and international perspectives. By 1985, the situation was untenable: inflation was running at over 24,000%, and the public sector deficit exceeded 23% of GDP. GDP fell in real terms by 10% from 1980 to 1985, and per capita income dropped by as much as a third. Bolivia faced a breakdown in its formal economy and in its public service; capital fled and investment halted. Bolivia's economic decline in the mid-80s can be seen as one of the world's greatest economic disasters.

(iii) Since August 1985, President Paz Estenssoro has charted the course for Bolivia's recovery from crisis. His Government immediately introduced a stabilization program which abruptly halted hyperinflation and set the stage for far reaching economic reforms under a New Economic Policy. This policy entailed measures to liberalize trade and financial markets and provided an incentive structure conducive to private sector development. The Government also overhauled the tax system to mobilize revenue (reducing some 400 taxes to nine) and set about to reduce the state's role in the economy by eliminating some state enterprises and scaling down others. Stabilization and adjustment measures, however, raised unemployment and accentuated already acute social problems. It became increasingly apparent that long-standing poverty problems must be addressed as the centerpiece of the economic

strategy, both to guarantee short term social and political viability and because Bolivia's long term future cannot be assured without developing its human resources through better education and health systems. Thus, the central challenge for the next Government is to shift the sights from crisis management and stabilization to address Bolivia's underlying development problems and to implement the long term strategy which has been so well defined in the past four years.

(iv) Bolivia's future development strategy, which has been an intensive and explicit preoccupation of the present Government, involves first, a new concept of the respective roles of the state and the private sector, with the stress on the dominant role of the private sector and the development of a market economy; second, changes in the sectoral focus of production and exports, away from the heavy preponderance of tin and natural gas; and third, recognition that the reduced public sector apparatus must be revitalized. Poverty alleviation, employment generation, and better social services have taken on increasing importance in the strategy over the past two years. The viability and durability of the present Government's achievements are now the central issues. Whether the economic program is sustained will depend on many factors, domestic and foreign: these include future action to address Bolivia's external debt problems, external support for Bolivia in this critical transitional period, Argentina's ability and willingness to pay for Bolivian natural gas shipments, future mineral prices, progress in negotiating trade agreements with Brazil, Bolivia's political stability, and progress in developing Bolivia's human resources. Bolivia's dilemma is that, over the next decade, it can achieve a minimally-acceptable rate of growth only with excellent economic management, strong external support on highly concessional terms, and a good measure of luck. The only avenue to success lies with strict adherence to policies assuring macroeconomic stability and the liberal incentives structure introduced since 1985. Even with good policy performance, the high debt burden, low savings, heavy dependence on a few primary product exports, and deep-seated inefficiencies mean reasonable growth rates are barely assured.

(v) Bolivia's long term public and publicly guaranteed external debt (US$3.9 billion as of end 1988) is a central problem and further steps to reduce the debt burden are essential to the success of the development strategy. To give one key indicator, in 1988 debt service owed was 57.7% of Treasury revenues. Bolivia's debt strategy entails distinct approaches for the three major segments of the debt: commercial bank, bilateral, and multilateral. The approach on commercial Bank debt is to retire it all. Commercial bank debt (originally about US$650 million face value) was reduced by about 50% in 1988 through a buyback operation; the process is continuing, with a further US$100 million offered (all buyback operations have been at 11 cents on the dollar). There would be distinct long term advantages for Bolivia in clearing the slate entirely, by retiring the roughly US$220 million (face value) remaining; while in practice Bolivia has paid no debt service on commercial bank debt since 1984, retiring the debt opens the door for an eventual return to the market and would remove a source of tension and dispute. Official bilateral debt represents 60% of Bolivia's total debt, with Argentina and Brazil the largest creditors; multilateral debt is 30% of the total, mainly IDB and World Bank. Bolivia aims to reschedule its bilateral debt on highly concessional terms and has also successfully negotiated debt forgiveness or reinvestment of interest payments in Bolivia with some Governments. Recent efforts have focused on Paris Club terms. While

the terms of the November 1988 Paris Club rescheduling were relatively favorable, Bolivia's plea for rescheduling on Toronto (i.e., sub-Saharan African) terms was not acceded to; this issue remains on the agenda as more concessional terms are warranted, and we propose to assist the Government in its efforts to obtain better terms under future Paris Club agreements. Bolivia continues, albeit with difficulty and delays, to service its multilateral debt. Overall, the need to restrict borrowing to loans on highly concessional terms is underscored.

(vi) Several macroeconomic scenarios illustrate the implications of different policy and other assumptions for the Bolivian economy. These range from a high growth scenario of 4.2% a year to a "disaster" scenario of 0.7%; a third scenario, which projects growth of 3.1% a year, offers at least some real per capita income growth, and is our base case. It could be achieved if the next Government can maintain low inflation, enhance incentives for private investment, and improve public sector administration. The engines of growth will continue to be mining, hydrocarbons and agriculture, with manufacturing playing an increasingly important role. Only if this scenario is maintained or bettered can the Bank play a meaningful role in Bolivia; if there is serious policy slippage or a reversion to the economic chaos of the early 1980s, external agencies can play little constructive role and high levels of IDA support are not warranted. The most troublesome implication of all scenarios is their limited impact on overall poverty levels and the quality of life of the poor. Under the base case projections, by 1997 Bolivia's GDP per capita would remain 24% below the level reached in 1980. This underscores the need to ensure a clear focus on income and employment policies in macroeconomic management, and to design effective, targeted programs to address the needs of the poorest groups. The uncertainties involved bear emphasis, given Bolivia's historical political instability and the absence of a strong tradition of civilian, democratic government.

(vii) External assistance plays a vital role in Bolivia's case, contributing US$202 million to total investment (60%) in 1988. The net resource transfer from official sources (net disbursements on long-term loans plus grants minus interest payments) equalled US$226 million in 1988, or about 5% of GDP. The international community has steadily increased its support to Bolivia in the last four years, recognizing the Government's responsible economic management. The UNDP, IDB, and the World Bank, and several bilateral agencies led by USAID, Germany, and Japan are most active. Most assistance to Bolivia has been on concessional terms because of its lack of creditworthiness but some agencies, notably the IDB and CAF, still lend to Bolivia on conventional terms. Bolivia has markedly improved its use of external assistance (a serious problem in the past): for example, it contracted international procurement agents to cut corruption and speed procedures. However, bottlenecks remain and the public investment program continues to move fairly slowly: it must be further reoriented to fit the new strategy and pruned of ineffectual operations.

(viii) The Bank's present role reflects major staff efforts to rebuild the Bolivia program since late 1985. By 1985, the Bank's program in Bolivia was essentially defunct, because, due to poor economic management and lack of creditworthiness, the Bank had made no new loans after 1980. We resumed a full lending program in FY86, with approval of a Reconstruction Import Credit and a Gas Recycling Project. Total lending in FY86-89 totals

US$350.4 million, including three policy-based operations and two institutional development operations to strengthen economic and financial management. Major efforts on economic and sector work, to support Government efforts to elaborate its development strategy and programs, have also been undertaken. The last formal CPP was reviewed in December 1976, but a review of the Division Country Brief in November 1986 has guided the Bank's strategy over the past two and a half years. Bank management has discussed the Bolivia program several times, notably the OPSC review in August 1983 and OPC review in October 1986 of Policy Framework Papers and reviews of adjustment operation initiating memoranda.

(ix) The policy agenda for the next government is above all to maintain macro-economic stability. Major new departures are not recommended but in many areas policy initiatives need to be sustained and deepened, and some measures remain to be implemented and worked out in specific detail. Priority areas for action are ongoing reforms in public enterprise management, the tax reform, and customs administration, elaboration of an environmental strategy, and government financial management (specifically reforms in budgeting, public investment programs, and auditing). Special efforts must be devoted to improve the incentive structure for private investment, including further financial sector reforms and encouragement of joint ventures, new tax measures, simplification of the regulatory framework in the mining, hydrocarbon, and investment codes to encourage private investment, and privatization of remaining production-oriented public enterprises. Major efforts are still needed to strengthen public sector management, with a high priority to the proposed scheme to establish a cadre of managers of economic development. Finally, high priority should go to elaborate and implement a coherent poverty program, needed to bridge the gap between the successful but temporary Emergency Social Fund and future poverty oriented social programs.

(x) The Bank's strategy in Bolivia has three main thrusts. The first is to consolidate the macroeconomic stability achieved over the past four years, while supporting the Government's medium-term adjustment and development programs. The second is to increase the level and efficiency of investment, both domestic and foreign, through continuing policy reforms, investment operations, and technical assistance to enhance the effectiveness of public sector institutions. While the Bank will be involved in all of the productive sectors in Bolivia, in the short-term we expect the largest contribution to growth from operations in transport infrastructure, mining and commercial agriculture. Third, we will support measures to generate employment and income for the poor (with particular attention to women) and to improve the delivery of social services by better targetting, increased efficiency, and extending basic services to underserved populations. We will continue our close links with the IMF; the Policy Framework Paper process will serve as a vehicle for articulating and agreeing on the medium term framework. The IFC is expected to play an expanded role in Bolivia over the next three years in mining, energy and agro-industries. The potential for MIGA support should be significant but no specific proposals have yet been worked out.

(xi) We recommend, subject to IDA availability, a lending program of US$82 million a year, all on IDA terms and primarily for investment lending and institutional development support, but with further quick-disbursing assistance to support the policy reforms already launched. The new Bolivian

Government will need to introduce substantial new measures, in large part to cope with the delayed payments from Argentina. If these problems persist, as they may well do, given Argentina's uncertain prognosis, the scope of policy adjustments Bolivia will need to introduce will be far-ranging, involving in effect a new adjustment to a permanent reduction in export earning capacity. In this event, an IDA-supported adjustment operation could be vital to the success of the program and would have high priority. Enclave IBRD operations for development of the petroleum and mining sectors should also be considered, subject to adequate security arrangements; Bolivia is not creditworthy for IBRD lending, and unlikely to be so in the foreseeable future. With past IBRD loans of US$163 million outstanding (as of March 31, 1989), Bolivia received a US$11.8 million supplemental credit in FY89 under the IDA reflows program, and should be eligible for future assistance (a similar operation for FY90 is under review). We recommend that IDA finance up to 80% of project costs, with a maximum of 85% of external financing taking cofinancing into account. Mobilizing cofinancing for all operations remains a high priority.

(xii) The Consultative Group for Bolivia was revived in December 1986 (it was dormant from 1977), and has been an important focus of the Bank's program since then. It has contributed significantly to the increase in external aid for Bolivia's development and improvements in its use. We plan to organize full CG meetings annually, with the next meeting in October 1989. In addition, sub-group meetings on topics of particular interest, such as poverty and social sector programs, are planned.

(xiii) The Bank's Resident Mission in Bolivia was reactivated in October 1986; from November 1983 no Resident Representative was assigned to La Paz because of the deteriorating economic situation. The Mission has played a key role in country dialogue, lending program development, implementation support, and aid coordination. This role will continue in the future, with increasing assistance from local staff and consultants, especially to facilitate implementation. Two positions under the Technical Assistance Program to IDA Countries, approved in FY87, have provided valuable advisory support to the Planning Ministry in management of the public investment program and economic programming. We would like to see this valuable support continue.

(xiv) We propose to prepare a brief updating strategy note after the August change of Government and the Consultative Group meeting, in October 1989. The next CSP should be prepared in two years, about mid-way through the next Government.

A. INTRODUCTION AND STRATEGIC FRAMEWORK

1. Bolivia is emerging from nearly four years of economic reform under a remarkable statesman, Victor Paz Estenssoro, an octogenarian currently serving his third term as president. When he first came to power in 1952, he led Bolivia through a revolution that ushered in fundamental changes in economic and political life. These entailed, above all, a massive increase in the state's role in the economy and an agrarian reform that brought an essentially feudal structure of rural life virtually to an end. Elected President in August 1985, Paz Estenssoro faced very different circumstances. Bolivia was in an acute economic crisis which plainly reflected profound economic and social problems. Defying the critics and the odds, the Government introduced and sustained a rigorous, orthodox stabilization program and launched basic economic and social reforms whose explicit aim was to transform the economy and society. This was accomplished in a democratic context, with active, open, and peaceful political debate. Under Paz Estenssoro's leadership, Bolivia has recovered from crisis and started to build a future based on responsible economic management and willingness to face age-old social problems.

2. The role of the state is a central issue facing Bolivia. Policies stemming from the 1952 Revolution entailed a large, virtually all-encompassing state role. In the mid-1980s, the public sector accounted for 65% of mineral production, 80% of hydrocarbons, 70% of energy production, and most manufacturing. The state mining company (COMIBOL) was the quintessenal inefficient public enterprise; in 1985 it had a workforce of close to 30,000, operating losses of US$248 million, and virtually no productive investment. More symbolically, COMIBOL's was a vast paternalistic role, seeing to all its workers' needs down to food stores. The exorbitant costs of this system plus the constant labor conflicts that, ironically, it engendered made COMIBOL probably the highest cost tin producer in the world. The State Petroleum Company (YPFB) was managed in much the same way. Worse, policies favoring public sector involvement in the economy actively discouraged the private sector. The private sector's pattern of development and operation, heavily dependant on unclear yet intrusive government policies, was geared towards high profit, quick-return ventures and capital investment abroad, not at home. Private entrepreneurs and state enterprises alike were ensnarled in a web of state regulations which constrained rather than facilitated economic activity. The large state role in turn gave rise to an overextended bureaucracy whose efficiency, never high, deteriorated rapidly during the economic crisis of the 1980s.

3. The central premise of economic reforms pursued since 1985 has been to reduce and change this state role. First, the private sector is to be the major force in economic development; second, the elaborate system of controls and regulations are to be dismantled; third, the state apparatus is to be sharply reduced and streamlined, removing it from direct production; and fourth, an efficient public service in keeping with the new public sector role is being built. Much progress has been made towards these objectives, but the process plainly has far to go. Milestones include sharp reductions in the size of key state enterprises (notably COMIBOL--from 30,000 to 7,000 employees--and the Central Bank), introduction of new fiscal and monetary management systems, and overhaul of the tax system. Management of the public investment program is stronger; steps include contracting of

external procurement agents and better project screening and monitoring, leading to higher disbursements and commitments for a sounder public investment program. An innovative program to establish a core development civil service, paid at levels above the patently inadequate current civil service salary scales, is being prepared. Privatization of some state enterprises remains a goal; a commission was set up to begin the process, but progress has been slow. Another key area for continuing reform is decentralization, especially in health, education, and other services which must respond to local needs and initiatives. More active and systematic collaboration with NGOs is needed given the weakness of public institutions and the complex nature of poverty problems. The task of restructuring the role of the state and improving its efficiency thus remains a central priority.

4. The parallel challenge is to encourage development of the private sector. Bolivia's private sector remains small, with most private investment concentrated in mining, commerce, and small manufacturing. From the 1950s, although the state protected some large private sector mining and commercial interests, Government policy generally discouraged private entrepreneurial activity. Deliberate policies and the preponderent state role in industry, energy, and mining deterred investment, domestic and foreign alike. Poor economic management and political instability also played their part. The current Government's efforts to reverse the steady decline in private investment have achieved modest success. Mining and manufacturing GDP growth in 1988 are attributable to higher private sector output. However, private sector confidence in Bolivia's long term development prospects and political stability remains fragile, and market mechanisms remain weak. Greater clarity in the rules of the game, for example on joint ventures, is still needed, and despite abolition of most regulations and price controls, excessive bureaucratic red tape persists. An encouraging sign of a better investment climate is emerging foreign private investor interest in Bolivia, although they plainly seek special guarantees and security. IFC is playing a constructive role in reestablishing private sector confidence. The next Government will need to ensure speedy adoption by Congress of the set of incentives for private sector investment in mining, hydrocarbons and industry, which are held over from this year's legislative session. It will also need to continue efforts to lower interest rates, instill confidence in the financial system, and enhance private support services for private sector investors.

5. Bolivia's economy is undergoing fundamental changes which call for new strategic approaches. First, the relative importance of the key export sectors is shifting, away from the historical dominance of hydrocarbons and tin mining. Within mining, the role of tin dropped sharply after the 1985 tin price collapse, while gold, silver, and other minerals have increased in importance. These shifts are the first steps in a necessary diversification of exports. Bolivia suffered (and continues to suffer) from overdependence on a few commodities, witness the effects of the tin crash in 1985-86 and the devastating impact of Argentina's delinquent payments for natural gas. The future of the hydrocarbon sector is most uncertain (natural gas contributed over 40% of export earnings in 1988). The 20-year Government to Government contract with Argentina for natural gas sales ends in 1992. Whether and to what extent either Argentina or Brazil will import natural gas remains an important open question with large implications for Bolivia's future growth prospects. The mining sector, whose share of GDP declined from 11.7% in 1978 to 6.3% in 1988, needs fundamental restructuring to make

up for decades of neglect of exploration and investment. Agriculture offers substantial potential but has yet to fulfill its promise; its share of GDP increased (from 17.8% in 1978 to 22.9% in 1988%) and the focus of production has shifted, for example, away from cotton and sugar, towards soya, but output has fallen in the last two years, performance is erratic, and the key issue of how to develop the large subsistence sector has yet to be tackled. The industrial sector remains small, with manufacturing representing 11% of GDP in 1988, but again with good long range growth potential. Another major change has been the rise of the cocaine industry as a major force in Bolivia's economic and social life since the 1970s; coca exports are now estimated to equal the value of all other exports in the formal economy. This development has economic, political, and social repercussions. A third shift, occurring slowly but inexorably, is in geographic focus, from the highlands towards the central valleys and the Eastern Lowlands which, with its vast land resources, is plainly emerging as a key development pole.

6. Bolivia's severe economic problems are compounded by deep seated poverty and social problems. Although the 1952 Revolution brought social changes to Bolivia's almost feudal system, Bolivia remains a largely rural and highly paternalistic society in which the Indian population lives under the economic and political domination of the wealthy and urban-based elite. A high proportion of Bolivia's 7 million people live at subsistence levels or in abject poverty. Social indicators are among the lowest in Latin America. Contributing factors include poor health status of the population and low access to education, concentration on capital intensive, enclave type operations in mining and hydrocarbons, the failure to modernize agriculture in a sustainable pattern, poor transport infrastructure in rural areas, and exceptionally weak and deteriorating social services. Stabilization programs from 1985 on have in some respects aggravated unemployment and poverty, although the Government's Emergency Social Fund helped mute their adverse impact. What is needed now is a concerted effort to address the worst poverty problems, the more so because prospects for overall income increases are so limited. Health and education services deserve particular attention both to alleviate poverty and as part of a long-run strategy to develop human resources.

7. The Bank is positioned to play a central role in Bolivia's development programs during the next Government. The current lending program directly supports the Government's strategy for Bolivia and all projects under implementation were designed in the light of the new economic policies. We have built up an extensive understanding of economic and social issues. The Bank's role in the external resource mobilization effort is central (notably through the Consultative Group). Major issues for Bolivia, including debt strategy, the role of the private sector, the social impact of adjustment, and approaches to poverty alleviation, are squarely addressed in the development strategy. Due attention is paid to institutional development, aiming both to support a reduced economic role of the state and to strengthen economic management. The continuous policy dialogue on which the Bank's role is grounded was exemplified at the April 1988 joint Government/Bank strategy retreat at Chulumani, which reviewed in depth the 10-year development program, sector by sector. With somewhat lower intensity, we plan to sustain this broad country dialogue and operating program, with more explicit choices on areas of involvement and support.

B. BACKGROUND AND HISTORICAL PERSPECTIVE

(i) Recent Economic Development-Highlights

8. Bolivia's economic problems are deeply rooted in the dual economy which has shaped its history. Until the mid-20th century, Bolivia was dominated by mining interests and large landowners who ruled the country and accumulated wealth, but had little interest in its development. The vast majority of the peasant population lived in poverty, working small subsistence farms or as wage laborers on large latifundia or estates. In 1952, a revolution led by Bolivia's current President, Victor Paz Estenssoro, shook the old order and transformed economic, social, and political life. An agrarian reform dismantled much of the old latifundia system and all forms of work obligations and distributed land to the peasants. Further, the Government nationalized the large privately owned tin mining companies, thus opening the way for a massive expansion of the state's role in the economy. The state became over the years a large, inefficient producer of goods and services which deterred private sector development and failed to address the needs of the poor.

9. The 1970s were years of prosperity for Bolivia, although prosperity proved illusory and in fact Bolivia's base of productive activity and public services was seriously eroded during this period. In the 1970s, the economy grew at close to 6% annually. Growth was supported by a high rate of investment financed by foreign sources, especially direct investment in the petroleum sector; the discovery of sizeable petroleum and gas deposits made Bolivia an attractive client for foreign lenders. Unfortunately, many investments were poorly conceived and resulted in low capacity utilization and huge cost overruns; some investments were abandoned after large expenditures. The large Potosi-based lead and silver smelter, Karachipampa, costing US$160 million, which has never operated, is typical of the white elephants of the period. Large-scale lending to commercial agriculture, much on subsidized terms, yielded poor results and left large unpaid debts. The state's involvement in production of private goods led to a neglect of public goods. Agricultural research and extension were neglected. Road maintenance also was negligible, and health and education services were poorly managed and inefficiently allocated.

10. In the early 1980s, Bolivia's prosperity collapsed and the country fell into an economic depression which lasted until mid-1985. The immediate cause of the crisis was a sharp reduction in Bolivia's access to foreign savings, but its severity and length were the result of disastrous economic management, particularly a huge public sector deficit financed by money creation and an overvalued exchange rate. As the economy lost access to foreign financing, expenditures were financed through increases in the money supply coupled with a build-up of arrears to domestic and foreign creditors. Rapidly rising inflation eroded the real value of Government tax receipts, tax collection efforts diminished, and overall government revenue declined sharply. This, combined with the failure to reduce public expenditures, resulted in the public sector deficit widening from 7% of GDP in 1980 to 23% in 1984. This deficit, financed entirely by domestic credit expansion, led to hyperinflation which reached the rate of almost 24,000% by August 1985. The hyperinflation took its toll particularly on the poor, whose nominal incomes could not keep pace with price increases. The rich, in contrast, could more easily protect their incomes and assets from the impact of infla-

tion. For rich and poor, there were countless distortions and skewed incentives; for example, bonds of COBEE, a privately owned power company, with a face value of about US$700,000, were unilaterally prepaid for US$72. When the new Government took office in August 1985, the Bolivian economy was incontestably in shambles.

11. The Paz Estenssoro Government introduced its New Economic Policy within weeks of taking office. The first policy measures addressed both stabilization issues, designed to end the crisis, and longer term adjustments, to reduce the role of the state in the economy and rebuild a free market economy. The exchange rate was freed, to be set through an auction system, which resulted in an immediate devaluation of the official rate by 93%; strict budgetary controls were introduced to keep expenditures to the levels of revenues; most price controls were eliminated and specific prices and tariffs increased (notably for gasoline, electricity, and transport), based on a new policy to bring them close to international levels. All this was accomplished through a Supreme Decree in August 1985. Subsequent efforts served to consolidate and expand this program. Perhaps most important was a far-ranging reform of the tax system, passed by Congress in May 1986. Trade restrictions were drastically eased, with import tariffs set at 10% plus 10% of the previous tariff, and measures were introduced to increase tariff collections. Steps were taken to reorganize some public enterprises and abolish or reduce others (COMIBOL was reduced in size by the termination of 23,000 workers). The financial system was liberalized, removing regulatory constraints on financial transactions and freeing the determination of interest rates. In early 1987, the Government launched an ambitious program to alleviate the impact of the economic crisis on the poorest groups through the Emergency Social Fund (ESF), which supports small sub-projects to generate productive employment and support social assistance efforts (like maternal health care and school feeding), many implemented by NGOs.

12. External events in 1985-86 intervened to make Bolivia's recovery more difficult. In October, 1985 the international tin market collapsed, causing almost a 50% decline in world market prices. This was followed by an abrupt drop in petroleum prices in the third quarter of 1986, reducing the value of Bolivia's gas exports to Argentina. Subsequent developments have been more favorable, but a persistent problem, aggravated in 1989, has been delays by Argentina in paying for Bolivian gas exports.

13. The Government has done remarkably well in managing its stabilization program and has achieved a clear turnaround in the long trend of negative economic growth, with positive GDP growth in 1987 and 1988. It has encouraged private sector activity, although this has proved slow to rebound. Its anti-inflation program was highly effective; hyperinflation was halted immediately, with inflation kept to low and manageable levels since September 1985. In 1987, output grew, for the first time in six years, by 2.1% and reached 2.8% in 1988. The tax reform has resulted in steadily increasing revenues. An important start has been made to improve public sector administration by establishing the Financial Administration and Control System (SAFCO) for monitoring public expenditures and better data systems for planning and monitoring public investment. A wide range of measures has aimed to reduce waste in public expenditures, notably better control systems and allocation of less disposable resources for state enterprises. Noteworthy also were the bold and effective steps taken to soften

the impact of adjustment on the poor (the successful Emergency Social Fund). Finally, the Government has been highly successful in mobilizing foreign assistance.

14. Despite these major efforts, the new Government will inherit a long agenda of needed actions. This reflects the depth of Bolivia's maladjustments resulting from poor economic management in the 1970s and early 1980s, the drastic shift in terms of trade calling for strategic reorientation, and the weakness of Bolivia's institutions, which render implementation particularly difficult. In many cases, further reforms are fully prepared to the extent that legislation is drafted or before the Congress; in others, persistence is required to see results. Priority should go to efforts to improve incentives for private investment, through continued financial sector reform and completion of ongoing efforts to reform investment, mining, and hydrocarbon legislation. Also vital are continuing efforts to strengthen public financial management by improving budget processes and tightening discipline in public spending. Finally, agricultural policy remains insufficiently clear and merits urgent and concerted attention to develop the sector's potential.

(ii) Social Context

15. Bolivia was until very recently a predominantly rural society, but in the post-1952 era, has became increasingly urban. By the early 1980's, 50% of the population lived in cities and towns of 2,000 or more. Large and rapidly growing concentrations of very poor peasants settled in and around cities, creating conditions of squalor and misery for lack of adequate housing and basic social services. Employment opportunities in the formal sector have been limited, prompting rapid growth of the informal sector; this sector has proved highly dynamic and contributed to Bolivia's survival, but it presents problems also, notably low levels of efficiency and a high incidence of tax evasion. Agriculture, particularly small-scale farming, was neglected, except for generally ill-conceived colonization schemes which brought highland dwellers, with poor support, to new settlements in the eastern lowlands. In sum, although the model of economic development pursued over three decades purported to seek a redistribution of the benefits of development, in reality Bolivia's highly skewed income distribution changed virtually not at all.

16. All indicators of social and health conditions point to the fact that Bolivia is today one of the poorest countries in Latin America. Life expectancy is 43 years for men and 53 for women; infant mortality is twice the average in Latin America at 124 per 1,000 live births, and reaches 277 per 1,000 live births in some rural areas. Maternal mortality is very high also, at 48 per 10,000, a situation associated with high fertility, malnutrition, poor health conditions of mothers, and an alarming incidence of induced abortion. Malnutrition is widespread, particularly in rapidly growing suburbs of the larger cities and in rural areas. Daily caloric intakes average 65% of requirements in El Alto, the new mushrooming city adjacent to La Paz, and 59% in depressed rural areas. Crowded and inadequate housing is the norm. Only about 69% of the urban population and 10% or the rural population have access to piped water, while 37% of urban and 4% of rural households have sanitation.

(iii) Political and Administrative Context

17. Throughout most of its history, Bolivia has experienced extreme political instability (over 180 changes in government since independence in 1825); much of the time, political life was dominated by the military. Bolivia's instability reflects the society's deep fragmentation along class, regional, and racial lines. While the state has been able to contain and suppress many of the conflicting forces in society, the institutions needed to link state and society and assure structural stability do not yet exist. Even so, and in contrast to other countries in the region, Bolivia in recent years has not had a violent history (though earlier episodes of turbulence suggest that the potential for violence is there). Since the 1930s, with the emergence of a middle class, political mobilization has increased. Multi-class populist movements have emerged, and the national political debate has been restructured to force established elites to meet some of the demands of the middle classes and the better organized sectors of the working class.

18. Bolivia held general elections on May 7 for the Presidency and other offices. No presidential candidate garnered an absolute majority, so the outcome will not be known until August 6, when Congress convenes to elect the President. The popular vote put two candidates virtually neck-and-neck, with 23% of the vote each: Gonzalo Sanchez de Lozada, candidate of the MNR (National Revolutionary Movement--the current Government's party), and Hugo Banzer, leader of the right-wing party, the ADN (National Democratic Association), who was President (of a military regime) from 1971-77. Other candidates, primarily to the left, captured the remaining vote, the leader among them Jaime Paz Zamora of the MIR (Independent Revolutionary Movement). Of particular significance are the fact that the three leading candidates ran on a platform supporting the economic program, which was thus soundly endorsed by the electorate, and the peaceful and democratic electoral process, which stands out among recent elections in the Region from this standpoint. The Presidency is likely to be the subject of intense jockeying in the months ahead, as a coalition will clearly have to be formed. In Congressional elections, the margin of the MNR seems somewhat larger than in the presidential election, which may accentuate that party's advantage.

19. The outcome of the current elections is unlikely to change substantially the fragile and highly fragmented nature of the political structure and decision-making process. The economic and political influence of the traditional ruling groups in La Paz and Santa Cruz, the two centers of power, is likely to continue. Were Banzer to become President, interest groups in Santa Cruz--Banzer's home--would have greater influence in Government than at present. Sanchez de Lozada, from the highlands and with a background in mining, would bring a less pronounced shift from present patterns. The political and economic power of the Indian peasant population will not likely increase no matter which party wins the election, because of their lack of political organization. Decision-making on economic policy and investment is likely to remain highly centralized, as at present. Nonetheless, a major political issue is growing regionalism and demands for greater local control over health, education, and other services by the wealthier departments, notably Santa Cruz. The major candidates pledged to decentralize government activities, but gave few specifics. Regional control has important political implications, not least its potential for

weakening national labor movements. It could also affect the allocation of government expenditures and distribution of revenues from oil and gas sales and lumber concessions. The process of decentralization is affected also by the cycle of local government elections, which take place every two years, and tend to politicize local government and accentuate the underlying political instability.

(iv) External Agencies and Bilateral Relations

20. Bolivia is heavily dependent upon external support for its development. In 1988, the net resource transfer from official sources (net disbursements on long-term loans plus grants minus interest payments) equalled US$226 million or 5% of GDP. The Consultative Group for Bolivia (chaired by the Bank) serves as an important instrument for mobilizing external support for Bolivia's development and improving aid coordination. CG membership has expanded to include all the major agencies active in Bolivia, and has their strong support. UN agencies and the Secretariat General itself (through the appointment of a Special Representative for Bolivia) also have played an important role, acting particularly to generate increased international support and to further the Government's anti-cocaine programs. UNDP has been particularly active since 1985, with an ambitious program of preinvestment and technical assistance support; Bank-UNDP collaboration is close in many fields.

21. Bolivia's present Government has received substantial financial and technical assistance from the International Monetary Fund. Since 1985, the Fund has supported the adjustment effort with a one-year stand-by arrangement of SDR50.0 million, approved in June 1986 (the final purchase under that arrangement could not be made because certain performance criteria were not observed); a purchase of SDR64.1 under the Compensatory Financing Facility, approved in December 1986; and two Structural Adjustment Facility operations: one for SDR18.1 million in 1987 (while financial benchmarks under the SAF were not observed after the first quarter of 1987, progress in meeting the structural benchmarks was satisfactory), and a second operation for SDR136.05 million, approved in July 1988 under the ESAF. Bolivia had drawn US$45 million SDRs under the ESAF as of March 1989. Bolivia's total financial obligations to the Fund from these and previous loans totalled SDR148.8 million as of December 31, 1988. The Fund's technical assistance has supported management of Bolivia's commercial debt buy-back, budget execution and control, tax reform, and operational aspects of the auction-based exchange rate system. The Policy Framework Paper for the period 1988-91 was reviewed by the Bank's Executive Directors in June 1988. The second year PFP under the ESAF is under preparation, and should be presented to the respective boards during the summer of 1989.

22. The Inter-American Development Bank (IDB) has the largest aid program of all external agencies operating in Bolivia. As of March 31, 1989, its active loans to Bolivia totalled US$793 million, of which US$433 million was undisbursed. In 1987-88, annual disbursements averaged US$100 million. IDB is involved in many sectors, but particularly in roads, agricultural credit, and energy. Its role in the social sectors has been limited, although it has contributed to the Emergency Social Fund and is preparing a health project which will complement the FY90 IDA Health Project. Most IDB lending, except for its limited social sector operations, carries conventional financing terms. This presents an issue in light of

our recommendation that Bolivia should borrow only on highly concessional terms. A dialogue on this subject is underway with the Government and IDB; we would view with concern substantial new borrowing from IDB on non-concessional terms. IDB's ability to increase its lending from Special Operation Funds will depend both on availability of funds and restrictions on their use (they were formerly available only for social sector projects). Discussions with IDB on possible cofinancing of quick-disbursing loans have been underway for some time, but made little headway until the way was cleared in March 1989 for such lending by IDB. We plan to pursue this avenue in the future, with the proviso that a substantial part of such lending should be on concessional terms. We are jointly financing some operations like the Export Corridors Program and two institutional development operations, and plan further collaboration on energy investments. We aim for closer coordination with IDB, particularly on hydrocarbon investments and financial sector policies. IDB might take a more active role in the Bolivia CG, perhaps taking responsibility for directing the work of a sub-group.

23. Bilateral agencies provide 60% of Bolivia's external support and this aid has grown steadily in recent years. USAID, Germany, Japan, Italy and Switzerland have the largest bilateral programs, and, encouraged by Bolivia's recent progress, several countries have started or restarted bilateral assistance programs, notably Holland, Sweden, and Canada. Of particular significance has been assistance to the Emergency Social Fund, which has proved a successful entree for new bilateral programs. Bolivia received an estimated US$259 million in loans and grants (new commitments) from official creditors in CY87. This represents 6% of GDP and was about the same size as the public investment program in the year.

24. Bolivia's neighbors, Argentina and Brazil are major trading partners and also its two largest creditors, respectively holding US$720 million and US$400 million in total debt, much of it contracted in the early 1980s (together over 40% of bilateral debt). It is vital that Bolivia, a poor and landlocked country, maintains good diplomatic and economic relations with its neighbors. These countries, including Chile, facilitate the transport of Bolivian goods to the Atlantic and Pacific and provide attractive markets for Bolivian exports. Present relations with Argentina are dominated by the festering problem of gas payment arrears. Argentine arrears to Bolivia reached close to US$200 million in May 1989 and Argentina is currently not paying for new gas shipments. The new Government in Argentina will make concerted efforts to resume payments to Bolivia, but prospects are most uncertain given Argentina's own difficulties.

25. Bolivia's relations with Brazil are good, but trade and economic cooperation have been slow to develop. Bolivia has tried unsuccessfully to export natural gas to Brazil since the mid-1970s. There have been many studies done over the years on gas markets in Brazil and the feasibility of constructing a 2,000 km pipeline from Santa Cruz to Sao Paulo. A letter of agreement between the two countries was even signed in 1974, ratified in 1978 and updated in 1984. However, the idea ultimately proved to be unfeasible and the two countries are now negotiating yet another trade agreement. Under this agreement, Bolivia would use its gas to export power, fertilizers and polyethelene to Brazil. There has not been strong support for this agreement in Brazil either and it is unlikely one will be signed before the current Government leaves office.

C. CENTRAL DEVELOPMENT ISSUES AND POLICY AGENDA

(i) Economic and Social Development Prospects

26. Bolivia faces enormous obstacles and uncertain prospects for its development. Its difficult terrain and land-locked position result in high transport costs and higher costs for its goods, internally and in external markets. Endemic political instability had made Bolivia virtually incapable of sustaining development policies and strategies for long. Annual population growth rates of 2.8% have been too high and economic growth too low to allow for sustained improvements in living standards. As a result, Bolivia is impoverished, its population is in poor health relative to the rest of Latin America, and malnutrition is widespread. The vast majority of the population has little, if any formal education and poor prospects for obtaining it. Looming in the background is the threat of increasing violence linked to the cocaine trade. The investment climate, while improving, remains highly uncertain and prospects for commercial financing (except for some short-term borrowing) in the foreseeable future are poor. Bolivia's relations with its neighbors are clouded (paragraph 24).

27. Bolivia has important assets and advantages which offer hope for its future growth and development. It has abundant supplies of hydrocarbons, primarily natural gas; minerals such as tin, silver, gold and tungsten; and extensive forests and fertile land for agriculture and livestock production, particularly in the eastern lowlands. These resources have not been fully explored or exploited. Bolivia now has direct access to the sea via the Paraguay River, which thus opens the possibility of reducing transport costs for agricultural and other merchandise which has gone over land to Brazilian and Argentine ports. While human resources are limited in terms of formal education, a small but well-educated cadre of managers, professionals and technocrats in the public and private sectors is well able to provide responsible and skilled leadership. The efficiency of Bolivia's labor force and peasant farmers is constrained by technological and other factors which could be overcome with investment and good management.

28. In sum, the road ahead is difficult and the new government faces an important policy agenda to consolidate the real gains of the past four years. To succeed, Bolivia must in the first instance sustain its macroeconomic framework, continuing to improve resource mobilization while keeping tight control over public expenditures. Second, to see real results from the efforts to rebuild a free market economy, planned reforms in its hydrocarbons, mining, and investment codes must be followed through and financial sector reforms must be pursued until they succeed in reducing the high level of interest rates which are now a real deterrent to investment and private sector operations. Third, concerted efforts to develop the key productive sectors of mining, hydrocarbons, and agriculture are essential, building on ongoing programs and bringing to bear both foreign and domestic private investment for their development. Fourth, more effort to reform public sector management is essential, with the priorities stronger fiscal management, public enterprise reform, more streamlining of regulations, and better incentives for key public servants. Fifth, Bolivia's social development must be given substantially higher priority, both through well targetted and managed poverty alleviation efforts and a clearer and more intensive human resource development program. The challenge is how to do this in the face of stagnant per capita income.

29. The role of the cocaine economy and the Government's response to it present complex issues. Coca leaf production has increased rapidly since the mid-1970s from a small base (coca production has ancient origins in Bolivia but on a small scale). Obviously data on production and trade is unreliable but available information suggests that Bolivia supplies about 35% of world consumption. An estimated 60,000 ha are under coca, and some 100,000 families (and perhaps 10% of the population) are involved directly in the cocaine economy. Export earnings (i.e., money actually returning to Bolivia) may be about US$600 million a year, roughly equivalent to total legal exports. The effects of this economy are far-ranging and in many respects invidious. While cocaine revenues have helped Bolivia to weather economic stagnation and crisis and profit many people, the Government maintains that a frontal effort to reduce or even eliminate the trade is a vital part of its economic and social strategy. Their arguments are primarily in terms of the domestic social effects (growing addiction, corruption, erosion of government authority, violence), but plainly the issue clouds international relations, especially with the US. The Government, therefore, presented a law to Congress banning most coca production. Congress approved it in July 1988, despite vigorous opposition (based on national sovereignty arguments) and sought international support for an eradication and redevelopment campaign (regional programs and crop substitution), costing some US$300 million. Support was disappointing and this program has not been at the forefront in the past two years, but may well reemerge as a priority in the next Government. The position the Bank should take presents a dilemma. This is a rare, if not unique case, where our direct involvement, moral and financial, has been formally sought in an outright drug control program, and there are clear attendent risks. To date we have maintained a cautious position (essentially as a supportive observer), and propose to maintain this stance, while continuing our efforts to understand better the cocaine economy and its economic and social ramifications. A particular area for attention is regional development efforts and crop substitution programs in the most affected areas.

(ii) Bolivia's Development Strategy

30. The current Government, in President Paz Estenssoro's words, aimed to build "a new Bolivia". The Decree (21060) which in August 1985 launched the New Economic Policy included a strong strategic orientation, as have innumerable statements of policy, internal and external (for example, to the Consultative Group, Paris Club, etc.). What is remarkable are the consistency and breadth of the new economic and social model. It states explicitly that the aim is to reduce sharply the State's role, relying on the private sector as the motor of growth, and defends the Government's rigorous economic policies as essential to restore viability to internal and external accounts. The broad objectives are clearly defined in the two Policy Framework Papers (1986, 1988) which set forth the medium term framework. In addition, the Government over the past two years devoted substantial efforts to preparing a comprehensive Economic and Social Development Strategy for the period 1988-2000. The Planning Ministry took the lead, with the help of a team of consultants, supported by German technical assistance. The former Planning Minister took special interest in the exercise, hoping to achieve through it both a national consensus on the change in strategy and, by enacting parts into law, a durability which would make departure from the strategy more difficult. World Bank staff also contributed, through our economic and sector work and ongoing dialogue, and

participation in meetings organized by the Government, notably a high level seminar in Chulumani in April 1988. A comprehensive strategy document was completed and discussed in public, but in the event was not presented to the Congress, primarily for lack of time. The future of this strategy document is uncertain, pending the change in Government.

31. The strategy, briefly summarized, identifies seven major challenges facing the Bolivian economy. These are: (i) reestablishing growth, (ii) increasing investment, (iii) augmenting productivity, (iv) expanding and diversifying exports, (v) increasing stable and productive employment, (vi) resolving the external debt problem, and (vii) satisfying demands for social services in health, education and housing. The strategy calls for maintaining the current macroeconomic framework, controlling inflation, improving tax administration, increasing savings and investment, and holding down government deficits. Mining and hydrocarbons are the engines of Bolivia's future growth and development, although agriculture and manufacturing play important roles in generating employment. The strategy seeks to reduce the country's dependency on a few exports, by diversifying economic output and export markets. It proposes that special attention be paid to the problems of rural poverty by generating new income-earning and employment opportunities and extending social services to the rural poor. In dealing with the debt problem, it calls for continued efforts at negotiating alternative measures for reducing the official bilateral and commercial debt burdens. Finally, the strategy reflects the Government's concerns about the impact of development on natural resources and environment and calls for careful planning to minimize these problems.

32. The strategy aims at achieving and sustaining annual growth rates of 3.5% during the period 1989-1992 and increasing them to 5-6% during 1993-1996. The 3.5% growth rates are well within Bolivia's reach provided the Government maintains current economic policies and future investment levels climb above 10% of GDP. On the other hand, we do not consider the 5-6% growth rates realistic because they imply an implementation capacity that is unlikely to exist by 1993 and because they would require an increase in investment beyond levels likely to be forthcoming from either domestic or foreign sources. Future growth is expected to come from agriculture, mining, light industry, and hydrocarbons. This is reasonable, but will not be easy to achieve in agriculture, especially, where output in 1987 and 1988 has declined and where yields for most crops except soya, have stagnated in the last 15 years. The Government's strategy to improve social conditions will be difficult to achieve in view of projected growth rates.

(iii) Debt Issues and Strategy

33. A critical factor bearing upon Bolivia's future growth is its heavy burden of external debt; the debt overhang is one of the largest in Latin America relative to the size of the economy, exports, and income per capita. At the end of 1988, the debt owed by the public sector of US$3.9 billion (excluding unpaid interest to the commercial banks) was 87% of GDP and 532% of exports. Annual scheduled debt service alone was about 52% of export receipts in 1987; even after rescheduling the amount actually paid on long-term debt took up 24% of export receipts. Debt service owed amounted to 57% of Treasury revenues; interest paid to 19% of revenues in 1988. The debt falls into three categories: commercial bank debt, bilateral debt, and multilateral debt; about 90% is owed to official bilateral and multilateral creditors.

34. In 1987, Bolivia's commercial bank debt was about 15% of total external debt, with a face value (excluding unpaid interest, penalties, etc.) of about US$682 million. Bolivia had not serviced this debt from 1984. Bolivia started discussions with its commercial bank creditors in 1985; from the outset their position was that Bolivia could not afford to service the debt on conventional terms, and that debt reduction was essential. Bank of America headed Bolivia's Advisory Committee until April 1989 (when they sold their Bolivian debt and withdrew from the Committee); leadership is currently under discussion. The Government was successful in retiring close to 50% of its commercial debt through a debt-buyback and equity conversion operation in 1987-88. Under the operation, Bolivia offered to buy back its commercial bank debt at a repurchase price of 11% of face value. The operation was voluntary, and entailed a waiver from all banks party to the 1981 Rescheduling Agreement allowing the buyback; an equity conversion option was also offered at a premium. The banks stipulated that the buyback must be achieved with grant funds from sovereign governments only. Bolivia thus engaged in a fund-raising effort for this purpose. In 1988, the operation was completed and Bolivia retired all debt offered by the banks, with sufficient grant funds for the purpose; the IMF established a trust fund for the operation, and six governments (the largest the Netherlands, Spain, Brazil and Peru) made grants for the buyback. The time limit for the buyback was short but the equity conversion option still continues, and Bolivia has made further offers of zero-coupon Boliviano-denominated bonds. Bolivia was left with about US$350 million in commercial debt after the buyback. Further discussions and fund raising are in progress, and repurchase of an additional US$100 million is underway, including all of Bank of America's debt, also at 11 cents. Both the IMF and the Bank have supported Bolivia in these operations. Bolivia's intention is to pursue the debt reduction strategy to eliminate all commercial bank debt.

35. In parallel with the buyback, Bolivia has supported small debt-for-nature operations. The first was organized by Conservation International, designed to provide funding for the Beni Biosphere; about US$650,000 of Bolivia's debt was repurchased on the secondary market, and retired in exchange for long-range commitments of local currency for conservation purposes. A second such operation is under discussion.

36. Bolivia obtained debt relief from the Paris Club twice during the last three years (bilateral debt obligations in FY88 totalled US$2.3 billion, 60% of total debt outstanding). In July 1986, its creditors agreed to a rescheduling of some US$400 million of Bolivia's debt, postponing 100% of interest payments and rescheduling all amortization and arrears. In November 1988, Bolivia returned to the Paris Club where the creditors gave their approval to additional reschedulings of 100% of the debt service payments falling due between October 1, 1988 and December 31, 1989 as well as 100% of arrears as of September 30, 1988. The rates of interest and other conditions of the rescheduling are to be negotiated by the Government on a bilateral basis with each creditor. Because of Bolivia's heavy debt burden and pervasive poverty (which is similar in some respects to some Sub-Saharan African countries), the Government had made an all out effort to qualify for the special debt relief terms defined following the Toronto Summit. However, the Paris Club did not agree to the Government's request, arguing that the special debt relief terms were to be limited to the Sub-Saharan African countries. Neither Argentina nor Brazil participated in the Paris Club meeting for Bolivia in November 1988 so the Government has been unable to

reschedule its debt with these two countries, which represents 40% of bilateral debt. Several Governments have acted to forgive all bilateral debt to Bolivia, and some are considering a Government proposal to invest the proceeds of interest due in Bolivian development projects.

37. Multilateral debt represents about 30% of total obligations, of which the World Bank holds 9% ; Bolivia's service payments to the Bank were 31% of all debt service paid in 1987 and 6% of recorded exports. Bolivia has serviced its multilateral debt regularly, except that on occasion service payments have been delayed when pressures on foreign exchange reserves have been particularly acute.

38. Bolivia's debt strategy has thus been to reduce its commercial bank debt through the buyback operation and to obtain the most favorable rescheduling terms possible for its bilateral debt. In both areas Bolivia's case has been well presented and the results relatively favorable. Nonetheless, the debt burden remains a central problem and further debt reduction, both for commercial bank and bilateral debt, is warranted.

(iv) Strategies for Major Sectors

39. The objectives and strategies elaborated to date for the major sectors are summarized below.

40. Agriculture has vital importance, accounting for 20% of GDP and over 50% of employment in 1987. It must play a central role in future economic growth and exports, and in poverty alleviation efforts (since the poorest people live in rural areas). Recent performance is not encouraging and agriculture has failed to respond as expected to the new economic policies, for reasons not yet fully understood. Sector growth declined from around 4% a year in the 1970's to -2% between 1980 and 1985 and declined further by about 1.8% a year from 1985 to 1988. Agriculture was long neglected in favor of mining, hydrocarbons and other priorities, and a well-defined sector strategy is patently absent. Disappointments abound. Initiatives in sugar and cotton in the 1970s to promote exports withered; integrated rural development projects in the altiplano, aimed to increase small farmer productivity and income and alleviate poverty, had little impact; even with the dismantling of massive controls in recent years, supply response has been disappointing. The potential for agricultural development is, however, good, if not excellent: in the altiplano and valleys, livestock, potatoes and quinua are among the commodities which can be produced, even within the prevailing subsistence farming systems. In the lowlands, the vast frontier offers good land for soya, wheat and other export commodities. Forest resources are substantial, their exploitation still highly selective (under concessions to the private sector). The failures of agriculture thus reflect misguided policies which have distorted production patterns, misdirected efforts towards uneconomic ventures, long neglect of agricultural research and development of services, and failure to respond to the special needs of the poor farmers in the ecologically difficult highland areas. Natural resource management has been particularly weak, reflected neither in policies nor programs. More positively, the Government is devoting significant efforts to defining its agricultural strategy and to rebuilding leadership in the Agriculture Ministry. Production in the lowlands, especially of soya, is taking off, reflecting both better incentives and the opening of trade routes to the Atlantic (via the

Paraguay-Parana River). Some efforts to rebuild an agriculture credit system have been launched. Much remains to be done, with the priorities the revitalization of research (including more cooperation with CGIAR institutions), effective guidance to ongoing development of the Eastern lowlands, and reviving agricultural credit. Major institutional development efforts are needed, including revamping of public investment programs.

41. With the decline in income from mining and the steady impoverishment of the altiplano, the Eastern Lowlands have become the focus of Bolivia's future agricultural growth. They encompass some 370,000 km^2, or 34% of Bolivia's total land area, yet are sparsely populated (around one million people in an area the size of West Germany and England together). This frontier region was a backwater throughout most of Bolivia's history, because population and economic activity were concentrated in the altiplano. However, this changed dramatically in the last 30 years following the discovery of oil and gas and major investments in export agriculture. Both spontaneous and organized migration has increased the population of the region at a pace well above the national average. Investments in transport from Santa Cruz to the Brazil border and a new port on the Paraguay River reflect efforts to develop export corridors to both the Atlantic and the Pacific. The Bank has played an active role in helping to define a coherent regional development strategy. The strategy provides for an assessment of the land use capability and preparation of a development plan, definition and protection of environmentally sensitive areas including rainforests, and evaluation and protection of indigenous people in the area. Secondly, the strategy is to support the cautious expansion of commercial crop production, mainly for exports, through credit, infrastructural development and improved services. The assistance provided will be designed so as to encourage sustainable agricultural development, and discourage wasteful land-use practices, as set out in the development plan. To ensure that IDA funds do not contribute to environmental degradation, credit will not be provided under the Lowlands project for land clearing. Thirdly, the strategy is to support technology development, and provision of services for both commercial and subsistence farmers aimed at achieving a balance of agricultural growth and environmental protection. Because of the rapid expansion taking place of large-scale agriculture in the environmentally sensitive Eastern Lowlands, coupled with the economic importance such development holds for Bolivia, we are tackling these problems of the Eastern Lowlands on a priority basis.

42. Quite different strategic issues present themselves for the highlands and valleys, where farming and livestock production are essentially small scale, subsistence, and highly traditional in method. Most attempts to improve agriculture in the altiplano have met with failure but efforts are needed still to identify appropriate technologies (including reviving ancient techniques used by the early Indian cultures), credit systems, and other support services (including rural transport). The agricultural strategy for the altiplano gives first priority to applied research and dissemination of proven and culturally acceptable technologies for increasing production. Second, the aim is to build on the few successful private, cooperative, or regional initiatives producing commercial crops, tailoring government services and credit to support them. Third, the policy and institutional environment must be strengthened as an essential element for achieving sustainable growth. The altiplano strategy forms part of the overall strategy to tackle rural poverty problems, and presents particular

challenges, as it must address complex economic and social problems (for instance, insufficient recognition of women's productive roles) that have defied solutions for decades. NGOs and other private groups working at the community level have had important if small-scale successes, often exhibiting sorely needed qualities of cultural sensitivity, and these efforts could be the core of future programs.

43. The Mining sector remains vital for Bolivia's economic growth, despite the drop in its share of GDP and export earnings from 10% and 60% respectively in the early 1980s to 6% and 45% in 1988. In 1988, mining showed signs of recovery, registering a 23% increase in output (although this high rate of growth may rely on an unsustainable exploitation of former COMIBOL properties). Private mining companies have assumed much greater importance after the debacle of COMIBOL in the mid-1980s. The mining sector no longer depends upon tin exports (exports stopped entirely for about two years). Even with a recovery in tin prices, the future in mining is probably with gold, silver, tungsten and some other metals. Long run potential is considerable but major shifts in strategies and investments to make up for decades of distorted policies are needed. The Government has moved decisively in this direction, although a new mining code, setting out a coherent framework for private mining operations, was not passed by the last Congress. Major support for the sector rehabilitation and development program is provided under the recently approved Mining Sector Project (FY89). The immediate priorities for the sector are to: (a) further scale down and reorganize COMIBOL into a lean, profit-making and market-oriented business; (b) increase efficiency and productivity in both public and private mining sectors to gain competitiveness in world mineral markets; (c) diversify exploration and mining efforts from tin to other metals; (d) promote joint ventures between COMIBOL and the private sector and between Bolivian mine owners and foreign investors (in close collaboration with the IFC which plans major investments in mining in Bolivia); and (e) promote measures to protect the environment from contamination by mining activity, and to improve health conditions for miners.

44. Oil and natural gas accounted for 6% of GDP and 40% of export earnings in 1988. Bolivia has substantial reserves of natural gas (estimated at 4.1 trillion cubic feet in 1985), equivalent to 40 years of production at current levels. Liquid hydrocarbon reserves stood at about 154 million barrels, the equivalent of about 17 years of present production. The Bank has had a long-standing role in the sector, supporting construction of a gas pipeline to Argentina in the early 1970s, extensive studies on exploration, production and marketing of natural gas for domestic consumption and export, and production of liquid fuels from condensates. In the medium-term, the Government will need to address several key issues on how to: (i) increase the production of liquid fuels to meet domestic demand while maximizing exports; (ii) increase proven reserves of liquids and natural gas to achieve long-term production targets; (iii) increase natural gas use in Bolivia, itself, for domestic consumption and power generation; and (iv) maintain, and ideally increase exports of gas to Argentina after 1992, when the current sales contract terminates. Of crucial long-term importance is the unresolved issue of whether gas or gas product sales to Brazil are politically and economically feasible. Brazil has offered attractive markets for Bolivian natural gas in the past, but the two countries were never able to reach an agreement and future prospects are not promising. However, current proposals are for Bolivia to construct a

thermal power plant, then sell electricity (as well as gas-based fertilizer and polyethelene products) to Brazil. A framework agreement at presidential level between Brazil and Bolivia was signed in August 1988 and discussions are underway to work out detailed proposals and mobilize financing (a very difficult task). The IFC plans joint operations with Philips Petroleum and Occidental Oil companies.

45. In power, the immediate challenge is to expand the electricity generation and distribution system in a rational and cost effective manner, with the possibility of exporting electricity to Brazil. With demand projected to increase at 5-6% per year, substantial investments are needed in the next five years. Continued efforts to reinforce the institutional capability to carry out power investment programs have particular importance. The Ministry of Energy and Hydrocarbons is being strengthened by creating a planning and programming unit, while the National Energy Directorate (DINE) needs additional manpower to fulfill its tasks of analyzing and setting bulk and retail rates for all power utilities, in accordance with the National Electricity Code. The National Power Company (ENDE), Bolivia's main generating and bulk transmission utility will transfer to the smaller utilities all generation plants with a capacity of 5 MW and less, and concentrate its activities on construction of the larger generation plants and transmission lines, to be defined after the completion of Bolivia's least-cost expansion plan by mid-1989. The Government needs to define as soon as possible the future of the Bolivian Power Company's (COBEE) concession contract in the La Paz and Oruro areas.

46. Bolivia's economic future depends heavily upon the development of transport infrastructure and its efficient management. The country's difficult geography and widely dispersed population mean high transport costs throughout the economy. Furthermore, the transport sector has not been well managed: maintenance of the road network has been highly inadequate, planning of transport investments has been haphazard and poorly coordinated, and no well-conceived strategy has been followed to develop efficient road and rail corridors for Bolivia's traditional and non-traditional exports. Transport investments, even when adequately funded, have been slowly implemented. The Bank's policy dialogue on transport issues, based on a Transport Sector Strategy Paper, has been productive. It highlights four major areas for investment: maintenance and rehabilitation of existing road and rail facilities, integration of the three main populated areas of the country by road, upgrading of priority export corridors, one to the Atlantic and one to the Pacific, and construction of penetration roads to areas of high agricultural potential. The Government must also improve road maintenance before making further investments in new construction. ENFE, the national railway, needs assistance to begin to operate on commercial principles in competition with other modes (although it is a rare railway company that covers costs with revenues).

47. Bolivia's manufacturing sector is small--it contracted sharply during the early 1980s, and its contribution to GDP dropped from 15% in 1980 to 10% by 1985. Other than mining, manufacturing was the only sector which showed signs of a strong recovery in 1988 (in beverages, textiles and other small-scale industries). With the private sector focus of the Government's program, this sector has special importance. To develop its potential and to support the recovery process, the Government has taken steps to create a policy environment conducive to private sector growth. These include

liberalization of the trade policy regime and of factor markets, measures to promote exports and investment, elimination of price controls, tax reform, and measures to privatize several public enterprises. The medium-term objectives are thus to revitalize private sector growth and to create a policy environment which will permit a better realization of the sector's potential. An important ingredient in this strategy is financial sector reform which is needed to bring down interest rates and restore confidence of businessmen in the banking system. Another priority is to build up institutions to support small- and medium-sized entrepreneurs and exporters, where there are promising opportunities to support women's initiatives and cooperate with NGOs.

48. The strategy in the social sectors--education, health and water supply and sanitation--gives priority to policy and institutional development issues and focuses investment on extending social services to various target groups. Because acute limitations will constrain financial and administrative resources for the foreseeable future, efforts must concentrate on basic services and support to the most vulnerable groups (children and pregnant and lactating women). A particularly strong base for future programs is the promising experience of the Emergency Social Fund, which showed what could be done and plainly confirmed the pent up demand and need for support for poverty alleviation efforts. During 1987-88, the Emergency Social Fund secured over US$102 million in foreign loans and grants, creating over 116,000 temporary jobs, corresponding to 10% of the officially unemployed. The demand driven mechanism of access to the Fund's grant was a major element of its success. The decline of social services, from the already low base, in contrast, presents major long-term challenges. In health, the priority is to strengthen the Ministry of Health in its planning and management functions and support the extension of primary health services by the NGOs, municipalities or other health providers at regional levels. In education, the focus should be on improving the quality of primary education and extending its benefits to all and, particularly, to girls in rural areas. A key element of the strategy should be to achieve a more equitable allocation of public resources for education by reducing subsidies for those, mostly from middle and higher income groups, who attend public higher education without fees. In water supply and sanitation, the strategy will focus on extending service coverage in urban and peri-urban areas, giving particular attention to the needs of lower income groups. Options for introducing low-cost sanitation technologies to the population will be pursued, through municipalities and utilities. Improvements in the management and operational efficiency of the utilities, starting with La Paz, Santa Cruz and Cochabamba, also have priority.

49. Institutional development and technical assistance are a major focus of the Government's (and IDA's) program and will continue to have priority in the future. This is because Bolivia's public sector institutions are weak and in need of strengthening, particularly in economic and financial management. IDA has supported several ambitious initiatives to establish a foundation for a sounder, leaner public sector, including assistance to government agencies in resource mobilization, investment program planning and budgeting, and financial monitoring. The Government plans to launch a Public Sector Management Program to meet the immediate need for a cadre of competent development civil servants.

(v) Strategic issues and policy agenda

50. Central issues for Bolivia's development over the medium and longer term, and the agenda for action on policy and investment are set forth below. These issues follow from the basic strategic objectives, which are to consolidate the macro-economic framework and thus improve the functioning of markets, to remove the major constraints to growth, through development efforts for the major productive sectors and a restructuring of the public sector, and to address the problems of poverty.

(1) Consolidation of Macro-economic Stability

51. Tight macroeconomic management and further debt reduction are a must. Since August 1985, the Bolivian Government's successful economic program has led to renewed economic growth. If the next Government is to sustain current levels of economic growth, it must act responsibly on key areas affecting future economic performance. Inflation will have to be held to 10% by tight controls over monetary and fiscal policy; further debt reduction and restructuring are needed, with the goal of reducing the debt service ratio from 52% to 40% of GDP. The domestic savings rate needs to rise to 13% of GDP (from 8.4% in 1988). Depreciation of the Boliviano over the medium term is also likely to be necessary to diversify exports and reduce dependence on external capital. However, even with good economic management, growth prospects are limited by virtue of Bolivia's constrained productive capacity and ability to implement investments.

(2) Remove Constraints to Growth

52. Investment: the level and efficiency are keys to growth. To achieve significant growth, the Government must mobilize and disburse increasing amounts of domestic and foreign investment, both public and private, and establish an incentive framework to improve the current investment climate. Investment will need to increase to near 15% of GDP from current levels of 9-10%, if Bolivia is to achieve minimally acceptable rates of growth. Private investment remains sluggish and will increase only with renewed confidence in the economy and the financial system. Most of Bolivia's investment requirements will continue to be met by loans and grants from the international donor community. Because of its sound economic management and commitment to democracy, Bolivia has been able to mobilize increasing donor assistance over the last two years. Total disbursements under the public investment program reached US$133 million in 1987 and climbed to US$202 million in 1988. The current Government has significantly improved management of the public investment program, but still has far to go to improve its use of Bank and other foreign assistance (undisbursed commitments total an estimated US$1 billion).

53. Measures to restore private sector confidence and clarify its role have central importance. The Paz Estenssoro Government has attempted to increase private sector investment in the economy, but has been largely unsuccessful to-date. The steady decline in private investment during the early 1980s was only slightly reversed during 1986 and 1987 when it reached 4.9% of GDP. Preliminary estimates indicate that private investment as a proportion of GDP fell in 1988. The Government's strategy has consisted of improving the policy environment and the legal framework for private investment (export incentives, preparation of new investment laws

for foreign investment, mining and hydrocarbons), the creation of institutions to support private sector investment initiatives (Centro de Promoción de Inversiones, Nuclei Regional), and provision of funds to facilitate restructuring and expansion of investments. In addition, the Government has dismantled ineffective, more actively interventionist policy tools, such as the old investment law, and is actively trying to divest from a number of public enterprises. This reflects the present administration's basic attitude of limiting the Government's role to providing an appropriate policy framework and support institutions, but leaving most investment decisions to private sector initiative. The next Government must continue to support these policies and follow-up on: (i) the pending modifications in the investment, mining, and energy codes, (ii) pursuit of financial sector reforms to give the business community more confidence in the banking system, (iii) reducing high interest rates, making working capital available for restructuring and modernizing enterprises, and (iv) making sure that its exchange rate and other commercial policies enable manufacturers to compete effectively in international as well as domestic markets.

54. Sustained efforts to redefine the role of the public sector and to enhance its efficiency are essential, both to support the continuation of the macro-economic program, and to support the efforts to promote development of the productive sectors. The steady growth of the public sector over the past 30 years has been reversed, but its role remains large and in important respects ambiguous. The aggregate size of the state's role has been reduced, notably with the scaling down of COMIBOL and some other state enterprises. A broader privatization effort has been started, focusing on smaller companies now managed by regional corporations, but clearer guidelines and forceful leadership are needed to achieve significant results. More efforts to improve the efficiency of state enterprises are needed; a good start has been made with new tariff policies and financial restructuring and management improvement measures, but much remains to be done. It is particularly important that reforms (notably under the SAFCO program) be institutionalized. Decentralization initiatives over the past two years became embroiled in political conflict and stalled. Given the need to make services, especially in education and health, more responsive to local communities, the effort merits a high priority, within the framework of clear rules on respective responsibilities for management and financing. The Regional Development Fund was established in 1987 partly to support this effort, but its role needs to be clarified before it can play a major part; it is to provide technical support and financial intermediation for local government development projects. Better incentives to public servants are an essential part of the effort to improve the performance and efficiency of the public sector. Plans to implement a public sector management program to recruit and adequately compensate a cadre of qualified managers is a promising initiative which merits priority follow up.

55. Special attention to environmental dimensions of development programs is needed. The new economic strategy has important implications for management of natural resources which need to be taken into account in planning future investments. Bolivia already faces serious environmental problems: (i) poor water resource management and increasing water pollution; (ii) underutilized and overexploited land resources and significant soil losses through water and wind erosion; (iii) increasing deforestation

on land not suitable for agriculture; (iv) lack of forest management; (v) increasing destruction of fisheries, wildlife and, in general, of biodiversity by development activities; and (vi) serious institutional weakness for dealing with natural resource management and environment problems. The Government is receptive to both specific measures and moves to broaden strategy in this field. The recent appointment of an Undersecretary of Environment in the Agriculture Ministry reflects this interest. We expect to develop a specific agenda of action proposals as part of our ongoing environmental Issues Paper exercise.

(3) Action to Alleviate Poverty

56. Poverty is a long standing problem in need of urgent attention. There is little prospect of making major inroads on Bolivia's chronic poverty over the next five years. Economic growth is not expected to produce any per capita increases in consumption and projected recurrent expenditures in the social sectors allow only limited increases in expenditures. Improvements will need to come from greater efficiency and from better targetting of programs to those most in need, within the framework of a coherent poverty strategy which has yet to be elaborated. The Government must reorient the emergency effort for dealing with poverty by: (i) generating employment and income for the poor, and (ii) improving on the delivery of social services. In terms of generating employment and income, the starting place might be the Altiplano where the provision of credit and other support services to peasant farmers could increase productivity and incomes. Another could be in the informal sector in the urban areas, where credit has only just become available for micro-enterprises. In terms of social services, the most realistic strategy for helping the poor might consist of a three-pronged approach involving: (a) reallocating subsidies for education and health services which only benefit middle and upper-income individuals to services which benefit poorer communities, (b) mobilizing private resources (e.g., NGOs and church groups) for social services, and (c) initiating poverty reduction programs targeted at the most seriously affected groups. The new Social Investment Fund offers an good vehicle for channeling and coordinating such efforts.

57. Without a reduction in Bolivia's rapid population growth, poverty problems are likely to become still more acute. The key is to reduce fertility, a high priority on economic grounds. High population growth rates strain already inadequate job-creation and public sector capacity and hinder raising per capita income. Also, maternal and infant mortality and morbidity are closely linked to short-spaced, frequent births. Church groups have strongly opposed attempts to introduce family planning; thus action programs in this area must take this opposition and the political issues it entails into account.

58. Bold and aggressive efforts are also needed for Human Resource Development. The quality of education in Bolivia is low at all levels. Resource use in education is also poor and the public institutions responsible for the planning and management of education are weak. Reforming the education system should be a priority for Bolivia, but will be feasible only with cooperation from the teachers union. Improving teacher salaries and productivity are essential first steps to enhance the quality of education. Rewards for teacher and student performance need to be more

widely used as well. Another priority is to address the wide gap which separates the rural and urban education systems (which reinforces inequalities along racial lines). Efforts should focus on reducing drop-out rates, providing more trained teachers to replace the secondary school graduate teachers or "interinos" and more educational materials, and increasing the enrollments of girls, since most currently do not attend school in rural areas. It will also be important to enhance the present decentralized decision-making process by allowing for greater experimentation in instruction and supervision at the community level. The role played by NGOs in education at the community level has been highly positive and should be increased wherever possible.

D. MACROECONOMIC PROSPECTS

59. Prospects for the Bolivian economy are extremely uncertain, given the difficulty of the development challenge and the long history of political and economic instability. We have elaborated a set of macro-economic scenarios to illustrate the implications of different policy assumptions for the Bolivian economy and the Bank's program. Table I shows the principal assumptions and results of these scenarios. Of the four scenarios, we consider the base scenario the "most likely" case, and use it in planning the Bank's work program. The policy slippage scenario is not much less likely. The two other scenarios (high growth and disaster) represent more extreme outcomes. While neither of these scenarios is given a high probability, they are useful to illustrate the wide variety of possible futures for the Bolivian economy, depending on the policy choices made.

Table 1: Alternative Policy Scenarios
(Average 1990-97)

Policy Assumptions	Economic Assumptions				Results			
	Dom. Sav. /GDP	Ext. Sav. /GDP	ICOR	Export Growth	GDP Growth	Cons. p.c. Growth	Fixed Invest. /GDP	Current Acct. /GDP
High Growth Scenario								
Low inflation, liberal economic regime. Improved incentives for private sector invest. Rapid improvements in public sector adminis. Rapid supply response by private sector.	12.3	4.2	3.5	6.1	4.2	0.8	14.5	-8.6
Base Scenario								
Low inflation, liberal economic regime. Improved incentives for private sector invest. Slow improvement in public sector adminis. Slow supply response by private sector.	11.3	3.1	4.0	5.0	3.1	-0.2	12.4	-7.5
Policy Slippage Scenario								
Moderate inflation. Erosion of liberal incentives structure. Little improvement in public sector adminis. Little supply response by private sector.	8.2	3.4	5.5	3.4	1.6	-1.3	8.1	-6.4
Disaster Scenario								
High inflation. Controls on most aspects of economic activity. Deterioration in public sector administration. Decline in formal sector of economy.	6.1	0	6.5	2.6	0.7	-1.9	3.7	-3.8

(i) Base Scenario

60. This scenario assumes that future Governments adhere to the basic macroeconomic framework introduced by the Paz Estenssoro Government, and adopt further policy and administrative improvements as outlined in the recent draft of the Policy Framework Paper. Necessary policy reforms, which could be achieved if pursued aggressively, include passage of the investment, hydrocarbons, and mining codes; implementation of the privatization program; and continuation of the financial sector adjustment program. Improvements in public sector administration are also assumed, particularly in the areas of tax administration and social services. However, inadequate resources, poorly-trained staff, political obstacles, and corruption will continue to slow administrative reforms. Poor administration in turn will impede the supply response to the liberalization program, holding growth to rates only somewhat above that achieved during the past two years.

61. Output and Investment. Appropriate economic policies should encourage a strong increase in savings and investment. Domestic savings is projected to rise from 8.4% of GDP in 1988 to 12.8% in 1997, implying a marginal savings rate of about 30%. Rapid increases in savings can be achieved if, as expected: (a) confidence increases with continued good policy performance; (b) new profit opportunities encourage savings; and (c) the effectiveness of tax administration improves. The present level of savings is low. Therefore, despite rapid increases in savings, substantial external assistance will be required to finance the projected rise in fixed investment from 11.1% of GDP in 1988 to 12.4% in 1997. Assuming an ICOR of 4 (high in comparison to the Bolivian record from 1960-78, but not an unreasonable assumption given the present level of efficiency in the economy), this rise in investment would imply an average 3.1% increase per year in GDP.[1]

Table 2: Base Scenario
(percent)

	1988	1989	1990	1991	1992	1997
Constant 1987 Prices						
GDP	2.8	3.5	4.0	3.9	1.1	3.2
Consumption Per Capita	-4.7	-0.3	-0.7	0.4	0.1	-0.4
Investment/GDP	10.0	12.4	14.2	14.6	14.5	14.3
Domestic Savings/GDP	8.4	9.3	11.0	11.6	10.0	12.8
External Savings/GDP	1.6	3.1	3.2	3.0	4.4	1.5
Current Prices						
Current Account/GDP	8.8	11.7	9.3	8.4	9.1	4.8
Public Debt/GDP	87.1	89.3	90.1	89.5	91.5	79.7

62. The sectoral composition of output is not expected to change dramatically over the next decade, but some diversification within sectors is expected. In minerals, the share of non-tin mining (particularly silver and gold) should increase significantly at the expense of tin. Some increase in

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1/ GDP rises by 3.5% a year in every year except 1992, when the cut in gas sales to Argentina forces a reduction in growth to 1%.

oil exploration is expected as a result of the recent agreements with Occidental and Tesoro (at least sufficient to avoid becoming a net importer of petroleum), but natural gas will remain the most important component of hydrocarbons production. Commercial agricultural production in the lowlands is projected to grow rapidly, but it is unlikely that highland agriculture will increase much faster than the population. Industry's share of GDP will increase slightly. While in volume terms industry's contribution to output will remain limited, industrial growth is essential to achieve some diversification of Bolivian production.

63. Achievement of this scenario would mean complete recovery from the economic disaster of the early 1980s, and would set the stage for faster growth in the following decade. Employment in the formal sector of the economy would expand rapidly, and significant productivity gains would be made. However, the scenario also implies some decline in per capita consumption, and barring any unanticipated redistribution of income, little improvement in the living standards of the poor (beyond what can be accomplished through improving the delivery of health services).

64. External Resource Requirements. Mining and hydrocarbons will continue to be the most important sources of foreign exchange earnings for some time to come. Mineral exports are expected to increase by over 16% a year in 1988-90 owing to a recovery by COMIBOL, and more moderately in the 1990s due to increased exploration and development by the private sector. Prospects for natural gas exports to Argentina are extremely uncertain. We assume that Argentina will repay its more than US$120 million in arrears to Bolivia, as anticipated in the IMF program. There is reason to believe that Argentina will insist on reduced gas purchases after expiration of the present agreement in 1992, as the price Bolivia receives is presently above world market levels and Argentina has substantial unexploited natural gas deposits. Even so, it will probably take some years before Argentinian gas production rises sufficiently to meet domestic requirements without imports from Bolivia. To reflect the likelihood of continued gas sales but at a lower price and/or volume, we reduce Bolivia's revenues from gas exports by 50% beginning in 1992.

65. Another important issue concerns the recent agreement with Brazil to sell electrical power, urea, and polyethylene. Questions about the feasibility of the proposed projects must be answered before work can proceed, particularly the size of the market for these products and whether the petrochemical projects would be large enough to produce at a cost competitive in today's market. Unless private investors can be found, it appears that Bolivia would have to guarantee the funds to finance the US$1.2 billion in planned investment. Should the projects fail (either because of unexpected technical difficulties, unfavorable changes in market conditions, or political or economic instability in either Bolivia or Brazil), Bolivia would still have to repay this enormous debt. Given the many uncertainties involved, we have not included the Brazil projects in the projections.

66. Exports of nontraditional products are projected to rise by almost 12% a year from 1989-97. Exports of soya are projected to increase rapidly over the next decade, as Japan appears ready to provide a secure market and preliminary data indicate the availability of large areas of land suitable for growing soya. Other non-traditional exports are assumed to increase by 10% a year. An appropriate exchange rate policy should facilitate some diversification of Bolivian exports into textiles, wood and wood products, and simple industrial products.

67. Despite increased export revenues and higher savings, substantial external assistance will be necessary to purchase necessary imports and finance projected investment levels. External savings (the trade deficit) is projected at 3% of GDP in 1989. Of course, capital inflows (net of amortization) will be even higher, as a portion of external funds must be used to cover all interest due. The current account deficit is thus expected to reach almost 12% of GDP in 1989.[2] The ratio of the current account deficit to GDP remains high from 1990-92, owing to the rapid increase in investment and emergency assistance anticipated in 1992 to cushion the impact of the cut in Bolivia's natural gas exports to Argentina. Thereafter, the deficit falls sharply (to 4.8% of GDP in 1997) as domestic savings finance an increasing share of investment.

Table 3: Balance of Payments Projections
(US$ Millions)

	1987	1988	1989	1990	1997	1990-97
Current Account Balance	-508	-388	-561	-483	-430	-496
Net Official Transfers	106	117	120	123	125	130
Net Direct Foreign Invest.	15	30	34	39	96	64
Net Project Disbursements	153	192	348	324	250	306
Bilateral	40	19	107	103	58	96
Multilateral	113	174	242	221	192	210
of which: IDA	40	94	65	64	101	84
Rescheduling	241	207	125	204	49	152
Unpaid Interest	241	127	58	71	10	36
Unpaid Amortization	0	80	67	133	39	117
Other Flows [1]	-85	-202	-30	-168	-32	-127
Change in Reserves	78	44	-36	-40	-59	-28
Memo Item						
Current Account/GDP (%)	12	9	12	9	5	8

[1] Includes errors and omissions, unpaid gas receipts from Argentina, and payments to oil companies.

68. Bolivia's current account deficit (and reserves increases) will have to be financed almost entirely out of loans and grants from official creditors. Net lending to the public sector is expected to average US$458 million a year from 1990-97 (see Table 3). Of this amount, US$210 million represent net disbursements from multilateral creditors, US$96

2/ An additional reason for the difference between the ratio of external savings to GDP and the current account deficit to GDP is that the former is calculated at constant prices, while the latter is at current prices.

million net project disbursements from bilateral creditors, and US$152 million rescheduling of debt service payments. The major sources of multilateral assistance will continue to be IDA and the Inter-American Development Bank. We expect that the USAID program will continue at present levels (unless interrupted by Congressional complaints over lack of progress in reducing the coca trade), and that Japanese assistance will increase significantly, particularly through cofinancing. In addition to disbursements on existing loans, substantial new commitments will be required to support this level of net lending, on the order of US$400 million a year from 1990-97. Somewhat more than this average amount will have to be provided in the earlier years, with a high share of quick-disbursing loans. These numbers represent an extension through 1997 of donors' programs over the next three years, as outlined at the last Consultative Group meeting. Almost all of this assistance is expected to be provided at concessional terms.

69. Rescheduling of debt service due to bilateral creditors continues to be necessary throughout the forecast period. We assume that the Paris Club reschedules all debt service due on loans incurred before 1986 (the cut-off date used by the Paris Club) in every year through 1997, including rescheduling of previously-rescheduled debt. These terms are similar to that provided Bolivia in last year's rescheduling of approximately US$400 million owed bilateral creditors. This assumption implies the deferral of approximately US$150 million a year in debt service payments form 1990-97.

70. Decreasing reliance on external capital and concessional terms permit some decline in debt service indicators. The ratio of debt (owed or guaranteed by the public sector) to GDP is projected to fall from 89% in 1989 to 80% in 1997, and interest payments owed fall from 29% of exports in 1989 to 13% in 1997. Even so, Bolivia would remain not creditworthy for loans at commercial terms by the end of the forecast period. Debt service indicators would exceed levels acceptable to private lenders for a country with a relatively undiversified export base (so that debt service capacity is highly vulnerable to unexpected shocks) and low levels of productivity and industrialization. Despite the considerable achievements in improved policies and relatively favorable international economic environment assumed in the base scenario, Bolivia would still need to wait until the 21st century before returning to international capital markets.

71. This scenario is similar to that being used by the IMF in negotiations for the Enhanced Structural Adjustment Facility (ESAF). However, the IMF is more optimistic about Bolivia's medium-term prospects (we use the IMF's forecast for the three-year duration of the ESAF program). GDP growth projected by the IMF is somewhat higher, and the current account deficit is somewhat lower, than in the base scenario. These differences arise from the following: (a) the IMF assumes that Argentina will maintain its natural gas purchases from Bolivia at present levels after expiration of the present contract in 1992, while we assume a 50% cut in gas sales to Argentina; (b) the IMF projects substantial repatriation of private capital while our net capital inflow line is zero, and has more rapid increases in private direct investment; and (c) the IMF's projection uses an ICOR of 3.5 compared to the level of 4 in the base scenario. On balance, we find the IMF's forecast too optimistic to be used as a most likely case for Bank planning. Continued Argentina

gas sales are very uncertain and the assumption of high levels of net capital inflows appears risky, particularly given the large capital outflows recorded in the balance of payments in 1988 and early 1989.

(ii) Policy Slippage

72. There is some risk that the next Government will not maintain the liberal economic framework introduced by the present Government. While the two major opposition parties support the present economic framework, the policies their leaders followed in former administrations suggest that at least some deterioration in policy performance is likely. ADN pursued excessively expansionary policies under General Banzer during the 1970s. MIR was involved in the Government which presided over the 1983-85 hyperinflation. Further, the present Government's policies have elicited strong opposition from many powerful groups in Bolivia. Even elements of the business community have called for changes in policies to favor certain productive activities, which would have the effect of impairing efficiency.

73. Obvious targets for change include reintroduction of subsidized credit schemes coupled with interest rate controls, higher and differentiated tariffs, reintroduction of capital controls in an attempt to support an overvalued exchange rate, renewed interference by the state in hiring decisions and wage negotiations, and price controls. It is also possible that improvements in public sector administration could be shelved, tax administration weakened, and bank portfolio requirements relaxed. The common thread underlying all of these is the success of particular interests in gaining benefits from the state that gradually erode the efficiency of the economy as a whole.

74. The policy slippage scenario illustrates one view of the consequences of such a deterioration in policies. Reintroduction of controls reduces the efficiency of investment, which we represent by a rise in the ICOR from 4 in the base scenario to 5.5. Reduced confidence and profit opportunities slow the rise in domestic savings, to 9.8% of GDP by 1997, 1.5 percentage points above the 1988 level but 3 percentage points below that projected in the base scenario. Lending from official donors also falls owing to reduced commitment on the part of Bolivia to promised reforms and lack of necessary counterpart funds to obtain loans. For the purposes of illustration, we assume that net disbursements from official sources are 20% below the level projected in the base scenario. Altogether, lower external and domestic savings keep fixed investment at 8.6% of GDP by 1997, compared to 12.4% in the base scenario.

75. Reduced investment and efficiency would lower GDP growth to 1.7% per year over the forecast period, reducing per capita consumption by 1.4% a year. Employment in the formal sector of the economy would rise very slowly, as controls directed more activities towards contraband trade and other informal sector operations. Although external borrowing would decline relative to the base scenario, slower exports and output growth would mean little improvement in debt indicators. By 1997, debt would equal 79.8% of GDP and interest payments 13.8% of exports under the policy slippage scenario, about the same levels as in the base scenario.

76. The implications for Bolivia's economy and the Bank program would be severe. Further declines in consumption, coupled with little improvement in social services, would have a calamitous affect on the poor. The fall in living standards would intensify social conflicts and further disrupt production. IDA lending would have to be sharply reduced. Increased distortions and poor administration would probably make it impossible to proceed with planned infrastructure loans or technical assistance. However, depending on the extent of disorganization in the Government, some lending for social programs might continue.

(iii) High Growth Scenario

77. While the future of the Bolivian economy is most likely to fall within the range defined by the two scenarios described above, more extreme outcomes are possible. Bolivia could achieve even higher rates of growth than envisioned in the base scenario. Barring an unexpected (and permanent) terms of trade gain, significantly higher growth would most likely result from two sources: (a) a more rapid supply response to the liberalization program, meaning that private sector investment and savings would be higher than in the base scenario; and/or (b) a more rapid than expected improvement in public sector administration, which would increase efficiency and raise public confidence, and hence savings.

78. The high growth scenario illustrates the assumptions necessary to produce a growth rate of 4.5% per year over the forecast period. Domestic savings are one percentage point more of GDP than in the base scenario, and the ICOR is assumed to fall to 3.5, compared to 4 in the base scenario. Faster growth encourages increased inflows of net direct foreign investment and a rise in official lending (because more efficient administration permits faster disbursements and policy success attracts greater bilateral flows), resulting in capital inflows 20% above that received in the base scenario. Higher investment permits a rise in export growth to 6.6% per year (compared to 5.0% in the base scenario), led by rapid growth in non-tin minerals and agricultural products. Under these assumptions, per capita consumption would increase by 1.4% a year.

79. This scenario represents a much more optimistic view of Bolivia's prospects than the base scenario. A rising standard of living might facilitate efforts to redistribute income. Formal sector employment would increase very rapidly, because high growth would raise total employment in the economy and because more efficient public sector administration would reduce incentives for informal sector activities. Even so, by 1997 Bolivia would remain not creditworthy for loans on commercial terms. Debt would equal almost 4.5 times the value of export revenues, and remain more than 80% the size of GDP. This scenario would imply no change in IDA's lending program (compared to the base scenario), as Bolivia still could not afford to borrow at IBRD terms and IDA resources are limited.

(iv) "Disaster" Scenario

80. Alternatively, policy performance could be even worse than anticipated under the policy slippage scenario. In addition to increasing controls, future Governments could return to running large fiscal deficits financed through credit from the Central Bank. Private

sector savings would disappear, with the exception of forced savings through the inflation tax, and the demand for real money balances would plummet. Bolivians would transfer their assets overseas, invest in inflation hedges, or direct all transactions through the informal sector. Capital inflows would dry up, owing to poor execution of projects, economic chaos, and inability to repay external lenders. We have assumed that Bolivia is forced to achieve balanced trade, owing to a break in relations with creditors. Declines in domestic and foreign savings would dramatically reduce the funds available for investment, which would be allocated through various inefficient rationing schemes.

81. A wide variety of paths are imaginable under these circumstances; the projections shown in Table 1 (GDP growth of 0.7% per year, and per capita consumption decline of 1.9% a year) are simply one possible scenario, by no means the worst, that could result. This scenario would imply severe conditions for the poor, in some sense worse than in 1980-85 because consumption declines would start from a lower level. The disaster scenario would also imply a complete cessation of the Bank's lending program and a severe cutback on economic and sector work, both because of difficulties in accomplishing anything in such an atmosphere and because Bolivia would probably stop servicing IBRD and IDA debt.

E. BANK ASSISTANCE STRATEGY

(i) Bank Assistance in Bolivia-History and Assessment

82. Bank operations in Bolivia fall into two distinct periods. The "past" program, from 1964 to 1980, focused on infrastructure development and direct production operations, with some lending in the social sectors from the mid-1970s and a Structural Adjustment Loan in 1980. The "present" program dates from 1985, and has supported the Government's new economic programs. Between these two periods (from 1981 to 1985), the Bank made no new loans to Bolivia as creditworthiness deteriorated and economic management declined; we did, however, provide substantial technical assistance through economic and sector work.

83. Bank management has reviewed the country strategy for Bolivia on several occasions. Policy Framework Papers were considered by the OC (and OPSC) in November 1986 and January 1988. A Division Country Brief (DCB), outlining the country assistance strategy and proposed program, was reviewed in November 1986. That review focused on the IDA allocation, the need to work towards greater specificity in policy recommendations at both the macroeconomic and sector levels, proposals (then under elaboration) for a program to address the social costs of adjustment, and the role of the cocaine economy. The last formal review of a Country Program Paper (CPP) was in December, 1976. The Operations Committee has also reviewed the three adjustment operations approved for Bolivia: RIC I (June 1986), RIC II (June 1987), and the Financial Sector Operation (June 1988).

84. Prior to 1980, Bank lending to Bolivia was dominated by development of infrastructure and projects for the energy, agriculture, and mining sectors. Bolivia was an IDA-only country until 1975, when IDA lending was curtailed after the start of natural gas and petroleum exports. Most lending was on Bank terms thereafter, with some blend operations in the late 1970s.

Transportation was a focus of the early lending program, particularly the railroads; these operations were generally successful. Lending to the productive sectors had more mixed results. In the energy sector, the Bank played a key role in establishing the national power company (ENDE) and in overall development of the power sector; we also financed the expansion of gas production and the gas pipeline to Argentina. In agriculture a series of livestock projects met considerable success, but three ambitious rural development projects approved in the mid-1970s did not meet their objectives, in part because of troubled country conditions. Water supply and education projects also met limited success. In mining, Bank assistance consisted mostly of credit operations for the private sector, including a fund for mining exploration which was not successful.

85. The Bank made a Structural Adjustment Loan to Bolivia in June, 1980, to support a stabilization and medium-term adjustment program. The SAL program included: economic and financial stabilization measures agreed with the IMF; specific measures for export promotion; and a public investment and financing program. The military government which took over in July 1980, however, could not keep the program on track. Reading some seemingly hopeful signs, the Bank underestimated the political risks, and released the SAL's second tranche in November 1980. The program was never revived despite repeated efforts and hopes. This SAL is justifiably seen as one of the least successful the Bank has supported.

86. From 1980 to 1985, growing economic chaos in Bolivia made new lending increasingly futile. The Bank cut back its resident mission and struggled to rescue ongoing operations and to ensure service of Bank debt. Work on several new operations proceeded, and continuous efforts were made to reformulate an economic stabilization program and to resume lending. The most lasting achievement of this difficult period was some excellent economic and sector work, notably the 1985 Economic Report issued at the time of the Bolivian elections; it was used in formulating the new Government's economic program. Other work included studies on COMIBOL and the private mining sector, on the Agricultural Credit Bank (BAB), and other reports on agriculture, mining, and transport.

87. PPARs and PCRs, now virtually complete for all pre-1980 operations, underscore the mixed results of past lending. The underlying lending strategy was generally pragmatic and yielded important results. Nonetheless, both at a country and project level the Bank misread the underlying trends of the 1970s and was caught up in the heady days of the petroleum boom. The story of the early 1980s is one of persistence and frustration, as mounting difficulties confronted all operations, making project implementation virtually impossible and eroding the results of years of work. Because Bolivia could not service Bank debt, disbursements were suspended several times, once for over six months. Political activism affected Bank operations directly, leading to frequent changes of project personnel and, in some instances, demonstrations or takeovers. In sum, the experience of the final years of the first phase projects was exceptionally difficult.

88. Shortly after the new economic program of the Paz Estenssoro Government was introduced in August, 1985, the Government sought Bank assistance, and the Bank moved quickly to respond. Work began almost immediately on an emergency operation, a Reconstruction Import Credit based on the economic program to provide quick-disbursing funds to priority

sectors. Decisions were also made to revive the Consultative Group to help mobilize external assistance, to establish a new Programs Division to help rebuild the Bolivia program, and to reactivate the Bolivia Resident Mission. The renewed operating program thus dates from FY86, and has entailed intensive work to build up a new lending program, extensive economic and sector analysis which has produced reports on most sectors and special reviews of the public expenditure program, export prospects, the eastern lowlands, and private sector issues, and resource mobilization work, largely through the Consultative Group.

89. The Bank has played a central role in Bolivia's stabilization and adjustment efforts over the past four years. Lending since FY86 has totaled US$350.4 million, for 11 operations, all on IDA terms since Bolivia is clearly not creditworthy for Bank lending. This support has been an important part of the external resources mobilized for Bolivia's economic programs, and has been associated with substantial cofinancing. The operations include three quick-disbursing operations: two Reconstruction Credits, designed to help rehabilitate key productive sectors, which have moved more slowly than expected, and a Financial Sector Adjustment Operation. Two special operations were developed to help cope with the social impact of adjustment, through the Emergency Social Fund; this program has been highly successful and should provide a basis for developing future poverty programs. In addition, a pipeline of investment projects has been developed and several are under implementation; of material assistance, given Bolivia's very limited budget resources, has been the use of PPFs to help prepare operations. A central focus of the program has been institutional development, in line with our view of the weakness of economic management and institutions and, more broadly, the need to rebuild a "lean and mean" public service. These efforts, while substantial and much needed, represent only a start on this formidable task.

(ii) Proposed Country Assistance Strategy

90. The proposed country assistance strategy will support the continuation and deepening of the Government's medium term adjustment and development programs. The focus will be on maintaining the macroeconomic framework, boosting the level and efficiency of investment, both public and private, and attacking poverty by expanding employment and income earning opportunities and improving the delivery of social services (with reliance on NGOs). Important features of the program are the emphasis on implementing the remaining regulatory reforms and other incentives for private sector investment (the legislation for which is in large measure already prepared); the importance of institutional development efforts given the weakness of public services; and the stress on poverty alleviation in light of Bolivia's grave poverty problems and poor prospects for achieving per capita income growth during this century. External resource mobilization is vital for the program's success so the Consultative Group will remain a central focus of operations. Debt restructuring and reduction will remain a priority as it is a precondition for success. Briefly, the central strategic objectives are to:

(i) sustain current macroeconomic programs, with further reforms in fiscal management (especially tax and budget systems);

(ii) pursue vigorous programs to rehabilitate and restructure the key economic sectors (mining, agriculture, hydrocarbons);

(iii) increase levels of public and private investment, improving the quality of public investment and acting to develop incentives and markets conducive to private investment;

(iv) develop and maintain essential infrastructure, particularly transport, in keeping with the growth strategy; and

(v) implement a comprehensive strategy to attack poverty and increase the effectiveness of social development programs, particularly in health and education.

(iii) Operational Program

Lending

91. The proposed five-year lending program for Bolivia for FY90-94 (base lending program) is summarized below; the details are in Annex 1. The program includes both adjustment and investment operations. The main focus of the program is on sector investment lending, with a high policy content in all operations. The base program is all on IDA terms, since Bolivia is not creditworthy for Bank lending. It averages US$82 million a year.

Table 4: Proposed Five-Year Lending Program

	1990	1991	1992	1993	1994	1990-94
FY Commitments IDA	80	75	80	85	90	410
CY Net Disbursements						
IDA	57.5	74.6	82.1	42.3	44.1	
IBRD	-24.6	-25.2	-22.5	-19.6	-19.7	

92. The proposed lending program reflects the country assistance strategy in its dual focus on increasing the economy's productive capacity and on poverty alleviation and human resource development. Ongoing and proposed operations support sector adjustment and development programs in mining and energy, with two proposed operations to support agriculture in the eastern lowlands and the altiplano. Infrastructure development is geared to export promotion and support for general increases in production and basic services. The ongoing and proposed Financial Sector and Banking Sector operation support the critical financial sector reforms on which the revival and development of private investment, domestic and foreign, depends. In parallel, an ambitious series of operations would follow up on the poverty alleviation initiatives launched under the Emergency Social Fund operations, with further lending for health, education, water supply, and to the Social Investment Fund for community based projects, many to be implemented by NGOs.

93. The proposed program includes only one quick disbursing operation (Banking II), because it has been geared to the long term objective of building the institutional and productive capacity to develop the production base and sustainable public services. However, further quick-disbursing assistance, linked to a renewed adjustment effort, may prove necessary early in the next Government, primarily because of the new shock Bolivia is experiencing with delayed or absent payments from Argentina for gas ship-

ments. The Bank should use its good offices to encourage Argentina to continue paying for Bolivian gas. If this situation is not rectified, a major review of priorities and programs will be essential, tied to new efforts to mobilize financing to meet a critical external gap. We are preparing contingency proposals to present to the new Government on the nature of adjustments that might take Bolivia some way towards meeting this new crisis. Another possibility, not included in the base program, is IBRD lending for enclave operations in the energy and mining sectors, with appropriate guarantees. If investments were well justified on economic and financial grounds, such lending could contribute materially to improving growth prospects, but the possibilities for such operations are too unclear at present to include them in the program.

94. The lending program is predicated on the Government maintaining its commitment to the adjustment program followed since 1985, and undertaking the improvements in incentives outlined in the base scenario (as described in the section on macroeconomic prospects). However, if policies were to deteriorate as described in the policy slippage scenario (for example, reimposition of price controls, interest rate ceilings, restrictions on foreign exchange transactions, or quantitative trade controls), we would have to reduce the program. The particular credits deleted would depend on the severity of the distortions introduced and the extent to which they affect the sector involved. For example, if the Government were to reimpose controls on agricultural prices, we would be unlikely to go forward with an operation to raise agricultural production. Under the assumptions of the policy slippage scenario, in which a set of distortionary policies are introduced across the board, the IDA program would be limited to a few social development and poverty-oriented operations, which are listed under the Core Poverty Program in Annex 1B. Should macroeconomic policies deteriorate to the extent described in the disaster scenario, then it is likely that all credits would be eliminated.

Economic and Sector Work

95. An ambitious economic and sector work program has supported our policy dialogue, lending work, and aid coordination and mobilization efforts. Over the past three years, we have prepared three macroeconomic reports and carried out reviews of public sector investment; produced sector reports on transport, health, agriculture, and finance; and undertaken special studies on export prospects, development of Bolivia's eastern lowlands, private sector issues, the informal sector, issues for women-in-development, and the environment. The Bank has also jointly prepared and updated two Policy Framework Papers, with the IMF and the Government. Much of this economic and sector work has directly served the Bolivia Consultative Group and has supported the Government's efforts to elaborate a new long term development strategy.

96. The planned economic and sector work program for FY90-92 is organized around regular economic reports and reviews of public investment and expenditures, which will serve as the major documentation for annual CG meetings; in some years the two exercises will be combined. As Bolivia has an ESAF program with the IMF, we also expect to produce annual Policy Framework Papers. Additional sector work or special studies will focus on the following topics:

97. Poverty. A major study in FY90 will examine the root causes of poverty, assess macroeconomic and sector policies and programs in terms of their impact on the poor, and propose policy and investment options for increasing employment and income. Special attention will be given to employment issues for agriculture, manufacturing, and services. Social services administration and financing issues (including ways to improve efficiency) will be examined with a view to extending service coverage and targetting services better to vulnerable groups. This review should assist in formulating a well-articulated poverty alleviation strategy and would be a topic for discussion at a Consultative Group meeting.

98. Agriculture in the Altiplano. This review would focus on the problem of low agricultural productivity and small farmer incomes in the altiplano. The study would examine the region's natural resources in terms of their current use and potential for crop and livestock production; assess alternative technologies, including irrigation, and production systems suitable for the area and identify those which show promise for widespread dissemination; review experience in managing credit and other support services (including marketing and transport) and options for improvement; and identify social and cultural constraints to dissemination and adoption of new techniques. The results would enrich the poverty alleviation strategy and agriculture sector operations.

99. Industrial Development. Despite extensive policy reforms to promote industrial development and growth, structural and other impediments still impede reactivation of industry. Among these are: a continuing shortage of working capital in combination with high interest rates, weak institutions to support private sector initiatives, infrastructural deficiencies, a weak financial system, and wide spread contraband. The proposed sector review will examine structural and policy constraints to industrial development and make recommendations on needed improvements in the policy framework and on financing, infrastructure, and institutional support.

100. Eastern Lowlands Development Options. With the rapid growth of economic activity in this region, and the absence of planning or even elementary controls on land use, a clear development strategy is essential. Our FY88 Regional Development Study laid the groundwork for such a strategy but additional work is required. The proposed study would identify options, issues, and tradeoffs which regional authorities should consider in planning for development of resources and infrastructure in the lowlands. Institutional constraints to implementation will also be examined. The study would devote special attention to environmental issues raised by the exploitation of land and forest resources, gas and oil exploration and development, road construction, slash and burn agriculture, road construction, and other activities.

Resident Mission

101. The Bank's Resident Mission in Bolivia was reactivated with the appointment in October, 1986 of a new Resident Representative; when his predecessor left Bolivia in November, 1983, he was not replaced because of the deteriorating economic situation, although the office remained open. The objectives of the Mission have been to: (i) provide technical support for the Government's reform programs; (ii) rebuild the depleted Bank

lending program, and (iii) support aid coordination and preparatory work for the Bolivia Consultative Group. The Resident Mission has made many useful contributions to all three objectives. It also plays a key continuing role in project implementation, flagging and following up on issues; this role has particular importance given the very difficult implementation problems facing the Government. The Resident Mission has been active in aid coordination among the donor agencies in La Paz and should continue this as a complement to the Consultative Group. The role of the mission is being enlarged with use of local staff and consultants, especially to assist on implementation assistance.

Consultative Group

102. The CG for Bolivia was revived in December of 1986 after a nine year hiatus. The CG last met in Paris on July 6-7, 1988; it is scheduled to meet again in October 1989, after the new Government takes office. The next CG meeting will focus on the new Government's macroeconomic program and the medium-term issues of economic management, adjustment, debt and growth. It also should examine the Government's public sector investment program and review progress and problems on program monitoring and implementation. Poverty and environmental issues should be at the fore-front of the next meeting, to encourage the new Government to give these issues priority on its development agenda. The 1990 CG meeting should focus more specifically on medium term issues, including agricultural development strategy and poverty alleviation programs. In sum, the Bank should plan to continue its active support of the Consultative Group, with regular annual meetings and special sub-group meetings on topics of special interest.

International Finance Corporation

103. IFC plans to increase its investments by US$40 to US$60 million in Bolivia over the next three to four years. It is likely to concentrate its investments in mining, energy, and agro-industries which will support our objectives for the productive sectors and contribute to private sector development. In mining, IFC plans to provide US$20 to $30 million to the larger mining companies for restructuring and modernization programs. In energy, it is considering investing in exploration and field development of oil and gas with two foreign oil companies and is examining projects for domestic consumption of natural gas. In agro-industries, it is examining investments for promoting the export of flowers and coffee and for meat processing for domestic consumption. IFC's increased involvement in Bolivia is important for encouraging domestic private investment as well as foreign investment. IFC should consider offering Bolivia other assistance to strengthen the role of the private sector. IFC participation in future CG meetings would keep the donor community apprised of its activities and plans and might encourage private foreign investment in selected operations.

Bank Exposure, Creditworthiness, and Risk

104. Since the Bank began operations in Bolivia in 1964 it has made a total of 14 loans and 24 credits for a total of US$646 million. The gap in Bank/IDA lending from 1980 to 1986 depleted the portfolio so that the undisbursed balance stood at about US$15 million in FY86. Bolivia has

largely maintained payments on its debt to the World Bank, the IMF and the IDB, although for brief periods the Government has fallen into arrears to all three institutions. Bolivia's current and projected debt service obligations on IBRD and IDA borrowing for the period 1988-1993 are as follows:

Table 5: Debt Service Obligations
(Percent)

	1987	1988	1989	1990	1991	1992	1997
Debt Service to the Bank / Total Debt Service	11.0	12.3	12.5	10.2	9.9	8.6	8.1
Debt Owed the Bank / Total Debt	9.3	12.6	12.3	12.1	12.0	12.2	14.2
Debt Service to the Bank / Exports of Goods and Services	5.5	6.4	5.7	4.9	4.1	4.1	2.1

This table indicates that the projected lending program for Bolivia would imply no significant increase in the Bank's exposure; as all new lending is on IDA terms, debt service payments to the Bank would fall as Bolivia pays off its old IBRD debt. Therefore, debt service paid the Bank is projected to decline from 6.4% of exports and 12.3% of total public debt service in 1988 to 2.1% and 8.1% respectively, by 1997. Debt owed to the Bank would rise slightly from 12.6% of public debt in 1988 to 14.2% by 1997, almost all of this representing IDA debt by 1997. Bolivia benefitted from an IDA reflow allocation of US$11.8 million, approved by the Board in March 1989, and should be eligible for further assistance in future.

105. Bolivia is not creditworthy for loans at commercial terms, and has little prospect of becoming so for the foreseeable future, as levels of debt and debt service are unacceptably high. Debt owed by the public sector exceeded five times the value of export receipts and 80% of GDP in 1988, and debt service obligations were over half of exports, despite reschedulings. Market behavior confirms this judgment: commercial banks have accepted 11 cents on the dollar to retire bank debt. It is thus doubtful that banks will soon provide new loans beyond short-term finance. In our most likely scenarios, debt service is projected to exceed 24% of exports and debt to remain at about 80% of GDP by 1997, even with most loans at concessional terms. Even if Bolivia's performance is much better than expected, the small industrial base and heavy dependence on a few primary commodity exports make it a considerable risk for loans at commercial terms. As an illustration of the risks involved, we have run a scenario in which the price Bolivia receives for tin and natural gas are 25% below that projected in the base scenario. Assuming no changes in policy to compensate for this fall in revenues, GDP growth would decline to 1.9% a year in 1989-97, compared to 3.1% in the base scenario, and ratios of debt to GDP and interest owed to exports would increase further. This vulnerability to external shocks makes Bolivia a very poor credit risk.

Table 6: Impact of Price Shock
(percent)

	GDP Growth	Interest/Exports		Debt/GDP	
	1989-97	1988	1997	1988	1997
Base Scenario	3.1	31.3	13.2	87.1	79.5
25% Fall in Tin and Gas Prices	1.9		17.6		88.7

106. The country strategy involves important risks, beyond this basic creditworthiness issue. They are tied to the prospects for achieving the strong economic management and political stability that are essential for Bolivia to succeed. If the current macroeconomic program is not sustained, a sharp decline in economic performance is almost certain, making normal investment operations and of course policy reform virtually impossible. Hard won gains could be quickly lost. The stance of the major candidates, that the program must be continued, and the response of the electorate give reason for hope that the program will be maintained but a reversal or, even more likely, policy slippage, are a real risk. Even if the current policy measures are maintained, there are risks that the modest growth targets for the medium-term will not be achieved because of inadequate resources to finance projected investment, a shortfall in Government revenues prior to 1992, created by a steeper decline in gas exports to Argentina than anticipated, or inadequate administration of public sector resources. Much will depend upon the performance of the new government and the confidence it instills in domestic financial markets and in the donor community.

PROPOSED LENDING OPERATIONS
(US$ millions)

	Last FY Actual 88		Current FY89		Current FY90		Current FY91		Currnet FY92		Current FY93		Total Quinquennial Lending Oper.	
	IBRD	IDA	IBRD	IDA	IBRD	IDA	IBRD	IDA	IBRD	IDA	IBRD	IDA	IBRD	IDA
Non-Adjustment Lending														
Agriculture														
Eastern Lowlands						35.0								35.0
Agricultural Development								20.0						20.0
Total Agriculture						35.0		20.0						55.0
Education														
Education Project										20.0				20.0
Total Education										20.0				20.0
Energy														
Gas/Power												20.0		20.0
Total Energy												20.0		20.0
Industrial Development/Finance														
Financial Sector		70.0												70.0
Financial Sector--Supplemental Cr.				11.3										11.3
Mining I				25.0										25.0
Private Enterprise						15.0								15.0
Banking Sector II										60.0				60.
Mining Sector II								35.0						35.0
Total Indus.Dev/Finance		70.0		36.3		15.0		35.0		60.0				216.3
Industry														
Industry												30.0		30.0
Total Industry												30.0		30.0
Water Supply & Sewerage														
Water Supply and Sewerage								20.0						20.0
Total Water Supply and Sewerage								20.0						20.0
Transport														
La Paz Municipal		15.0												15.0
Export Corridors				37.0										37.0
Road Maintenance												30.0		30.0
Total Transport		15.0		37.0								30.0		82.0
Population and Health														
Integrated Health Development								20.0						20.0
Total Population and Health								20.0						20.0
Non-sector Specific														
Emergency Social Fund II		24.7												27.4
Social Investment Fund I						25.0								25.0
Social Investment Fund II												25.0		25.
EMSO				9.7										9.7
Total Non-sector Specific		24.7		9.7		25.0						25.0		84.4
GRAND TOTAL:		109.7		83		75		95		80		105		547.7

ANNEX 1B

PROPOSED LENDING OPERATIONS
(US$ millions)
"Core Poverty Program"

	FY90	FY91	FY92	FY93	TOTAL
Education			20.0		20.0
					20.0
Population & Health		20.0			20.0
					20.0
Social Investment Fund	25.0				25.0
Social Investment Fund II				25.0	25.0
					50.0
Total IDA	25.0	20.0	20.0	25.0	90.0

ANNEX 2

SUMMARY OF ECONOMIC AND SECTOR WORK
(staffweeks)

	Last FY88 Actual	FY89	FY90	FY91
ECONOMIC WORK				
Updating Economic Memorandum	50.6			
PSER	4.9			
Eastern Bolivia Study	38.4			
Environment	42.1			
Country Economic Memorandum		63.0	2.0	
Public Sector Expenditure Review		38.0	2.0	
Environment Issues Paper		12.0		
Policy Framework Paper		2.0	4.0	4.0
Poverty Study		5.0	61.0	
Women in Development		5.0	2.0	5.0
CEM/PSIR 91			15.0	35.0
Total Economic Work:	136.0	125.0	86.0	44.0
SECTOR WORK - Regional Managed:				
Agricultural Sector Review	10.2	4.0		
Agriculture in the Altiplano				60.0
Industrial Development				40.0
Eastern Lowlands Development Program				25.0
Banking Sector	1.0	6.0		
Industrial & Trade Sector	1.3	2.0	8.0	
Gas Sector	15.3			
PHN Sector Review	18.7			
Export Corridors	18.0			
Total Sector Work:	64.5	12.0	8.0	125.0
GRAND TOTAL	200.5	137.0	94.0	169.0

KEY INDICATORS

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1997
GDP Growth Rate	-4.4	-6.5	-0.3	-0.2	-2.9	2.1	2.8	3.5	4.0	3.9	1.1	3.3	3.2	3.2
GNP growth Rate	-5.4	-6.1	0.4	-1.5	-2.1	2.6	3.6	1.5	6.8	4.4	1.5	3.7	3.4	3.3
GNP/Capita Growth Rate	-8.2	-8.9	-2.4	-4.3	-4.9	-0.2	0.8	-1.3	4.0	1.7	-1.3	0.9	0.6	0.5
Consumption/Capita Growth Rate 1/	-6.8	-6.4	-5.0	1.3	-3.8	-1.1	-6.0	-1.1	-1.8	-0.1	1.7	-0.3	-0.8	-1.2
Total DOD 2/ (in US$)	3067.6	3468.6	3567.3	2961.6	3614.1	4396.0	4123.1	4278.6	4678.2	5065.5	5481.7	5865.6	6189.6	7064.3
DOD/IGS 3/	265.8	303.4	335.2	250.6	326.2	349.3	370.2	306.4	326.6	331.0	346.9	351.0	348.2	328.5
DOD/GDP	48.9	57.4	41.8	60.9	99.4	103.0	93.0	89.5	90.3	89.7	91.7	90.4	88.2	79,7
Debt Service (in US$)	558.0	639.2	526.0	362.9	274.8	367.6	379.6	383.5	459.8	465.7	486.4	459.0	480.3	436.7
Debt Service/IGS	48.3	55.9	49.4	30.7	24.8	29.2	34.1	27.5	32.1	30.4	30.8	27.5	27.0	20.3
Debt Service/GDP	8.9	10.6	6.2	7.5	7.6	8.6	8.6	8.0	8.9	8.2	8.1	7.1	6.8	4.9
Interest/IGS	15.8	16.2	18.0	18.7	16.1	24.1	18.9	16.3	14.9	13.8	13.0	12.3	11.9	10.6
Interest /GDP	2.9	3.1	2.2	4.5	4.9	7.1	4.7	4.8	4.1	3.8	3.4	3.2	3.0	2.6
Gross Investment/GDP	12.4	12.5	11.9	12.7	5.6	10.0	10.0	12.4	14.2	14.6	14.5	14.4	14.4	14.3
Domestic Savings/GDP	22.7	22.0	17.5	11.6	3.8	4.0	6.5	7.7	9.5	10.3	9.1	9.6	10.2	12.3
National Savings/GDP	16.3	17.5	13.0	5.3	-2.2	0.5	3.9	3.1	7.3	8.4	7.5	8.2	8.8	10.9
Marginal National Savings Rate	40.8	19.8	-608.6	3331.2	36.4	44.2	224.9	4.0	139.0	56.0	-181.0	49.9	53.5	59.7
Public Investment/GDP	7.4	8.4	8.4	8.1	3.2	6.6	7.1	7.1	7.5	7.7	7.6	7.6	7.6	7.6
Private Investment /GDP	5.6	3.3	3.8	2.7	2.9	4.3	4.0	4.6	4.7	4.9	4.9	4.9	4.9	4.8
Ratio of Public/Private Investment	1.3	2.6	2.2	3.0	1.1	1.5	1.8	1.5	1.6	1.6	1.6	1.6	1.6	1.6
ICOR 4/				-5.6	-3.8	-6.1	34.2	9.1	5.1	3.1	3.9	3.8	4.0	3.9
Government Revenues/GDP 5/	5.5	7.8	3.3	9.1	15.6	14.4	15.6	16.5	17.4	17.7	16.3	16.7	17.3	17.8
Government Expenditures/GDP	21.3	24.8	24.6	18.0	18.6	14.7	13.2	15.7	16.3	16.0	15.6	15.2	15.0	14.4
Deficit (-) or Surplus (+)/GDP	-15.8	-17.0	-21.3	-8.9	-3.0	-0.3	2.4	0.9	1.1	1.6	0.7	1.5	2.3	3.4
Export Growth Rate 6/	-5.9	-8.9	-5.8	-15.7	17.7	0.0	6.9	7.7	7.9	5.8	-12.4	5.4	6.1	6.8
Exports/GDP	13.2	12.5	8.5	12.8	15.3	12.3	12.0	12.9	13.4	13.6	11.9	12.0	12.3	13.4
Import Growth Rate 6/	-37.6	1.3	-15.1	48.4	-18.8	2.7	-20.3	20.7	10.1	5.1	0.8	3.2	3.2	3.2
Imports/GDP	9.2	9.8	5.8	14.2	18.5	18.0	14.9	17.3	18.2	18.3	18.0	17.8	17.6	17.1
Current Account (in US$)	-219.1	-204.1	-194.5	-429.8	-405.0	-515.1	-388.8	-561.3	-482.6	-477.0	-546.7	-536.6	-525.5	-429.9
Current Account/GDP	-3.5	-3.4	-2.3	-8.8	-11.1	-12.1	-8.8	-11.7	-9.3	-8.4	-9.1	-8.3	-7.5	-4.8
Terms of Trade Index	103.7	103.0	106.8	114.8	72.6	61.8	54.0	55.9	56.4	56.9	58.1	58.3	58.5	59.5

1/ High growth rates of consumption in projections reflect mechanical rebasing of national accounts from 1987 prices to 1980 prices.
Consumption growth rate is about one percentage point lower at 1987 prices.
2/ All debt and debt service data include only long term, public and publicly guaranteed debt.
3/ Imports of Goods and Services.
4/ Five year ICOR (sum of investment in five previous years divided by change in GDP over the period).
5/ Data refers to central administration only (including both current and capital accouts).
6/ Merchandise

BOLIVIA - NATIONAL ACCOUNTS

A. National Accounts Indicators as Shares of GDP at Current Prices (%)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1997
GDP at m.p.	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Net Indirect Taxes	2.7	3.0	0.9	0.4	0.3	0.8	1.2	2.2	1.9	1.8	1.8	1.7	1.8	1.7
Agriculture	18.4	18.0	19.6	21.6	22.4	27.6	24.4	22.5	23.7	23.2	22.3	21.9	21.9	21.2
Industry	34.1	31.6	32.7	30.8	28.4	27.9	22.6	23.7	23.7	24.8	25.6	26.0	25.6	28.2
(of which Manufacturing)	18.3	19.1	13.8	17.9	19.8	18.6	15.8	13.2	13.3	13.2	13.6	13.9	14.2	16.6
(of which Mining)	15.8	12.5	18.9	12.9	8.6	9.2	6.8	10.5	10.4	11.6	12.1	12.1	11.4	11.6
Services	44.9	47.3	46.8	47.2	48.9	43.7	51.8	51.5	50.8	50.2	50.2	50.4	50.7	48.9
Resource Balance	5.5	2.6	10.4	9.6	5.7	-1.1	-1.8	-6.1	-3.5	-4.6	-4.7	-4.3	-5.4	-2.0
Exports of GNFS	25.6	24.2	35.2	31.0	15.7	20.7	23.9	15.3	15.1	16.3	17.2	17.5	16.2	18.5
Imports of GNFS	20.2	21.6	24.8	21.4	10.0	21.8	25.7	21.4	18.6	21.0	21.9	21.8	21.6	20.5
Total Expenditures	94.5	97.4	89.6	90.4	94.3	101.1	101.8	106.1	103.5	104.6	104.7	104.3	105.4	102.0
Total Consumption	79.8	80.5	77.3	78.0	82.5	88.4	96.2	96.0	93.5	92.3	90.5	89.7	90.9	87.7
Private Consumption	66.9	67.8	66.7	69.8	69.6	74.4	86.5	86.3	84.0	82.9	81.3	80.5	81.5	78.0
General Government	12.9	12.7	10.6	8.2	12.9	14.0	9.7	9.0	8.3	7.6	7.5	7.5	7.6	7.9
Gross Domestic Investment	14.7	16.9	12.4	12.5	11.9	12.7	5.6	10.0	10.0	12.4	14.2	14.6	14.5	14.3
Fixed Investment	14.2	13.9	13.0	11.7	12.2	10.9	6.1	10.8	11.1	11.7	12.2	12.6	12.5	12.4
Changes in Stocks	0.4	3.0	-0.6	0.7	-0.3	1.8	-0.6	-0.8	-1.0	0.7	2.0	2.0	2.0	2.0
Gross National Product	94.1	93.6	92.6	92.9	93.1	91.6	91.5	93.7	94.3	92.4	94.9	95.4	95.7	96.8
Gross Domestic Saving	20.2	19.5	22.7	22.0	17.5	11.6	3.8	4.0	6.5	7.7	9.5	10.3	9.1	12.3
Net Factor Income	-5.9	-6.4	-7.4	-7.1	-6.9	-8.4	-8.5	-6.3	-5.7	-7.6	-5.1	-4.6	-4.3	-3.2
Net Current Transfers	1.2	0.8	1.0	2.6	2.4	2.2	2.6	3.0	3.1	3.0	2.9	2.7	2.7	1.8
Gross National Saving	15.5	13.9	16.3	17.5	13.0	5.3	-2.2	0.6	3.9	3.2	7.3	8.4	7.5	10.9

B. National Accounts Growth Rates (%) at Constant Prices

	1965-73	1973-80	1980-87	1983	1984	1985	1986	1987	1988	1989	1987-92	1992-97
GDP at m.p.	4.4	3.8	-1.6	-6.5	-0.3	-0.2	-2.9	2.1	2.8	3.5	3.3	3.4
Net Indirect Taxes	..	3.5	-11.5	-60.8	-22.2	179.2	43.0	5.9	-12.3	-0.3	-0.7	2.0
Agriculture	3.5	3.1	1.8	-16.4	22.9	9.1	-4.7	-0.2	-0.4	2.6	2.1	4.3
Industry	5.3	-0.1	-6.3	-4.3	-11.9	-11.1	-8.0	2.1	7.7	6.9	5.7	5.3
(of which Manufacturing)	4.2	5.1	-6.3	-4.0	-11.6	-9.7	-0.2	2.6	4.4	3.0	4.9	6.8
(of which Mining)	6.9	-4.4	-6.4	-4.7	-12.2	-12.6	-15.6	1.6	11.6	11.1	6.5	3.7
Services	3.8	7.7	0.2	-2.7	-0.9	1.0	-0.2	3.1	2.3	2.3	2.7	2.1
Exports of GNFS	4.3	-1.8	-1.5	-11.9	-2.2	-8.3	12.1	1.5	5.6	8.9	4.7	7.6
Imports of GNFS	4.0	-1.5	0.4	3.1	-17.0	29.7	-2.2	12.7	-16.5	16.9	2.5	3.4
Total Expenditures	4.3	4.2	-1.2	-3.1	-3.2	7.3	-6.2	4.6	-2.5	4.7	2.7	2.2
Total Consumption	3.6	5.3	-0.5	-3.6	-2.2	4.2	-0.9	1.7	-3.2	1.6	1.3	2.0
Private Consumption	2.9	5.1	-0.9	-6.1	-3.3	4.4	0.4	2.5	-3.9	1.6	1.1	1.5
General Government	8.4	6.6	1.4	8.2	2.3	3.4	-6.4	-1.9	0.0	2.0	2.3	4.2
Gross Domestic Investment	6.9	-0.4	-5.9	0.9	-10.9	33.0	-40.3	36.4	2.5	28.0	13.5	3.2
Fixed Investment	7.3	4.0	-6.9	0.6	-5.7	-9.2	-3.1	4.8	5.0	9.4	6.9	3.2
Changes in Stocks	..	..	11.9	253.8	-1406.5	-777.2	-136.2	-181.1	-19.3	243.3	72.9	3.3
Capacity to Import	6.1	-1.7	-7.5	5.1	-10.2	-21.3	-4.3	-13.3	-5.3	12.1	3.4	7.0
Terms of Trade Adjustment	..	..	..	-266.4	-77.7	-505.6	133.4	46.5	25.1	4.5	6.0	6.0
Gross Domestic Income	4.9	4.0	-3.0	-2.1	-2.5	-3.5	-6.7	-1.0	0.5	3.4	2.7	2.9
Gross National Income	4.7	3.4	-3.2	-1.3	-2.0	-5.0	-6.2	-0.7	1.1	1.0	3.2	3.1
Gross National Product	4.2	3.2	-1.7	-6.1	0.4	-1.5	-2.1	2.6	3.5	1.4	3.8	3.7
Gross Domestic Saving	10.9	-1.0	-7.2	-18.7	9.2	-19.4	-14.3	5.2	41.3	11.8	15.6	8.9
Net Factor Income	..	..	-0.3	-12.0	-9.4	18.9	-12.7	-4.2	-6.6	37.4	-4.2	-2.3
Net Current Transfers	..	..	5.9	139.4	-15.1	-10.5	4.1	-1.6	8.7	4.4	5.2	0.1
Gross National Saving	10.2	-5.1	-8.9	-10.2	14.9	-35.5	-11.7	11.3	68.3	0.6	27.5	10.5

BOLIVIA - NATIONAL ACCOUNTS (Continued)

C. Price Indices (1980=1)	1980	1983	1984	1985	1986	1987	1965-73	1973-80	1980-87
Consumer Prices (IFS 64)	1.0	1.1	15.3	1812.0	6820.0	7815.0	6.8	16.1	259.9
Implicit GDP Deflator	1.0	12.5	168.1	19471.2	65172.2	80086.1	9.5	21.0	401.8
Implicit Expenditures Deflator	1.0	12.0	173.2	20011.2	69822.1	87280.4	9.6	20.1	408.0
Deflators for Sector Value Added:									
Agricultural Sector	1.0	15.0	169.9	22129.3	66753.6	77581.9	9.3	19.8	399.3
Industrial Sector	1.0	11.8	166.0	21196.2	60737.7	78196.5	11.4	23.8	400.1
Services Sector	1.0	12.0	168.5	17268.2	66552.5	80653.1	8.8	21.0	402.3

D. Other Indicators	1973-80	1980-87	1987-92	1992-97
Growth rates (% p.a.):				
Population	2.6	2.8	2.8	2.8
Labor Force		2.8	2.8	2.8
Gross Ntl. Income p.c.	0.7	-4.5	0.7	0.7
Private Consumption p.c.	2.4	-3.7	-1.7	-1.3
Import Elasticity:				
Imports (G+NFS)/GDP(MP)	-0.4	-0.2	0.8	1.0
Marginal Savings rates:				
Gross National Savings	-30.8	67.9	76.1	56.1
Gross Domestic Savings	-8.0	74.5	64.5	53.2
ICOR (period averages): 1/	5.9	-7.6	3.9	3.9

1/ ICOR in projections based on 1987 prices.

E. National Accounts (millions of LCUs at 1980 prices)

	1980	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1997
GDP at m.p.	122950.0	110943.0	110611.0	110445.0	107211.0	109479.0	112553.0	116521.7	121180.0	125928.3	127308.4	149213.8
Net Indirect Taxes	3292.0	427.0	332.0	927.0	1326.0	1404.0	1231.9	1228.2	1275.8	1269.7	1352.2	1487.8
Agriculture	22563.0	19981.0	24552.0	26789.0	25534.0	25483.0	25381.1	26041.0	26822.2	27626.9	28179.4	34284.6
Industry	41902.0	36116.0	31815.0	28270.0	26018.0	26573.0	28625.1	30596.8	32675.8	34405.9	34086.8	43159.7
(of which Manufacturing)	22495.0	17502.0	15480.0	13986.0	13956.0	14318.0	14948.0	15396.4	16320.2	17299.4	17818.4	23845.1
(of which Mining)	19407.0	18614.0	16335.0	14284.0	12062.0	12255.0	13677.1	15200.3	16355.6	17106.5	16268.4	19314.6
Services	55193.0	54419.0	53912.0	54459.0	54333.0	56019.0	57315.0	58655.8	60406.1	62625.8	63690.0	70281.8
Resource Balance	6726.0	6301.0	9352.0	1812.0	5333.0	2903.0	8693.0	7763.6	8498.1	9493.3	6405.0	14856.6
Exports of GNFS	31521.0	27786.0	27180.0	24934.0	27943.0	28375.0	29950.6	32618.0	35596.6	37928.2	35069.1	48363.7
Imports of GNFS	24795.0	21485.0	17828.0	23122.0	22610.0	25472.0	21257.6	24854.4	27098.5	28434.9	28664.1	33507.0
Total Expenditures	116224.0	104642.0	101259.0	108633.0	101878.0	106576.0	103860.0	108758.2	112681.9	116435.0	120903.4	134357.2
Total Consumption	98166.0	92369.0	90326.0	94088.0	93195.0	94736.0	91720.2	93221.3	94151.3	96684.1	101059.7	111314.9
Private Consumption	82258.0	74263.0	71803.0	74936.0	75268.0	77150.0	74134.2	75283.5	75854.8	77674.1	81479.4	87606.7
General Government	15908.0	18106.0	18523.0	19152.0	17927.0	17586.0	17586.0	17937.7	18296.5	19010.0	19580.3	23708.1
Gross Domestic Investment	18058.0	12273.0	10933.0	14545.0	8683.0	11840.0	12139.9	15536.9	18530.6	19750.9	19843.7	23042.3
Fixed Investment	17514.0	12227.0	11534.0	10475.0	10155.0	10646.0	11176.8	12230.4	13308.9	14240.5	14295.7	16572.6
Changes in Stocks	544.0	46.0	-601.0	4070.0	-1472.0	1194.0	963.1	3306.5	5221.7	5510.3	5548.0	6469.7
Capacity to Import	31521.0	31069.6	27911.5	21967.3	21019.4	18230.4	17255.3	19348.9	21283.4	22837.7	21521.5	30233.3
Terms of Trade Adjustment	0.0	3283.6	731.5	-2966.7	-6923.6	-10144.6	-12695.3	-13269.0	-14313.2	-15090.5	-13547.6	-18130.4
Gross Domestic Income	122950.0	114226.6	111342.5	107478.3	100287.4	99334.4	99857.7	103252.7	106866.7	110837.8	113760.8	131083.5
Gross National Income	115700.0	106356.6	104213.5	99002.3	92887.4	92245.7	93235.2	94151.7	100478.6	104815.5	108158.8	126112.5
Gross National Product	115700.0	103073.0	103482.0	101969.0	99811.0	102390.3	105930.4	107420.7	114791.8	119906.0	121706.3	144242.9
Gross Domestic Saving	24784.0	18574.0	20285.0	16357.0	14016.0	14743.0	20832.8	23300.5	27028.7	29244.1	26248.7	37899.0
Net Factor Income	-7250.0	-7870.0	-7129.0	-8476.0	-7400.0	-7088.7	-6622.6	-9101.0	-6388.1	-6022.3	-5602.1	-4970.9
Net Current Transfers	1487.0	2857.4	2425.8	2171.0	2260.0	2224.1	2418.2	2524.1	2630.0	2718.3	2806.6	2824.2
Gross National Saving	19021.0	13561.4	15581.8	10052.0	8876.0	9878.4	16628.5	16723.6	23270.6	25940.2	23453.2	35752.2

Volume, Value and Prices

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
rchandise Exports																
(Vol. Index 1980=100)																
tural Gas	100.0	107.5	112.6	109.0	108.3	108.5	108.5	65.1	68.3	68.3	68.3	68.3	34.2	34.2	34.2	34.2
n	100.0	107.7	97.2	71.3	90.1	66.4	74.5	47.9	49.8	65.5	75.5	74.7	74.0	73.2	72.5	71.8
ya	100.0	41.9	127.1	149.3	57.5	135.6	348.4	374.6	331.9	355.4	462.1	577.6	693.1	831.7	998.1	1177.7
lver	100.0	115.9	85.7	89.8	45.4	29.5	89.7	86.0	123.4	127.9	162.5	206.3	262.1	288.3	317.1	348.8
her Exports	100.0	62.8	64.9	75.4	49.0	42.6	26.2	41.0	43.4	48.0	51.9	56.1	61.0	65.4	70.8	76.7
rchandise Exports (FOB)	100.0	97.8	92.1	83.9	79.0	66.6	86.0	78.4	83.8	90.2	97.4	103.0	90.3	95.2	101.0	107.4
(Value - Curr. mill. $)																
tural Gas	220.9	336.7	381.6	378.2	375.7	372.6	328.7	248.6	213.0	235.8	252.5	267.2	141.3	149.5	158.2	167.4
n	378.1	343.1	278.3	207.9	247.7	173.2	104.0	68.8	73.8	112.3	149.7	156.0	162.7	169.6	176.9	184.4
ya	6.1	3.6	7.4	4.6	1.5	5.3	17.3	19.2	19.7	20.9	24.5	32.1	40.4	50.8	64.0	79.2
lver	118.3	71.7	37.1	58.3	21.4	10.2	27.3	33.3	46.5	52.6	64.0	83.3	108.5	122.3	137.9	155.5
her Exports	218.8	157.4	123.2	106.3	78.1	62.3	79.2	155.3	177.9	192.6	203.0	228.6	259.2	288.9	324.6	365.2
rchandise Exports (FOB)	942.2	912.4	827.7	755.1	724.5	623.6	556.5	525.2	530.9	614.2	693.7	767.2	712.1	781.2	861.6	951.8
rchandise Imports																
(Vol. Index 1980=100)																
nsumer Goods	100.0	164.8	80.8	54.5	70.3	119.9	95.5	82.9	64.6	79.7	82.9	86.2	87.1	89.9	92.8	95.9
w Mat. and Intermediate Goods	100.0	138.2	101.6	113.7	81.7	120.3	81.3	101.7	79.3	97.9	101.8	105.8	106.9	110.4	114.0	117.7
pital Goods	100.0	145.2	89.3	100.5	82.3	106.3	101.1	102.1	84.0	98.1	117.0	124.7	125.3	129.1	133.0	137.0
tal Merch. Imports (CIF)	100.0	148.1	92.5	93.7	79.5	118.0	95.8	98.3	78.3	94.5	104.1	109.4	110.2	113.7	117.3	121.0
(Value - Curr. mill, $) 1/																
nsumer Goods	172.2	248.4	100.0	66.9	95.5	133.8	133.7	140.8	118.9	152.1	164.0	176.9	185.3	198.4	212.4	227.4
w Mat. and Intermediate Goods	222.8	311.3	221.9	244.2	172.4	252.5	201.7	320.5	270.6	346.2	373.4	402.7	421.8	451.6	483.5	517.7
pital Goods	279.8	408.5	243.9	271.2	218.2	280.1	315.2	305.9	272.6	330.1	408.3	451.3	470.2	502.3	536.7	573.5
tal Merch. Imports (CIF)	678.4	975.4	577.5	589.1	491.6	693.0	674.0	767.2	662.0	828.4	945.7	1030.9	1077.2	1152.3	1232.7	1318.6
untry Indices (1980=100)																
rchandise Export Price	100.0	99.0	95.4	95.5	97.3	99.4	68.7	71.1	67.2	72.2	75.6	79.1	83.7	87.1	90.6	94.1
rchandise Import Price	100.0	97.1	92.0	92.7	91.2	86.6	103.7	115.0	124.6	129.2	134.0	138.9	144.1	149.4	154.9	160.7
rchandise Terms of Trade	100.0	102.0	103.7	103.0	106.8	114.8	66.2	61.8	54.0	55.9	56.4	56.9	58.1	58.3	58.5	58.6

' Components do not sum to total owing to small category of unclassified imports.

	B. Share of X or M (%) at Current Prices					C. Growth Rates (%) at Constant Prices			
	1973	1980	1987	1992	1997	1973-80	1980-87	1987-92	1992-97
Merchandise Exports									
Natural Gas	6.9	23.4	47.3	19.8	16.9	3.8	-6.0	-12.1	0.0
Tin	50.3	40.1	13.1	22.8	17.8	-2.5	-10.0	9.1	-0.6
Soya	0.0	0.6	3.7	5.7	8.6	..	20.8	13.1	17.6
Silver	4.8	12.6	6.3	15.2	17.2	0.9	-2.1	25.0	10.0
Other Exports	37.9	23.2	29.6	36.4	39.5	-11.5	-12.0	8.3	8.2
Merchandise Exports (FOB)	100.0	100.0	100.0	100.0	100.0	-3.9	-3.4	2.9	6.3
Merchandise Imports 1/									
Consumer Goods	16.5	25.4	21.4	20.1	20.1	11.4	-2.6	1.0	3.3
Raw Mat. and Intermediate Goods	36.8	32.8	34.0	31.9	32.0	3.1	0.2	1.0	3.3
Capital Goods	46.0	41.2	42.8	46.9	46.6	3.2	0.3	4.2	3.0
Total Merch. Imports (CIF)	100.0	100.0	100.0	100.0	100.0	4.8	-0.2	2.3	3.2

1/ Components do not sum to total owing to small category of unclassified imports.

BOLIVIA - BALANCE OF PAYMENTS
(US$ millions at current prices)

	1980	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1997
A.1. Exports of GNFS	1023.6	852.2	812.0	721.6	673.5	654.5	670.9	780.2	889.9	990.2	967.7	1639.7
2. Merchandise (FOB)	942.2	755.1	724.5	623.6	556.5	525.2	530.9	614.2	693.7	767.2	712.1	1192.0
3. Non-Factor Services	81.4	97.1	87.5	98.0	117.0	129.3	140.0	166.0	196.2	223.0	255.6	447.6
B.1. Imports of GNFS	795.4	685.5	597.1	803.6	816.0	914.5	826.5	1002.1	1133.1	1232.9	1288.9	1817.2
2. Merchandise (FOB)	678.4	589.1	491.6	693.0	674.0	767.2	662.0	828.4	945.7	1030.9	1077.2	1517.7
3. Non-Factor Services	117.0	96.4	105.5	110.6	142.0	147.3	164.6	173.7	187.3	202.0	211.6	299.5
C.1. Resource Balance	228.2	166.7	214.9	-82.0	-142.5	-260.0	-155.6	-222.0	-243.1	-242.7	-321.2	-177.5
D.1. Net Factor Income	-295.0	-411.0	-431.2	-362.3	-279.5	-275.1	-253.2	-362.3	-265.5	-262.3	-255.5	-287.3
2. Factor Receipts	22.1	46.8	36.0	16.0	12.4	68.9	34.0	32.0	34.0	35.0	36.0	46.0
3. Factor Payments	317.1	457.8	467.2	378.3	291.9	344.0	287.2	394.3	299.5	297.3	291.5	333.3
(interest payments)	165.6	184.7	191.7	221.3	178.0	303.3	210.2	227.3	213.9	211.8	205.6	227.7
E.1. Net Private Transfers	12.7	40.2	21.8	14.5	17.0	20.0	20.0	23.0	26.0	28.0	30.0	35.0
F.1. Curr. Acct. Bal. exc. off. trans.	-54.1	-204.1	-194.5	-429.8	-405.0	-515.1	-388.8	-561.3	-482.6	-477.0	-546.7	-429.9
G.1. Long-term Capital Inflow	530.1	503.2	159.6	294.9	408.1	424.2	463.0	568.0	561.3	557.4	595.4	488.8
2. Net Direct Investment	43.9	6.9	7.0	10.0	10.0	15.0	30.0	34.1	38.8	44.1	50.1	95.8
3. Net Official Transfers	46.8	66.0	66.7	65.5	82.0	106.0	117.0	120.0	123.0	126.0	129.0	125.0
4. Net LT Loans (DRS)	280.4	53.0	-174.5	56.2	320.9	399.2	241.4	344.4	266.1	256.3	260.2	229.0
a. disbursements	466.1	507.5	159.8	197.9	417.7	463.5	410.8	500.5	512.1	510.2	541.1	438.0
b. repayments	185.7	454.5	334.3	141.6	96.8	64.3	169.4	156.1	246.0	253.9	280.8	209.0
5. Other LT Inflows (Net)	159.0	377.3	260.4	163.2	-4.8	-96.0	74.6	69.5	133.4	131.0	156.0	39.0
H.1. Other Items (Net)	-442.7	-13.7	207.9	204.2	14.7	12.7	-74.2	35.3	0.0	0.0	0.0	0.0
2. Net Short-Term Capital	-45.2	-113.9	180.5	24.5	99.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Errors and Omissions	-397.5	100.2	27.4	179.7	-84.3	12.7	-74.2	35.3	0.0	0.0	0.0	0.0
I.1. Changes in Net Reserves	-33.3	-285.4	-173.0	-69.3	-17.8	78.2	0.0	-42.0	-78.7	-80.4	-48.7	-58.9
2. Net Credit from the IMF	62.5	3.1	-25.5	-12.4	92.6	0.0	-44.0	-6.0	-39.0	-40.0	-29.0	0.0
3. Other Reserve Changes	-95.8	-288.5	-147.5	-56.9	-110.4	78.2	44.0	-36.0	-39.7	-40.4	-19.7	-58.9
Shares of GDP (current US$)												
1. Resource Balance	4.6	2.8	2.5	-1.7	-3.9	-6.1	-3.5	-4.6	-4.7	-4.3	-5.4	-2.0
2. Interest Payments 1/	3.3	3.1	2.2	4.5	4.9	7.1	4.7	4.8	4.1	3.8	3.4	2.6
3. Current Account Balance	-1.1	-3.4	-2.3	-8.8	-11.1	-12.1	-8.8	-11.7	-9.3	-8.4	-9.1	-4.8
4. LT Capital Inflow (line G)	10.6	8.3	1.9	6.1	11.2	9.9	10.4	11.9	10.8	9.9	10.0	5.5
5. Net Credit from the IMF	1.2	0.1	-0.3	-0.3	2.5	0.0	-1.0	-0.1	-0.8	-0.7	-0.5	0.0
Memorandum Item:												
GDP (millions of US$)	5016.2	6038.3	8536.5	4866.5	3635.4	4266.7	4432.3	4778.3	5183.5	5645.4	5975.2	8868.9
Foreign Exchange Reserves:												
1. Intl. Reserves (IFS 1ld)	106.1	160.1	251.6	200.0	252.1	186.0	142.0	178.0	217.7	258.1	277.8	402.0
2. Gold (end-yr London price)	461.4	386.1	329.0	283.6	328.7	397.4						
3. Gross Reserves incl. Gold	567.5	546.2	580.6	483.6	580.8	583.4						
4. Gr. Res. in Months Imports	6.1	5.7	6.5	4.9	6.3	5.6						
Nom. Off. X-Rate (IFS rf) 2/	25.0	231.6	135.9	0.4	1.9	2.1	2.4	2.6	2.7	2.9	3.0	3.7

1/ Includes only long term, public and publically-guaranteed debt.
2/ Bolivianos per million US$ through 1984, bolivianos per dollar thereafter.

BOLIVIA - EXTERNAL CAPITAL AND DEBT
(US$ millions at current prices)

	1980	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1997
A. Disbursements												
1. Public & Publicly Guar. LT	477.2	157.1	207.2	197.9	417.7	463.5	410.8	500.5	512.1	510.2	541.1	438.0
Official Creditors	230.6	141.5	180.8	191.1	416.0	463.5	406.8	495.8	506.9	504.9	535.3	430.2
Multilateral	143.4	96.4	84.0	74.9	269.7	160.8	245.5	316.6	318.2	328.5	358.8	333.5
of which IBRD	72.6	9.6	13.6	10.5	3.3	1.9	0.0	0.0	0.0	0.0	0.0	0.0
of which IDA	1.8	3.3	2.1	1.7	4.0	40.8	95.4	66.5	65.4	70.7	84.9	104.8
Bilateral	87.2	45.1	96.7	116.2	146.3	302.7	161.3	179.2	188.7	176.4	176.4	96.7
Private Creditors	246.6	15.6	26.4	6.8	1.7	0.0	4.0	4.7	5.2	5.3	5.8	7.8
Suppliers	22.6	1.7	12.7	6.8	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial Markets	224.0	13.9	13.7	0.0	0.0	0.0	4.0	4.7	5.2	5.3	5.8	7.8
2. Private Non-Guaranteed LT	16.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Total LT	493.2	157.1	207.2	197.9	417.7	463.5	410.8	500.5	512.1	510.2	541.1	438.0
4. IMF	70.0	19.0	0.0	0.0	113.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5. Net Short-Term Capital	0.0	74.0	167.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6. Total incl. IMF & Net ST	563.2	250.1	374.2	197.9	530.7	463.5	410.8	500.5	512.1	510.2	541.1	438.0
B. Repayments												
1. Public & Publicly Guar. LT	129.9	107.6	120.6	141.6	96.8	64.3	169.4	156.1	246.0	253.9	280.8	209.0
Official Creditors	45.3	61.7	97.8	136.3	92.5	62.5	167.7	155.2	245.1	253.3	280.2	208.4
Multilateral	9.8	19.9	41.8	76.0	74.9	47.9	71.9	74.7	97.7	108.3	115.7	141.5
of which IBRD	2.6	9.1	13.4	11.7	17.9	18.6	17.8	24.2	24.6	25.2	22.5	19.7
of which IDA	0.3	0.6	0.8	1.0	1.0	1.1	1.1	1.7	1.9	2.0	2.1	4.1
Bilateral	35.5	41.8	56.0	60.3	17.6	14.6	95.8	80.5	147.4	145.0	164.5	66.9
Private Creditors	84.6	45.9	22.8	5.3	4.3	1.8	1.7	0.9	0.9	0.6	0.6	0.6
Suppliers	27.7	15.0	10.7	4.4	3.4	0.9	0.0	0.0	0.0	0.0	0.0	0.0
Financial Markets	56.9	30.9	12.1	0.9	0.9	0.9	1.7	0.9	0.9	0.6	0.6	0.6
2. Private Non-Guaranteed LT	19.0	0.0	36.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Total LT	148.9	107.6	156.6	141.6	96.8	64.3	169.4	156.1	246.0	253.9	280.8	209.0
4. IMF	0.0	12.0	21.0	12.4	0.0	0.0	44.0	6.0	39.0	40.0	29.0	0.0
5. Net Short-Term Capital												
6. Total incl. IMF & Net ST	148.9	119.6	177.6	154.0	96.8	64.3	213.4	162.1	285.0	293.9	309.8	209.0
C. Interest												
1. Public & Publicly Guar. LT	165.6	184.6	191.7	221.3	178.0	303.3	210.2	227.3	213.9	211.8	205.6	227.7
Official Creditors	44.1	65.9	139.0	138.9	119.5	301.2	202.1	221.5	207.5	205.4	198.7	217.5
Multilateral	22.9	31.3	44.7	37.5	44.6	53.0	70.3	101.0	70.8	74.0	79.1	113.5
of which IBRD	10.3	13.6	17.8	15.6	19.0	20.2	26.1	20.1	18.1	16.1	14.1	5.0
of which IDA	0.5	0.7	0.6	0.8	0.7	0.7	1.7	1.7	2.2	2.7	3.2	8.5
Bilateral	21.2	34.6	94.3	101.4	74.9	248.2	131.8	120.5	136.8	131.4	119.6	104.0
Private Creditors	121.5	118.7	52.7	82.4	58.5	2.1	8.1	5.8	6.3	6.4	6.9	10.2
Suppliers	12.1	3.8	4.0	12.9	1.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Financial Markets	109.4	114.9	48.7	69.5	57.3	1.9	8.1	5.8	6.3	6.4	6.9	10.2
2. Private Non-Guaranteed LT	9.0	22.0	23.0	20.0	20.0	0.0	20.0	20.0	20.0	20.0	20.0	20.0
3. Total LT	174.6	206.6	214.7	241.3	198.0	303.3	230.2	247.3	233.9	231.8	225.6	247.7
4. IMF	2.0	8.0	7.0	4.0	4.0	11.7	9.0	14.0	8.6	6.1	3.5	0.2
5. Net Short-Term Capital	45.0	130.0	142.0	0.0	16.7	0.0	19.0	20.0	20.0	18.4	18.4	18.4
6. Total incl. IMF & Net ST	221.6	344.6	363.7	245.3	218.7	315.0	258.2	281.3	262.5	256.3	247.5	266.3
D. External Debt (DOD)												
1. Public & Publicly Guar. LT	2310.5	3374.9	3480.9	2961.6	3614.1	4396.0	4123.1	4278.6	4678.2	5065.5	5481.7	7064.3
Official Creditors	1229.2	2054.2	2106.0	2149.3	2827.2	3605.4	3741.8	4148.8	4544.1	4926.7	5337.7	6886.4
Multilateral	573.4	811.6	814.2	817.4	1058.5	1254.2	1421.8	1663.7	1884.2	2104.4	2347.5	3341.2
of which IBRD	175.3	212.7	175.5	207.0	234.7	270.1	252.3	228.1	203.5	178.3	155.8	44.8
of which IDA	63.8	92.4	93.7	94.4	97.4	137.8	232.1	296.9	360.4	429.2	512.1	968.1
Bilateral	655.8	1242.7	1291.7	1331.9	1768.7	2351.2	2320.0	2485.2	2659.9	2822.3	2990.2	3545.2
Private Creditors	1081.3	1320.7	1374.9	812.3	786.9	790.5	381.3	129.8	134.1	138.8	144.0	177.9
Suppliers	142.3	93.8	86.5	96.9	72.4	76.9	47.7	47.7	47.7	47.7	47.7	47.7
Financial Markets	939.0	1226.9	1288.4	715.4	714.5	713.6	333.6	82.1	86.4	91.1	96.3	130.2
2. Private Non-Guaranteed LT	92.0	376.0	340.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0
3. Total LT	2402.5	3750.9	3820.9	3161.6	3814.1	4596.0	4323.1	4478.6	4878.2	5265.5	5681.7	7264.3
4. IMF	80.0	89.0	84.0	55.0	168.0	139.0	139.0	133.0	94.0	54.0	25.0	3.0
5. Net Short-Term Capital	300.0	311.0	479.0	190.0	190.0	190.0	190.0	190.0	190.0	190.0	190.0	190.0
6. Total incl. IMF & Net ST	2782.5	4150.9	4383.9	3406.6	4172.1	4925.0	4652.1	4801.6	5162.2	5509.5	5896.7	7457.3

	1980	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	19
E. Bank and IDA Ratios a/												
Share of Total Long-term DOD:												
1. IBRD as % of Total	7.6	6.3	5.0	7.0	6.5	6.1	6.1	5.3	4.3	3.5	2.8	0.6
2. IDA as % of Total	2.8	2.7	2.7	3.2	2.7	3.1	5.6	6.9	7.7	8.5	9.3	13.7
3. IBRD+IDA as % of Total	10.3	9.0	7.7	10.2	9.2	9.3	11.7	12.3	12.1	12.0	12.2	14.3
Share of LT Debt Service:												
1. IBRD as % of Total	4.4	7.8	10.0	7.5	13.4	10.5	11.6	11.5	9.3	8.9	7.5	5.7
2. IDA as % of Total	0.3	0.4	0.5	0.5	0.6	0.5	0.7	0.9	0.9	1.0	1.1	2.4
3. IBRD+IDA as % of Total	4.6	8.2	10.5	8.0	14.0	11.0	12.3	12.4	10.2	9.9	8.6	8.1
F. DOD-to-Exports Ratios a/ b/												
1. Long-Term Debt/Exports	218.3	359.3	400.2	393.8	514.2	591.3	568.8	512.3	492.5	480.9	530.3	410.6
2. IMF Credit/Exports	7.6	9.5	7.4	7.3	23.9	18.7	19.2	15.9	9.9	5.1	2.4	0.2
3. Short-Term Debt/Exports	28.3	33.1	55.1	25.3	27.0	25.6	26.2	22.8	20.0	18.0	18.4	11.0
4. LT+IMF+ST DOD/Exports	254.2	401.9	462.6	426.4	565.1	635.6	614.1	551.0	522.4	504.1	551.1	421.8
G. DOD-to-GDP Ratios												
1. Long-Term Debt/GDP	46.1	55.9	40.8	60.9	99.4	103.0	93.0	89.5	90.3	89.7	91.7	79.7
2. IMF Credit/GDP	1.6	1.5	0.7	1.1	4.6	3.3	3.1	2.8	1.8	1.0	0.4	0.0
3. Short-Term Debt/GDP	6.0	5.2	5.6	3.9	5.2	4.5	4.3	4.0	3.7	3.4	3.2	2.1
4. LT+IMF+ST DOD/GDP	53.6	62.5	47.1	65.9	109.3	110.7	100.4	96.3	95.7	94.1	95.3	81.8
H. Debt Service/Exports b/												
1. Public & Guaranteed LT	27.9	31.1	35.9	48.3	39.1	49.4	52.4	45.9	48.4	44.2	47.1	25.4
2. Private Non-Guaranteed LT	2.6	2.3	6.8	2.7	2.8	0.0	2.8	2.4	2.1	1.9	1.9	1.2
3. Total Long-Term Debt Service	30.6	33.5	42.7	50.9	41.9	49.4	55.1	48.3	50.5	46.1	49.0	26.5
4. IMF Repurchases+Serv. Chgs.	0.2	2.1	3.2	2.2	0.6	1.6	7.3	2.4	5.0	4.4	3.1	0
5. Interest only on ST Debt	4.3	13.8	16.3	0.0	2.4	0.0	2.6	2.4	2.1	1.7	1.8	1.
6. Total (LT+IMF+ST Int.)	35.0	49.4	62.2	53.1	44.9	51.0	65.1	53.1	57.6	52.2	53.9	27.6
I. Interest Burden Ratios c/												
1. Total Interest/GDP	3.3	3.1	2.2	4.5	4.9	7.1	4.7	4.8	4.1	3.8	3.4	2.6
2. Total Interest/Exports	15.6	19.7	22.0	29.4	25.3	40.8	29.0	27.2	22.5	20.1	19.9	13.2

a/ Long-Term Debt includes only Public and Publicly Guaranteed.
b/ Exports of Goods and Services.
c/ Interest includes only Public and Publicly Guaranteed.

FISCAL AND MONETARY INDICATORS

	1980	1983	1984	1985	1986	1987	1980-85	1986	1987
I. Public Finance (% of GDP)									
Central Administration									
A. Total Current Receipts	10.2	3.5	3.2	9.0	15.6	14.7	587.1	463.5	12.0
Internal Revenues		1.4	0.8	1.0	2.6	4.2		715.6	89.6
Taxes on State Enterprises		0.4	0.4	6.2	11.1	7.4		478.5	-20.1
Taxes on International Trade		0.8	1.8	1.4	1.5	2.3		232.0	89.8
Other Revenues		0.9	0.2	0.3	0.4	0.7		378.7	100.0
B. Total Current Expenditures	14.7	23.1	23.1	16.0	17.4	15.5	617.8	253.5	5.6
Interest Payments		2.1	2.2	4.0	7.0	1.4		479.3	-76.9
Current Transfers		3.2	5.5	2.6	2.6	4.6		219.3	111.2
(of which to public sector)		1.5	3.2	1.8	2.6	4.6		379.3	111.2
Goods and Services		17.7	15.3	9.4	7.8	9.5		168.6	45.2
C1. Current Budget Balance	-4.5	-19.5	-19.9	-7.1	-1.9	-0.8	..	..	..
C2. Net Savings of Other Public Sector Agencies	2.4	3.8	-6.6	-2.5	1.1	-0.9	..	..	..
C. Net Savings of Nonfin. Public Sector	-2.0	-15.7	-26.5	-9.5	-0.7	-1.7	..	..	..
D. Capital Receipts	1.0	4.5	0.5	0.3	1.2	0.6	456.4	1259.4	-45.7
E. Capital Expenditures	7.8	5.7	5.1	3.7	5.0	6.5	507.9	337.4	55.1
F. Overall Balance Financed by	-8.9	-16.9	-31.0	-12.9	-4.5	-7.5			
1. External Borrowings	5.1	-3.2	4.7	4.2	5.7	2.4	578.2	342.1	-50.1
2. Domestic Financing	3.7	20.1	26.4	8.7	-1.2	5.1	735.8	-146.1	-590.6
GDP at current market prices (in billions of pesos)	123	1387	18591	2150498	6987176	8311386	605.6	224.9	19.0
II. Money and Credit (Monetary Survey Data from IFS)									
A. In billions of pesos at end year:									
Money Supply (IFS 34)	15	178	3370	198000	382000	525000	569.7	92.9	37.4
Money + Quasi-Money	24	640	9070	742000	1705000	2318000	689.4	129.8	36.0
Total Net Domestic Credit (32)	29	444	4881	136000	327000	756000	442.7	140.4	131.2
To Government (net)(32 an)	13	276	2927	-205000	-538000	-555000	..	162.4	3.2
To Private Sector (32d+32f)	16	168	1954	341000	865000	1311000	636.8	153.7	51.6
Net Foreign Assets (31n)	-3	-119	-792	67000	526000	457000	..	685.1	-13.1
Other Items (net)(37r)	-1	315	4981	539000	852000	1105000	...	58.1	29.7
B. Offsets to Expansion of MQM(%):									
Net Foreign Assets	-13.6	-8.1	-8.0	9.2	47.7	-11.3			
Credit to Government	54.5	37.3	31.4	-28.4	-34.6	-2.8			
Credit to Private Sector	64.9	17.9	21.2	46.3	54.4	72.8			
Net Other Assets and Liabilities	-5.8	52.9	55.3	72.9	32.5	41.3			
Increases in Money and Quasi-Money	100.0	100.0	100.0	100.0	100.0	100.0			

BOLIVIA - SUPPLEMENTARY DEBT INFORMATION FOR HIGHLY INDEBTED COUNTRIES

11 May 1

	1987	1988	1989	1990	1991	1992	1993-97
terest Payments:							
yments due on existing LT debt	303.3	209.7	225.3	204.5	191.9	170.5	123.6
us payments due on new LT debt	0.0	0.0	1.4	8.7	19.2	34.3	91.3
us IMF service charges	4.4	9.0	14.0	8.6	6.1	3.5	0.5
us interest on short-term debt	0.0	19.0	20.0	20.0	18.4	18.4	18.4
ss interest arrears/capitalization	0.0	4.2	4.7	5.2	5.3	5.8	7.8
ss Paris Club rescheduling	240.7	126.5	58.0	71.0	62.0	47.0	20.8
ss interest saved through							
a. Debt equity swaps							
b. Other debt conversion							
c. Debt forgiveness							
uals total interest payments	66.9	107.0	198.0	165.6	168.3	174.0	205.2
sbursements:							
sbursements on existing LT debt	456.2	271.0	279.7	244.1	172.2	113.0	39.7
us disbursements on new LT debt	0.0	139.3	220.2	267.4	337.3	426.8	424.9
us IMF purchases	0.0	0.0	0.0	0.0	0.0	0.0	0.0
us net short-term capital 1/	0.0	0.0	0.0	0.0	0.0	0.0	0.0
uals total inc. IMF and Net ST	456.1	410.4	499.9	511.5	509.5	539.8	464.6
payments:							
ortization due on existing debt	64.3	169.4	156.1	246.0	253.9	280.3	211.5
us amortization due on new LT debt	0.0	0.0	0.0	0.0	0.0	0.0	40.3
us IMF repurchases	0.0	44.0	6.0	39.0	40.0	29.0	4.4
ss arrears on principal							
ss Paris Club rescheduling	0.0	80.2	66.5	133.4	131.0	156.0	102.8
ss amortization saved through							
a. Debt equity swaps							
b. Other debt conversions							
c. Debt forgiveness							
uals total repayments	64.3	133.2	95.6	151.6	162.9	153.3	153.4
) (at the end of period):							
isting LT Debt	4388.6	3719.7	3909.7	4041.3	4090.6	4079.2	3889.4
(of which arrears)							
w LT Debt	0.0	139.3	359.5	626.8	964.2	1391.0	2581.2
(of which interest capitalization)	0.0	4.2	4.7	5.2	5.3	5.8	7.8
t credit from IMF	139.0	139.0	133.0	94.0	54.0	25.0	3.0
t short-term debt	190.0	190.0	190.0	190.0	190.0	190.0	190.0
duction in principal due to							
a. Debt equity swaps							
b. Other debt conversion							
c. Debt forgiveness							
uals Outstanding Total DOD (including IMF & net ST)	4717.6	4188.0	4592.2	4952.1	5298.7	5685.2	6663.6

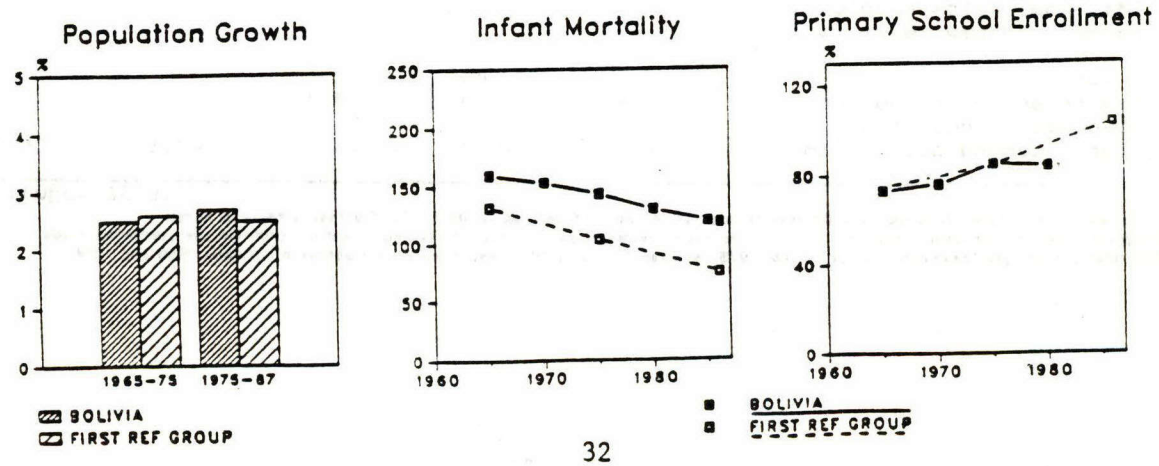
Net disbursements.

e: All data in table exclude private non-guaranteed debt.

1988 SOCIAL INDICATOR DATA SHEET

BOLIVIA

	1965	1975	Most Recent Estimate	Reference Groups (MRE) Lower mid income	Upper mid income
AREA					
Total land area (thou sq km)	1,098.6	1,098.6	1,098.6		
Agricultural (% of total)	27.1	27.7	27.6		
GNP PER CAPITA (current US$)	180	360	570	730	2,510
POPULATION AND VITAL STATISTICS					
Total population (thou)	3,844	4,899	6,796		
Urban pop. (% of total)	40	42	46	38	64
Population growth rate(%):					
Total		2.5	2.7	2.5	2.0
Urban		2.8	4.0	4.2	3.2
Life expect. at birth (yrs)	44	48	53	59	67
Population projections:					
Pop. in 2000 (thou)			9,406		
Stationary pop. (thou)			22,043		
Population density per sq km of agricultural land	13	16	20	404	775
Pop. age structure (%):					
0-14 yrs	43	44	44	42	36
15-64 yrs	53	53	53	55	59
65 and above	3	3	3	3	5
Crude birth rate (per thou)	46	45	43	35	27
Crude death rate (per thou)	21	18	17	10	8
Total fertility rate	6.6	6.4	6.1	4.7	3.5
Infant mort. rate (per thou)	160	143	118	76	43
Child death rate (per thou)	37	30	23	11	5
Family planning:					
Acceptors, annual (thou)	..	8	..	..	..
Users (% of married women)	..	..	26	..	..
FOOD, HEALTH AND NUTRITION					
Index of food production per capita (1979-81 = 100)	89	109	89	106	101
Per capita supply of:					
Calories (per day)	1,868	2,017	2,171	2,507	2,964
Proteins (grams per day)	50	53	57	56	76
Pop. per physician (thou)	3.3	2.1	4.8	7.5	1.3
Pop. per nurse (thou)	4.0	3.1	2.5	..	0.9
Pop. per hospital bed (thou)	..	0.5	..	1.1	..
Access to safe water (% of population): Total	..	34	43	..	..
Urban	..	81	78	..	..
Rural	..	6	12	..	..



1988 SOCIAL INDICATOR DATA SHEET

BOLIVIA

	1965	1975	Most Recent Estimate	Reference Groups (MRE) Lower mid income	Upper mid income
LABOR FORCE					
Total Labor Force (thou)	1,291	1,565	2,046		
Female (%)	21	22	24	29	30
Agriculture (%)	54	49	46	55	30
Industry (%)	20	20	20	16	30
Participation rate (%):					
Total	34	32	31	37	37
Male	54	51	48	51	51
Female	14	14	15	23	23
Age dependency (%)	87.0	90.4	89.4	82.7	71.8
HOUSING					
Average size of household:					
Total	..	4	..	..	..
Urban	..	4	..	..	..
Rural	..	4	..	..	..
Percentage of dwellings with electricity:					
Total	22	34	..	..	..
Urban	76	76	..	..	..
Rural	8	6	..	..	..
EDUCATION					
Enrollment rates:					
Primary: Total	73	85	91	104	105
Male	86	94	96	109	108
Female	60	76	85	99	102
Secondary: Total	18	31	37	42	57
Male	21	34	40	47	57
Female	15	25	34	36	56
Pupil-Teacher ratio:					
Primary	28	22	25	31	25
Secondary	17	18	..	23	18
Pupils reaching grade 6 (%)	..	34	46	72	65
INCOME, CONSUMPTION, AND POVERTY					
Energy consumption per cap. (kg of oil equivalent)	..	210	263	351	1,313
Percentage of private income received by:					
Highest 10% of households	..	..	..		
Highest 20%	..	59	..		
Lowest 20%	..	4	..		
Lowest 40%	..	13	..		
Est. absolute poverty income level (US$ per capita):					
Urban	..	..	..		
Rural	..	134	..		
Est. pop. below absolute poverty income level (%)					
Urban	..	..	..		
Rural	..	85	..		
Passenger cars/thou pop.	2.6	6.0	8.1	..	..
Newspaper circulation (per thousand population)	24.7	40.6	44.3	43.5	106.2

IECSE August 1988

.. Not available. Note: Most recent estimates of population and GNP per capita are for 1987 unless otherwise noted. Group averages are population weighted. Country coverage depends on data availability and is not uniform. Unless otherwise noted, 1965 refers to any year between 1962 and 1968; 1975 between 1972 and 1978; and most recent estimate between 1980 and 1986.

IBF.

BOLIVIA

Main Roads
Secondary Roads
Railroads
Rivers
Department Boundaries
International Boundaries

Relief (meters)
6000 AND ABOVE
5000 - 6000
4000 - 5000
3000 - 4000
2000 - 3000
1000 - 2000
0 - 1000

Climatic Zones
COLD (4500 m. and above)
COOL (3000 - 4500 m.)
TEMPERATE
SUB-TROPICAL
TROPICAL

BRAZIL
PERU
CHILE
PARAGUAY
ARGENTINA

PANDO
LA PAZ
B E N I
COCHABAMBA
ORURO
POTOSI
S A N T A C R U Z
CHUQUISACA
T A R I J A

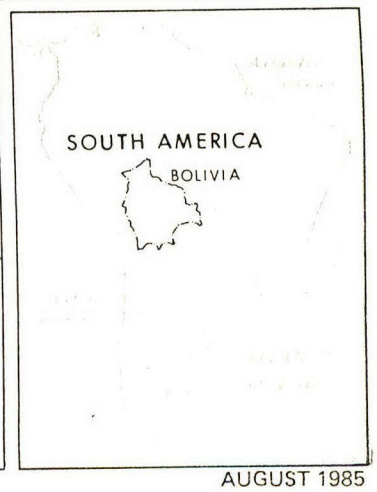
COBIJA
RIBERALTA
Magdalena
Santa Ana
San Borja
TRINIDAD
Todos Santos
LA PAZ
Guaqui
Viacha
COCHABAMBA
SANTA CRUZ
San Jose
ORURO
Aiquile
Uncia
SUCRE
PUERTO SUAREZ
Potosi
Rio Mulato
Uyuni
TARIJA
Villazón
Yacuiba

To Cuzco
To Arica
To Salta
To Salta
To São Paulo

Rio Madeira
Rio Madre de Dios
Rio Orton
Rio Mamoré
Rio Yata
Rio Iténez
Rio Guapore
Rio Beures
Rio Grande
Rio San Miguel
Rio Desaguadero
L. Rogaguado
L. Rogagua
L. San Luis
L. Coipasa
Uyuni Salt Pan
Lake Titicaca
Putana volcano
Colorada Lagoon

68° 64° 65°
10° 14° 18° 22°

0 100 200 300
KILOMETERS



AUGUST 1985

FORM NO. 75
(6–83)

THE WORLD BANK/IFC

ROUTING SLIP	DATE: July 21, 1989
NAME	ROOM NO.
Mr. Karaosmanoglu	E-10-071

	APPROPRIATE DISPOSITION		NOTE AND RETURN
	APPROVAL		NOTE AND SEND ON
X	CLEARANCE		PER OUR CONVERSATION
	COMMENT		PER YOUR REQUEST
	FOR ACTION		PREPARE REPLY
	INFORMATION		RECOMMENDATION
	INITIAL		SIGNATURE
	NOTE AND FILE		**URGENT**

REMARKS:

BOLIVIA - OC Postscript

This postscript for the Bolivia CSP reflects comments from Finance, Legal, PPR and the Region.

OK
BK.
7/21

Vdubey

FROM:	ROOM NO.:	EXTENSION:
Vinod Dubey	E-3-069	78051

THE WORLD BANK
OPERATIONS COMMITTEE

CONFIDENTIAL

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OCT 17 2022
WBG ARCHIVES

BOLIVIA

COUNTRY STRATEGY PAPER

Postscript

106. The Operations Committee met on July 17, 1989 to discuss the CSP for Bolivia which proposed a lending program of $410 million over the 1990-94 period. The discussion broadly followed the agenda prepared by the Economic Advisory Staff.

107. The discussion focussed on the uncertainties affecting adjustment program. These include the forthcoming political change, the volatility of tin and gas prices, and the difficulties of receiving payment from gas sales to Argentina. The success of the recent stabilization effort was noted as well as the fact that supply responses have yet to occur on a significant scale. The Chairman suggested that the priorities of the Bank's program should be presented on a more selective basis, and that the trigger points for revising the lending program should be indicated in more specific terms. He also stated that if the availability of IDA funds at the level indicated in the CSP cannot be assured, the overall lending strategy would need to be reviewed.

108. The issue of growth versus poverty while generating a reasonable growth scenario was addressed. For this the policy reform process needs to be deepened with a switch to the productive sectors to help remove supply side constraints. The poverty impact was being strengthened not by proposing increases in expenditure on the social sectors but rather by reallocations of current levels of expenditure towards the poor. It was noted that there are major environmental as well as financial costs to establishing a new growth pole through agricultural development in the lowlands. The Chairman agreed that environmental concerns should be emphasized in the program for bringing new lowland areas into cultivation.

109. The interaction between the coca cultivation, the drug economy and the economic prospects were discussed. It was noted that increased coca leaf production in neighboring countries coupled with reduced demand is likely to lead to a significant decline in Bolivia's foreign exchange earnings from coca now estimated at US$500-600 million per year. Alternative sources of growth are essential. The need for looking into the costs and benefits of moving away from coca, not just in Bolivia but in the LAC region more generally, was discussed. However, the magnitude of the problem and the Bank's ability to carry out such a study was questioned.

110. With respect to debt and finance, the advantages of debt buy-backs were noted, and questions were raised about what would happen if the assumed IDA allocations were not forthcoming. It was noted that IDB funds cannot substitute easily because soft terms are currently only available for social projects. It was suggested that any proposal for debt reduction should look not just at commercial debt but at the overall debt structure and debt management strategy, including the possibilities of obtaining Toronto terms for Bolivia.

111. As regards the proposal to raise the current ceiling on project cost-sharing, the Chairman stated that the present ceiling should be maintained. The subject, he felt, needs to be reviewed by the Central Operations Department on a cross-country basis.

ARay:vlw
July 17, 1989

LIST OF PERSONS ATTENDING THE OPERATIONS COMMITTEE MEETING

BOLIVIA - COUNTRY STRATEGY PAPER

MONDAY, JULY 17, 1989 AT 10:30 A.M. IN ROOM E-1243

Committee Members

Messrs. A. Karaosmanoglu - Chairman
A. Stoutjesdijk - EMNVP
S. O'Brien - AFRVP
J. Linn - DECVP
D. Goldberg - LEGVP
J. Wood - FPRVP
H. Vergin - OPNSV

Other Attendees

Messrs. V. Dubey (EAS)
A. Ray (EAS)
E. Barandiaran (LACVP)
P. Loh (LA3DR)
K. Marshall (LA3C1)
W. Shaw (LA3C1)
S. Jorgensen (LA3C1)
R. Drysdale (LA3HR)
T. Thahane (SEC)
O. Yenal (ASIVP)
M. Molares (LEGLA)
A. Heron (CODOP)
F. Lysy (LA3C1)
E. Wetzler (CL2C1)

THE WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

1. AP

cc EAS staff

2. File with CSP

DATE: July 19, 1989

TO: Mr. Ping-Cheung Loh, LA3DR

FROM: Johannes F. Linn, VPDEC

EXTENSION: 33773

SUBJECT: Bolivia CSP

Following Monday's OC meeting, I would like to add a few observations. My impression was that much of the discussion revolved around the need to clarify the strategic options which the Bank is facing in Bolivia. The CSP does an admirable job in laying out the background in considerable detail (Sections A-D, involving almost 30 pages); it is very brief, however, in presenting the Bank strategy and its implications (pp. 31-36). In that relatively brief space, the CSP does not explore the lending priorities that would prevail if only a lower amount of IDA is available. Nor does it explore how lending strategies may respond to different external or domestic circumstances (except for a rather extreme case of the "core poverty program"). It does not provide any discussion of the trigger points for policy slippage or explain what would be a graduated response in case of limited policy slippage. Nor does it explain how the investment project-based lending program will contribute to maintain the policy dialogue and reform in critical structural adjustment areas. Finally, it does not explain how debt reduction schemes could be designed and justified in the case of Bolivia.

These issues and options were clarified considerably during the discussion on Monday and as a result the justification for the Region's approach became much clearer. The lesson I draw from this is that it would have been preferable had the CSP devoted less effort and space on the topics discussed in the first 30 pages, and somewhat more on those treated in the last six pages. A document slanted in that direction--i.e., greater focus on Bank stategic options, less focus on descriptive material regarding country background, etc.—would also be more in line with the role that CSPs are to play according to current instructions: concise presentation of strategic options for the Bank's senior management.

cc: Messrs. Fischer (o/r), Holsen (o/r), Liebenthal, Earwaker, Dubey
Ms. Marshall

July 18, 1989

Mr. David Goldberg:

With reference to your question during the OC meeting (indirectly to me) about debt buybacks in Bolivia, there is of course no doubt at all that Bolivia will benefit from a buyback if IDA resources have no opportunity costs. But given the high IDA allocation that has been proposed in the CSP, it is not obvious that an additional $10 million or so would really be incremental to Bolivia. Furthermore, if Bolivia is not going to borrow commercially for a long time (as CSP says), and if there is no penalty to not servicing commercial debt (at least implied in the CSP), then the question arises as to whether Bolivia can use the money more fruitfully on other things. I think it would have been helpful if the CSP related the question to the terms at which it gets trade credit, and to the confidence required to increase foreign and domestic private investments. Furthermore, the issue arises as to whether the $10 million ceiling proposed for the IDA fund should apply to Bolivia because there are few other countries with a successful adjustment program and debts worth 11 cents to the dollar. I therefore thought this issue would be of interest to Committee members.

Anandarup Ray

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: July 10, 1989

TO: Operations Committee

FROM: Anandarup Ray, Acting Director, EAS

EXTENSION: 78073

SUBJECT: BOLIVIA - Country Strategy Paper - Agenda

1. The Operations Committee will meet on Monday, July 17, 1989, at 10:30 a.m., in Room E-1243, to discuss the Country Strategy Paper for Bolivia.

2. At the time the administration of President Paz Estenssoro came to power in 1985, Bolivia was in a deep crisis. GDP had dropped by about 25% since 1980 and the inflation rate exceeded 20,000 percent per year. The economy was highly controlled, there were severe trade and payments restrictions, and large external arrears. The economic recovery program that Estenssoro initiated in late 1985 succeeded in stabilizing the economy, and there was some GDP growth in 1987 and 1988 after many years of decline. However, the decline in per capita consumption levels has not yet been arrested.

3. There has been some policy slippage during the last year. Inflation was 21.5% in 1988 rather than the programmed 12.5%, and the real exchange rate appreciated, albeit by a small amount. There were large net capital outflows in 1988. The fiscal deficit widened during the first quarter of this year. Planned reductions in average tariff levels have been postponed, there have been delays in adjusting public sector prices, the program to privatize some of the public enterprises has made little progress, and the planned improvements in incentives for private sector investments have not been completed. With the new administration scheduled to take office in August, the CSP correctly identifies the "viability and durability of the present Government's achievements" as the major concern at this point.

Issues

4. This CSP presents four "scenarios" to illustrate the possible effects of different degrees of policy effort (Table 1). In addition to the conventional "base" and "low" cases, two upside and downside extremes have been added. These do not indicate Bolivia's vulnerability to external shocks, however. There is another scenario in Table 6, which reflects the possible effects of a 25% drop in the prices of tin and natural gas. This is the only external contingency considered. There are several sets of issues that the Committee might consider with reference to these quantitative illustrations:

- the realism of the base case. The Region's base case is more conservative than the one adopted by the IMF due to more

conservative assumptions on Argentina's willingness to pay for natural gas and on capital inflows. Nonetheless the Region might comment on how confident we can be regarding the acceleration of the growth rate in the near term. In particular, the Region might comment on (a) the prospects for 3.5% growth in 1989 and 4% growth in 1990, given the emerging needs for controlling aggregate demand; (b) the realism of a 10% growth rate in non-traditional exports during 1989-97 (past data are not provided for that group); and (c) the jumps in domestic savings and investments (over 40%) assumed in the base case during 1988-90. One notes that the declining trend in private investments during the 1980s has barely been reversed. Annex 4 indicates high optimism regarding marginal savings rates; it also suggests possible optimism regarding the ICOR;

- "acceptability" of the base case and policy leverage. While the Region characterizes the base case as "acceptable", one must note that it implies continuously declining per capita consumption levels until 1997. This implication of the base case also raises questions regarding its viability. However, the Region also believes in the high potency of better policies, as a comparison of the base case with the "high" case shows. The Region has identified two crucial policy variables in this context: better incentives for private sector investments and rapid improvements in public sector administration. Can the Region specify concrete measures that the new administration should take to move towards the "high" case, in contrast to the base-case measures we have included in the draft PFP? What can be done, for example, to rapidly improve Bolivia's ability to use external resources (undisbursed commitments of foreign aid totals $1 billion at this time)? What can the Bank and the other donors do by way of technical assistance? Do the Bank and the IMF agree on the additional policy measures required in the "high" case, and are they to be discussed with the Government in the PFP context?

- downside scenarios. The two downside scenarios reflect policy slippages. In the "low" case, IDA will respond to policy slippages by adopting the "core" program shown in Annex 1B, and in the very low "disaster" case lending will cease. But these two cases do not fully reflect risks because Bolivia is also extremely vulnerable to adverse external shocks: a combination of a 25% price drop with only moderate policy slippages can, for example, lead to very adverse results. Another important source of risk is Argentina's ability or willingness to make timely payments on natural gas and to renew the contract at favorable terms. The Region might elaborate upon (a) the overall risk of Bolivia getting into non-accrual status with IDA; (b) anything the Bank and the Fund can do to moderate the impact of adverse external shocks, such as helping to create a fund for stabilizing export earnings; and (c) the appropriateness of the planned "core" program. While the importance of fighting poverty can hardly be exaggerated, it may be more appropriate to design a highly-productive, foreign- exchange earning core program instead. This

is because per capita incomes would be declining rapidly in the core-program scenario, and specializing on social projects would be like running up a down escalator; there would also be a serious default risk in that scenario;

- level of concessional assistance. Bolivia's performance during the last four years has generally been highly rated, but access to concessional finance may not have been fully commensurate; it has not, for example, received Toronto terms or debt cancellations. Even within IDA its "norm" share is less than it would be without the Africa pre-allocation. The Region might explain what the financing gap is and what our assumptions are regarding sources of finance and burden-sharing, especially if adverse contingencies occur. With respect to IDA, the Region's proposal for an annual average of US$82 million beginning in 1990 is considerably higher than the annual average recommended by SPR/OPS. One issue is whether the higher size would be justified; another is whether we should plan for a graduated response. If Bolivia's performance improves, we might want to be able to respond with higher levels of IDA. We might therefore plan on a smaller level in the base case;

- debt strategy and debt buy-back. The CSP mentions "distinct advantages" to extinguishing the remaining commercial bank debt through new buy-back operations (page ii), but the advantages are not spelled out. Since Bolivia has not serviced commercial bank debt since 1984, and, according to the CSP, will not be able to afford new commercial borrowings for a long time, the Region might explain the benefits of another buy-back at this time. This is important because Bolivia would be a candidate for additional IDA resources from the proposed debt-reduction fund;

5. In addition to these issues, the Committee might also wish to focus on the following:

- the CSP puts great emphasis on income-redistribution and poverty-redressal objectives. The sharp disparities in income and social development between the elite and the poor Indian populations, as well as absolute poverty, have become accentuated due to the overall decline of the economy. How are poverty-alleviation and equity objectives specifically pursued within the operations proposed in the lending program? How are these objectives reflected in Bolivia's current and capital expenditure programs? In view of the great need to raise savings, investments and growth, what is the scope for social programs that are complementary to growth?

- the CSP proposes financing of up to 85% of project costs, with a maximum of 90% taking cofinancing into account. This is only a modest increase from the current ceiling of 80% without cofinancing, but the proposal is not explained at all in the paper. There are many countries with similar or lower per capita incomes with lower ceilings on project cost-sharing. For example,

the Philippines, Sri Lanka, Ghana and Nigeria have ceilings on cost-sharing of 75%;

- the importance of the drug traffic for the Bolivian economy. It is noted that total recorded receipts from cocaine exports is probably as large as all other exports. It is not clear, however, how the cocaine issue has been reflected in the projections. Furthermore, the Committee might consider whether our posture on the cocaine trade has been appropriate;

- to what extent environmental concerns feature or should feature in our policy dialogue and lending operations?

6. The Committee might recommend a CSP update early next year after we ascertain the plans and capabilities of the new administration.

OC Members

Messrs. Qureshi, Husain, Jaycox, Karaosmanoglu, Thalwitz, Rajagopalan, Fischer, Shihata, Wood, Vergin.

cc: Messrs. Lee, COD; Shakow, Liebenthal, SPR; Holsen, CEC; Rao, Steer, FRS; Burmester/Thahane, SEC; Baudon, OPNSV; Hopper, PPR; Bock, DFS; Goldberg, LEGOP; Kavalsky, FRM; Parmar, CIO; Pfeffermann, CEI; Baneth, IEC; Robless, OPNSV; (Ms.) Haug, Tanaka, EXC; Aguirre-Sacasa, EXT; Selowsky, Loh, (Ms.) Marshall, Miovic, Potashnik, LAC.

ARay:vlw

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

cc: AR

EAS file

DATE: July 10, 1989

TO: Mr. Stanley Fischer
(through Mr. Robert Liebenthal, Chief, SPRPA)

FROM: Frank Earwaker, SPRPA

EXTENSION: 34688

SUBJECT: BOLIVIA: Country Strategy Paper

1. On June 22, 1989, the Region distributed a draft CSP for review by the Operations Committee on a date to be determined. The CSP contains a well-written and candid assessment of the country situation and proposes a broad-based program of assistance from IDA that would support continued macroeconomic adjustment to permit higher levels of investment, the rehabilitation and restructuring of key economic sectors, the development and maintenance of essential infrastructure and the implementation of a comprehensive strategy to ameliorate poverty. Some issues of particular concern are indicated below.

Sufficiency and sustainability of adjustment program

2. Under the "acceptable growth scenario", which the Region adopts as its base case, consumption per capita would decline in real terms over the period projected. This raises questions concerning both the sufficiency and the political sustainability of the adjustment program.

3. Yet even the base case scenario is predicated on some very optimistic assumptions. An ICOR of 4 is projected whereas past experience indicates a value closer to 6. It is also assumed that the marginal savings rate can be sustained at about 0.6. Can we really anticipate such a strong savings effort in the context of falling real per capita consumption? You may wish to ask the Region to explain the basis of its assumptions. You may also wish to ask what are the possibilities for accelerating the adjustment process so as to avert the prospect of a continuing decline in real per capita consumption and, thereby, enhance the prospects for political sustainability of the adjustment program.

IDA Allocation

4. The CSP reaffirms that Bolivia is not creditworthy for Bank lending (although it suggests that Bank finance may be extended in support of enclave projects) and proposes an all-IDA program of $547 million for the quinquennium FY89-93. In the last IDA allocation exercise, the country norm for Bolivia was estimated at $208 million for the quinquennium FY88-92 and an allocation of $286 million (37% above the norm) was approved in recognition of Bolivia's purposeful adjustment program. The $547 million program proposed in the CSP is clearly far more than was previously contemplated. You may wish to ask the Region to justify its proposal for a much expanded program.

Linkage between IDA program and macroeconomic scenario

5. While the "acceptable growth scenario" is considered the most likely prospect, the CSP is quite candid in saying that policy slippage is not much less likely. It is stated that IDA lending would have to be cut sharply in the case of policy slippage, but no details are given as to how it might be cut or by how much. You may wish to ask the Region to clarify this point and to indicate what specific areas of policy slippage are likely to be crucial in triggering a fall-back to a smaller IDA program.

Sectoral balance of lending program

6. The proposed lending program is very broadly based and covers just about every sector. It is difficult to discern from the CSP what are the relative priorities in terms of sectoral development and where the Region feels the comparative advantage of the Bank lies in terms of assisting Bolivia's development efforts. You may wish to ask the Region for clarification on that score.

Cocaine exports

7. Obviously, this is a delicate issue. But when we read in para. 29 that export earnings from cocaine "(i.e. money actually returning to Bolivia) may be about US$600 million a year, roughly equivalent to total legal exports", it is clearly an issue that cannot be overlooked.

8. In discussing the prospective future resource gap and external financing requirements under various macroeconomic scenarios, the CSP does not say how cocaine has been treated or, indeed, whether it has been taken into account at all. You may wish to ask the Region to clarify this.

9. In response to a formal Government request for direct Bank involvement "both moral and financial" in its drug control program, the CSP proposes a cautious response focusing on a better understanding of the cocaine economy. This seems appropriate, but the theme does not get picked-up in the discussion of the ESW program. You may wish to ask the Region what specific ESW work is contemplated in this area.

cc. Messrs./Mss. Hopper, Rajagopalan, Colaco, Linn, Shakow, Holsen, Corbo, Pfefferman, Dubey, Ray, Vergin, Steer, Loh, Marshall, Haug.

FE/fe

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: July 6, 1989

TO: Mr. Vinod Dubey, EAS

FROM: Ducksoo Lee, CODDR

EXTENSION: 73348

SUBJECT: **BOLIVIA - Country Strategy Papers**
Cost Sharing Ratio

As required in the latest draft Operational Directive 2.10, this CSP deals with cost sharing issues but only in one sentence (para. xi of Summary) which reads, "we recommend that IDA finance up to 85% of project costs, with a maximum of 90% of external financing taking cofinancing into account." There is no explicit discussion of the justification for the proposed cost sharing ratio. However, the CSP implicitly justifies IDA financing of local costs both on the country grounds (resource shortage) and project grounds (critical importance of funding for project implementation). The country also seems to be making reasonable efforts to reform the economy and mobilize resources to the extent possible. Nonetheless, the recommended increase to 85% from the current 80% (without cofinancing) and 90% (with cofinancing) appear high in comparison to the corresponding ratios for countries in similar range of per capita income ($570) or less. For example, in the Philippines (per capita income: $590), the Bank agreed to finance up to 60% of project cost (75% for social sector). For Yemen Arab Republic ($580) the cost sharing ratio is 50% and for Morocco ($620) 60%.

cc: Messrs. Qureshi, Vergin, Baudon, Robless (OPNSV); Harris, Casley, Srinivasan (COD)

KSiraj:mda
Siraj/PC#6/AFO
6-JUL-89/15:39:00

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— Resident Mission
— Consultative Group.
— Cost-Sharing

BOLIVIA

COUNTRY STRATEGY PAPER

June 23, 1989

Latin America and Caribbean Region
Country Department III
Country Operations Division 1

BOLIVIA

COUNTRY STRATEGY PAPER

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MAP OF BOLIVIA: IBRD-16591

SUMMARY AND CONCLUSIONS

How does the program bear on this?

(i) Bolivia faces formidable challenges in the decade ahead. Long-standing poverty problems, accentuated by sharp gaps between the elite (generally white/mestizo) and the poor Indian populations, have worsened in recent years with overall economic decline and crises, followed by rigorous stabilization and adjustment measures. Bolivia's traditional exports face uncertain future prospects, necessitating a fundamental realignment of the economy towards a new sectoral balance and different development strategies. The problems of Latin America, particularly those of Bolivia's neighbors, limit trade possibilities or lend uncertainty to them. Even optimistic scenarios assume tight economic management and show slow resumption of growth in this century. Paradoxically, the country's political situation, once turbulent and unpredictable, now gives some grounds for optimism. Despite a history marked by frequent changes of government and swings in economic policy, Bolivia has completed nearly four years with strong economic management under a democratic regime. It has followed consistently bold, coherent economic stabilization programs premised on the vision of a fundamental change in economic strategy: reliance on private sector growth. Bolivia's presidential election on May 7 appears to have affirmed the nation's commitment to the basic objectives of recent economic management and thus provides a foundation for continuation and deepening of those policies when a new Government takes office in August, 1989.

(ii) The past four years have been dominated by contending with the acute economic crisis which the Government inherited in 1985. The policies of the 1970s, a period of apparent prosperity which saw heavy external borrowing and misinvestment, set the stage for crisis. They were succeeded by incoherent and misguided efforts in the early 1980s that exacerbated the problems: mismanagement of exchange rate and financial sector policies, failure to arrest the erosion of the tax base (collections were 0.9% of GDP in 1984), and still further increases in the already complex web of price controls, subsidies, and direct state production activities. The emergence of the cocaine economy as a major force during this period complicated the picture from both domestic and international perspectives. By 1985, the situation was untenable: inflation was running at over 24,000%, and the public sector deficit exceeded 23% of GDP. GDP fell in real terms by 10% from 1980 to 1985, and per capita income dropped by as much as a third. Bolivia faced a breakdown in its formal economy and in its public service; capital fled and investment halted. Bolivia's economic decline in the mid-80s can be seen as one of the world's greatest economic disasters.

(iii) Since August 1985, President Paz Estenssoro has charted the course for Bolivia's recovery from crisis. His Government immediately introduced a stabilization program which abruptly halted hyperinflation and set the stage for far reaching economic reforms under a New Economic Policy. This policy entailed measures to liberalize trade and financial markets and provided an incentive structure conducive to private sector development. The Government also overhauled the tax system to mobilize revenue (reducing some 400 taxes to nine) and set about to reduce the state's role in the economy by eliminating some state enterprises and scaling down others. Stabilization and adjustment measures, however, raised unemployment and accentuated already acute social problems. It became increasingly apparent that long-standing poverty problems must be addressed as the centerpiece of the economic strategy, both to guarantee short term social and political viability and because Bolivia's long term future cannot be assured without developing its human resources through better education and health systems. Thus, the

central challenge for the next Government is to shift the sights from crisis management and stabilization to address Bolivia's underlying development problems and to implement the long term strategy which has been so well defined in the past four years.

(iv) Bolivia's future development strategy, which has been an intensive and explicit preoccupation of the present Government, involves first, a new concept of the respective roles of the state and the private sector, with the stress on the dominant role of the private sector and the development of a market economy; second, changes in the sectoral focus of production and exports, away from the heavy preponderance of tin and natural gas; and third, recognition that the reduced public sector apparatus must be revitalized. Poverty alleviation, employment generation, and better social services have taken on increasing importance in the strategy over the past two years. The viability and durability of the present Government's achievements are now the central issues. Whether the economic program is sustained will depend on many factors, domestic and foreign: these include future action to address Bolivia's external debt problems, external support for Bolivia in this critical transitional period, Argentina's ability and willingness to pay for Bolivian natural gas shipments, future mineral prices, progress in negotiating trade agreements with Brazil, Bolivia's political stability, and progress in developing Bolivia's human resources. Bolivia's dilemma is that, over the next decade, it can achieve a minimally-acceptable rate of growth only with excellent economic management, strong external support on highly concessional terms, and a good measure of luck. The only avenue to success lies with strict adherence to policies assuring macroeconomic stability and the liberal incentives structure introduced since 1985. Even with good policy performance, the high debt burden, low savings, heavy dependence on a few primary product exports, and deep-seated inefficiencies mean reasonable growth rates are barely assured.

(v) Bolivia's long term public and publicly guaranteed external debt (US$3.9 billion as of end 1988) is a central problem and further steps to reduce the debt burden are essential to the success of the development strategy. To give one key indicator, in 1988 debt service owed was 57.7% of Treasury revenues. Bolivia's debt strategy entails distinct approaches for the three major segments of the debt: commercial bank, bilateral, and multilateral. The approach on commercial Bank debt is to retire it all. Commercial bank debt (originally about US$650 million face value) was reduced by about 50% in 1988 through a buyback operation; the process is continuing, with a further US$100 million offered (all buyback operations have been at 11 cents on the dollar). There would be distinct advantages for Bolivia in clearing the slate entirely, by retiring the roughly US$220 million (face value) remaining, although in practice Bolivia has paid no debt service on commercial bank debt since 1984. Official bilateral debt represents 60% of Bolivia's total debt, with Argentina and Brazil the largest creditors; multilateral debt is 30% of the total, mainly IDB and World Bank. Bolivia aims to reschedule its bilateral debt on highly concessional terms and has also successfully negotiated debt forgiveness or reinvestment of interest payments in Bolivia with some Governments. Recent efforts have focused on Paris Club terms. While the terms of the November 1988 Paris Club rescheduling were relatively favorable, Bolivia's plea for rescheduling on Toronto (i.e., sub-Saharan African) terms was not acceded to; this issue remains on the agenda as more concessional terms are warranted. Bolivia continues, albeit with difficulty and delays, to service its multilateral debt. Overall, the need to restrict borrowing to loans on highly concessional terms is underscored.

(vi) Several macroeconomic scenarios illustrate the implications of different policy and other assumptions for the Bolivian economy. These range from a high growth scenario of 4.2% a year to a "disaster" scenario of 0.7%; a third scenario, which projects growth of 3.1% a year, offers at least some real per capita income growth, and is our base case. It could be achieved if the next Government can maintain low inflation, enhance incentives for private investment, and improve public sector administration. The engines of growth will continue to be mining, hydrocarbons and agriculture, with manufacturing playing an increasingly important role. Only if this scenario is maintained or bettered can the Bank play a meaningful role in Bolivia; if there is serious policy slippage or a reversion to the economic chaos of the early 1980s, external agencies can play little constructive role and high levels of IDA support. The most troublesome implication of all scenarios is their limited impact on overall poverty levels and the quality of life of the poor. Under the base case projections, by 1997 Bolivia's GDP per capita would remain 24% below the level reached in 1980. This underscores the need to ensure a clear focus on income and employment policies in macroeconomic management, and to design effective, targeted programs to address the needs of the poorest groups. The uncertainties involved bear emphasis, given Bolivia's historical political instability and the absence of a strong tradition of civilian, democratic government.

(vii) External assistance plays a vital role in Bolivia's case, contributing US$202 million to total investment (60%) in 1988. The net resource transfer from official sources (net disbursements on long-term loans plus grants minus interest payments) equalled US$226 million in 1988, or about 5% of GDP. The international community has steadily increased its support to Bolivia in the last four years, recognizing the Government's responsible economic management. The UNDP, IDB, and the World Bank, and several bilateral agencies led by USAID, Germany, and Japan are most active. Most assistance to Bolivia has been on concessional terms because of its lack of creditworthiness but some agencies, notably the IDB and CAF, still lend to Bolivia on conventional terms. Bolivia has markedly improved its use of external assistance (a serious problem in the past); for example, it contracted international procurement agents to cut corruption and speed procedures. However, bottlenecks remain and the public investment program continues to move fairly slowly; it must be further reoriented to fit the new strategy and pruned of ineffectual operations.

(viii) The Bank's present role reflects major staff efforts to rebuild the Bolivia program since late 1985. By 1985, the Bank's program in Bolivia was essentially defunct, because, due to poor economic management and lack of creditworthiness, the Bank had made no new loans after 1980. We resumed a full lending program in FY86, with approval of a Reconstruction Import Credit and a Gas Recycling Project. Total lending in FY86-89 totals US$350.4 million, including three policy-based operations and two institutional development operations to strengthen economic and financial management. Major efforts on economic and sector work, to support Government efforts to elaborate its development strategy and programs, have also been undertaken. The last formal CPP was reviewed in December 1976, but a review of the Division Country Brief in November 1986 has guided the Bank's strategy over the past two and a half years. Bank management has discussed the Bolivia program several times, notably the OPSC review in August 1983 and OPC review in October 1986 of Policy Framework Papers and reviews of adjustment operation initiating memoranda.

(ix) The policy agenda for the next government is above all to maintain macro-economic stability. No major new departures are recommended but in many areas policy initiatives remain to be implemented and worked out in

specific details. Examples are ongoing reforms in public enterprise management, the tax reform, and customs administration, elaboration of an environmental strategy, and government financial management (specifically budgeting, public investment programs, and auditing). Concentrated efforts are still needed to improve the incentive structure for private investment, including further financial sector reforms and encouragement of joint ventures, new tax measures, simplification of regulating changes in the mining, hydrocarbon, and investment codes to encourage private investment, and privatization of remaining production-oriented public enterprises major efforts are still needed to strengthen public sector management, with a high priority to the proposed scheme to establish a cadre of managers of economic development. Finally, high priority should go to elaborate and implement a coherent poverty program are needed to bridge the gap between the successful but temporary Emergency Social Fund and future poverty oriented social programs.

(x) The Bank's strategy in Bolivia has three main thrusts. The first is to consolidate the macroeconomic stability achieved over the past four years, while supporting the Government's medium-term adjustment and development programs; the second, to remove the constraints to growth by encouraging private sector development and investment, increasing the level and efficiency of investment, both domestic and foreign, giving more attention to developing and enhancing the effectiveness of public sector institutions; and third, to alleviate poverty through measures to generate employment and income for the poor (with particular attention to women) and to improve the delivery of social services by better targetting, increased efficiency, and extending basic services to underserved populations. We will continue our close links with the IMF; the Policy Framework Paper process will serve as a vehicle for articulating and agreeing on the medium term framework. The IFC is expected to play an expanded role in Bolivia over the next three years in mining, energy and agro-industries. The potential for MIGA support should be significant but no specific proposals have yet been worked out.

(xi) We recommend, subject to IDA availability, a lending program of US$82 million a year, all on IDA terms and primarily for investment lending and institutional development support, but with further quick-disbursing assistance to support the policy reforms already launched. The new Bolivian Government will need to introduce substantial new measures, in large part to cope with the delayed payments from Argentina. If these problems persist, as they may well do, given Argentina's uncertain prognosis, the scope of policy adjustments Bolivia will need to introduce will be far-ranging, involving in effect a new adjustment to a permanent reduction in export earning capacity. In this event, an IDA-supported adjustment operation could be vital to the success of the program and would have high priority. Enclave IBRD operations for development of the petroleum and mining sectors should also be considered, subject to adequate security arrangements; Bolivia is not creditworthy for IBRD lending, and unlikely to be so in the foreseeable future. With past IBRD loans of US$163 million outstanding (as of March 31, 1989), Bolivia received a US$11.8 million supplemental credit in FY89 under the IDA reflows program, and should be eligible for future assistance. We recommend that IDA finance up to 85% of project costs, with a maximum of 90% of external financing taking cofinancing into account. Mobilizing cofinancing for all operations remains a high priority.

(xii) The Consultative Group for Bolivia was revived in December 1986 (it was dormant from 1977), and has been an important focus of the Bank's program since then. It has contributed significantly to the increase in

external aid for Bolivia's development and improvements in its use. We plan to organize full CG meetings annually, with the next meeting in October-November 1989. In addition, sub-group meetings on topics of particular interest, such as poverty and social sector programs, are planned.

(xiii) The Bank's Resident Mission in Bolivia was reactivated in June 1986; from November 1983 no Resident Representative was assigned to La Paz because of the deteriorating economic situation. The Mission has played a key role in country dialogue, lending program development, implementation support, and aid coordination. This role will continue in the future, with increasing assistance from local staff and consultants, especially to facilitate implementation. Two positions under the Technical Assistance Program to IDA Countries, approved in FY87, have provided valuable advisory support to the Planning Ministry in management of the public investment program and economic programming. This support should be continued. We recommend a third position to support social programs.

(xiv) We propose to prepare a brief updating strategy note after the August change of Government and before the Consultative Group meeting. The next CSP should be prepared in two years, about mid-way through the next Government.

A. INTRODUCTION AND STRATEGIC FRAMEWORK

1. Bolivia is emerging from nearly four years of economic reform under a remarkable statesman, Victor Paz Estenssoro, an octogenarian currently serving his third term as president. When he first came to power in 1952, he led Bolivia through a revolution that ushered in fundamental changes in economic and political life. These entailed, above all, a massive increase in the state's role in the economy and an agrarian reform that brought an essentially feudal structure of rural life virtually to an end. Elected President in August 1985, Paz Estenssoro faced very different circumstances. Bolivia was in an acute economic crisis which plainly reflected profound economic and social problems. Defying the critics and the odds, the Government introduced and sustained a rigorous, orthodox stabilization program and launched basic economic and social reforms whose explicit aim was to transform the economy and society. This was accomplished in a democratic context, with active, open, and peaceful political debate. Under Paz Estenssoro's leadership, Bolivia has recovered from crisis and started to build a future based on responsible economic management and willingness to face age-old social problems.

2. The role of the state is a central issue facing Bolivia. Policies stemming from the 1952 Revolution entailed a large, virtually all-encompassing state role. In the mid-1980s, the public sector accounted for 65% of mineral production, 80% of hydrocarbons, 70% of energy production, and most manufacturing. The state mining company (COMIBOL) was the quintessenal inefficient public enterprise; in 1985 it had a workforce of close to 30,000, operating losses of US$248 million, and virtually no productive investment. More symbolically, COMIBOL's was a vast paternalistic role, seeing to all its workers' needs down to food stores. The exorbitant costs of this system plus the constant labor conflicts that, ironically, it engendered made COMIBOL probably the highest cost tin producer in the world. The State Petroleum Company (YPFB) was managed in much the same way. Worse, policies favoring public sector involvement in the economy actively discouraged the private sector. The private sector's pattern of development and operation, heavily dependant on unclear yet intrusive government policies, was geared towards high profit, quick-return ventures and capital investment abroad, not at home. Private entrepreneurs and state enterprises alike were ensnarled in a web of state regulations which constrained rather than facilitated economic activity. The large state role in turn gave rise to an overextended bureaucracy whose efficiency, never high, deteriorated rapidly during the economic crisis of the 1980s.

3. The central premise of economic reforms pursued since 1985 has been to reduce and change this state role. First, the private sector is to be the major force in economic development; second, the elaborate system of controls and regulations are to be dismantled; third, the state apparatus is to be sharply reduced and streamlined, removing it from direct production; and fourth, an efficient public service in keeping with the new public sector role is being built. Much progress has been made towards these objectives, but the process plainly has far to go. Milestones include sharp reductions in the size of key state enterprises (notably COMIBOL--from 30,000 to 7,000 employees--and the Central Bank), introduction of new fiscal and monetary management systems, and overhaul of the tax system. Management of the public investment program is stronger; steps include contracting of external procurement agents and better project screening and monitoring,

leading to higher disbursements and commitments for a sounder public investment program. An innovative program to establish a core development civil service, paid at levels above the patently inadequate current civil service salary scales, is being prepared. Privatization of some state enterprises remains a goal; a commission was set up to begin the process, but progress has been slow. Another key area for continuing reform is decentralization, especially in health, education, and other services which must respond to local needs and initiatives. More active and systematic collaboration with NGOs is needed given the weakness of public institutions and the complex nature of poverty problems. The task of restructuring the role of the state and improving its efficiency thus remains a central priority.

4. The parallel challenge is to encourage development of the private sector. Bolivia's private sector remains small, with most private investment concentrated in mining, commerce, and small manufacturing. From the 1950s, although the state protected some large private sector mining and commercial interests, Government policy generally discouraged private entrepreneurial activity. Deliberate policies and the preponderent state role in industry, energy, and mining deterred investment, domestic and foreign alike. Poor economic management and political instability also played their part. The current Government's efforts to reverse the steady decline in private investment have achieved modest success. Mining and manufacturing GDP growth in 1988 are attributable to higher private sector output. However, private sector confidence in Bolivia's long term development prospects and political stability remains fragile, and market mechanisms remain weak. Greater clarity in the rules of the game, for example on joint ventures, is still needed, and despite abolition of most regulations and price controls, excessive bureaucratic red tape persists. An encouraging sign of a better investment climate is emerging foreign private investor interest in Bolivia, although they plainly seek special guarantees and security. IFC is playing a constructive role in reestablishing private sector confidence. The next Government will need to ensure speedy adoption by Congress of the set of incentives for private sector investment in mining, hydrocarbons and industry, which are held over from this year's legislative session. It will also need to continue efforts to lower interest rates, instill confidence in the financial system, and private support services for private sector investors.

5. Bolivia's economy is undergoing fundamental changes which call for new strategic approaches. First, the relative importance of the key export sectors is shifting, away from the historical dominance of hydrocarbons and tin mining. Within mining, the role of tin dropped sharply after the 1985 tin price collapse, while gold, silver, and other minerals have increased in importance. These shifts are the first steps in a necessary diversification of exports. Bolivia suffered (and continues to suffer) from overdependence on a few commodities, witness the effects of the tin crash in 1985-86 and the devastating impact of Argentina's delinquent payments for natural gas. The future of the hydrocarbon sector is most uncertain (natural gas contributed over 40% of export earnings in 1988). The 20-year Government to Government contract with Argentina for natural gas sales ends in 1992. Whether and to what extent either Argentina or Brazil will import natural gas remains an important open question with large implications for Bolivia's future growth prospects. The mining sector, whose share of GDP declined from 11.7% in 1978 to 6.3% in 1988, needs fundamental restructuring to make up for decades of neglect of exploration and investment. Agriculture offers substantial potential but has yet to fulfill its promise; its share of GDP increased (from 17.8% in 1978 to 22.9% in 1988%) and the focus of production has shifted, for example, away from cotton and sugar, towards soya., but

output has fallen in the last two years, performance is erratic, and the key issue of how to develop the large subsistence sector has yet to be tackled. The industrial sector remains small, with manufacturing representing 11% of GDP in 1988, but again with good long range growth potential. Another major change has been the rise of the cocaine industry as a major force in Bolivia's economic and social life since the 1970s; coca exports are now estimated to equal the value of all other exports in the formal economy. This development has economic, political, and social repercussions. A third shift, occurring slowly but inexorably, is in geographic focus, from the highlands towards the central valleys and the Eastern Lowlands which, with its vast land resources, is plainly emerging as a key development pole.

6. Bolivia's severe economic problems are compounded by deep seated poverty and social problems. Although the 1952 Revolution brought social changes to Bolivia's almost feudal system, Bolivia remains a largely rural and highly paternalistic society in which the Indian population lives under the economic and political domination of the wealthy and urban-based elite. A high proportion of Bolivia's 7 million people live at subsistence levels or in abject poverty. Social indicators are among the lowest in Latin America. Contributing factors include poor health status of the population and low access to education, concentration on capital intensive, enclave type operations in mining and hydrocarbons, the failure to modernize agriculture in a sustainable pattern, poor transport infrastructure in rural areas, and exceptionally weak and deteriorating social services. Stabilization programs from 1985 on have in some respects aggravated unemployment and poverty, although the Government's Emergency Social Fund helped mute their adverse impact. What is needed now is a concerted effort to address the worst poverty problems, the more so because prospects for overall income increases are so limited. Health and education services deserve particular attention both to alleviate poverty and as part of a long-run strategy to develop human resources.

7. The Bank is positioned to play a central role in Bolivia's development programs during the next Government. The current lending program directly supports the Government's strategy for Bolivia and all projects under implementation were designed in the light of the new economic policies. We have built up an extensive understanding of economic and social issues. The Bank's role in the external resource mobilization effort is central (notably through the Consultative Group). Major issues for Bolivia, including debt strategy, the role of the private sector, the social impact of adjustment, and approaches to poverty alleviation, are squarely addressed in the development strategy. Due attention is paid to institutional development, aiming both to support a reduced economic role of the state and to strengthen economic management. The continuous policy dialogue on which the Bank's role is grounded was exemplified at the April 1988 joint Government/Bank strategy retreat at Chulumani, which reviewed in depth the 10-year development program, sector by sector. With somewhat lower intensity, we plan to sustain this broad country dialogue and operating program, with more explicit choices on areas of involvement and support.

B. BACKGROUND AND HISTORICAL PERSPECTIVE

(i) Recent Economic Development-Highlights

8. Bolivia's economic problems are deeply rooted in the dual economy which has shaped its history. Until the mid-20th century, Bolivia was dominated by mining interests and large landowners who ruled the country and accumulated wealth, but had little interest in its development. The vast

majority of the peasant population lived in poverty, working small subsistence farms or as wage laborers on large latifundia or estates. In 1952, a revolution led by Bolivia's current President, Victor Paz Estenssoro, shook the old order and transformed economic, social, and political life. An agrarian reform dismantled much of the old latifundia system and all forms of work obligations and distributed land to the peasants. Further, the Government nationalized the large privately owned tin mining companies, thus opening the way for a massive expansion of the state's role in the economy. The state became over the years a large, inefficient producer of goods and services which deterred private sector development and failed to address the needs of the poor.

9. The 1970s were years of prosperity for Bolivia, although prosperity proved illusory and in fact Bolivia's base of productive activity and public services was seriously eroded during this period. In the 1970s, the economy grew at close to 6% annually. Growth was supported by a high rate of investment financed by foreign sources, especially direct investment in the petroleum sector; the discovery of sizeable petroleum and gas deposits made Bolivia an attractive client for foreign lenders. Unfortunately, many investments were poorly conceived and resulted in low capacity utilization and huge cost overruns; some investments were abandoned after large expenditures. The large Potosi-based lead and silver smelter, Karachipampa, costing US$160 million, which has never operated, is typical of the white elephants of the period. Large-scale lending to commercial agriculture, much on subsidized terms, yielded poor results and left large unpaid debts. The state's involvement in production of private goods led to a neglect of public goods. Agricultural research and extension were neglected. Road maintenance also was negligible, and health and education services were poorly managed and inefficiently allocated.

10. In the early 1980s, Bolivia's prosperity collapsed and the country fell into an economic depression which lasted until mid-1985. The immediate cause of the crisis was a sharp reduction in Bolivia's access to foreign savings, but its severity and length were the result of disastrous economic management, particularly a huge public sector deficit financed by money creation and an overvalued exchange rate. As the economy lost access to foreign financing, expenditures were financed through increases in the money supply coupled with a build-up of arrears to domestic and foreign creditors. Rapidly rising inflation eroded the real value of Government tax receipts, tax collection efforts diminished, and overall government revenue declined sharply. This, combined with the failure to reduce public expenditures, resulted in the public sector deficit widening from 7% of GDP in 1980 to 23% in 1984. This deficit, financed entirely by domestic credit expansion, led to hyperinflation which reached the rate of almost 24,000% by August 1985. The hyperinflation took its toll particularly on the poor, whose nominal incomes could not keep pace with price increases. The rich, in contrast, could more easily protect their incomes and assets from the impact of inflation. For rich and poor, there were countless distortions and skewed incentives; for example, bonds of COBEE, a privately owned power company, with a face value of about US$700,000, were unilaterally prepaid for US$72. When the new Government took office in August 1985, the Bolivian economy was incontestably in shambles.

11. The Paz Estenssoro Government introduced its New Economic Policy within weeks of taking office. The first policy measures addressed both stabilization issues, designed to end the crisis, and longer term adjustments, to reduce the role of the state in the economy and rebuild a free

market economy. The exchange rate was freed, to be set through an auction system, which resulted in an immediate devaluation of the official rate by 93%; strict budgetary controls were introduced to keep expenditures to the levels of revenues; most price controls were eliminated and specific prices and tariffs increased (notably for gasoline, electricity, and transport), based on a new policy to bring them close to international levels. All this was accomplished through a Supreme Decree in August 1985. Subsequent efforts served to consolidate and expand this program. Perhaps most important was a far-ranging reform of the tax system, passed by Congress in May 1986. Trade restrictions were drastically eased, with import tariffs set at 10% plus 10% of the previous tariff, and measures were introduced to increase tariff collections. Steps were taken to reorganize some public enterprises and abolish or reduce others (COMIBOL was reduced in size by the termination of 23,000 workers). The financial system was liberalized, removing regulatory constraints on financial transactions and freeing the determination of interest rates. In early 1987, the Government launched an ambitious program to alleviate the impact of the economic crisis on the poorest groups through the Emergency Social Fund (ESF), which supports small sub-projects to generate productive employment and support social assistance efforts (like maternal health care and school feeding), many implemented by NGOs.

12. External events in 1985-86 intervened to make Bolivia's recovery more difficult. In October, 1985 the international tin market collapsed, causing almost a 50% decline in world market prices. This was followed by an abrupt drop in petroleum prices in the third quarter of 1986, reducing the value of Bolivia's gas exports to Argentina. Subsequent developments have been more favorable, but a persistent problem, aggravated in 1989, has been delays by Argentina in paying for Bolivian gas exports.

13. The Government has done remarkably well in managing its stabilization program and has achieved a clear turnaround in the long trend of negative economic growth, with positive GDP growth in 1987 and 1988. It has encouraged private sector activity, although this has proved slow to rebound. Its anti-inflation program was highly effective; hyperinflation was halted immediately, with inflation kept to low and manageable levels since September 1985. In 1987, output grew, for the first time in six years, by 2.2% and reached about 2.5% in 1988. The tax reform has resulted in steadily increasing revenues. An important start has been made to improve public sector administration by establishing the Financial Administration and Control System (SAFCO) for monitoring public expenditures and better data systems for planning and monitoring public investment. A wide range of measures has aimed to reduce waste in public expenditures, notably better control systems and allocation of less disposable resources for state enterprises. Noteworthy also were the bold and effective steps taken to soften the impact of adjustment on the poor (the successful Emergency Social Fund). Finally, the Government has been highly successful in mobilizing foreign assistance.

14. Despite these major efforts, the new Government will inherit a long agenda of needed actions. This reflects the depth of Bolivia's maladjustments resulting from poor economic management in the 1970s and early 1980s, the drastic shift in terms of trade calling for strategic reorientation, and the weakness of Bolivia's institutions, which render implementation particularly difficult. In many cases, further reforms are fully prepared to the extent that legislation is drafted or before the Congress; in others, persistence is required to see results. Priority

should go to efforts to improve incentives for private investment, through continued financial sector reform and completion of ongoing efforts to reform investment, mining, and hydrocarbon legislation. Also vital are continuing efforts to strengthen public financial management by improving budget processes and tightening discipline in public spending. Finally, agricultural policy remains insufficiently clear and merits urgent and concerted attention to develop the sector's potential.

(ii) Social Context

15. Bolivia was until very recently a predominantly rural society, but in the post-1952 era, has became increasingly urban. By the early 1980's, 50% of the population lived in cities and towns of 2,000 or more. Large and rapidly growing concentrations of very poor peasants settled in and around cities, creating conditions of squalor and misery for lack of adequate housing and basic social services. Employment opportunities in the formal sector have been limited, prompting rapid growth of the informal sector; this sector has proved highly dynamic and contributed to Bolivia's survival, but it presents problems also, notably low levels of efficiency and a high incidence of tax evasion. Agriculture, particularly small farmers, was neglected, except for generally ill-conceived colonization schemes which brought highland dwellers, with poor support, to new settlements in the eastern lowlands. In sum, although the model of economic development pursued over three decades purported to seek a redistribution of the benefits of development, in reality Bolivia's highly skewed income distribution changed virtually not at all.

16. All indicators of social and health conditions point to the fact that Bolivia is today one of the poorest countries in Latin America. Life expectancy is 43 years for men and 53 for women; infant mortality is twice the average in Latin America at 124 per 1,000 live births, and reaches 277 per 1,000 live births in some rural areas. Maternal mortality is very high also, at 48 per 10,000, a situation associated with high fertility, malnutrition, poor health conditions of mothers, and an alarming incidence of induced abortion. Malnutrition is widespread, particularly in rapidly growing suburbs of the larger cities and in rural areas. Daily caloric intakes average 65% of requirements in El Alto, the new mushrooming city adjacent to La Paz, and 59% in depressed rural areas. Crowded and inadequate housing is the norm. Only about 69% of the urban population and 10% or the rural population have access to piped water, while 37% of urban and 4% of rural households have sanitation.

(iii) Political and Administrative Context

17. Throughout most of its history, Bolivia has experienced extreme political instability (over 180 changes in government since independence in 1825); much of the time, political life was dominated by the military. Bolivia's instability reflects the society's deep fragmentation along class, regional, and racial lines. While the state has been able to contain and suppress many of the conflicting forces in society, the institutions needed to link state and society and assure structural stability do not yet exist. Even so, and in contrast to other countries in the region, Bolivia in recent years has not had a violent history (though earlier episodes of turbulences suggest that the potential for violence is there). Since the 1930s, with the emergence of a middle class, political mobilization has increased. Multi-class populist movements have emerged, and the national political debate has been restructured to force established elites to meet some of the demands of the middle classes and the better organized sectors of the working class.

18. Bolivia held general elections on May 7 for the Presidency and other offices. No presidential candidate garnered an absolute majority, so the outcome will not be known until August 6, when Congress convenes to elect the President. The popular vote put two candidates virtually neck-and-neck, with 23% of the vote each: Gonzalo Sanchez de Lozada, candidate of the MNR (National Revolutionary Movement--the current Government's party), and Hugo Banzer, leader of the right-wing party, the ADN (National Democratic Association), who was President (of a military regime) from 1971-77. Other candidates, primarily to the left, captured the remaining vote, the leader among them Jaime Paz Zamora of the MIR (Independent Revolutionary Movement). Of particular significance are the fact that the three leading candidates ran on a platform supporting the economic program, which was thus soundly endorsed by the electorate, and the peaceful and democratic electoral process, which stands out among recent elections in the Region from this standpoint. The Presidency is likely to be the subject of intense jockeying in the months ahead, as a coalition will clearly have to be formed. In Congressional elections, the margin of the MNR seems somewhat larger than in the presidential election, which may accentuate that party's advantage.

19. The outcome of the current elections is unlikely to change substantially the fragile and highly fragmented nature of the political structure and decision-making process. The economic and political influence of the traditional ruling groups in La Paz and Santa Cruz, the two centers of power, is likely to continue. Were Banzer to become President, interest groups in Santa Cruz--Banzer's home--would have greater influence in Government than at present. Sanchez de Lozada, from the highlands and with a background in mining, would bring a less pronounced shift from present patterns. The political and economic power of the Indian peasant population will not likely increase no matter which party wins the election, because of their lack of political organization. Decision-making on economic policy and investment is likely to remain highly centralized, as at present. Nonetheless, a major political issue is growing regionalism and demands for greater local control over health, education, and other services by the wealthier departments, notably Santa Cruz. The major candidates pledged to decentralize government activities, but gave few specifics. Regional control has important political implications, not least its potential for weakening national labor movements. It could also affect the allocation of government expenditures and distribution of revenues from oil and gas sales and lumber concessions. The process of decentralization is affected also by the cycle of local government elections, which take place every two years, and tend to politicize local government and accentuate the underlying political instability.

(iv) External Agencies and Bilateral Relations

20. Bolivia is heavily dependent upon external support for its development. In 1988, the net resource transfer from official sources (net disbursements on long-term loans plus grants minus interest payments) equalled US$226 million or 5% of GDP. The Consultative Group for Bolivia (chaired by the Bank) serves as an important instrument for mobilizing external support for Bolivia's development and improving aid coordination. CG membership has expanded to include all the major agencies active in Bolivia, and has their strong support. UN agencies and the Secretariat General itself (through the appointment of a Special Representative for Bolivia) also have played an important role, acting particularly to generate increased international support and to further the Government's anti-cocaine

programs. UNDP has been particularly active since 1985, with an ambitious program of preinvestment and technical assistance support; Bank-UNDP collaboration is close in many fields.

21. Bolivia's present Government has received substantial financial and technical assistance from the International Monetary Fund. Since 1985, the Fund has supported the adjustment effort with a one-year stand-by arrangement of SDR50.0 million, approved in June 1986 (the final purchase under that arrangement could not be made because certain performance criteria were not observed); a purchase of SDR64.1 under the Compensatory Financing Facility, approved in December 1986; and two Structural Adjustment Facility operations: one for SDR18.1 million in 1987 (while financial benchmarks under the SAF were not observed after the first quarter of 1987, progress in meeting the structural benchmarks was satisfactory), and a second operation for SDR136.05 million, approved in July 1988 under the ESAF. Bolivia had drawn US$45 million SDRs under the ESAF as of March 1989. Bolivia's total financial obligations to the Fund from these and previous loans totalled SDR148.8 million as of December 31, 1988. The Fund's technical assistance has supported management of Bolivia's commercial debt buy-back, budget execution and control, tax reform, and operational aspects of the auction-based exchange rate system. The Policy Framework Paper for the period 1988-91 was reviewed by the Bank's Executive Directors in June 1988. The second year PFP under the ESAF is under preparation, and should be presented to the respective boards during the summer of 1989.

22. The Inter-American Development Bank (IDB) has the largest aid program of all external agencies operating in Bolivia. As of March 31, 1989, its active loans to Bolivia totalled US$793 million, of which US$433 million was undisbursed. In 1987-88, annual disbursements averaged US$100 million. IDB is involved in many sectors, but particularly in roads, agricultural credit, and energy. Its role in the social sectors has been limited, although it has contributed to the Emergency Social Fund and is preparing a health project which will complement the FY90 IDA Health Project. Most IDB lending, except for its limited social sector operations, carries conventional financing terms. This presents an issue in light of our recommendation that Bolivia should borrow only on highly concessional terms. A dialogue on this subject is underway with the Government and IDB; we would view with concern substantial new borrowing from IDB on non-concessional terms. IDB's ability to increase its lending from Special Operation Funds will depend both on availability of funds and restrictions on their use (they were formerly available only for social sector projects). Discussions with IDB on possible cofinancing of quick-disbursing loans have been underway for some time, but made little headway until the way was cleared in March 1989 for such lending by IDB. We plan to pursue this avenue in the future, with the proviso that a substantial part of such lending should be on concessional terms. We are jointly financing some operations like the Export Corridors Program and two institutional development operations, and plan further collaboration on energy investments. We aim for closer coordination with IDB, particularly on hydrocarbon investments and financial sector policies. IDB might take a more active role in the Bolivia CG, perhaps taking responsibility for directing the work of a sub-group.

23. Bilateral agencies provide 60% of Bolivia's external support and this aid has grown steadily in recent years. USAID, Germany, Japan, Italy and Switzerland have the largest bilateral programs, and, encouraged by Bolivia's recent progress, several countries have started or restarted

bilateral assistance programs, notably Holland, Sweden, and Canada. Of particular significance has been assistance to the Emergency Social Fund, which has proved a successful entree for new bilateral programs. Bolivia received an estimated US$259 million in loans and grants (new commitments) from official creditors in CY87. This represents 6% of GDP and was about the same size as the public investment program in the year.

24. Bolivia's neighbors, Argentina and Brazil are major trading partners and also its two largest creditors, respectively holding US$720 million and US$400 million in total debt, much of it contracted in the early 1980s (together over 40% of bilateral debt). It is vital that Bolivia, a poor and landlocked country, maintains good diplomatic and economic relations with its neighbors. These countries, including Chile, facilitate the transport of Bolivian goods to the Atlantic and Pacific and provide attractive markets for Bolivian exports. Present relations with Argentina are dominated by the festering problem of gas payment arrears. Argentine arrears to Bolivia reached close to US$200 million in May 1989 and Argentina is currently not paying for new gas shipments. The new Government in Argentina will make concerted efforts to resume payments to Bolivia, but prospects are most uncertain given Argentina's own difficulties.

25. Bolivia's relations with Brazil are good, but trade and economic cooperation have been slow to develop. Bolivia has tried unsuccessfully to export natural gas to Brazil since the mid-1970s. There have been many studies done over the years on gas markets in Brazil and the feasibility of constructing a 2,000 km pipeline from Santa Cruz to Sao Paulo. A letter of agreement between the two countries was even signed in 1974, ratified in 1978 and updated in 1984. However, the idea ultimately proved to be unfeasible and the two countries are now negotiating yet another trade agreement. Under this agreement, Bolivia would use its gas to export power, fertilizers and polyethelene to Brazil. There has not been strong support for this agreement in Brazil either and it is unlikely one will be signed before the current Government leaves office.

C. CENTRAL DEVELOPMENT ISSUES AND POLICY AGENDA

(i) Economic and Social Development Prospects

26. Bolivia faces enormous obstacles and uncertain prospects for its development. Its difficult terrain and land-locked position result in high transport costs and higher costs for its goods, internally and in external markets. Endemic political instability had made Bolivia virtually incapable of sustaining development policies and strategies for long. Annual population growth rates of 2.8% have been too high and economic growth too low to allow for sustained improvements in living standards. As a result, Bolivia is impoverished, its population is in poor health relative to the rest of Latin America, and malnutrition is widespread. The vast majority of the population has little, if any formal education and poor prospects for obtaining it. Looming in the background is the threat of increasing violence linked to the cocaine trade. The investment climate, while improving, remains highly uncertain and prospects for commercial financing (except for some short-term borrowing) in the foreseeable future are poor. Bolivia's relations with its neighbors are clouded (paragraph 24).

27. Bolivia has important assets and advantages which offer hope for its future growth and development. It has abundant supplies of hydrocarbons, primarily natural gas; minerals such as tin, silver, gold and tungsten; and extensive forests and fertile land for agriculture and livestock production, particularly in the eastern lowlands. These resources have not been fully explored or exploited. Bolivia now has direct access to

the sea via the Paraguay River, which this opens the possibility of reducing transport costs for agricultural and other merchandise which has gone over land to Brazilian and Argentine ports. While human resources are limited in terms of formal education, a small but well-educated cadre of managers, professionals and technocrats in the public and private sectors is well able to provide responsible and skilled leadership. The efficiency of Bolivia's labor force and peasant farmers is constrained by technological and other factors which could be overcome with investment and good management.

28. In sum, the road ahead is difficult and the new government faces an important policy agenda to consolidate the real gains of the past four years. To succeed, Bolivia must in the first instance sustain its macro-economic framework, continuing to improve resource mobilization while keeping tight control over public expenditures. Second, to see real results from the efforts to rebuild a free market economy, planned reforms in its hydrocarbons, mining, and investment codes must be followed through and financial sector reforms must be pursued until they succeed in reducing the high level of interest rates which are now a real deterrent to investment and private sector operations. Third, concerted efforts to develop the key productive sectors of mining, hydrocarbons, and agriculture are essential, building on ongoing programs and bringing to bear both foreign and domestic private investment for their development. Fourth, more effort to reform public sector management is essential, with the priorities stronger fiscal management, public enterprise reform, more streamlining of regulations, and better incentives for key public servants. Fifth, Bolivia's social development must be given substantially higher priority, both through well targetted and managed poverty alleviation efforts and a clearer and more intensive human resource development program. The challenge is how to do this in the face of stagnant per capita income.

29. The role of the cocaine economy and the Government's response to it present complex issues. Coca leaf production has increased rapidly since the mid-1970s from a small base (coca production has ancient origins in Bolivia but on a small scale). Obviously data on production and trade is unreliable but available information suggests that Bolivia supplies about 35% of world consumption. An estimated 60,000 ha are under coca, and some 100,000 families (and perhaps 10% of the population) are involved directly in the cocaine economy. Export earnings (i.e., money actually returning to Bolivia) may be about US$600 million a year, roughly equivalent to total legal exports. The effects of this economy are far-ranging and in many respects invidious. While cocaine revenues have helped Bolivia to weather economic stagnation and crisis and profit many people, the Government maintains that a frontal effort to reduce or even eliminate the trade is a vital part of its economic and social strategy. Their arguments are primarily in terms of the domestic social effects (growing addiction, corruption, erosion of government authority, violence), but plainly the issue clouds international relations, especially with the US. The Government, therefore, presented a law to Congress banning most coca production. Congress approved it in July 1988, despite vigorous opposition (based on national sovereignty arguments) and sought international support for an eradication and redevelopment campaign (regional programs and crop substitution), costing some US$300 million. Support was disappointing and this program has not been at the forefront in the past two years, but may well reemerge as a priority in the next Government. The position the Bank should take presents a dilemma. This is a rare, if not unique case, where our direct involvement, moral and financial, has been formally sought in an outright drug control program, and there are clear attendent risks. To date we have maintained a cautious position (essentially as a supportive

observer), and propose to maintain this stance, while continuing our efforts to understand better the cocaine economy and its economic and social ramifications. A particular area for attention is regional development efforts and crop substitution programs in the most affected areas.

(ii) Bolivia's Development Strategy

30. The current Government, in President Paz Estenssoro's words, aimed to build "a new Bolivia". The Decree (21060) which in August 1985 launched the New Economic Policy included a strong strategic orientation, as have innumerable statements of policy, internal and external (for example, to the Consultative Group, Paris Club, etc.). What is remarkable are the consistency and breadth of the new economic and social model. It states explicitly that the aim is to reduce sharply the State's role, relying on the private sector as the motor of growth, and defends the Government's rigorous economic policies as essential to restore viability to internal and external accounts. The broad objectives are clearly defined in the two Policy Framework Papers (1986, 1988) which set forth the medium term framework. In addition, the Government over the past two years devoted substantial efforts to preparing a comprehensive Economic and Social Development Strategy for the period 1988-2000. The Planning Ministry took the lead, with the help of a team of consultants, supported by German technical assistance. The former Planning Minister took special interest in the exercise, hoping to achieve through it both a national consensus on the change in strategy and, by enacting parts into law, a durability which would make departure from the strategy more difficult. World Bank staff also contributed, through our economic and sector work and ongoing dialogue, and participation in meetings organized by the Government, notably a high level seminar in Chulumani in April 1988. A comprehensive strategy document was completed and discussed in public, but in the event was not presented to the Congress, primarily for lack of time. The future of this strategy document is uncertain, pending the change in Government.

31. The strategy, briefly summarized, identifies seven major challenges facing the Bolivian economy. These are: (i) reestablishing growth, (ii) increasing investment, (iii) augmenting productivity, (iv) expanding and diversifying exports, (v) increasing stable and productive employment, (vi) resolving the external debt problem, and (vii) satisfying demands for social services in health, education and housing. The strategy calls for maintaining the current macroeconomic framework, controlling inflation, improving tax administration, increasing savings and investment, and holding down government deficits. Mining and hydrocarbons are the engines of Bolivia's future growth and development, although agriculture and manufacturing play important roles in generating employment. The strategy seeks to reduce the country's dependency on a few exports, by diversifying economic output and export markets. It proposes that special attention be paid to the problems of rural poverty by generating new income-earning and employment opportunities and extending social services to the rural poor. In dealing with the debt problem, it calls for continued efforts at negotiating alternative measures for reducing the official bilateral and commercial debt burdens. Finally, the strategy reflects the Government's concerns about the impact of development on natural resources and environment and calls for careful planning to minimize these problems.

32. The strategy aims at achieving and sustaining annual growth rates of 3.5% during the period 1989-1992 and increasing them to 5-6% during 1993-1996. The 3.5% growth rates are well within Bolivia's reach provided the Government maintains current economic policies and future investment

levels climb above 10% of GDP. On the other hand, we do not consider the 5-6% growth rates realistic because they imply an implementation capacity that is unlikely to exist by 1993 and because they would require an increase in investment beyond levels likely to be forthcoming from either domestic or foreign sources. Future growth is expected to come from agriculture, mining, light industry, and hydrocarbons. This is reasonable, but will not be easy to achieve in agriculture, especially, where output in 1987 and 1988 has declined and where yields for most crops except soya, have stagnated in the last 15 years. The Government's strategy to improve social conditions will be difficult to achieve in view of projected growth rates.

(iii) Debt Issues and Strategy

33. A critical factor bearing upon Bolivia's future growth is its heavy burden of external debt; the debt overhang is one of the largest in Latin America relative to the size of the economy, exports, and income per capita. At the end of 1988, the debt owed by the public sector of US$3.9 billion (excluding unpaid interest to the commercial banks) was 87% of GDP and 532% of exports. Annual scheduled debt service alone was about 52% of export receipts in 1987; even after rescheduling the amount actually paid on long-term debt took up 24% of export receipts. Debt service owed amounted to 57% of Treasury revenues; interest paid to 19% of revenues in 1988. The debt falls into three categories: commercial bank debt, bilateral debt, and multilateral debt; 79% is owed to official bilateral and multilateral creditors.

34. In 1987, Bolivia's commercial bank debt was about 15% of total external debt, with a face value (excluding unpaid interest, penalties, etc.) of about US$682 million. Bolivia had not serviced this debt from 1984. Bolivia started discussions with its commercial bank creditors in 1985; from the outset their position was that Bolivia could not afford to service the debt on conventional terms, and that debt reduction was essential. Bank of America headed Bolivia's Advisory Committee until April 1989 (when they sold their Bolivian debt and withdrew from the Committee); leadership is currently under discussion. The Government was successful in retiring close to 50% of its commercial debt through a debt-buyback and equity conversion operation in 1987-88. Under the operation, Bolivia offered to buy back its commercial bank debt at a repurchase price of 11% of face value. The operation was voluntary, and entailed a waiver from all banks party to the 1984 Rescheduling Agreement allowing the buyback; an equity conversion option was also offered at a premium. The banks stipulated that the buyback must be achieved with grant funds from sovereign governments only. Bolivia thus engaged in a fund-raising effort for this purpose. In 1988, the operation was completed and Bolivia retired all debt offered by the banks, with sufficient grant funds for the purpose; the IMF established a trust fund for the operation, and six governments (the largest the Netherlands, Spain, Brazil and Peru) made grants for the buyback. The time limit for the buyback was short but the equity conversion option still continues, and Bolivia has made further offers of zero-coupon Boliviano-denominated bonds. Bolivia was left with about US$350 million in commercial debt after the buyback. Further discussions and fund raising are in progress, and repurchase of an additional US$100 million is underway, including all of Bank of America's debt, also at 11 cents. Both the IMF and the Bank have supported Bolivia in these operations. Bolivia's intention is to pursue the debt reduction strategy to eliminate all commercial bank debt.

35. In parallel with the buyback, Bolivia has supported small debt-for-nature operations. The first was organized by Conservation International, designed to provide funding for the Beni Biosphere; about US$650,000 was granted to allow repurchase of debt on the secondary market, with the proceeds used to retire debt in exchange for long-range commitments of local currency for conservation purposes. A second such operation is under discussion.

36. Bolivia obtained debt relief from the Paris Club twice during the last three years (bilateral debt obligations in FY88 totalled US$2.3 billion, 60% of total debt outstanding). In July 1986, its creditors agreed to a rescheduling of some US$400 million of Bolivia's debt, postponing 100% of interest payments and rescheduling all amortization and arrears. In November 1988, Bolivia returned to the Paris Club where the creditors gave their approval to additional reschedulings of 100% of the debt service payments falling due between October 1, 1988 and December 31, 1989 as well as 100% of arrears as of September 30, 1988. The rates of interest and other conditions of the rescheduling are to be negotiated by the Government on a bilateral basis with each creditor. Because of Bolivia's heavy debt burden and pervasive poverty (which is similar in some respects to some Sub-Saharan African countries), the Government had made an all out effort to qualify for the special debt relief terms defined following the Toronto Summit. However, the Paris Club did not agree to the Government's request, arguing that the special debt relief terms were to be limited to the Sub-Saharan African countries. Neither Argentina nor Brazil participated in the Paris Club meeting for Bolivia in November 1988 so the Government has been unable to reschedule its debts with these two countries, which represents 40% of bilateral debt. Several Governments have acted to forgive all bilateral debt to Bolivia, and some are considering a Government proposal to invest the proceeds of interest due in Bolivian development projects.

37. Multilateral debt represents about 30% of total obligations, of which the World Bank holds 9% ; Bolivia's service payments to the Bank were 31% of all debt service paid in 1987 and 6% of recorded exports. Bolivia has serviced its multilateral debt regularly, except that on occasion service payments have been delayed when pressures on foreign exchange reserves have been particularly acute.

38. Bolivia's debt strategy has thus been to reduce its commercial bank debt through the buyback operation and to obtain the most favorable rescheduling terms possible for its bilateral debt. In both areas Bolivia's case has been well presented and the results relatively favorable. Nonetheless, the debt burden remains a central problem and further debt reduction, both for commercial bank and bilateral debt, is warranted.

(iv) Strategies for Major Sectors

39. The objectives and strategies elaborated to date for the major sectors are summarized below.

40. Agriculture has vital importance, accounting for 20% of GDP and over 50% of employment in 1987. It must play a central role in future economic growth and exports, and in poverty alleviation efforts (since the poorest people live in rural areas). Recent performance is not encouraging and agriculture has failed to respond as expected to the new economic policies, for reasons not yet fully understood. Sector growth declined from around 4% a year in the 1970's to -2% between 1980 and 1985 and declined

further by about .1% a year from 1985 to 1988. Agriculture was long neglected in favor of mining, hydrocarbons and other priorities, and a well-defined sector strategy is patently absent. Disappointments abound. Initiatives in sugar and cotton in the 1970s to promote exports withered; integrated rural development projects in the altiplano, aimed to increase small farmer productivity and income and alleviate poverty, had little impact; even with the dismantling of massive controls in recent years, supply response has been disappointing. The potential for agricultural development is, however, good, if not excellent: in the altiplano and valleys, livestock, potatoes and quinua are among the commodities which can be produced, even within the prevailing subsistence farming systems. In the lowlands, the vast frontier offers good land for soya, wheat and other export commodities. Forest resources are substantial, their exploitation still highly selective (under concessions to the private sector). The failures of agriculture thus reflect misguided policies which have distorted production patterns, misdirected efforts towards uneconomic ventures, long neglect of agricultural research and development of services, and failure to respond to the special needs of the poor farmers in the ecologically difficult highland areas. Natural resource management has been particularly weak, reflected neither in policies nor programs. More positively, the Government is devoting significant efforts to defining its agricultural strategy and to rebuilding leadership in the Agriculture Ministry. Production in the lowlands, especially of soya, is taking off, reflecting both better incentives and the opening of trade routes to the Atlantic (via the Paraguay-Parana River). Some efforts to rebuild an agriculture credit system have been launched. Much remains to be done, with the priorities the revitalization of research (including more cooperation with CGIAR institutions), effective guidance to ongoing development of the Eastern lowlands, and reviving agricultural credit. Major institutional development efforts are needed, including revamping of public investment programs.

41. With the decline in income from mining and the steady impoverishment of the altiplano, the Eastern Lowlands have become the focus of Bolivia's future agricultural growth. They encompass some 370,000 km^2, or 34% of Bolivia's total land area, yet are sparsely populated (around one million people in an area the size of West Germany and England together). This frontier region was a backwater throughout most of Bolivia's history, because population and economic activity were concentrated in the altiplano. However, this changed dramatically in the last 30 years following the discovery of oil and gas and major investments in export agriculture. Both spontaneous and organized migration has increased the population of the region at a pace well above the national average. Investments in transport from Santa Cruz to the Brazil border and a new port on the Paraguay River reflect efforts to develop export corridors to both the Atlantic and the Pacific. The Bank has played an active role in helping to define a coherent regional development strategy. The strategy provides for an assessment of the land use capability and preparation of a development plan, definition and protection of environmentally sensitive areas including rainforests, and evaluation and protection of indigenous people in the area. Secondly, the strategy is to support the cautious expansion of commercial crop production, mainly for exports, through credit, infrastructural development and improved services. Thirdly, the strategy is to support technology development, and provision of services for both commercial and subsistence farmers aimed at achieving a balance of agricultural growth and environmental protection. Because of the rapid expansion taking place of large-scale agriculture in the environmentally sensitive Eastern Lowlands, coupled with the economic importance such development holds for Bolivia, we are tackling these problems of the Eastern Lowlands on a priority basis.

42. Quite different strategic issues present themselves for the highlands and valleys, where farming and livestock production are essentially small scale, subsistence, and highly traditional in method. Most attempts to improve agriculture in the altiplano have met with failure but efforts are needed still to identify appropriate technologies (including reviving ancient techniques used by the early Indian cultures), credit systems, and other support services (including rural transport). The agricultural strategy for the altiplano gives first priority to applied research and dissemination of proven and culturally acceptable technologies for increasing production. Second, the aim is to build on the few successful private, cooperative, or regional initiatives producing commercial crops, tailoring government services and credit to support them. Third, the policy and institutional environment must be strengthened as an essential element for achieving sustainable growth. The altiplano strategy forms part of the overall strategy to tackle rural poverty problems, and presents particular challenges, as it must address complex economic and social problems (for instance, insufficient recognition of women's productive roles) that have defied solutions for decades. NGOs and other private groups working at the community level have had important if small-scale successes, often exhibiting sorely needed qualities of cultural sensitivity, and these efforts could be the core of future programs.

43. The Mining sector remains vital for Bolivia's economic growth, despite the drop in its share of GDP and export earnings from 10% and 60% respectively in the early 1980s to 6% and 45% in 1988. In 1988, mining showed signs of recovery, registering a 23% increase in output (although this high rate of growth may rely on an unsustainable exploitation of former COMIBOL properties). Private mining companies have assumed much greater importance after the debacle of COMIBOL in the mid-1980s. The mining sector no longer depends upon tin exports (exports stopped entirely for about two years). Even with a recovery in tin prices, the future in mining is probably with gold, silver, tungsten and some other metals. Long run potential is considerable but major shifts in strategies and investments to make up for decades of distorted policies are needed. The Government has moved decisively in this direction, although a new mining code, setting out a coherent framework for private mining operations, was not passed by the last Congress. Major support for the sector rehabilitation and development program is provided under the recently approved Mining Sector Project (FY89). The immediate priorities for the sector are to: (a) further scale down and reorganize COMIBOL into a lean, profit-making and market-oriented business; (b) increase efficiency and productivity in both public and private mining sectors to gain competitiveness in world mineral markets; (c) diversify exploration and mining efforts from tin to other metals; (d) promote joint ventures between COMIBOL and the private sector and between Bolivian mine owners and foreign investors (in close collaboration with the IFC which plans major investments in mining in Bolivia); and (e) promote measures to protect the environment from contamination by mining activity, and to improve health conditions for miners.

44. Oil and natural gas accounted for 6% of GDP and 40% of export earnings in 1988. Bolivia has substantial reserves of natural gas (estimated at 4.1 trillion cubic feet in 1985), equivalent to 40 years of production at current levels. Liquid hydrocarbon reserves stood at about 154 million barrels, the equivalent of about 17 years of present production. The Bank has had a long-standing role in the sector, supporting construction of a gas pipeline to Argentina in the early 1970s, extensive studies on exploration, production and marketing of natural gas for domestic consumption and export, and production of liquid fuels from condensates. In the

medium-term, the Government will need to address several key issues on how to: (i) increase the production of liquid fuels to meet domestic demand while maximizing exports; (ii) increase proven reserves of liquids and natural gas to achieve long-term production targets; (iii) increase natural gas use in Bolivia, itself, for domestic consumption and power generation; and (iv) maintain, and ideally increase exports of gas to Argentina after 1992, when the current sales contract terminates. Of crucial long-term importance is the unresolved issue of whether gas or gas product sales to Brazil are politically and economically feasible. Brazil has offered attractive markets for Bolivian natural gas in the past, but the two countries were never able to reach an agreement and future prospects are not promising. However, current proposals are for Bolivia to construct a thermal power plant, then sell electricity (as well as gas-based fertilizer and polyethelene products) to Brazil. A framework agreement at presidential level between Brazil and Bolivia was signed in August 1988 and discussions are underway to work out detailed proposals and mobilize financing (a very difficult task). The IFC plans joint operations with Philips Petroleum and Occidental Oil companies.

45. In power, the immediate challenge is to expand the electricity generation and distribution system in a rational and cost effective manner, with the possibility of exporting electricity to Brazil. With demand projected to increase at 5-6% per year, substantial investments are needed in the next five years. Continued efforts to reinforce the institutional capability to carry out power investment programs have particular importance. The Ministry of Energy and Hydrocarbons is being strengthened by creating a planning and programming unit, while the National Energy Directorate (DINE) needs additional manpower to fulfill its tasks of analyzing and setting bulk and retail rates for all power utilities, in accordance with the National Electricity Code. The National Power Company (ENDE), Bolivia's main generating and bulk transmission utility will transfer to the smaller utilities all generation plants with a capacity of 5 MW and less, and concentrate its activities on construction of the larger generation plants and transmission lines, to be defined after the completion of Bolivia's least-cost expansion plan by mid-1989. The Government needs to define as soon as possible the future of the Bolivian Power Company's (COBEE) concession contract in the La Paz and Oruro areas.

46. Bolivia's economic future depends heavily upon the development of transport infrastructure and its efficient management. The country's difficult geography and widely dispersed population mean high transport costs throughout the economy. Furthermore, the transport sector has not been well managed: maintenance of the road network has been highly inadequate, planning of transport investments has been haphazard and poorly coordinated, and no well-conceived strategy has been followed to develop efficient road and rail corridors for Bolivia's traditional and non-traditional exports. Transport investments, even when adequately funded, have been slowly implemented. The Bank's policy dialogue on transport issues, based on a Transport Sector Strategy Paper, has been productive. It highlights four major areas for investment: maintenance and rehabilitation of existing road and rail facilities, integration of the three main populated areas of the country by road, upgrading of priority export corridors, one to the Atlantic and one to the Pacific, and construction of penetration roads to areas of high agricultural potential. The Government must also improve road maintenance before making further investments in new construction. ENFE, the national railway, needs assistance to begin to operate on commercial principles in competition with other modes (although it is a rare railway company that covers costs with revenues).

47. Bolivia's manufacturing sector is small--it contracted sharply during the early 1980s, and its contribution to GDP dropped from 15% in 1980 to 10% by 1985. Other than mining, manufacturing was the only sector which showed signs of a strong recovery in 1988 (in beverages, textiles and other small-scale industries). With the private sector focus of the Government's program, this sector has special importance. To develop its potential and to support the recovery process, the Government has taken steps to create a policy environment conducive to private sector growth. These include liberalization of the trade policy regime and of factor markets, measures to promote exports and investment, elimination of price controls, tax reform, and measures to privatize several public enterprises. The medium-term objectives are thus to revitalize private sector growth and to create a policy environment which will permit a better realization of the sector's potential. An important ingredient in this strategy is financial sector reform which is needed to bring down interest rates and restore confidence of businessmen in the banking system. Another priority is to build up institutions to support small- and medium-sized entrepreneurs and exporters, where there are promising opportunities to support women's initiatives and cooperate with NGOs.

48. The strategy in the social sectors--education, health and water supply and sanitation--gives priority to policy and institutional development issues and focuses investment on extending social services to various target groups. Because acute limitations will constrain financial and administrative resources for the foreseeable future, efforts must concentrate on basic services and support to the most vulnerable groups (children and pregnant and lactating women). A particularly strong base for future programs is the promising experience of the Emergency Social Fund, which showed what could be done and plainly confirmed the pent up demand and need for support for poverty alleviation efforts. During 1987-88, the Emergency Social Fund secured over US$102 million in foreign loans and grants, creating over 116,000 temporary jobs, corresponding to 10% of the officially unemployed. The demand driven mechanism of access to the Fund's grant was a major element of its success. The decline of social services, from the already low base, in contrast, presents major long-term challenges. In health, the priority is to strengthen the Ministry of Health in its planning and management functions and support the extension of primary health services by the NGOs, municipalities or other health providers at regional levels. In education, the focus should be on improving the quality of primary education and extending its benefits to all and, particularly, to girls in rural areas. A key element of the strategy should be to achieve a more equitable allocation of public resources for education by reducing subsidies for those, mostly from middle and higher income groups, who attend public higher education without fees. In water supply and sanitation, the strategy will focus on extending service coverage in urban and peri-urban areas, giving particular attention to the needs of lower income groups. Options for introducing low-cost sanitation technologies to the population will be pursued, through municipalities and utilities. Improvements in the management and operational efficiency of the utilities, starting with La Paz, Santa Cruz and Cochabamba, also have priority.

49. Institutional development and technical assistance are a major focus of the Government's (and IDA's) program and will continue to have priority in the future. This is because Bolivia's public sector institutions are weak and in need of strengthening, particularly in economic and financial management. IDA has supported several ambitious initiatives to establish a foundation for a sounder, leaner public sector, including assistance to government agencies in resource mobilization, investment

program planning and budgeting, and financial monitoring. The Government plans to launch a Public Sector Management Program to meet the immediate need for a cadre of competent development civil servants.

(v) Strategic issues and policy agenda

50. Central issues for Bolivia's development over the medium and longer term, and the agenda for action on policy and investment are set forth below. These issues follow from the basic strategic objectives, which are to consolidate the macro-economic framework and thus improve the functioning of markets, to remove the major constraints to growth, through development efforts for the major productive sectors and a restructuring of the public sector, and to address the problems of poverty.

(1) Consolidation of Macro-economic Stability

51. Tight macroeconomic management and further debt reduction are a must. Since August 1985, the Bolivian Government's successful economic program has led to renewed economic growth. If the next Government is to sustain current levels of economic growth, it must act responsibly on key areas affecting future economic performance. Inflation will have to be held to 10% by tight controls over monetary and fiscal policy; further debt reduction and restructuring are needed, with the goal of reducing the debt service ratio from 52% to 40% of GDP. The domestic savings rate needs to rise to 13% of GDP (from 8.4% in 1988). Depreciation of the Boliviano over the medium term is also likely to be necessary to diversify exports and reduce dependence on external capital. However, even with good economic management, growth prospects are limited by virtue of Bolivia's constrained productive capacity and ability to implement investments.

(2) Remove Constraints to Growth

52. Investment: the level and efficiency are keys to growth. To achieve significant growth, the Government must mobilize and disburse increasing amounts of domestic and foreign investment, both public and private, and establish an incentive framework to improve the current investment climate. Investment will need to increase to near 15% of GDP from current levels of 9-10%, if Bolivia is to achieve minimally acceptable rates of growth. Private investment remains sluggish and will increase only with renewed confidence in the economy and the financial system. Most of Bolivia's investment requirements will continue to be met by loans and grants from the international donor community. Because of its sound economic management and commitment to democracy, Bolivia has been able to mobilize increasing donor assistance over the last two years. Total disbursements under the public investment program reached US$133 million in 1987 and climbed to US$202 million in 1988. The current Government has significantly improved management of the public investment program, but still has far to go to improve its use of Bank and other foreign assistance (undisbursed commitments total an estimated US$1 billion).

53. Measures to restore private sector confidence and clarify its role have central importance. The Paz Estenssoro Government has attempted to increase private sector investment in the economy, but has been largely unsuccessful to-date. The steady decline in private investment during the early 1980s was only slightly reversed during 1986 and 1987 when it reached 4.9% of GDP. Preliminary estimates indicate that private investment as a proportion of GDP fell in 1988. The Government's strategy has consisted of improving the policy environment and the legal framework for

private investment (export incentives, preparation of new investment laws for foreign investment, mining and hydrocarbons), the creation of institutions to support private sector investment initiatives (Centro de Promoción de Inversiones, Nuclei Regional), and provision of funds to facilitate restructuring and expansion of investments. In addition, the Government has dismantled ineffective, more actively interventionist policy tools, such as the old investment law, and is actively trying to divest from a number of public enterprises. This reflects the present administration's basic attitude of limiting the Government's role to providing an appropriate policy framework and support institutions, but leaving most investment decisions to private sector initiative. The next Government must continue to support these policies and follow-up on: (i) the pending modifications in the investment, mining, and energy codes, (ii) pursuit of financial sector reforms to give the business community more confidence in the banking system, (iii) reducing high interest rates, making working capital available for restructuring and modernizing enterprises, and (iv) making sure that its exchange rate and other commercial policies enable manufacturers to compete effectively in international as well as domestic markets.

What needs to be done?

54. Sustained efforts to redefine the role of the public sector and to enhance its efficiency are essential, both to support the continuation of the macro-economic program, and to support the efforts to promote development of the productive sectors. The steady growth of the public sector over the past 30 years has been reversed, but its role remains large and in important respects ambiguous. The aggregate size of the state's role has been reduced, notably with the scaling down of COMIBOL and some other state enterprises. A broader privatization effort has been started, focusing on smaller companies now managed by regional corporations, but clearer guidelines and forceful leadership are needed to achieve significant results. More efforts to improve the efficiency of state enterprises are needed; a good start has been made with new tariff policies and financial restructuring and management improvement measures, but much remains to be done. It is particularly important that reforms (notably under the SAFCO program) be institutionalized. Decentralization initiatives over the past two years became embroiled in political conflict and stalled. Given the need to make services, especially in education and health, more responsive to local communities, the effort merits a high priority, within the framework of clear rules on respective responsibilities for management and financing. The Regional Development Fund was established in 1987 partly to support this effort, but its role needs to be clarified before it can play a major part; it is to provide technical support and financial intermediation for local government development projects. Better incentives to public servants are an essential part of the effort to improve the performance and efficiency of the public sector. Plans to implement a public sector management program to recruit and adequately compensate a cadre of qualified managers is a promising initiative which merits priority follow up.

(12) What to do?

55. Special attention to environmental dimensions of development programs is needed. The new economic strategy has important implications for management of natural resources which need to be taken into account in planning future investments. Bolivia already faces serious environmental problems: (i) poor water resource management and increasing water pollution; (ii) underutilized and overexploited land resources and significant soil losses through water and wind erosion; (iii) increasing deforestation on land not suitable for agriculture; (iv) lack of forest

management; (v) increasing destruction of fisheries, wildlife and, in general, of biodiversity by development activities; and (vi) serious institutional weakness for dealing with natural resource management and environment problems. The Government is receptive to both specific measures and moves to broaden strategy in this field. The recent appointment of an Undersecretary of Environment in the Agriculture Ministry reflects this interest. We expect to develop a specific agenda of action proposals as part of our ongoing environmental Issues Paper exercise.

(3) Action to Alleviate Poverty

56. Poverty is a long standing problem in need of urgent attention. There is little prospect of making major inroads on Bolivia's chronic poverty over the next five years. Economic growth is not expected to produce any per capita increases in consumption and projected recurrent expenditures in the social sectors allow only limited increases in expenditures. Improvements will need to come from greater efficiency and from better targetting of programs to those most in need, within the framework of a coherent poverty strategy which has yet to be elaborated. The Government must reorient the emergency effort for dealing with poverty by: (i) generating employment and income for the poor, and (ii) improving on the delivery of social services. In terms of generating employment and income, the starting place might be the Altiplano where the provision of credit and other support services to peasant farmers could increase productivity and incomes. Another could be in the informal sector in the urban areas, where credit has only just become available for micro-enterprises. In terms of social services, the most realistic strategy for helping the poor might consist of a three-pronged approach involving: (a) reallocating subsidies for education and health services which only benefit middle and upper-income individuals to services which benefit poorer communities, (b) mobilizing private resources (e.g., NGOs and church groups) for social services, and (c) initiating poverty reduction programs targeted at the most seriously affected groups. The new Social Investment Fund offers an good vehicle for channeling and coordinating such efforts.

57. Without a reduction in Bolivia's rapid population growth, poverty problems are likely to become still more acute. The key is to reduce fertility, a high priority on economic grounds. High population growth rates strain already inadequate job-creation and public sector capacity and hinder raising per capita income. Also, maternal and infant mortality and morbidity are closely linked to short-spaced, frequent births. Church groups have strongly opposed attempts to introduce family planning; thus action programs in this area must take this opposition and the political issues it entails into account.

58. Bold and aggressive efforts are also needed for Human Resource Development. The quality of education in Bolivia is low at all levels. Resource use in education is also poor and the public institutions responsible for the planning and management of education are weak. Reforming the education system should be a priority for Bolivia, but will be feasible only with cooperation from the teachers union. Improving teacher salaries and productivity are essential first steps to enhance the quality of education. Rewards for teacher and student performance need to be more widely used as well. Another priority is to address the wide gap which separates the rural and urban education systems (which reinforces inequalities along racial lines). Efforts should focus on reducing drop-out rates, providing more trained teachers to replace the secondary school

graduate teachers or "interinos" and more educational materials, and increasing the enrollments of girls, since most currently do not attend school in rural areas. It will also be important to enhance the present decentralized decision-making process by allowing for greater experimentation in instruction and supervision at the community level. The role played by NGOs in education at the community level has been highly positive and should be increased wherever possible.

D. MACROECONOMIC PROSPECTS

59. Prospects for the Bolivian economy are extremely uncertain, given the difficulty of the development challenge and the long history of political and economic instability. We have elaborated a set of macroeconomic scenarios to illustrate the implications of different policy assumptions for the Bolivian economy and the Bank's program. Table I shows the principal assumptions and results of these scenarios. Of the four scenarios, we consider the acceptable growth scenario the "most likely" case, and use it as the base case in planning the Bank's work program. The policy slippage scenario is not much less likely. The two other scenarios (high growth and disaster) represent more extreme outcomes. While neither of these scenarios is given a high probability, they are useful to illustrate the wide variety of possible futures for the Bolivian economy, depending on the policy choices made.

Table 1: Alternative Policy Scenarios
(Average 1990-97)

Policy Assumptions	Economic Assumptions				Results			
	Dom. Sav. /GDP	Ext. Sav. /GDP	ICOR	Export Growth	GDP Growth	Cons. p.c. Growth	Fixed Invest. /GDP	Current Acct. /GDP
High Growth Scenario								
Low inflation, liberal economic regime. Improved incentives for private sector invest. Rapid improvements in public sector adminis. Rapid supply response by private sector.	12.3	4.2	3.5	6.1	4.2	0.8	14.5	-8.6
Acceptable Growth Scenario								
Low inflation, liberal economic regime. Improved incentives for private sector invest. Slow improvement in public sector adminis. Slow supply response by private sector.	11.3	3.1	4.0	5.0	3.1	-0.2	12.4	-7.5
Policy Slippage Scenario								
Moderate inflation. Erosion of liberal incentives structure. Little improvement in public sector adminis. Little supply response by private sector.	8.2	3.4	5.5	3.4	1.6	-1.3	8.1	-6.4
Disaster Scenario								
High inflation. Controls on most aspects of economic activity. Deterioration in public sector administration. Decline in formal sector of economy.	6.1	0	6.5	2.6	0.7	-1.9	3.7	-3.8

(i) Acceptable Growth Scenario

60. This scenario assumes that future Governments adhere to the basic macroeconomic framework introduced by the Paz Estenssoro Government, and adopt further policy and administrative improvements. Necessary policy reforms, which could be achieved if pursued aggressively, include passage of the investment, hydrocarbons, and mining codes; implementation of the privatization program; and continuation of the financial sector adjustment program. Improvements in public sector administration are also assumed, particularly in the areas of tax administration and social services. However, inadequate resources, poorly-trained staff, political obstacles, and corruption will continue to slow administrative reforms. Poor administration in turn will impede the supply response to the liberalization program, holding growth to rates only somewhat above that achieved during the past two years.

61. Output and Investment. Appropriate economic policies should encourage a strong increase in savings and investment. Domestic savings is projected to rise from 8.4% of GDP in 1988 to 12.8% in 1997, implying a marginal savings rate of about 30%. Rapid increases in savings can be achieved if, as expected: (a) confidence increases with continued good policy performance; (b) new profit opportunities encourage savings; and (c) the effectiveness of tax administration improves. The present level of savings is low. Therefore, despite rapid increases in savings, substantial external assistance will be required to finance the projected rise in fixed investment from 11.1% of GDP in 1988 to 12.4% in 1997. Assuming an ICOR of 4 (high in comparison to the Bolivian record from 1960-78, but not an unreasonable assumption given the present level of efficiency in the economy), this rise in investment would imply an average 3.1% increase per year in GDP.[1]

Table 2: Acceptable Growth Scenario
(percent)

	1988	1989	1990	1991	1992	1997
Constant 1987 Prices						
GDP	2.8	3.5	4.0	3.9	1.1	3.2
Consumption Per Capita	-4.7	-0.3	-0.7	0.4	0.1	-0.4
Investment/GDP	10.0	12.4	14.2	14.6	14.5	14.3
Domestic Savings/GDP	8.4	9.3	11.0	11.6	10.0	12.8
External Savings/GDP	1.6	3.1	3.2	3.0	4.4	1.5
Current Prices						
Current Account/GDP	8.8	11.7	9.3	8.4	9.1	4.8
Public Debt/GDP	87.1	89.3	90.1	89.5	91.5	79.5

62. The sectoral composition of output is not expected to change dramatically over the next decade, but some diversification within sectors is expected. In minerals, the share of non-tin mining (particularly silver and gold) should increase significantly at the expense of tin. Some increase in oil exploration is expected as a result of the recent agreements with Occidental and Tesoro (at least sufficient to avoid becoming a net importer

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1/ GDP rises by 3.5% a year in every year except 1992, when the cut in gas sales to Argentina forces a reduction in growth to 1%.

of petroleum), but natural gas will remain the most important component of hydrocarbons production. Commercial agricultural production in the lowlands is projected to grow rapidly, but it is unlikely that highland agriculture will increase much faster than the population. Industry's share of GDP will increase slightly. While in volume terms industry's contribution to output will remain limited, industrial growth is essential to achieve some diversification of Bolivian production.

63. Achievement of this scenario would mean complete recovery from the economic disaster of the early 1980s, and would set the stage for faster growth in the following decade. Employment in the formal sector of the economy would expand rapidly, and significant productivity gains would be made. However, the scenario also implies some decline in per capita consumption, and barring any unanticipated redistribution of income, little improvement in the living standards of the poor (beyond what can be accomplished through improving the delivery of health services).

64. External Resource Requirements. Mining and hydrocarbons will continue to be the most important sources of foreign exchange earnings for some time to come. Mineral exports are expected to increase by over 16% a year in 1988-90 owing to a recovery by COMIBOL, and more moderately in the 1990s due to increased exploration and development by the private sector. Prospects for natural gas exports to Argentina are extremely uncertain. We assume that Argentina will repay its more than US$120 million in arrears to Bolivia, as anticipated in the IMF program. There is reason to believe that Argentina will insist on reduced gas purchases after expiration of the present agreement in 1992, as the price Bolivia receives is presently above world market levels and Argentina has substantial unexploited natural gas deposits. Even so, it will probably take some years before Argentinian gas production rises sufficiently to meet domestic requirements without imports from Bolivia. To reflect the likelihood of continued gas sales but at a lower price and/or volume, we reduce Bolivia's revenues from gas exports by 50% beginning in 1992.

65. Another important issue concerns the recent agreement with Brazil to sell electrical power, urea, and polyethylene. Questions about the feasibility of the proposed projects must be answered before work can proceed, particularly the size of the market for these products and whether the petrochemical projects would be large enough to produce at a cost competitive in today's market. Unless private investors can be found, it appears that Bolivia would have to guarantee the funds to finance the US$1.2 billion in planned investment. Should the projects fail (either because of unexpected technical difficulties, unfavorable changes in market conditions, or political or economic instability in either Bolivia or Brazil), Bolivia would still have to repay this enormous debt. Given the many uncertainties involved, we have not included the Brazil projects in the projections.

66. Exports of nontraditional products are projected to rise by almost 12% a year from 1989-97. Exports of soya are projected to increase rapidly over the next decade, as Japan appears ready to provide a secure market and preliminary data indicate the availability of large areas of land suitable for growing soya. Other non-traditional exports are assumed to increase by 10% a year. An appropriate exchange rate policy should facilitate some diversification of Bolivian exports into textiles, wood and wood products, and simple industrial products.

67. Despite increased export revenues and higher savings, substantial external assistance will be necessary to purchase necessary imports and finance projected investment levels. External savings (the trade deficit)

is projected at 3% of GDP in 1989. Of course, capital inflows (net of amortization) will be even higher, as a portion of external funds must be used to cover all interest due. The current account deficit is thus expected to reach almost 12% of GDP in 1989.[2] The ratio of the current account deficit to GDP remains high from 1990-92, owing to the rapid increase in investment and emergency assistance anticipated in 1992 to cushion the impact of the cut in Bolivia's natural gas exports to Argentina. Thereafter, the deficit falls sharply (to 4.8% of GDP in 1997) as domestic savings finance an increasing share of investment.

Table 3: Balance of Payments Projections
(US$ Millions)

	1987	1988	1989	1990	1997	1990-97
Current Account Balance	-508	-388	-561	-482	-429	-496
Net Official Transfers	106	117	120	123	125	130
Net Direct Foreign Invest.	15	30	34	39	96	64
Net Project Disbursements	153	192	348	324	250	306
Bilateral	40	19	107	103	58	96
Multilateral	113	174	242	221	192	210
of which: IDA	40	94	65	64	101	84
Rescheduling	241	207	125	204	49	152
Unpaid Interest	241	127	58	71	10	36
Unpaid Amortization	0	80	67	133	39	117
Other Flows [1]	-85	-202	-30	-168	-32	-127
Change in Reserves	78	44	-36	-40	-59	-28
Memo Item						
Current Account/GDP (%)	12	9	12	9	5	8

[1] Includes errors and omissions, unpaid gas receipts from Argentina, and payments to oil companies.

68. Bolivia's current account deficit (and reserves increases) will have to be financed almost entirely out of loans and grants from official creditors. Net lending to the public sector is expected to average US$465 million a year from 1990-97 (see Table 3). Of this amount, US$210 million represent net disbursements from multilateral creditors, US$96 net project disbursements from bilateral creditors, and US$152 million rescheduling of debt service payments. The major sources of multilateral assistance will continue to be IDA and the Inter-American Development Bank. We expect that the USAID program will continue at present levels (unless interrupted by Congressional complaints over lack of progress in

2/ An additional reason for the difference between the ratio of external savings to GDP and the current account deficit to GDP is that the former is calculated at constant prices, while the latter is at current prices.

reducing the coca trade), and that Japanese assistance will increase significantly, particularly through cofinancing. In addition to disbursements on existing loans, substantial new commitments will be required to support this level of net lending, on the order of US$400 million a year from 1990-97. Somewhat more than this average amount will have to be provided in the earlier years, with a high share of quick-disbursing loans. These numbers represent an extension through 1997 of donors' programs over the next three years, as outlined at the last Consultative Group meeting. Almost all of this assistance is expected to be provided at concessional terms.

69. Rescheduling of debt service due to bilateral creditors continues to be necessary throughout the forecast period. We assume that the Paris Club reschedules all debt service due on loans incurred before 1986 (the cut-off date used by the Paris Club) in every year through 1997, including rescheduling of previously-rescheduled debt. These terms are similar to that provided Bolivia in last year's rescheduling of approximately US$400 million owed bilateral creditors. This assumption implies the deferral of approximately US$150 million a year in debt service payments form 1990-97.

70. Decreasing reliance on external capital and concessional terms permit some decline in debt service indicators. The ratio of debt (owed or guaranteed by the public sector) to GDP is projected to fall from 89% in 1989 to 80% in 1997, and interest payments owed fall from 29% of exports in 1989 to 14% in 1997. Even so, Bolivia would remain not creditworthy for loans at commercial terms by the end of the forecast period. Debt service indicators would exceed levels acceptable to private lenders for a country with a relatively undiversified export base (so that debt service capacity is highly vulnerable to unexpected shocks) and low levels of productivity and industrialization. Despite the considerable achievements in improved policies and relatively favorable international economic environment assumed in the acceptable growth scenario, Bolivia would still need to wait until the 21st century before returning to international capital markets.

71. This scenario is similar to that being used by the IMF in negotiations for the Enhanced Structural Adjustment Facility (ESAF). However, the IMF is more optimistic about Bolivia's medium-term prospects (we use the IMF's forecast for the three-year duration of the ESAF program). GDP growth projected by the IMF is somewhat higher, and the current account deficit is somewhat lower, than in the acceptable growth scenario. These differences arise from the following: (a) the IMF assumes that Argentina will maintain its natural gas purchases from Bolivia at present levels after expiration of the present contract in 1992, while we assume a 50% cut in gas sales to Argentina; (b) the IMF projects substantial repatriation of private capital while our net capital inflow line is zero, and has more rapid increases in private direct investment; and (c) the IMF's projection uses an ICOR of 3.5 compared to the level of 4 in the acceptable growth scenario. On balance, we find the IMF's forecast too optimistic to be used as a most likely case for Bank planning. Continued Argentine gas sales are very uncertain and the assumption of high levels of net capital inflows appears risky, particularly given the large capital outflows recorded in the balance of payments in 1988 and early 1989.

(ii) Policy Slippage

72. There is some risk that the next Government will not maintain the liberal economic framework introduced by the present Government. While the two major opposition parties support the present economic framework, the policies their leaders followed in former administrations suggest that at least some deterioration in policy performance is likely. ADN pursued excessively expansionary policies under General Banzer during the 1970s. MIR was involved in the Government which presided over the 1983-85 hyperinflation. Further, the present Government's policies have elicited strong opposition from many powerful groups in Bolivia. Even elements of the business community have called for changes in policies to favor certain productive activities, which would have the effect of impairing efficiency.

73. Obvious targets for change include reintroduction of subsidized credit schemes coupled with interest rate controls, higher and differentiated tariffs, reintroduction of capital controls in an attempt to support an overvalued exchange rate, renewed interference by the state in hiring decisions and wage negotiations, and price controls. It is also possible that improvements in public sector administration could be shelved, tax administration weakened, and bank portfolio requirements relaxed. The common thread underlying all of these is the success of particular interests in gaining benefits from the state that gradually erode the efficiency of the economy as a whole.

74. The policy slippage scenario illustrates one view of the consequences of such a deterioration in policies. Reintroduction of controls reduces the efficiency of investment, which we represent by a rise in the ICOR from 4 in the acceptable growth scenario to 5.5. Reduced confidence and profit opportunities slow the rise in domestic savings, to 9.8% of GDP by 1997, 1.5 percentage points above the 1988 level but 3 percentage points below that projected in the acceptable growth scenario. Lending from official donors also falls owing to reduced commitment on the part of Bolivia to promised reforms and lack of necessary counterpart funds to obtain loans. For the purposes of illustration, we assume that net disbursements from official sources are 20% below the level projected in the acceptable growth scenario. Altogether, lower external and domestic savings keep fixed investment at 8.6% of GDP by 1997, compared to 12.4% in the acceptable growth scenario.

75. Reduced investment and efficiency would lower GDP growth to 1.7% per year over the forecast period, reducing per capita consumption by 1.4% a year. Employment in the formal sector of the economy would rise very slowly, as controls directed more activities towards contraband trade and other informal sector operations. Although external borrowing would decline relative to the acceptable growth scenario, slower exports and output growth would mean little improvement in debt indicators. By 1997, debt would equal 79.8% of GDP and interest payments 13.8% of exports under the policy slippage scenario, about the same levels as in the acceptable growth scenario.

76. The implications for Bolivia's economy and the Bank program would be severe. Further declines in consumption, coupled with little improvement in social services, would have a calamitous affect on the poor. The fall in living standards would intensify social conflicts and further disrupt production. IDA lending would have to be sharply

reduced. Increased distortions and poor administration would probably make it impossible to proceed with planned infrastructure loans or technical assistance. However, depending on the extent of disorganization in the Government, some lending for social programs might continue.

(iii) High Growth Scenario

77. While the future of the Bolivian economy is most likely to fall within the range defined by the two scenarios described above, more extreme outcomes are possible. Bolivia could achieve even higher rates of growth than envisioned in the acceptable growth scenario. Barring an unexpected (and permanent) terms of trade gain, significantly higher growth would most likely result from two sources: (a) a more rapid supply response to the liberalization program, meaning that private sector investment and savings would be higher than in the acceptable growth scenario; and/or (b) a more rapid than expected improvement in public sector administration, which would increase efficiency and raise public confidence, and hence savings.

78. The high growth scenario illustrates the assumptions necessary to produce a growth rate of 4.5% per year over the forecast period. Domestic savings are one percentage point more of GDP than in the acceptable growth scenario, and the ICOR is assumed to fall to 3.5, compared to 4 in the acceptable growth scenario. Faster growth encourages increased inflows of net direct foreign investment and a rise in official lending (because more efficient administration permits faster disbursements and policy success attracts greater bilateral flows), resulting in capital inflows 20% above that received in the acceptable growth scenario. Higher investment permits a rise in export growth to 6.6% per year (compared to 5.0% in the acceptable growth scenario), led by rapid growth in non-tin minerals and agricultural products. Under these assumptions, per capita consumption would increase by 1.4% a year.

79. This scenario represents a much more optimistic view of Bolivia's prospects than the acceptable growth scenario. A rising standard of living might facilitate efforts to redistribute income. Formal sector employment would increase very rapidly, because high growth would raise total employment in the economy and because more efficient public sector administration would reduce incentives for informal sector activities. Even so, by 1997 Bolivia would remain not creditworthy for loans on commercial terms. Debt would equal almost 4.5 times the value of export revenues, and remain more than 80% the size of GDP. This scenario would imply no change in IDA's lending program (compared to the acceptable growth scenario), as Bolivia still could not afford to borrow at IBRD terms and IDA resources are limited.

(iv) "Disaster" Scenario

80. Alternatively, policy performance could be even worse than anticipated under the policy slippage scenario. In addition to increasing controls, future Governments could return to running large fiscal deficits financed through credit from the Central Bank. Private sector savings would disappear, with the exception of forced savings through the inflation tax, and the demand for real money balances would plummet. Bolivians would transfer their assets overseas, invest in inflation hedges, or direct all transactions through the informal sector. Capital inflows would dry up, owing to poor execution of projects,

economic chaos, and inability to repay external lenders. We have assumed that Bolivia is forced to achieve balanced trade, owing to a break in relations with creditors. Declines in domestic and foreign savings would dramatically reduce the funds available for investment, which would be allocated through various inefficient rationing schemes.

81. A wide variety of paths are imaginable under these circumstances; the projections shown in Table 1 (GDP growth of 0.7% per year, and per capita consumption decline of 1.9% a year) are simply one possible scenario, by no means the worst, that could result. This scenario would imply severe conditions for the poor, in some sense worse than in 1980-85 because consumption declines would start from a lower level. The disaster scenario would also imply a complete cessation of the Bank's lending program and a severe cutback on economic and sector work, both because of difficulties in accomplishing anything in such an atmosphere and because Bolivia would probably stop servicing IBRD and IDA debt.

E. BANK ASSISTANCE STRATEGY

(i) Bank Assistance in Bolivia-History and Assessment

82. Bank operations in Bolivia fall into two distinct periods. The "past" program, from 1964 to 1980, focused on infrastructure development and direct production operations, with some lending in the social sectors from the mid-1970s and a Structural Adjustment Loan in 1980. The "present" program dates from 1985, and has supported the Government's new economic programs. Between these two periods (from 1981 to 1985), the Bank made no new loans to Bolivia as creditworthiness deteriorated and economic management declined; we did, however, provide substantial technical assistance through economic and sector work.

83. Bank management has reviewed the country strategy for Bolivia on several occasions. Policy Framework Papers were considered by the OC (and OPSC) in November 1986 and January 1988. A Division Country Brief (DCB), outlining the country assistance strategy and proposed program, was reviewed in November 1986. That review focused on the IDA allocation, the need to work towards greater specificity in policy recommendations at both the macroeconomic and sector levels, proposals (then under elaboration) for a program to address the social costs of adjustment, and the role of the cocaine economy. The last formal review of a Country Program Paper (CPP) was in December, 1976. The Operations Committee has also reviewed the three adjustment operations approved for Bolivia: RIC I (June 1986), RIC II (June 1987), and the Financial Sector Operation (June 1988).

84. Prior to 1980, Bank lending to Bolivia was dominated by development of infrastructure and projects for the energy, agriculture, and mining sectors. Bolivia was an IDA-only country until 1975, when IDA lending was curtailed after the start of natural gas and petroleum exports. Most lending was on Bank terms thereafter, with some blend operations in the late 1970s. Transportation was a focus of the early lending program, particularly the railroads; these operations were generally successful. Lending to the productive sectors had more mixed results. In the energy sector, the Bank played a key role in establishing the national power company (ENDE) and overall development of the power sector; we also financed the expansion of gas production and the gas pipeline to Argentina. In agriculture a series of livestock projects met considerable success, but three ambitious rural

development projects approved in the mid-1970s did not meet their objectives, in part because of troubled country conditions. Water supply and education projects also met limited success. In mining, Bank assistance consisted mostly of credit operations for the private sector, including a fund for mining exploration which was not successful.

85. The Bank made a Structural Adjustment Loan to Bolivia in June, 1980, to support a stabilization and medium-term adjustment program. The SAL program included: economic and financial stabilization measures agreed with the IMF; specific measures for export promotion; and a public investment and financing program. The military government which took over in July 1980, however, could not keep the program on track. Reading some seemingly hopeful signs, the Bank underestimated the political risks, and released the SAL's second tranche in November 1980. The program was never revived despite repeated efforts and hopes. This SAL is justifiably seen as one of the least successful the Bank has supported.

86. From 1980 to 1985, growing economic chaos in Bolivia made new lending increasingly futile. The Bank cut back its resident mission and struggled to rescue ongoing operations and to ensure service of Bank debt. Work on several new operations proceeded, and continuous efforts were made to reformulate an economic stabilization program and to resume lending. The most lasting achievement of this difficult period was some excellent economic and sector work, notably the 1985 Economic Report issued at the time of the Bolivian elections; it was used in formulating the new Government's economic program. Other work included studies on COMIBOL and the private mining sector, on the Agricultural Credit Bank (BAB), and other reports on agriculture, mining, and transport.

Not clear.

87. PPARs and PCRs, now virtually complete for all pre-1980 operations, underscore the mixed results of past lending. The underlying lending strategy was generally pragmatic and yielded important results. Nonetheless, both at a country and project level the Bank misread the underlying trends of the 1970s and was caught up in the heady days of the petroleum boom. The story of the early 1980s is one of persistence and frustration, as mounting difficulties confronted all operations, making project implementation virtually impossible and eroding the results of years of work. Because Bolivia could not service Bank debt, disbursements were suspended several times, once for over six months. Political activism affected Bank operations directly, leading to frequent changes of project personnel and, in some instances, demonstrations or takeovers. In sum, the experience of the final years of the first phase projects was exceptionally difficult.

88. Shortly after the new economic program of the Paz Estenssoro Government was introduced in August, 1985, the Government sought Bank assistance, and the Bank moved quickly to respond. Work began almost immediately on an emergency operation, a Reconstruction Import Credit based on the economic program to provide quick-disbursing funds to priority sectors. Decisions were also made to revive the Consultative Group to help mobilize external assistance, to establish a new Programs Division to help rebuild the Bolivia program, and to reactivate Bolivia Resident Mission. The renewed operating program thus dates from FY86, and has entailed intensive work to build up a new lending program, extensive economic and sector analysis which has produced reports on most sectors and special reviews of the public expenditure program, export prospects, the eastern lowlands, and private sector issues, and resource mobilization work, largely through the Consultative Group.

89. The Bank has played a central role in Bolivia's stabilization and adjustment efforts over the past four years. Lending since FY86 has totaled US$350.4 million, for 11 operations, all on IDA terms since Bolivia is clearly not creditworthy for Bank lending. This support has been an important part of the external resources mobilized for Bolivia's economic programs, and has been associated with substantial cofinancing. The operations include three quick-disbursing operations: two Reconstruction Credits, designed to help rehabilitate key productive sectors, which have moved more slowly than expected, and a Financial Sector Adjustment Operation. Two special operations were developed to help cope with the social impact of adjustment, through the Emergency Social Fund; this program has been highly successful and should provide a basis for developing future poverty programs. In addition, a pipeline of investment projects has been developed and several are under implementation; of material assistance, given Bolivia's very limited budget resources, has been the use of PPFs to help prepare operations. A central focus of the program has been institutional development, in line with our view of the weakness of economic management and institutions and, more broadly, the need to rebuild a "lean and mean" public service. These efforts, while substantial and much needed, represent only a start on this formidable task.

(ii) Proposed Country Assistance Strategy

90. The proposed country assistance strategy will support the continuation and deepening of the Government's medium term adjustment and development programs. The focus will be on maintaining the macroeconomic framework, boosting the level and efficiency of investment, both public and private, and attacking poverty by expanding employment and income earning opportunities and improving the delivery of social services (with reliance on NGOs). Important features of the program are the emphasis on implementing the remaining regulatory reforms and other incentives for private sector investment (the legislation for which is in large measure already prepared); the importance of institutional development efforts given the weakness of public services; and the stress on poverty alleviation in light of Bolivia's grave poverty problems and poor prospects for achieving per capita income growth during this century. External resource mobilization is vital for the program's success so the Consultative Group will remain a central focus of operations. Debt restructuring and reduction, will remain a priority as it is a precondition for success. Briefly, the central strategic objectives are to:

(i) sustain current macroeconomic programs, with further reforms in fiscal management (especially tax and budget systems);

(ii) pursue vigorous programs to rehabilitate and restructure the key economic sectors (mining, agriculture, hydrocarbons);

(iii) increase levels of public and private investment, improving the quality of public investment and acting to develop incentives and markets conducive to private investment;

(iv) develop and maintain essential infrastructure, particularly transport, in keeping with the growth strategy; and

(v) implement a comprehensive strategy to attack poverty and increase the effectiveness of social development programs, particularly in health and education.

(iii) Operational Program

Lending

91. The proposed five-year lending program for Bolivia for FY90-94 (base lending program) is summarized below; the details are in Annex 1. The program includes both adjustment and investment operations. The main focus of the program is on sector investment lending, with a high policy content in all operations. The base program is all on IDA terms, since Bolivia is not creditworthy for Bank lending. It averages US$82 million a year.

Table 4: Proposed Five-Year Lending Program

	1990	1991	1992	1993	1994	1990-94
FY Commitments IDA	80	75	80	85	90	410
CY Net Disbursements						
IDA	57.5	74.6	82.1	42.3	44.1	
IBRD	-21.1	-22.4	-19.8	-19.6	-19.2	

92. The proposed lending program reflects the country assistance strategy in its dual focus on increasing the economy's productive capacity and on poverty alleviation and human resource development. Ongoing and proposed operations support sector adjustment and development programs in mining and energy, with two proposed operations to support agriculture in the eastern lowlands and the altiplano. Infrastructure development is geared to export promotion and support for general increases in production and basic services. The ongoing and proposed Financial Sector and Banking Sector operation support the critical financial sector reforms on which the revival and development of private investment, domestic and foreign, depends. In parallel, an ambitious series of operations would follow up on the poverty alleviation initiatives launched under the Emergency Social Fund operations, with further lending for health, education, water supply, and to the Social Investment Fund for community based projects, many to be implemented by NGOs.

93. The proposed program includes only one quick disbursing operation (Banking II), because it has been geared to the long term objective of building the institutional and productive capacity to develop the production base and sustainable public services. However, further quick-disbursing assistance, linked to a renewed adjustment effort, may prove necessary early in the next Government, primarily because of the new shock Bolivia is experiencing with delayed or absent payments from Argentina for gas shipments. The Bank should use its good offices to encourage Argentina to continue paying for Bolivian gas. If this situation is not rectified, a major review of priorities and programs will be essential, tied to new efforts to mobilize financing to meet a critical external gap. We are preparing contingency proposals to present to the new Government on the nature of adjustments that might take Bolivia some way towards meeting this new crisis. Another possibility, not included in the base program, is IBRD lending for enclave operations in the energy and mining sectors, with appropriate guarantees. If investments were well justified on economic and financial grounds, such lending could contribute materially to improving growth prospects, but the possibilities for such operations are too unclear at present to include them in the program. Finally, a "core poverty program" (Annex 1B) will replace the operational program for Bolivia, in

the event of serious policy slippage; lending would be sharply curtailed under such a scenario, with efforts to continue with some social development and poverty-oriented operations except under the most acute deterioration in economic circumstances.

Economic and Sector Work

94. An ambitious economic and sector work program has supported our policy dialogue, lending work, and aid coordination and mobilization efforts. Over the past three years, we have prepared three macroeconomic reports and carried out reviews of public sector investment; produced sector reports on transport, health, agriculture, and finance; and undertaken special studies on export prospects, development of Bolivia's eastern lowlands, private sector issues, the informal sector, issues for women-in-development, and the environment. The Bank has also jointly prepared and updated two Policy Framework Papers, with the IMF and the Government. Much of this economic and sector work has directly served the Bolivia Consultative Group and has supported the Government's efforts to elaborate a new long term development strategy.

95. The planned economic and sector work program for FY90-92 is organized around regular economic reports and reviews of public investment and expenditures, which will serve as the major documentation for annual CG meetings; in some years the two exercises will be combined. As Bolivia has an ESAF program with the IMF, we also expect to produce annual Policy Framework Papers. Additional sector work or special studies will focus on the following topics:

96. Poverty. A major study in FY90 will examine the root causes of poverty, assess macroeconomic and sector policies and programs in terms of their impact on the poor, and propose policy and investment options for increasing employment and income. Special attention will be given to employment issues for agriculture, manufacturing, and services. Social services administration and financing issues (including ways to improve efficiency) will be examined with a view to extending service coverage and targetting services better to vulnerable groups. This review should assist in formulating a well-articulated poverty alleviation strategy and would be a topic for discussion at a Consultative Group meeting.

97. Agriculture in the Altiplano. This review would focus on the problem of low agricultural productivity and small farmer incomes in the altiplano. The study would examine the region's natural resources in terms of their current use and potential for crop and livestock production; assess alternative technologies, including irrigation, and production systems suitable for the area and identify those which show promise for widespread dissemination; review experience in managing credit and other support services (including marketing and transport) and options for improvement; and identify social and cultural constraints to dissemination and adoption of new techniques. The results would enrich the poverty alleviation strategy and agriculture sector operations.

98. Industrial Development. Despite extensive policy reforms to promote industrial development and growth, structural and other impediments still impede reactivation of industry. Among these are: a continuing shortage of working capital in combination with high interest rates, weak institutions to support private sector initiatives, infrastructural deficiencies, a weak financial system, and wide spread contraband. The

proposed sector review will examine structural and policy constraints to industrial development and make recommendations on needed improvements in the policy framework and on financing, infrastructure, and institutional support.

99. Eastern Lowlands Development Options. With the rapid growth of economic activity in this region, and the absence of planning or even elementary controls on land use, a clear development strategy is essential. Our FY88 Regional Development Study laid the groundwork for such a strategy but additional work is required. The proposed study would identify options, issues, and tradeoffs which regional authorities should consider in planning for development of resources and infrastructure in the lowlands. Institutional constraints to implementation will also be examined. The study would devote special attention to environmental issues raised by the exploitation of land and forest resources, gas and oil exploration and development, road construction, slash and burn agriculture, road construction, and other activities.

Resident Mission

100. The Bank's Resident Mission in Bolivia was reactivated with the appointment in October, 1986 of a new Resident Representative; when his predecessor left Bolivia in November, 1983, he was not replaced because of the deteriorating economic situation, although the office remained open. The objectives of the Mission have been to: (i) provide technical support for the Government's reform programs; (ii) rebuild the depleted Bank lending program, and (iii) support aid coordination and preparatory work for the Bolivia Consultative Group. The Resident Mission has made many useful contributions to all three objectives. It also plays a key continuing role in project implementation, flagging and following up on issues; this role has particular importance given the very difficult implementation problems facing the Government. The Resident Mission has been active in aid coordination among the donor agencies in La Paz and should continue this as a complement to the Consultative Group. The role of the mission is being enlarged with use of local staff and consultants, especially to assist on implementation assistance.

Consultative Group

101. The CG for Bolivia was revived in December of 1986 after a nine year hiatus. The CG last met in Paris on July 6-7, 1988; it is scheduled to meet again in October 1989, after the new Government takes office. The next CG meeting will focus on the new Government's macroeconomic program and the medium-term issues of economic management, adjustment, debt and growth. It also should examine the Government's public sector investment program and review progress and problems on program monitoring and implementation. Poverty and environmental issues should be at the forefront of the next meeting, to encourage the new Government to give these issues priority on its development agenda. The 1990 CG meeting should focus more specifically on medium term issues, including agricultural development strategy and poverty alleviation programs. In sum, the Bank should plan to continue its active support of the Consultative Group, with regular annual meetings and special sub-group meetings on topics of special interest.

International Finance Corporation

102. IFC plans to increase its investments by US$40 to US$60 million in Bolivia over the next three to four years. It is likely to concentrate its

investments in mining, energy, and agro-industries which will support our objectives for the productive sectors and contribute to private sector development. In mining, IFC plans to provide US$20 to $30 million to the larger mining companies for restructuring and modernization programs. In energy, it is considering investing in exploration and field development of oil and gas with two foreign oil companies and is examining projects for domestic consumption of natural gas. In agro-industries, it is examining investments for promoting the export of flowers and coffee and for meat processing for domestic consumption. IFC's increased involvement in Bolivia is important for encouraging domestic private investment as well as foreign investment. IFC should consider offering Bolivia other assistance to strengthen the role of the private sector. IFC participation in future CG meetings would keep the donor community apprised of its activities and plans and might encourage private foreign investment in selected operations.

Bank Exposure, Creditworthiness, and Risk

103. Since the Bank began operations in Bolivia in 1964 it has made a total of 14 loans and 24 credits for a total of US$646 million. The gap in Bank/IDA lending from 1980 to 1986 depleted the portfolio so that the undisbursed balance stood at about US$15 million in FY86. Bolivia has largely maintained payments on its debt to the World Bank, the IMF and the IDB, although for brief periods the Government has fallen into arrears to all three institutions. Bolivia's current and projected debt service obligations on IBRD and IDA borrowing for the period 1988-1993 are as follows:

Table 5: Debt Service Obligations
(Percent)

	1987	1988	1989	1990	1991	1992	1997
Debt Service to the Bank / Total Debt Service	11.0	12.3	12.5	10.2	9.9	8.6	8.1
Debt Owed the Bank / Total Debt	9.3	12.6	12.3	12.1	12.0	12.2	14.2
Debt Service to the Bank / Exports of Goods and Services	5.5	6.4	5.7	4.9	4.1	4.1	2.1

This table indicates that the projected lending program for Bolivia would imply no significant increase in the Bank's exposure; as all new lending is on IDA terms, debt service payments to the Bank would fall as Bolivia pays off its old IBRD debt. Therefore, debt service paid the Bank is projected to decline from 6.4% of exports and 12.3% of total public debt service in 1988 to 2.1% and 8.1% respectively, by 1997. Debt owed to the Bank would rise slightly from 12.6% of public debt in 1988 to 14.2% by 1997, almost all of this representing IDA debt by 1997. Bolivia benefitted from an IDA reflow allocation of US$11.8 million, approved by the Board in March 1989, and should be eligible for further assistance in future.

104. Bolivia is not creditworthy for loans at commercial terms, and has little prospect of becoming so for the foreseeable future, as levels of debt and debt service are unacceptably high. Debt owed by the public sector exceeded five times the value of export receipts and 80% of GDP in

1988, and debt service obligations were over half of exports, despite reschedulings. Market behavior confirms this judgment: commercial banks have accepted 11 cents on the dollar to retire bank debt. It is thus doubtful that banks will soon provide new loans beyond short-term finance. In our most likely scenarios, debt service is projected to exceed 24% of exports and debt to remain at about 80% of GDP by 1997, even with most loans at concessional terms. Even if Bolivia's performance is much better than expected, the small industrial base and heavy dependence on a few primary commodity exports make it a considerable risk for loans at commercial terms. As an illustration of the risks involved, we have run a scenario in which the price Bolivia receives for tin and natural gas are 25% below that projected in the acceptable growth scenario. Assuming no changes in policy to compensate for this fall in revenues, GDP growth would decline to 1.9% a year in 1989-97, compared to 3.1% in the acceptable growth scenario, and ratios of debt to GDP and interest owed to exports would increase further. This vulnerability to external shocks makes Bolivia a very poor credit risk.

Table 6: Impact of Price Shock
(percent)

	GDP Growth	Interest/Exports		Debt/GDP	
	1989-97	1988	1997	1988	1997
Acceptable Growth Scenario	3.1	31.3	13.2	87.1	79.5
25% Fall in Tin Gas Prices	1.9		17.6		88.7

105. The country strategy involves important risks, beyond this basic creditworthiness issue. They are tied to the prospects for achieving the strong economic management and political stability that are essential for Bolivia to succeed. If the current macroeconomic program is not sustained, a sharp decline in economic performance is almost certain, making normal investment operations and of course policy reform virtually impossible. Hard won gains could be quickly lost. The stance of the major candidates, that the program must be continued, and the response of the electorate give reason for hope that the program will be maintained but a reversal or, even more likely, policy slippage, are a real risk. Even if the current policy measures are maintained, there are risks that the modest growth targets for the medium-term will not be achieved because of inadequate resources to finance projected investment, a shortfall in Government revenues prior to 1992, created by a steeper decline in gas exports to Argentina than anticipated, or inadequate administration of public sector resources. Much will depend upon the performance of the new government and the confidence it instills in domestic financial markets and in the donor community.

ANNEX 1A

PROPOSED LENDING OPERATIONS
(US$ millions)

	Last FY Actual 88		Current FY89		Current FY90		Current FY91		Currnet FY92		Current FY93		Total Quinquennial Lending Oper.	
	IBRD	IDA	IBRD	IDA	IBRD	IDA	IBRD	IDA	IBRD	IDA	IBRD	IDA	IBRD	IDA
Non-Adjustment Lending														
Agriculture														
Eastern Lowlands						35.0								35.0
Agricultural Development								20.0						20.0
Total Agriculture						35.0		20.0						55.0
Education														
Education Project										20.0				20.0
Total Education										20.0				20.0
Energy														
Gas/Power												20.0		20.0
Total Energy												20.0		20.0
Industrial Development/Finance														
Financial Sector		70.0												70.0
Financial Sector--Supplemental Cr.				11.3										11.3
Mining I				25.0										25.0
Private Enterprise						15.0								15.0
Banking Sector II										60.0				60.0
Mining Sector II								35.0						35.0
Total Indus.Dev/Finance		70.0		36.3		15.0		35.0		60.0				216.3
Industry														
Industry												30.0		30.0
Total Industry												30.0		30.0
Water Supply & Sewerage														
Water Supply and Sewerage								20.0						20.0
Total Water Supply and Sewerage								20.0						20.0
Transport														
La Paz Municipal		15.0												15.0
Export Corridors				37.0										37.0
Road Maintenance												30.0		30.0
Total Transport		15.0		37.0								30.0		82.0
Population and Health														
Integrated Health Development								20.0						20.0
Total Population and Health								20.0						20.0
Non-sector Specific														
Emergency Social Fund II		24.7												27.4
Social Investment Fund I						25.0								25.0
Social Investment Fund II												25.0		25.0
EMSO				9.7										9.7
Total Non-sector Specific		24.7		9.7		25.0						25.0		84.4
GRAND TOTAL:		109.7		83		75		95		80		105		547.0

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ANNEX 1B

PROPOSED LENDING OPERATIONS
(US$ millions)
"Core Poverty Program"

	FY90	FY91	FY92	FY93	TOTAL
Education			20.0		20.0
					20.0
Population & Health		20.0			20.0
					20.0
Social Investment Fund	25.0				25.0
Social Investment Fund II				25.0	25.0
					50.0
Total IDA	25.0	20.0	20.0	25.0	90.0

SUMMARY OF ECONOMIC AND SECTOR WORK
(staffweeks)

	Last FY88 Actual	Current FY89	Current +1 FY90	Current +2 FY91
ECONOMIC WORK				
Updating Economic Memorandum	50.6			
PSER	4.9			
Eastern Bolivia Study	38.4			
Environment	42.1			
Country Economic Memorandum		63.0	2.0	
Public Sector Expenditure Review		38.0	2.0	
Environment Issues Paper		12.0	6.0	
Policy Framework Paper		2.0	1.0	
Poverty Study		5.0	61.0	
Women in Development		5.0	2.0	
PFP Update			4.0	
CEM/PSIR 91			15.0	
Total Economic Work:	136.0	125.0	93.0	
SECTOR WORK - Regional Managed:				
Agricultural Sector Review	10.2	4.0		
Banking Sector	1.0	6.0		
Industrial & Trade Sector	1.3	2.0	8.0	
Gas Sector	15.3			
PHN Sector Review	18.7			
Export Corridors	18.0			
Total Sector Work:	64.5	12.0	8.0	
GRAND TOTAL	200.5	137.0	101.0	

KEY INDICATORS

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1997
GDP Growth Rate	-4.4	-6.5	-0.3	-0.2	-2.9	2.1	2.8	3.5	4.0	3.9	1.1	3.3	3.2	3.2
GNP growth Rate	-5.4	-6.1	0.4	-1.5	-2.1	2.6	3.5	1.4	6.9	4.5	1.5	3.7	3.4	3.3
GNP/Capita Growth Rate	-8.2	-8.9	-2.4	-4.3	-4.9	-0.2	0.7	-1.4	4.1	1.7	-1.3	0.9	0.6	0.5
Consumption/Capita Growth Rate 1/	-6.8	-6.4	-5.0	1.3	-3.8	-1.1	-6.0	-1.1	-1.8	-0.1	1.7	-0.3	-0.8	-1.2
Total DOD 2/ (in US$)	3067.6	3468.6	3567.3	2961.6	3614.1	4388.6	3859.0	4269.2	4668.1	5054.7	5470.2	5853.3	6176.5	7048.4
DOD/IGS 3/	265.8	303.4	335.2	250.6	326.2	350.8	346.6	305.9	326.0	330.5	346.3	350.4	347.6	327.9
DOD/GDP	48.9	57.4	41.8	60.9	99.4	102.9	87.1	89.3	90.1	89.5	91.5	90.3	88.1	79.5
Debt Service (in US$)	558.0	639.2	526.0	362.9	274.8	367.6	379.1	382.8	459.2	465.0	485.2	457.7	478.9	435.0
Debt Service/IGS	48.3	55.9	49.4	30.7	24.8	29.4	34.1	27.4	32.1	30.4	30.7	27.4	27.0	20.2
Debt Service/GDP	8.9	10.6	6.2	7.5	7.6	8.6	8.6	8.0	8.9	8.2	8.1	7.1	6.8	4.9
Interest/IGS	15.8	16.2	18.0	18.7	16.1	24.2	18.8	16.2	14.9	13.8	13.0	12.2	11.9	10.5
Interest /GDP	2.9	3.1	2.2	4.5	4.9	7.1	4.7	4.7	4.1	3.7	3.4	3.2	3.0	2.6
Gross Investment/GDP	12.4	12.5	11.9	12.7	5.6	10.0	10.0	12.4	14.2	14.6	14.5	14.4	14.4	14.3
Domestic Savings/GDP	22.7	22.0	17.5	11.6	3.8	4.0	6.5	7.7	9.5	10.3	9.1	9.6	10.2	12.3
National Savings/GDP	16.3	17.5	13.0	5.3	-2.2	0.6	3.9	3.2	7.3	8.4	7.5	8.2	8.9	10.9
Marginal National Savings Rate	40.8	19.8	-608.6	3331.2	36.4	44.2	219.6	2.4	140.5	56.2	-180.2	50.1	53.6	59.7
Public Investment/GDP	7.4	8.4	8.4	8.1	3.2	6.6	7.1	7.1	7.5	7.7	7.6	7.6	7.6	7.6
Private Investment /GDP	5.6	3.3	3.8	2.7	2.9	4.3	4.0	4.6	4.7	4.9	4.9	4.9	4.9	4.8
Ratio of Public/Private Investment	1.3	2.6	2.2	3.0	1.1	1.5	1.8	1.5	1.6	1.6	1.6	1.6	1.6	1.6
ICOR 4/				-5.6	-3.8	-6.1	34.2	9.1	5.1	3.1	3.9	3.8	4.0	3.9
Government Revenues/GDP 5/	5.5	7.8	3.3	9.1	15.6	14.4	15.6	16.5	17.4	17.7	16.3	16.7	17.3	17.8
Government Expenditures/GDP	21.3	24.8	24.6	18.0	18.6	14.7	13.2	15.7	16.3	16.0	15.6	15.2	15.0	14.4
Deficit (-) or Surplus (+)/GDP	-15.8	-17.0	-21.3	-8.9	-3.0	-0.3	2.4	0.9	1.1	1.6	0.7	1.5	2.3	3.4
Export Growth Rate 6/	-5.9	-8.9	-5.8	-15.7	17.7	0.0	6.9	7.7	7.9	5.8	-12.4	5.4	6.1	6.8
Exports/GDP	13.2	12.5	8.5	12.8	15.3	12.3	12.0	12.9	13.4	13.6	11.9	12.0	12.3	13.4
Import Growth Rate 6/	-37.6	1.3	-15.1	48.4	-18.8	2.7	-20.3	20.7	10.1	5.1	0.8	3.2	3.2	3.2
Imports/GDP	9.2	9.8	5.8	14.2	18.5	18.0	14.9	17.3	18.2	18.3	18.0	17.8	17.6	17.1
Current Account (in US$)	-219.1	-204.1	-194.5	-429.8	-405.0	-507.7	-388.4	-560.7	-482.0	-476.3	-546.0	-535.8	-524.6	-428.9
Current Account/GDP	-3.5	-3.4	-2.3	-8.8	-11.1	-11.9	-8.8	-11.7	-9.3	-8.4	-9.1	-8.3	-7.5	-4.8
Terms of Trade Index	103.7	103.0	106.8	114.8	72.6	61.8	54.0	55.9	56.4	56.9	58.1	58.3	58.5	59.5

1/ High growth rates of consumption in projections reflect mechanical rebasing of national accounts from 1987 prices to 1980 prices.
Consumption growth rate is about one percentage point lower at 1987 prices.
2/ All debt and debt service data include only long term, public and publicly guaranteed debt.
3/ Imports of Goods and Services.
4/ Five year ICOR (sum of investment in five previous years divided by change in GDP over the period).
5/ Data refers to central administration only (including both current and capital accouts).
6/ Merchandise

ANNEX 3

BOLIVIA - NATIONAL ACCOUNTS

A. National Accounts Indicators as Shares of GDP at Current Prices (%)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1997
GDP at m.p.	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Net Indirect Taxes	2.7	3.0	0.9	0.4	0.3	0.8	1.2	2.2	1.9	1.8	1.8	1.7	1.8	1.7
Agriculture	18.4	18.0	19.6	21.6	22.4	27.6	24.4	22.5	23.7	23.2	22.3	21.9	21.9	21.2
Industry	34.1	31.6	32.7	30.8	28.4	27.9	22.6	23.7	23.7	24.8	25.6	26.0	25.6	28.2
(of which Manufacturing)	18.3	19.1	13.8	17.9	19.8	18.6	15.8	13.2	13.3	13.2	13.6	13.9	14.2	16.6
(of which Mining)	15.8	12.5	18.9	12.9	8.6	9.2	6.8	10.5	10.4	11.6	12.1	12.1	11.4	11.6
Services	44.9	47.3	46.8	47.2	48.9	43.7	51.8	51.5	50.8	50.2	50.2	50.4	50.7	48.9
Resource Balance	5.5	2.6	10.4	9.6	5.7	-1.1	-1.8	-6.1	-3.5	-4.6	-4.7	-4.3	-5.4	-2.0
Exports of GNFS	25.6	24.2	35.2	31.0	15.7	20.7	23.9	15.3	15.1	16.3	17.2	17.5	16.2	18.5
Imports of GNFS	20.2	21.6	24.8	21.4	10.0	21.8	25.7	21.4	18.6	21.0	21.9	21.8	21.6	20.5
Total Expenditures	94.5	97.4	89.6	90.4	94.3	101.1	101.8	106.1	103.5	104.6	104.7	104.3	105.4	102.0
Total Consumption	79.8	80.5	77.3	78.0	82.5	88.4	96.2	96.0	93.5	92.3	90.5	89.7	90.9	87.7
Private Consumption	66.9	67.8	66.7	69.8	69.6	74.4	86.5	86.3	84.0	82.9	81.3	80.5	81.5	78.0
General Government	12.9	12.7	10.6	8.2	12.9	14.0	9.7	9.0	8.3	7.6	7.5	7.5	7.6	7.9
Gross Domestic Investment	14.7	16.9	12.4	12.5	11.9	12.7	5.6	10.0	10.0	12.4	14.2	14.6	14.5	14.3
Fixed Investment	14.2	13.9	13.0	11.7	12.2	10.9	6.1	10.8	11.1	11.7	12.2	12.6	12.5	12.4
Changes in Stocks	0.4	3.0	-0.6	0.7	-0.3	1.8	-0.6	-0.8	-1.0	0.7	2.0	2.0	2.0	2.0
Gross National Product	94.1	93.6	92.6	92.9	93.1	91.6	91.5	93.7	94.3	92.4	94.9	95.4	95.7	96.8
Gross Domestic Saving	20.2	19.5	22.7	22.0	17.5	11.6	3.8	4.0	6.5	7.7	9.5	10.3	9.1	12.3
Net Factor Income	-5.9	-6.4	-7.4	-7.1	-6.9	-8.4	-8.5	-6.3	-5.7	-7.6	-5.1	-4.6	-4.3	-3.2
Net Current Transfers	1.2	0.8	1.0	2.6	2.4	2.2	2.6	3.0	3.1	3.0	2.9	2.7	2.7	1.8
Gross National Saving	15.5	13.9	16.3	17.5	13.0	5.3	-2.2	0.6	3.9	3.2	7.3	8.4	7.5	10.9

B. National Accounts Growth Rates (%) at Constant Prices

	1965-73	1973-80	1980-87	1983	1984	1985	1986	1987	1988	1989	1987-92	1992-97
GDP at m.p.	4.4	3.8	-1.6	-6.5	-0.3	-0.2	-2.9	2.1	2.8	3.5	3.3	3.4
Net Indirect Taxes	..	3.5	-11.5	-60.8	-22.2	179.2	43.0	5.9	-12.3	-0.3	-0.7	2.0
Agriculture	3.5	3.1	1.8	-16.4	22.9	9.1	-4.7	-0.2	-0.4	2.6	2.1	4.3
Industry	5.3	-0.1	-6.3	-4.3	-11.9	-11.1	-8.0	2.1	7.7	6.9	5.7	5.3
(of which Manufacturing)	4.2	5.1	-6.3	-4.0	-11.6	-9.7	-0.2	2.6	4.4	3.0	4.9	6.8
(of which Mining)	6.9	-4.4	-6.4	-4.7	-12.2	-12.6	-15.6	1.6	11.6	11.1	6.5	3.7
Services	3.8	7.7	0.2	-2.7	-0.9	1.0	-0.2	3.1	2.3	2.3	2.7	2.1
Exports of GNFS	4.3	-1.8	-1.5	-11.9	-2.2	-8.3	12.1	1.5	5.6	8.9	4.7	7.6
Imports of GNFS	4.0	-1.5	0.4	3.1	-17.0	29.7	-2.2	12.7	-16.5	16.9	2.5	3.4
Total Expenditures	4.3	4.2	-1.2	-3.1	-3.2	7.3	-6.2	4.6	-2.5	4.7	2.7	2.2
Total Consumption	3.6	5.3	-0.5	-3.6	-2.2	4.2	-0.9	1.7	-3.2	1.6	1.3	2.0
Private Consumption	2.9	5.1	-0.9	-6.1	-3.3	4.4	0.4	2.5	-3.9	1.6	1.1	1.5
General Government	8.4	6.6	1.4	8.2	2.3	3.4	-6.4	-1.9	0.0	2.0	2.3	4.2
Gross Domestic Investment	6.9	-0.4	-5.9	0.9	-10.9	33.0	-40.3	36.4	2.5	28.0	13.5	3.2
Fixed Investment	7.3	4.0	-6.9	0.6	-5.7	-9.2	-3.1	4.8	5.0	9.4	6.9	3.2
Changes in Stocks	..	..	11.9	253.8	-1406.5	-777.2	-136.2	-181.1	-19.3	243.3	72.9	3.3
Capacity to Import	6.1	-1.7	-7.5	5.1	-10.2	-21.3	-4.3	-13.3	-5.3	12.1	3.4	7.0
Terms of Trade Adjustment	..	..	..	-266.4	-77.7	-505.6	133.4	46.5	25.1	4.5	6.0	6.0
Gross Domestic Income	4.9	4.0	-3.0	-2.1	-2.5	-3.5	-6.7	-1.0	0.5	3.4	2.7	2.9
Gross National Income	4.7	3.4	-3.2	-1.3	-2.0	-5.0	-6.2	-0.7	1.1	1.0	3.2	3.1
Gross National Product	4.2	3.2	-1.7	-6.1	0.4	-1.5	-2.1	2.6	3.5	1.4	3.8	3.7
Gross Domestic Saving	10.9	-1.0	-7.2	-18.7	9.2	-19.4	-14.3	5.2	41.3	11.8	15.6	8.9
Net Factor Income	..	..	-0.3	-12.0	-9.4	18.9	-12.7	-4.2	-6.6	37.4	-4.2	-2.3
Net Current Transfers	..	..	5.9	139.4	-15.1	-10.5	4.1	-1.6	8.7	4.4	5.2	0.1
Gross National Saving	10.2	-5.1	-8.9	-10.2	14.9	-35.5	-11.7	11.3	68.3	0.6	27.5	10.5

BOLIVIA - NATIONAL ACCOUNTS (Continued)

C. Price Indices (1980=1)	1980	1983	1984	1985	1986	1987	1965-73	1973-80	1980-87
Consumer Prices (IFS 64)	1.0	1.1	15.3	1812.0	6820.0	7815.0	6.8	16.1	259.9
Implicit GDP Deflator	1.0	12.5	168.1	19471.2	65172.2	80086.1	9.5	21.0	401.8
Implicit Expenditures Deflator	1.0	12.0	173.2	20011.2	69822.1	87280.4	9.6	20.1	408.0
Deflators for Sector Value Added:									
Agricultural Sector	1.0	15.0	169.9	22129.3	66753.6	77581.9	9.3	19.8	399.3
Industrial Sector	1.0	11.8	166.0	21196.2	60737.7	78196.5	11.4	23.8	400.1
Services Sector	1.0	12.0	168.5	17268.2	66552.5	80653.1	8.8	21.0	402.3

D. Other Indicators	1973-80	1980-87	1987-92	1992-97
Growth rates (% p.a.):				
Population	2.6	2.8	2.8	2.8
Labor Force		2.8	2.8	2.8
Gross Ntl. Income p.c.	0.7	-4.5	0.7	0.7
Private Consumption p.c.	2.4	-3.7	-1.7	-1.3
Import Elasticity:				
Imports (G+NFS)/GDP(MP)	-0.4	-0.2	0.8	1.0
Marginal Savings rates:				
Gross National Savings	-30.8	67.9	76.1	56.1
Gross Domestic Savings	-8.0	74.5	64.5	53.2
ICOR (period averages): 1/	5.9	-7.6	3.9	3.9

1/ ICOR in projections based on 1987 prices.

E. National Accounts (millions of LCUs at 1980 prices)

	1980	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1997
GDP at m.p.	122950.0	110943.0	110611.0	110445.0	107211.0	109479.0	112553.0	116521.7	121180.0	125928.3	127308.4	149213.8
Net Indirect Taxes	3292.0	427.0	332.0	927.0	1326.0	1404.0	1231.9	1228.2	1275.8	1269.7	1352.2	1487.8
Agriculture	22563.0	19981.0	24552.0	26789.0	25534.0	25483.0	25381.1	26041.0	26822.2	27626.9	28179.4	34284.6
Industry	41902.0	36116.0	31815.0	28270.0	26018.0	26573.0	28625.1	30596.8	32675.8	34405.9	34086.8	43159.7
(of which Manufacturing)	22495.0	17502.0	15480.0	13986.0	13956.0	14318.0	14948.0	15396.4	16320.2	17299.4	17818.4	23845.1
(of which Mining)	19407.0	18614.0	16335.0	14284.0	12062.0	12255.0	13677.1	15200.3	16355.6	17106.5	16268.4	19314.6
Services	55193.0	54419.0	53912.0	54459.0	54333.0	56019.0	57315.0	58655.8	60406.1	62625.8	63690.0	70281.8
Resource Balance	6726.0	6301.0	9352.0	1812.0	5333.0	2903.0	8693.0	7763.6	8498.1	9493.3	6405.0	14856.6
Exports of GNFS	31521.0	27786.0	27180.0	24934.0	27943.0	28375.0	29950.6	32618.0	35596.6	37928.2	35069.1	48363.7
Imports of GNFS	24795.0	21485.0	17828.0	23122.0	22610.0	25472.0	21257.6	24854.4	27098.5	28434.9	28664.1	33507.0
Total Expenditures	116224.0	104642.0	101259.0	108633.0	101878.0	106576.0	103860.0	108758.2	112681.9	116435.0	120903.4	134357.2
Total Consumption	98166.0	92369.0	90326.0	94088.0	93195.0	94736.0	91720.2	93221.3	94151.3	96684.1	101059.7	111314.9
Private Consumption	82258.0	74263.0	71803.0	74936.0	75268.0	77150.0	74134.2	75283.5	75854.8	77674.1	81479.4	87606.7
General Government	15908.0	18106.0	18523.0	19152.0	17927.0	17586.0	17586.0	17937.7	18296.5	19010.0	19580.3	23708.1
Gross Domestic Investment	18058.0	12273.0	10933.0	14545.0	8683.0	11840.0	12139.9	15536.9	18530.6	19750.9	19843.7	23042.3
Fixed Investment	17514.0	12227.0	11534.0	10475.0	10155.0	10646.0	11176.8	12230.4	13308.9	14240.5	14295.7	16572.6
Changes in Stocks	544.0	46.0	-601.0	4070.0	-1472.0	1194.0	963.1	3306.5	5221.7	5510.3	5548.0	6469.7
Capacity to Import	31521.0	31069.6	27911.5	21967.3	21019.4	18230.4	17255.3	19348.9	21283.4	22837.7	21521.5	30233.3
Terms of Trade Adjustment	0.0	3283.6	731.5	-2966.7	-6923.6	-10144.6	-12695.3	-13269.0	-14313.2	-15090.5	-13547.6	-18130.4
Gross Domestic Income	122950.0	114226.6	111342.5	107478.3	100287.4	99334.4	99857.7	103252.7	106866.7	110837.8	113760.8	131083.5
Gross National Income	115700.0	106356.6	104213.5	99002.3	92887.4	92245.7	93235.2	94151.7	100478.6	104815.5	108158.8	126112.5
Gross National Product	115700.0	103073.0	103482.0	101969.0	99811.0	102390.3	105930.4	107420.7	114791.8	119906.0	121706.3	144242.9
Gross Domestic Saving	24784.0	18574.0	20285.0	16357.0	14016.0	14743.0	20832.8	23300.5	27028.7	29244.1	26248.7	37899.0
Net Factor Income	-7250.0	-7870.0	-7129.0	-8476.0	-7400.0	-7088.7	-6622.6	-9101.0	-6388.1	-6022.3	-5602.1	-4970.9
Net Current Transfers	1487.0	2857.4	2425.8	2171.0	2260.0	2224.1	2418.2	2524.1	2630.0	2718.3	2806.6	2824.2
Gross National Saving	19021.0	13561.4	15581.8	10052.0	8876.0	9878.4	16628.5	16723.6	23270.6	25940.2	23453.2	35752.2

A. Volume, Value and Prices

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Merchandise Exports																
(Vol. Index 1980=100)																
Natural Gas	100.0	107.5	112.6	109.0	108.3	108.5	108.5	65.1	68.3	68.3	68.3	68.3	34.2	34.2	34.2	34.2
Tin	100.0	107.7	97.2	71.3	90.1	66.4	74.5	47.9	49.8	65.5	75.5	74.7	74.0	73.2	72.5	71.8
Soya	100.0	41.9	127.1	149.3	57.5	135.6	348.4	374.6	331.9	355.4	462.1	577.6	693.1	831.7	998.1	1177.7
Silver	100.0	115.9	85.7	89.8	45.4	29.5	89.7	86.0	123.4	127.9	162.5	206.3	262.1	288.3	317.1	348.8
Other Exports	100.0	62.8	64.9	75.4	49.0	42.6	26.2	41.0	43.4	48.0	51.9	56.1	61.0	65.4	70.8	76.7
Merchandise Exports (FOB)	100.0	97.8	92.1	83.9	79.0	66.6	86.0	78.4	83.8	90.2	97.4	103.0	90.3	95.2	101.0	107.4
(Value - Curr. mill. $)																
Natural Gas	220.9	336.7	381.6	378.2	375.7	372.6	328.7	248.6	213.0	235.8	252.5	267.2	141.3	149.5	158.2	167.4
Tin	378.1	343.1	278.3	207.9	247.7	173.2	104.0	68.8	73.8	112.3	149.7	156.0	162.7	169.6	176.9	184.4
Soya	6.1	3.6	7.4	4.6	1.5	5.3	17.3	19.2	19.7	20.9	24.5	32.1	40.4	50.8	64.0	79.2
Silver	118.3	71.7	37.1	58.3	21.4	10.2	27.3	33.3	46.5	52.6	64.0	83.3	108.5	122.3	137.9	155.5
Other Exports	218.8	157.4	123.2	106.3	78.1	62.3	79.2	155.3	177.9	192.6	203.0	228.6	259.2	288.9	324.6	365.2
Merchandise Exports (FOB)	942.2	912.4	827.7	755.1	724.5	623.6	556.5	525.2	530.9	614.2	693.7	767.2	712.1	781.2	861.6	951.8
Merchandise Imports																
(Vol. Index 1980=100)																
Consumer Goods	100.0	164.8	80.8	54.5	70.3	119.9	95.5	82.9	64.6	79.7	82.9	86.2	87.1	89.9	92.8	95.9
Raw Mat. and Intermediate Goods	100.0	138.2	101.6	113.7	81.7	120.3	81.3	101.7	79.3	97.9	101.8	105.8	106.9	110.4	114.0	117.7
Capital Goods	100.0	145.2	89.3	100.5	82.3	106.3	101.1	102.1	84.0	98.1	117.0	124.7	125.3	129.1	133.0	137.0
Total Merch. Imports (CIF)	100.0	148.1	92.5	93.7	79.5	118.0	95.8	98.3	78.3	94.5	104.1	109.4	110.2	113.7	117.3	121.0
(Value - Curr. mill, $) 1/																
Consumer Goods	172.2	248.4	100.0	66.9	95.5	133.8	133.7	140.8	118.9	152.1	164.0	176.9	185.3	198.4	212.4	227.4
Raw Mat. and Intermediate Goods	222.8	311.3	221.9	244.2	172.4	252.5	201.7	320.5	270.6	346.2	373.4	402.7	421.8	451.6	483.5	517.7
Capital Goods	279.8	408.5	243.9	271.2	218.2	280.1	315.2	305.9	272.6	330.1	408.3	451.3	470.2	502.3	536.7	573.5
Total Merch. Imports (CIF)	678.4	975.4	577.5	589.1	491.6	693.0	674.0	767.2	662.0	828.4	945.7	1030.9	1077.2	1152.3	1232.7	1318.6
Country Indices (1980=100)																
Merchandise Export Price	100.0	99.0	95.4	95.5	97.3	99.4	68.7	71.1	67.2	72.2	75.6	79.1	83.7	87.1	90.6	94.1
Merchandise Import Price	100.0	97.1	92.0	92.7	91.2	86.6	103.7	115.0	124.6	129.2	134.0	138.9	144.1	149.4	154.9	160.7
Merchandise Terms of Trade	100.0	102.0	103.7	103.0	106.8	114.8	66.2	61.8	54.0	55.9	56.4	56.9	58.1	58.3	58.5	58.6

1/ Components do not sum to total owing to small category of unclassified imports.

	B. Share of X or M (%) at Current Prices					C. Growth Rates (%) at Constant Prices			
	1973	1980	1987	1992	1997	1973-80	1980-87	1987-92	1992-97
Merchandise Exports									
Natural Gas	6.9	23.4	47.3	19.8	16.9	3.8	-6.0	-12.1	0.0
Tin	50.3	40.1	13.1	22.8	17.8	-2.5	-10.0	9.1	-0.6
Soya	0.0	0.6	3.7	5.7	8.6	..	20.8	13.1	17.6
Silver	4.8	12.6	6.3	15.2	17.2	0.9	-2.1	25.0	10.0
Other Exports	37.9	23.2	29.6	36.4	39.5	-11.5	-12.0	8.3	8.2
Merchandise Exports (FOB)	100.0	100.0	100.0	100.0	100.0	-3.9	-3.4	2.9	6.3
Merchandise Imports 1/									
Consumer Goods	16.5	25.4	21.4	20.1	20.1	11.4	-2.6	1.0	3.3
Raw Mat. and Intermediate Goods	36.8	32.8	34.0	31.9	32.0	3.1	0.2	1.0	3.3
Capital Goods	46.0	41.2	42.8	46.9	46.6	3.2	0.3	4.2	3.0
Total Merch. Imports (CIF)	100.0	100.0	100.0	100.0	100.0	4.8	-0.2	2.3	3.2

1/ Components do not sum to total owing to small category of unclassified imports.

BOLIVIA - BALANCE OF PAYMENTS
(US$ millions at current prices)

	1980	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1997
A.1. Exports of GNFS	1023.6	852.2	812.0	721.6	673.5	654.5	670.9	780.2	889.9	990.2	967.7	1639.7
2. Merchandise (FOB)	942.2	755.1	724.5	623.6	556.5	525.2	530.9	614.2	693.7	767.2	712.1	1192.0
3. Non-Factor Services	81.4	97.1	87.5	98.0	117.0	129.3	140.0	166.0	196.2	223.0	255.6	447.6
B.1. Imports of GNFS	795.4	685.5	597.1	803.6	816.0	914.5	826.5	1002.1	1133.1	1232.9	1288.9	1817.2
2. Merchandise (FOB)	678.4	589.1	491.6	693.0	674.0	767.2	662.0	828.4	945.7	1030.9	1077.2	1517.7
3. Non-Factor Services	117.0	96.4	105.5	110.6	142.0	147.3	164.6	173.7	187.3	202.0	211.6	299.5
C.1. Resource Balance	228.2	166.7	214.9	-82.0	-142.5	-260.0	-155.6	-222.0	-243.1	-242.7	-321.2	-177.5
D.1. Net Factor Income	-295.0	-411.0	-431.2	-362.3	-279.5	-267.7	-252.7	-361.7	-264.8	-261.6	-254.8	-286.3
2. Factor Receipts	22.1	46.8	36.0	16.0	12.4	68.9	34.0	32.0	34.0	35.0	36.0	46.0
3. Factor Payments	317.1	457.8	467.2	378.3	291.9	336.6	286.7	393.7	298.8	296.6	290.8	332.3
(interest payments)	165.6	184.7	191.7	221.3	178.0	303.3	209.7	226.7	213.2	211.1	204.9	226.7
E.1. Net Private Transfers	12.7	40.2	21.8	14.5	17.0	20.0	20.0	23.0	26.0	28.0	30.0	35.0
F.1. Curr. Acct. Bal. exc. off. trans.	-54.1	-204.1	-194.5	-429.8	-405.0	-507.7	-388.4	-560.7	-482.0	-476.3	-546.0	-428.9
G.1. Long-term Capital Inflow	530.1	503.2	159.6	294.9	408.1	416.8	462.6	567.4	560.7	556.7	594.6	487.8
2. Net Direct Investment	43.9	6.9	7.0	10.0	10.0	15.0	30.0	34.1	38.8	44.1	50.1	95.8
3. Net Official Transfers	46.8	66.0	66.7	65.5	82.0	106.0	117.0	120.0	123.0	126.0	129.0	125.0
4. Net LT Loans (DRS)	280.4	53.0	-174.5	56.2	320.9	391.8	241.0	343.8	265.5	255.6	259.5	228.0
a. disbursements	466.1	507.5	159.8	197.9	417.7	456.1	410.4	499.9	511.5	509.5	539.8	436.3
b. repayments	185.7	454.5	334.3	141.6	96.8	64.3	169.4	156.1	246.0	253.9	280.3	208.3
5. Other LT Inflows (Net)	159.0	377.3	260.4	163.2	-4.8	-96.0	74.6	69.5	133.4	131.0	156.0	39.0
H.1. Other Items (Net)	-442.7	-13.7	207.9	204.2	14.7	12.7	-74.2	35.3	0.0	0.0	0.0	0.0
2. Net Short-Term Capital	-45.2	-113.9	180.5	24.5	99.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Errors and Omissions	-397.5	100.2	27.4	179.7	-84.3	12.7	-74.2	35.3	0.0	0.0	0.0	0.0
I.1. Changes in Net Reserves	-33.3	-285.4	-173.0	-69.3	-17.8	78.2	0.0	-42.0	-78.7	-80.4	-48.7	-58.9
2. Net Credit from the IMF	62.5	3.1	-25.5	-12.4	92.6	0.0	-44.0	-6.0	-39.0	-40.0	-29.0	0.0
3. Other Reserve Changes	-95.8	-288.5	-147.5	-56.9	-110.4	78.2	44.0	-36.0	-39.7	-40.4	-19.7	-58.9
Shares of GDP (current US$)												
1. Resource Balance	4.6	2.8	2.5	-1.7	-3.9	-6.1	-3.5	-4.6	-4.7	-4.3	-5.4	-2.0
2. Interest Payments 1/	3.3	3.1	2.2	4.5	4.9	7.1	4.7	4.7	4.1	3.7	3.4	2.6
3. Current Account Balance	-1.1	-3.4	-2.3	-8.8	-11.1	-11.9	-8.8	-11.7	-9.3	-8.4	-9.1	-4.8
4. LT Capital Inflow (line G)	10.6	8.3	1.9	6.1	11.2	9.8	10.4	11.9	10.8	9.9	10.0	5.5
5. Net Credit from the IMF	1.2	0.1	-0.3	-0.3	2.5	0.0	-1.0	-0.1	-0.8	-0.7	-0.5	0.0
Memorandum Item:												
GDP (millions of US$)	5016.2	6038.3	8536.5	4866.5	3635.4	4266.7	4432.3	4778.3	5183.5	5645.4	5975.2	8868.9
Foreign Exchange Reserves:												
1. Intl. Reserves (IFS 1ld)	106.1	160.1	251.6	200.0	252.1	186.0	142.0	178.0	217.7	258.1	277.8	402.0
2. Gold (end-yr London price)	461.4	386.1	329.0	283.6	328.7	397.4						
3. Gross Reserves incl. Gold	567.5	546.2	580.6	483.6	580.8	583.4						
4. Gr. Res. in Months Imports	6.1	5.7	6.5	4.9	6.3	5.6						
Nom. Off. X-Rate (IFS rf) 2/	25.0	231.6	135.9	0.4	1.9	2.1	2.4	2.6	2.7	2.9	3.0	3.7

1/ Includes only long term, public and publically-guaranteed debt.
2/ Bolivianos per million US$ through 1984, bolivianos per dollar thereafter.

ANNEX 6

BOLIVIA - EXTERNAL CAPITAL AND DEBT
(US$ millions at current prices)

	1980	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1997
Disbursements												
Public & Publicly Guar. LT	477.2	157.1	207.2	197.9	417.7	456.1	410.4	499.9	511.5	509.5	539.8	436.3
Official Creditors	230.6	141.5	180.8	191.1	416.0	456.1	408.4	495.2	506.3	504.2	534.0	428.5
Multilateral	143.4	96.4	84.0	74.9	269.7	160.8	245.5	316.6	318.2	328.5	358.8	333.5
of which IBRD	72.6	9.6	13.6	10.5	3.3	1.9	0.0	0.0	0.0	0.0	0.0	0.0
of which IDA	1.8	3.3	2.1	1.7	4.0	40.8	95.4	66.5	65.4	70.7	84.9	104.8
Bilateral	87.2	45.1	96.7	116.2	146.3	295.4	160.8	178.6	188.1	175.7	175.2	95.0
Private Creditors	246.6	15.6	26.4	6.8	1.7	0.0	4.0	4.7	5.2	5.3	5.8	7.8
Suppliers	22.6	1.7	12.7	6.8	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial Markets	224.0	13.9	13.7	0.0	0.0	0.0	4.0	4.7	5.2	5.3	5.8	7.8
Private Non-Guaranteed LT	16.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total LT	493.2	157.1	207.2	197.9	417.7	456.1	410.4	499.9	511.5	509.5	539.8	436.3
IMF	70.0	19.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Short-Term Capital	0.0	74.0	167.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total incl. IMF & Net ST	563.2	250.1	374.2	197.9	417.7	456.1	410.4	499.9	511.5	509.5	539.8	436.3
Repayments												
Public & Publicly Guar. LT	129.9	107.6	120.6	141.6	96.8	64.3	169.4	156.1	246.0	253.9	280.3	208.3
Official Creditors	45.3	61.7	97.8	136.3	92.5	62.5	167.7	155.2	245.1	253.3	279.7	207.7
Multilateral	9.8	19.9	41.8	76.0	74.9	47.9	71.9	74.7	97.7	108.3	115.7	141.5
of which IBRD	2.6	9.1	13.4	11.7	17.9	18.6	17.8	24.2	24.6	25.2	22.5	19.7
of which IDA	0.3	0.6	0.8	1.0	1.0	1.1	1.1	1.7	1.9	2.0	2.1	4.1
Bilateral	35.5	41.8	56.0	60.3	17.6	14.6	95.8	80.5	147.4	145.0	164.0	66.2
Private Creditors	84.6	45.9	22.8	5.3	4.3	1.8	1.7	0.9	0.9	0.6	0.6	0.6
Suppliers	27.7	15.0	10.7	4.4	3.4	0.9	0.0	0.0	0.0	0.0	0.0	0.0
Financial Markets	56.9	30.9	12.1	0.9	0.9	0.9	1.7	0.9	0.9	0.6	0.6	0.6
Private Non-Guaranteed LT	19.0	0.0	36.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total LT	148.9	107.6	156.6	141.6	96.8	64.3	169.4	156.1	246.0	253.9	280.3	208.3
IMF	0.0	12.0	21.0	12.4	0.0	0.0	44.0	6.0	39.0	40.0	29.0	0.0
Total incl. IMF	148.9	119.6	177.6	154.0	96.8	64.3	213.4	162.1	285.0	293.9	309.3	208.3
Interest												
Public & Publicly Guar. LT	165.6	184.6	191.7	221.3	178.0	303.3	209.7	226.7	213.2	211.1	204.9	226.7
Official Creditors	44.1	65.9	139.0	138.9	119.5	301.2	201.6	221.0	207.0	204.8	198.1	216.6
Multilateral	22.9	31.3	44.7	37.5	44.6	53.0	70.3	101.0	70.8	74.0	79.1	113.5
of which IBRD	10.3	13.6	17.8	15.6	19.0	20.2	26.1	20.1	18.1	16.1	14.1	5.0
of which IDA	0.5	0.7	0.6	0.8	0.7	0.7	1.7	1.7	2.2	2.7	3.2	6.5
Bilateral	21.2	34.6	94.3	101.4	74.9	248.2	131.3	120.0	136.2	130.8	119.0	103.1
Private Creditors	121.5	118.7	52.7	82.4	58.5	2.1	8.1	5.7	6.2	6.3	6.8	10.1
Suppliers	12.1	3.8	4.0	12.9	1.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Financial Markets	109.4	114.9	48.7	69.5	57.3	1.9	8.1	5.7	6.2	6.3	6.8	10.1
Private Non-Guaranteed LT	9.0	22.0	23.0	20.0	20.0	0.0	20.0	20.0	20.0	20.0	20.0	20.0
Total LT	174.6	206.6	214.7	241.3	198.0	303.3	229.7	246.7	233.2	231.1	224.9	246.7
IMF	2.0	8.0	7.0	4.0	4.0	4.4	9.0	14.0	8.6	6.1	3.5	0.2
Net Short-Term Capital	45.0	130.0	142.0	0.0	16.7	0.0	19.0	20.0	20.0	18.4	18.4	18.4
Total incl. IMF & Net ST	221.6	344.6	363.7	245.3	218.7	307.6	257.7	280.7	261.8	255.6	246.8	265.3
External Debt (DOD)												
Public & Publicly Guar. LT	2310.5	3374.9	3480.9	2961.6	3614.1	4388.6	3859.0	4269.2	4668.1	5054.7	5470.2	7048.4
Official Creditors	1229.2	2054.2	2106.0	2149.3	2827.2	3598.1	3734.0	4140.4	4535.0	4916.9	5327.2	6871.5
Multilateral	573.4	811.6	814.2	817.4	1058.5	1254.2	1421.8	1663.7	1884.2	2104.4	2347.5	3341.2
of which IBRD	175.3	212.7	175.5	207.0	234.7	270.1	252.3	228.1	203.5	178.3	155.8	44.8
of which IDA	63.8	92.4	93.7	94.4	97.4	137.8	232.1	296.9	360.4	429.2	512.1	968.1
Bilateral	655.8	1242.7	1291.7	1331.9	1768.7	2343.9	2312.1	2476.7	2650.8	2812.5	2979.7	3530.3
Private Creditors	1081.3	1320.7	1374.9	812.3	786.9	790.5	125.0	128.8	133.1	137.8	143.0	176.9
Suppliers	142.3	93.8	86.5	96.9	72.4	76.9	47.7	47.7	47.7	47.7	47.7	47.7
Financial Markets	939.0	1226.9	1288.4	715.4	714.5	713.6	77.3	81.1	85.4	90.1	95.3	129.2
Private Non-Guaranteed LT	92.0	376.0	340.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0
Total LT	2402.5	3750.9	3820.9	3161.6	3814.1	4588.6	4059.0	4469.2	4868.1	5254.7	5670.2	7248.4
IMF	80.0	89.0	64.0	55.0	55.0	139.0	139.0	133.0	94.0	54.0	25.0	3.0
Net Short-Term Capital	300.0	311.0	479.0	190.0	190.0	190.0	190.0	190.0	190.0	190.0	190.0	190.0
Total incl. IMF & Net ST	2782.5	4150.9	4363.9	3406.6	4059.1	4917.6	4388.0	4792.2	5152.1	5498.7	5885.2	7441.4

BOLIVIA - EXTERNAL CAPITAL AND DEBT (Continued)

11 May 1989

	1980	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1997
Bank and IDA Ratios a/												
Share of Total Long-term DOD:												
IBRD as % of Total	7.6	6.3	5.0	7.0	6.5	6.2	6.5	5.3	4.4	3.5	2.8	0.6
IDA as % of Total	2.8	2.7	2.7	3.2	2.7	3.1	6.0	7.0	7.7	8.5	9.4	13.7
IBRD+IDA as % of Total	10.3	9.0	7.7	10.2	9.2	9.3	12.6	12.3	12.1	12.0	12.2	14.4
Share of LT Debt Service:												
IBRD as % of Total	4.4	7.8	10.0	7.5	13.4	10.5	11.6	11.6	9.3	8.9	7.5	5.7
IDA as % of Total	0.3	0.4	0.5	0.5	0.6	0.5	0.7	0.9	0.9	1.0	1.1	2.4
IBRD+IDA as % of Total	4.6	8.2	10.5	8.0	14.0	11.0	12.3	12.5	10.2	9.9	8.6	8.1
DOD-to-Exports Ratios a/ b/												
Long-Term Debt/Exports	218.3	359.3	400.2	393.8	514.2	590.3	532.3	511.2	491.4	479.9	529.2	409.6
IMF Credit/Exports	7.6	9.5	7.4	7.3	7.8	18.7	19.2	15.9	9.9	5.1	2.4	0.2
Short-Term Debt/Exports	28.3	33.1	55.1	25.3	27.0	25.6	26.2	22.8	20.0	18.0	18.4	11.0
LT+IMF+ST DOD/Exports	254.2	401.9	462.6	426.4	549.0	634.6	577.7	549.9	521.3	503.1	550.0	420.9
DOD-to-GDP Ratios												
Long-Term Debt/GDP	46.1	55.9	40.8	60.9	99.4	102.9	87.1	89.3	90.1	89.5	91.5	79.5
IMF Credit/GDP	1.6	1.5	0.7	1.1	1.5	3.3	3.1	2.8	1.8	1.0	0.4	0.0
Short-Term Debt/GDP	6.0	5.2	5.6	3.9	5.2	4.5	4.3	4.0	3.7	3.4	3.2	2.1
LT+IMF+ST DOD/GDP	53.6	62.5	47.1	65.9	106.2	110.6	94.5	96.1	95.5	93.9	95.1	81.6
Debt Service/Exports b/												
Public & Guaranteed LT	27.9	31.1	35.9	48.3	39.1	49.4	52.3	45.8	48.3	44.2	46.9	25.3
Private Non-Guaranteed LT	2.6	2.3	6.8	2.7	2.8	0.0	2.8	2.4	2.1	1.9	1.9	1.2
Total Long-Term Debt Service	30.6	33.5	42.7	50.9	41.9	49.4	55.1	48.2	50.4	46.0	48.9	26.4
IMF Repurchases+Serv. Chgs.	0.2	2.1	3.2	2.2	0.6	0.6	7.3	2.4	5.0	4.4	3.1	0.0
Interest only on ST Debt	4.3	13.8	16.3	0.0	2.4	0.0	2.6	2.4	2.1	1.7	1.8	1.1
Total (LT+IMF+ST Int.)	35.0	49.4	62.2	53.1	44.9	50.0	65.0	53.0	57.6	52.2	53.8	27.5
Interest Burden Ratios c/												
Total Interest/GDP	3.3	3.1	2.2	4.5	4.9	7.1	4.7	4.7	4.1	3.7	3.4	2.6
Total Interest/Exports	15.6	19.7	22.0	29.4	25.3	40.8	28.9	27.1	22.4	20.0	19.8	13.2

Long-Term Debt includes only Public and Publicly Guaranteed.
Exports of Goods and Services.
Interest includes only Public and Publicly Guaranteed.

FISCAL AND MONETARY INDICATORS

	1980	1983	1984	1985	1986	1987	1980-85	1986	1987
I. Public Finance (% of GDP)									
Central Administration									
A. Total Current Receipts	10.2	3.5	3.2	9.0	15.6	14.7	587.1	463.5	12.0
Internal Revenues		1.4	0.8	1.0	2.6	4.2		715.6	89.6
Taxes on State Enterprises		0.4	0.4	6.2	11.1	7.4		478.5	-20.1
Taxes on International Trade		0.8	1.8	1.4	1.5	2.3		232.0	89.8
Other Revenues		0.9	0.2	0.3	0.4	0.7		378.7	100.0
B. Total Current Expenditures	14.7	23.1	23.1	16.0	17.4	15.5	617.8	253.5	5.6
Interest Payments		2.1	2.2	4.0	7.0	1.4		479.3	-76.9
Current Transfers		3.2	5.5	2.6	2.6	4.6		219.3	111.2
(of which to public sector)		1.5	3.2	1.8	2.6	4.6		379.3	111.2
Goods and Services		17.7	15.3	9.4	7.8	9.5		168.6	45.2
C1. Current Budget Balance	-4.5	-19.5	-19.9	-7.1	-1.9	-0.8	..	..	..
C2. Net Savings of Other Public Sector Agencies	2.4	3.8	-6.6	-2.5	1.1	-0.9	..	..	..
C. Net Savings of Nonfin. Public Sector	-2.0	-15.7	-26.5	-9.5	-0.7	-1.7	..	..	..
D. Capital Receipts	1.0	4.5	0.5	0.3	1.2	0.6	456.4	1259.4	-45.7
E. Capital Expenditures	7.8	5.7	5.1	3.7	5.0	6.5	507.9	337.4	55.1
F. Overall Balance Financed by	-8.9	-16.9	-31.0	-12.9	-4.5	-7.5			
1. External Borrowings	5.1	-3.2	4.7	4.2	5.7	2.4	578.2	342.1	-50.1
2. Domestic Financing	3.7	20.1	26.4	8.7	-1.2	5.1	735.8	-146.1	-590.6
GDP at current market prices (in billions of pesos)	123	1387	18591	2150498	6987176	8311386	605.6	224.9	19.0
II. Money and Credit (Monetary Survey Data from IFS)									
A. In billions of pesos at end year:									
Money Supply (IFS 34)	15	178	3370	198000	382000	525000	569.7	92.9	37.4
Money + Quasi-Money	24	640	9070	742000	1705000	2318000	689.4	129.8	36.0
Total Net Domestic Credit (32)	29	444	4881	136000	327000	756000	442.7	140.4	131.2
To Government (net)(32 an)	13	276	2927	-205000	-538000	-555000	..	162.4	3.2
To Private Sector (32d+32f)	16	168	1954	341000	865000	1311000	636.8	153.7	51.6
Net Foreign Assets (31n)	-3	-119	-792	67000	526000	457000	..	685.1	-13.1
Other Items (net)(37r)	-1	315	4981	539000	852000	1105000	..	58.1	29.7
B. Offsets to Expansion of MQM(%):									
Net Foreign Assets	-13.6	-8.1	-8.0	9.2	47.7	-11.3			
Credit to Government	54.5	37.3	31.4	-28.4	-34.6	-2.8			
Credit to Private Sector	64.9	17.9	21.2	46.3	54.4	72.8			
Net Other Assets and Liabilities	-5.8	52.9	55.3	72.9	32.5	41.3			
Increases in Money and Quasi-Money	100.0	100.0	100.0	100.0	100.0	100.0			

BOLIVIA - SUPPLEMENTARY DEBT INFORMATION FOR HIGHLY INDEBTED COUNTRIES

11 May 1989

	1987	1988	1989	1990	1991	1992	1993-97
terest Payments:							
yments due on existing LT debt	303.3	209.7	225.3	204.5	191.9	170.5	123.6
us payments due on new LT debt	0.0	0.0	1.4	8.7	19.2	34.3	91.3
us IMF service charges	4.4	9.0	14.0	8.6	6.1	3.5	0.5
us interest on short-term debt	0.0	19.0	20.0	20.0	18.4	18.4	18.4
ss interest arrears/capitalization	0.0	4.2	4.7	5.2	5.3	5.8	7.8
ss Paris Club rescheduling	240.7	126.5	58.0	71.0	62.0	47.0	20.8
ss interest saved through							
a. Debt equity swaps							
b. Other debt conversion							
c. Debt forgiveness							
uals total interest payments	66.9	107.0	198.0	165.6	168.3	174.0	205.2
sbursements:							
sbursements on existing LT debt	456.2	271.0	279.7	244.1	172.2	113.0	39.7
us disbursements on new LT debt	0.0	139.3	220.2	267.4	337.3	426.8	424.9
us IMF purchases	0.0	0.0	0.0	0.0	0.0	0.0	0.0
us net short-term capital 1/	0.0	0.0	0.0	0.0	0.0	0.0	0.0
uals total inc. IMF and Net ST	456.1	410.4	499.9	511.5	509.5	539.8	464.6
payments:							
ortization due on existing debt	64.3	169.4	156.1	246.0	253.9	280.3	211.5
ue amortization due on new LT debt	0.0	0.0	0.0	0.0	0.0	0.0	40.3
IMF repurchases	0.0	44.0	6.0	39.0	40.0	29.0	4.4
arrears on principal							
ss Paris Club rescheduling	0.0	80.2	66.5	133.4	131.0	156.0	102.8
ss amortization saved through							
a. Debt equity swaps							
b. Other debt conversions							
c. Debt forgiveness							
uals total repayments	64.3	133.2	95.6	151.6	162.9	153.3	153.4
) (at the end of period):							
isting LT Debt	4388.6	3719.7	3909.7	4041.3	4090.6	4079.2	3889.4
(of which arrears)							
LT Debt	0.0	139.3	359.5	626.8	964.2	1391.0	2581.2
(of which interest capitalization)	0.0	4.2	4.7	5.2	5.3	5.8	7.8
credit from IMF	139.0	139.0	133.0	94.0	54.0	25.0	3.0
short-term debt	190.0	190.0	190.0	190.0	190.0	190.0	190.0
duction in principal due to							
a. Debt equity swaps							
b. Other debt conversion							
c. Debt forgiveness							
uals Outstanding Total DOD (including IMF & net ST)	4717.6	4188.0	4592.2	4952.1	5298.7	5685.2	6663.6

Net disbursements.

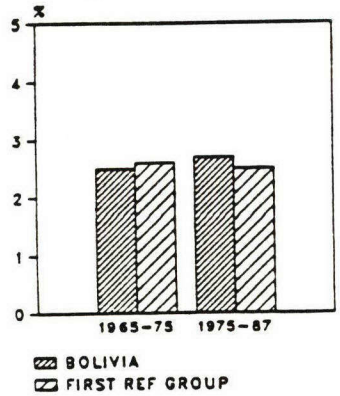
e: All data in table exclude private non-guaranteed debt.

1988 SOCIAL INDICATOR DATA SHEET

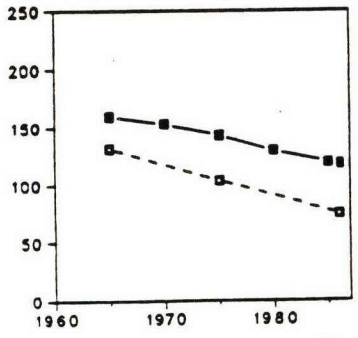
BOLIVIA

	1965	1975	Most Recent Estimate	Reference Groups (MRE) Lower mid income	Upper mid income
AREA					
Total land area (thou sq km)	1,098.6	1,098.6	1,098.6		
Agricultural (% of total)	27.1	27.7	27.6		
GNP PER CAPITA (current US$)	180	360	570	730	2,510
POPULATION AND VITAL STATISTICS					
Total population (thou)	3,844	4,899	6,796		
Urban pop. (% of total)	40	42	46	38	64
Population growth rate(%):					
Total		2.5	2.7	2.5	2.0
Urban		2.8	4.0	4.2	3.2
Life expect. at birth (yrs)	44	48	53	59	67
Population projections:					
Pop. in 2000 (thou)			9,406		
Stationary pop. (thou)			22,043		
Population density per sq km of agricultural land	13	16	20	404	775
Pop. age structure (%):					
0-14 yrs	43	44	44	42	36
15-64 yrs	53	53	53	55	59
65 and above	3	3	3	3	5
Crude birth rate (per thou)	46	45	43	35	27
Crude death rate (per thou)	21	18	17	10	8
Total fertility rate	6.6	6.4	6.1	4.7	3.5
Infant mort. rate (per thou)	160	143	118	76	43
Child death rate (per thou)	37	30	23	11	5
Family planning:					
Acceptors, annual (thou)	..	8	..	..	..
Users (% of married women)	..	..	26	..	..
FOOD, HEALTH AND NUTRITION					
Index of food production per capita (1979-81 = 100)	89	109	89	106	101
Per capita supply of:					
Calories (per day)	1,868	2,017	2,171	2,507	2,964
Proteins (grams per day)	50	53	57	56	76
Pop. per physician (thou)	3.3	2.1	4.8	7.5	1.3
Pop. per nurse (thou)	4.0	3.1	2.5	..	0.9
Pop. per hospital bed (thou)	..	0.5	..	1.1	..
Access to safe water (% of population): Total	..	34	43	..	..
Urban	..	81	78	..	..
Rural	..	6	12	..	..

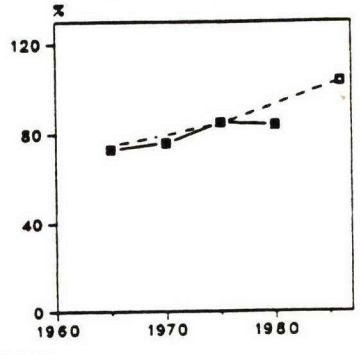
Population Growth



Infant Mortality



Primary School Enrollment



1988 SOCIAL INDICATOR DATA SHEET

BOLIVIA

	1965	1975	Most Recent Estimate	Reference Groups (MRE) Lower mid income	Upper mid income
LABOR FORCE					
Total Labor Force (thou)	1,291	1,565	2,046		
Female (%)	21	22	24	29	30
Agriculture (%)	54	49	46	55	30
Industry (%)	20	20	20	16	30
Participation rate (%):					
Total	34	32	31	37	37
Male	54	51	48	51	51
Female	14	14	15	23	23
Age dependency (%)	87.0	90.4	89.4	82.7	71.8
HOUSING					
Average size of household:					
Total	..	4	..	..	..
Urban	..	4	..	..	..
Rural	..	4	..	..	..
Percentage of dwellings with electricity:					
Total	22	34	..	..	..
Urban	76	76	..	..	..
Rural	8	6	..	..	..
EDUCATION					
Enrollment rates:					
Primary: Total	73	85	91	104	105
Male	86	94	96	109	108
Female	60	76	85	99	102
Secondary: Total	18	31	37	42	57
Male	21	34	40	47	57
Female	15	25	34	36	56
Pupil-Teacher ratio:					
Primary	28	22	25	31	25
Secondary	17	18	..	23	18
Pupils reaching grade 6 (%)	..	34	46	72	65
INCOME, CONSUMPTION, AND POVERTY					
Energy consumption per cap. (kg of oil equivalent)	..	210	263	351	1,313
Percentage of private income received by:					
Highest 10% of households	..	..	..		
Highest 20%	..	59	..		
Lowest 20%	..	4	..		
Lowest 40%	..	13	..		
Est. absolute poverty income level (US$ per capita):					
Urban	..	..	..		
Rural	..	134	..		
Est. pop. below absolute poverty income level (%)					
Urban	..	..	..		
Rural	..	85	..		
Passenger cars/thou pop.	2.6	6.0	8.1	..	..
Newspaper circulation (per thousand population)	24.7	40.6	44.3	43.5	106.2

IECSE August 1988

.. Not available. Note: Most recent estimates of population and GNP per capita are for 1987 unless otherwise noted. Group averages are population weighted. Country coverage depends on data availability and is not uniform. Unless otherwise noted, 1965 refers to any year between 1962 and 1968; 1975 between 1972 and 1978; and most recent estimate between 1980 and 1986.

BOLIVIA

Main Roads
Secondary Roads
Railroads
Rivers
Department Boundaries
International Boundaries

Relief (meters)
6000 AND ABOVE
5000 - 6000
4000 - 5000
3000 - 4000
2000 - 3000
1000 - 2000
0 - 1000

Climatic Zones
COLD (4500 m. and above)
COOL (3000 - 4500 m.)
TEMPERATE
SUB-TROPICAL
TROPICAL

BRAZIL
PERU
CHILE
PARAGUAY
ARGENTINA

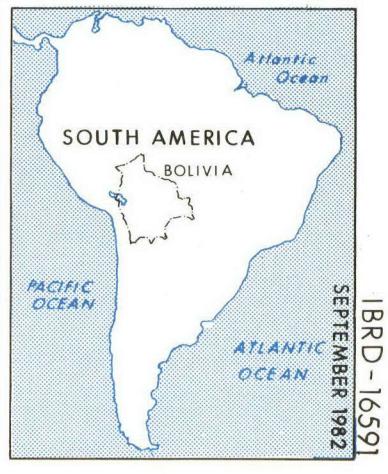
PANDO
LA PAZ
BENI
COCHABAMBA
ORURO
POTOSI
CHUQUISACA
TARIJA
SANTA CRUZ

COBIJA
RIBERALTA
Magdalena
Santa Ana
San Borja
TRINIDAD
LA PAZ
Guaqui
Viacha
COCHABAMBA
ORURO
Uncia
Aiquile
SUCRE
Potosi
Rio Mulato
Uyuni
TARIJA
Villazón
Yacuiba
SANTA CRUZ
San Jose
PUERTO SUAREZ
Todos Santos

Rio Madeira
Abuná
Rio Orton
Rio Madre de Dios
Rio Beni
Rio Mamoré
Rio Yata
L. Rogaguado
L. Rogagua
Rio Itonamas
Rio Baures
Rio Itenez or Guapore
L. San Luis
Rio Desaguadero
Lake Titicaca
Lake Poopo
L. Colpasa
Uyuni Salt Pan
Putana volcano
Colorada Lagoon
Rio Grande
Rio San Miguel
Rio Pilcomayo
Rio Bermejo
R. Paraguay

To Cuzco
To Arica
To Salta
To Salta
To São Paulo

0 100 200 300
KILOMETERS



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IBRD - 16591
SEPTEMBER 1982

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

Mr. Dubey
E-3069
cc: Mr. Ray

DATE: June 21, 1989

TO: Files

FROM: Michael Botashnik

EXTENSION: 30145

SUBJECT: **BOLIVIA: Country Strategy Paper Review**

1. The Bolivia CSP was reviewed at an RVP meeting on June 20, chaired by Mr. Bottelier. Mr. Bottelier led off the discussion by first focussing on the quantitative dimensions of Bolivia's development problem(s). He particularly emphasized the large and slowly improving current account deficit (combined with relatively slow growth) in the projections and Bolivia's considerable overhang of bilateral and multilateral debt. He questioned whether despite all that Bolivia has already done in the past four years, there are some additional measures that it can take to get out of its predicament.

2. In response to Mr. Bottelier's query about Bolivia's political situation, staff noted that the political actors are well known to the Bank and during the presidential campaign had endorsed the Government's economic program.

3. There were a number of useful comments made on the document which will be taken into account by LA3C1 staff in preparing a final version. These comments were as follows:

4. The country strategy needs to elaborate on the measures which need to be taken to increase the role of the private sector in the economy. Are more policy changes needed to restore the confidence of private investors? Since several policy changes agreed to by the Government have yet to be implemented, what will be the strategy to get them implemented? Despite the statements that the private sector should increase its participation, the projections on investment and savings levels do not suggest that there is much confidence that this will, in fact, happen.

5. The discussion of Bolivia's relations with Argentina and Brazil should elaborate on the economic and political difficulties and their implications. In the case of gas exports, there are good reasons to assume that Bolivia may have to begin to adjust to a lower level of export earnings already beginning in 1989 instead of when the current contract expires in 1992. In the case of Brazil, the difficulties of concluding an agreement to improve export earnings from the sales of power, urea, and polyethelene need to be emphasized.

6. The Bank's strategy in the industrial sector should attempt to identify some of the policy measures which the Government may need to take in order to stimulate private investment and growth in the sector.

7. Further thought should be given to the conditions which have been identified and need to be met to achieve growth and whether their implementation needs to be speeded up.

8. There should be a second lending strategy which relates to the policy slippage scenario since there is some uncertainty as to the sustainability of the macroeconomic framework and future commitments to implement pending policy reforms.

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BOLIVIA

DIVISION COUNTRY BRIEF

November 18, 1986

Latin America and the Caribbean Regional Office

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BOLIVIA - DIVISION COUNTRY BRIEF

A. Introduction and Background

1. The Bank's management last reviewed a CPP for Bolivia in December 1976. Bolivia's program has been discussed since then on several occasions, notably an OPSC review of a Bolivia strategy paper in August 1983. Within the past year, several papers proposing a new approach have been discussed, most in conjunction with the Reconstruction Import Credit approved in May 1986, and a joint Bank/IMF Framework Policy Paper was reviewed by the OPC on October 22, 1986. The objectives of this brief are to highlight major strategic issues for Bank operations in Bolivia for the next two-year period, with a focus on proposals for lending and ESW programs, issues for Bolivia's medium- and long-term development which underlie the operational proposals, and suggestions on ways to manage the very real risk that the Government policy direction could change, calling for a shift in the Bank Group role.

2. The setting for the present review is the sharp change in Bolivia's fortunes and the direction of economic management since August 1985. The new democratic Government led by President Paz Estenssoro has followed an extraordinary economic stabilization and adjustment program. As recently as six months ago this program was expected to spur growth in the economy this year. However, several unexpected external shocks have undermined short-term growth prospects; the collapse of the world tin market and drop in hydrocarbon prices have delayed Bolivia's recovery and accentuated the medium and long-term dilemma presented by Bolivia's heavy dependence on export commodities which face major uncertainties. At present, the economy is still in a recession and, while the Government remains committed to maintaining its tight stabilization program, the resumption of economic growth is now the paramount objective.

3. The Government is seeking large scale Bank Group assistance to support its adjustment and development programs. They wish us to play a central role in resource mobilization and aid coordination, lending for new programs, and economic and sector work in support of economic policy reforms. We have already increased markedly our activities in Bolivia, notably with approval of a total of US$70 million in IDA credits for the Reconstruction Import program and a Gas Recycling Project in FY86 and increases in staff resources devoted to Bolivia (the work program calls for 680 staffweeks in FY87 compared to 447 staffweeks in FY86 and 316 staffweeks in FY85). We are far advanced with preparation of a Consultative Group meeting (the first since 1977) in December 1986. However, if we are to respond to the challenge to assist the Government in its programs, still higher levels will be required, as we must rebuild our lending programs almost from scratch and greatly expand our economic and sector work. Specifically, Bolivia cannot be considered creditworthy for Bank lending now and a sharp increase in IDA resources is justified by Bolivia's poverty and excellent economic management performance under the Paz Estenssoro Government. We recommend in this paper a lending program of

US$70 increasing to $95 million in IDA credits a year for the FY87-91 period. Management of this program will require particular care as it is based on an optimistic scenario which assumes continued momentum in introducing further economic reforms. The alternative scenario would be sharply reduced lending for recovery of productive capacity and institution-building support. Given the volatility of the situation in Bolivia we recommend a review by Regional Management of the strategy and related programs in one year's time.

B. Political and Social Context

4. The most marked feature of Bolivia's political background is the extraordinary record of political instability: over 180 governments have held office since independence in 1825 and six presidents (military and civilian) have held office since 1979. Wide swings in ideology from far left to far right have characterized these governments. Results have been a high measure of uncertainty, the erosion in confidence in the Government, very high levels of corruption, and a breakdown in basic Government services and in law and order. Unions throughout the economy are active and strikes are endemic, a symptom of the adversary relationships between government and workers which are most striking for the troubled mining sector.

5. The present government of President Paz Estenssoro, elected in July 1985, took office in a period of unprecedented economic crisis with inflation running at what may have been 28,000% a year. The new President emerged as a leader of Bolivia in the 1940s and has served twice before as president, notably presiding over the 1952 revolution which nationalized many enterprises (including the mines) and introduced agrarian reform. Now 78 years old, the President has set about to create a "new Bolivia". He has set a path of reform totally at odds with his previous record. The population or at least the political leadership has to date supported him in his reform efforts: the argument is that having reached the depths of economic chaos there is wide recognition that far-reaching changes must come about and a willingness to weather the consequences, at least for a time.

6. Behind this general facade of strong leadership and support there are intense internal debate and many tensions. The President is highly skillful in playing off internal political alliances against each other and has shown himself willing and able to tackle frontally vested interests, including the powerful drug barons. The two major parties - the MNR of President Paz Estenssoro and the ADN, led by General Banzer, have struck a somewhat uneasy truce. Within the MNR, however, tensions are becoming increasingly apparent, and are presently reflected in different approaches to handling the social dimensions of the adjustment program. If the MNR wing which advocates more expansionary policies gains ascendence, there is considerable risk that the rigor behind the economic reform program will flag. In addition to these major party struggles large numbers of left and right wing parties are active in the Congress and outside. There is active and open debate on policy issues in Bolivia now, with a free and vocal

press and constant questioning of policies and results. The political situation is thus difficult, with continual challenges to government policies and possibilities of changes in government. Nonetheless, the Government has weathered 15 months since taking office and has shown its ability to stay the course on economic policy and to win major victories in the Congress, notably the passage in May 1986 of a new tax reform law.

7. In sum, the President has showed great vision and courage in launching and pursuing a new economic policy and he, as a long-standing nationalistic leader, is uniquely positioned to introduce the far reaching changes Bolivia needs. He has assembled a cabinet, mostly from the private sector, of extraordinarily able and principled individuals to pursue the stabilization program. The situation is fragile, however, with challenges from all sides. External support is essential and is seen as a key element in the equation of sustaining the present policy stance.

8. Bolivia faces deep-seated social problems, with an essentially dual society and wide disparities in incomes. The majority of the population is Indian in origin and, despite universal adult suffrage, a large part of the population is effectively estranged from Bolivia's socio-political life. One half of the population does not speak Spanish fluently and Bolivia's government has traditionally been run by the 'white' Spanish speaking and western oriented elite. This situation presents long term issues and challenges for Bolivia. In the immediate future, it accentuates the importance of effective action to address the social impact of economic programs and to launch efforts to remedy the weak social services (health, education) which contribute to the dismal social statistics on Bolivia - highest infant mortality rate in Latin America, lowest access to piped water, etc. In the longer term, issues of social policy should figure prominently in our operational program and we plan to start work on social sector reviews to provide a basis for long term action plans. Bolivia will be one of the LAC Region's countries where the role of women in development will be emphasized. This work will focus on monitoring the poverty impact of adjustment programs and on defining social action programs. It may also offer a vehicle for defining approaches to the more fundamental social issues facing Bolivia.

9. Bolivia's rapid population growth rate raises important issues. Statistics are particularly poor but best estimates indicate that the population of about 6.5 million is increasing at about 2.8% a year. The official Government stance is that Bolivia has ample land resources to support a much larger population; underlying this position is the racial dimension of population policy issues and an unwillingness to broach the topic which is very sensitive. We do see population as an important issue because of its impact on prospects for employment, development of human capital and poverty alleviation. We propose that the most effective approach to the problem at this stage would be the proposed initiatives to define social action programs, with a focus on health care and the role of women. The problems posed by rapid population growth should remain an important theme in our policy dialogue.

10. The growth of the cocaine industry in Bolivia over the past six years has had far-ranging effects on the economy and society. These issues have come to the forefront in recent months with a strong Government commitment to curtail the trade and joint US-Bolivia military intervention

during the summer of 1986. The problem is enormous as coca accounts for a large part of Bolivia's economy and legal exports are well below earnings from cocaine. The drug interests are powerful and play an increasingly pervasive role in the economy and in politics. The Government sees also an alarming incidence of social problems in Bolivia linked to drugs (addiction, crimes, alienation of large groups, disruption of traditional agriculture). The Government has therefore decided to address the problem frontally with a program designed to eradicate coca production and processing (except for traditional uses). Following an international appeal by the Government launched through the U.N. in October 1986, an agreement was signed with an American Government team in La Paz in late October to implement a comprehensive program, whose cost over three years is about US$300 million. Whether the Government has the capacity to implement this program fully is doubtful. A number of senior officials are strongly rumored to have coca-industry links and the large amounts, estimated between US$200 and 600 million, of coca dollars repatriated each year have been strategically invested to support trade union organizations, key private sector industries, prestige ranches, and social infrastructure supporting the growing areas. A number of towns are well-endowed with good schools and infrastructure support for a captive local work force e.g. Santa Ana. The American troop presence over a period of 120 days this summer and autumn temporarily dislocated the market price of coca leaves by frightening away the middle men but within ten days of troop departure coca leaf prices compatible with early 1986 levels were restored. This issue is likely to figure prominently in discussions of Bolivia's problems and prospects in the immediate future. We consider it important that we make special efforts to understand the situation - notably the economic impact of the cocaine industry and its possible sharp reduction, and the specific development consequences of the proposed eradication schemes.

C. Economic Background

11. Bolivia's precarious economic situation is described in two recent documents: Updating Economic Memorandum for Bolivia (November 3, 1986), and the joint Bank/IMF/Government Policy Framework Paper (November 6, 1986). This section summarizes briefly the Paz Estenssoro Government's economic legacy, the Government's economic program, the record of performance to date, projections for future growth and resource needs, what we see as underlying adjustment issues, and prospects and needs for external resource flows.

12. The Legacy. The chaos of Bolivia's economy in July-August 1985 is well documented but the salient features were the hyperinflation, which ran at some 24,000% over the one year period ending September 1985, an exchange rate system where the parallel rate exceeded the official rate by 20 times, Government deficits approaching 30% of GDP, a large unmanageable debt, and a tax effort which declined to about 3% of GDP, making it one of the lowest in the world. Bolivia had run up a debt of some US$4 billion, most of which was not being serviced; arrears stood at about US$1 billion in August 1985. GDP fell by 30% over 1981-85 and the situation of Bolivia's population was notably worse than it was 20 years earlier.

Behind these figures was a state apparatus running out of control, a far-ranging breakdown in Government services including those responsible for economic management, and a sharp decline in investment, public (because it could not be managed or financed) and private (because confidence in the economy was almost nil). Bolivia's export earnings were heavily dependent on tin and gas, both of which have had heavy state intervention. Bolivia's mining industry, in particular, was exceptionally vulnerable to external shocks as it was high cost with virtually no effective measures to explore new resources or to put the industry on a sound, modern footing.

13. The Government's Economic Program, introduced in August 1985 with important additional measures over the coming year, is a far-ranging, ambitious effort to achieve stabilization and bring about fundamental adjustment in the economy. The program is, for the short term, centered on sharply reducing deficits of the non-financial public sector, and more broadly, curtailing the state's role so as to encourage a free market economy. Noteworthy features are the absence of controls on prices and wages (outside the public sector) and a free exchange rate system based on a daily public auction. Important measures include laws on public employment which eased restrictions on firing, passage of a far-ranging tax law, and reforms in the trade regime, including a uniform 20% import tariff. The economic program includes in outline and in some instances very specifically, plans for fundamental structural adjustment, with a strong focus on addressing the problems of the public enterprises. The aim behind these measures is to bring about a sharp reduction in the public sector, including employment, and to put public enterprises on a sound financial and economic footing. A comprehensive program to introduce an integrated financial management system for the Government is at an advanced planning stage. Bolivia aims to reestablish normal relations with its debtors, starting with the Paris Club and including commercial banks. It also sought quickly to reestablish relations with the IMF.

14. Record of Performance. The record of the Government's first 15 months in office should be viewed as extraordinary. The stabilization policies introduced in August 1985 have been implemented with vigor, despite many challenges to them, internal and external. Perhaps most notable is that the lid has been kept on public sector wages and on government spending. Inflation has run at some 2% a month since early 1986. The exchange rate is free and stable. Major progress has been made in freeing prices and in raising tariffs. The Government has made significant progress in regularizing relations with creditors, notably the Paris Club Agreement in June 1986. The problems the economic team have faced have been far worse than anticipated because of the sharp reverses in market prospects for Bolivia's two major exports - tin and natural gas. Nonetheless they have sustained a coherent policy stance taking these new developments into account.

15. The major weaknesses in policy can be seen in the areas of public investment and general government administration, and in the absence of explicit measures to address the social consequences of adjustment. For public investment, the Government has only recently started the full-scale review of ongoing and planned programs required to boost investment levels and ensure that they are efficiently managed and geared towards the Government's recovery objectives. If international support is to be mobilized and used well, a disciplined effort to improve the management of public resources is urgently required. More broadly, despite important

measures already underway to cut back public sector employment and to improve key services, the administrative apparatus which must implement policy change is still extremely weak and decision-making across the board is slow and uncertain. Carefully targeted efforts to build key services and cut some red tape are essential if the Government is to follow through on the policy initiatives already taken. The Government is well aware of this critical problem of implementation - a Government powerful with the policy pen but much less so in following through on its decisions. The problem is that, to date, only a small part of the changes introduced can be seen as truly "institutionalized". This conundrum underscores the importance of vigorous institution-building efforts targeted in the first instance to the key areas of economic policy management (Ministries of Finance and Planning, Central Bank, and Contraloria General) which manage the financial control system. We see a strong focus of Bank assistance on the implementation of policy reforms. Another area where priority attention is needed is in monitoring and acting to alleviate the social impact of adjustment policies. To date, virtually no systematic action has been taken in this domain. The strong response of the miners to lay-offs has seriously cramped reforms of COMIBOL, the mining public enterprise. It has brought home the need to design an effective social action program to ensure that social issues are understood and that the Government responds, within the severe constraints upon its administrative and fiscal capacity, to the most urgent social needs. During an October meeting convened by the UN Secretary General, the Government appealed for international support for a Social Emergency Fund. However, this remains little more than an idea and much work is needed to prepare sound proposals for putting it into effect.

16. Economic Projections. Our projections on future macroeconomic developments are detailed in the Updating Economic Memorandum. Tables 1, 2, 3 and 4 present a summary. The projections are admittedly based on optimistic assumptions: they presume the continuation of the Government's current macroeconomic policies - including the maintenance of stabilization programs and continued structural adjustment measures at the macroeconomic and sector levels. It assumes an increasing level of investment, public and private, within the period. With this scenario, GDP growth of about 3-1/2% a year should be achieved. Even with this rate of growth, per capita incomes in 1995 will be the same as 1985. This scenario suggests broadly that with strong external support Bolivia can maintain equilibrium in internal and external accounts through the early 1990s. Thereafter the present scenario shows a sharp deterioration in the external accounts as repayments to the Paris Club and to the IMF fall due and the important natural gas contract with Argentina expires. Longer-term growth and financial equilibrium will depend on Bolivia's ability to: (a) restructure its debt in a radical manner; (b) maintain what must be seen as high levels of growth and investment; and (c) develop major new sources of export earnings. Under present assumptions, therefore, Bolivia clearly cannot be considered creditworthy for Bank lending; it stands, rather, in urgent need of a sharp increase in financing on highly concessional terms.

17. We have reviewed several less optimistic scenarios. The "worst case" involves a return to the types of policies followed before August 1985 and the consequences are clear from that history. With intermediate scenarios which are based on less vigorous adherence to present adjustment policies Bolivia cannot achieve any significant level of growth and the

prospect is for a continued or worsening recession. The gaps in the external account widen, and per capita incomes fall. In sum, unless there is sustained commitment to the reform program coupled with high levels of external support, the substantial achievements to date will founder.

18. We consider the most critical variables for future growth, tied to Government policy, to be: (i) maintenance of a free and competitive exchange rate, (ii) maintaining free prices within the economy, (iii) active measures to promote export growth and diversification, notably a favorable trade regime based on low import tariffs and no re-introduction of restrictions on exports, (iv) effective measures to bring about further reductions in direct public sector involvement in productive activities, (v) progress in stimulating private investment, and (vi) an increase in the amount and efficiency of public investment.

19. Major Economic Adjustment and Issues. The major adjustment issues for the medium-term for Bolivia may be briefly summarized as follows:

(a) Redefinition of the Role of the State. A central tenet of the Government's new economic policy is a sharp reduction in public sector intervention in and management of the economy. The issue now is how to carry this into practice by sustaining and enlarging measures taken already to free prices and dismantle the complex web of controls which has been created over the past 30 years, to reduce the scope and sheer size of the public sector, and to make public services more effective and efficient, geared to supporting a free market economy. This constitutes an enormous challenge for Bolivia as the public sector is one of the biggest and probably most inefficient in Latin America. Large numbers of public entities operates in a confused policy environment and public sector employment is around 200,000 or about 30% of total wage employment. Public enterprises dominate key sectors, notably mining, energy and transport. The objectives for the medium-term are thus to restrict further the public sector role by reducing the number and size of institutions (including large reductions in public sector employment), to redefine administrative procedures to reduce and simplify them dramatically, and to rebuild basic public services starting with those central to management of the economy (Ministries of Finance and Planning, Central Bank, Controller General). In the medium- to long-term, far-ranging civil service reforms including adjustments in salary scales will be required.

(b) Financial Equilibrium. Bolivia faces three imperatives to achieve lasting adjustments to bring its internal and external accounts into balance: first, tax revenues must be increased by implementing the Tax Law passed in May 1986. This effort is just now beginning but needs to be pursued with vigor; second (and related to the redefinition of the role of the State) public sector spending must be reduced and redirected to productive ends, notably investment; and third, Bolivia, with external support, must seek a restructuring of its external debt as this cannot be serviced with present foreign exchange resources.

Reschedulings of debt offer a very partial solution because of the financial difficulties foreseen for the early 1990s. Bolivia offers features, notably the exemplary policy performance, poverty of the country, and relatively small size of the debt in international terms, which suggest that radical solutions to the problems of commercial bank and possibly bilateral debt should be explored.

(c) Export Diversification and Promotion. Bolivia has seen the virtual collapse of markets for its two major exports, tin and natural gas, over the past year. While prospects may improve, especially if a project to export gas to Brazil proves viable, these developments underscore the need to diversify exports and to promote actively exports other than tin. The most favorable prospects are development of commercial agriculture in the Santa Cruz Department (which should be stimulated by the opening of the waterway to the Atlantic via the Paraguay River) and exploitation of a range of metals other than tin. What is needed is an active policy stance promoting exports, translating President Paz' statement "Either we export or we die" into practice.

(d) Public Investment. Major efforts are needed to boost levels of public investment and direct it to productive ends. This is feasible because there is a large pipeline of financed but undisbursed projects (around US$1 billion) but difficult because management of this portfolio is poor and responsibilities highly fragmented. Lack of counterpart funds and the acute administrative weakness of implementing agencies have slowed implementation severely. High priority must go to speeding implementation of the portfolio which for the most part consists of reasonably sound investments, followed by measures to establish a decent investment preparation, screening and programming process. In the interim a challenge will be to avoid bad investment decisions, as several "white elephants" with strong sponsors are waiting in the wings. Although some of these ideas have been around for many years, neither we nor the Government now has adequate up to date information on them. This underscores the importance of an early focus on the public investment review. This effort has barely begun and much work remains.

(e) Private Investment and the Financial Sector. The motor for future growth is to be the private sector but it has been very slow to resume investment despite the favorable policy environment. The structure of the private sector (geared to trading and quick return ventures), decades and even centuries of bad habits, and an understandable concern with political and economic policy stability present a particularly difficult problem in efforts to reactivate investment. One area is susceptible to immediate action: restructuring the troubled financial sector. Work is underway to prepare proposals that would put the banking system back on a sound footing and thus ensure that financing for private investment is available. Other

policy objectives should be special efforts to convince private operators of the Government's commitment to continuity in economic policies, improve information flows and, for the public and private sectors, to prepare and, in appropriate instances, participate in promising investment ventures.

(f) Social Sectors. Bolivia's deep-seated social problems suggest that during the adjustment period priority should be given to preparing actionable social service programs in critical areas, notably health and primary education.

(g) Environment. Bolivia faces important long-term ecological issues both on the Altiplano (land degradation) and in the lowlands. It would be prudent to initiate soon a careful review of issues with a view to presenting a strategy for addressing environmental issues in the medium- to long-term.

20. Prospects and Needs for External Resource Flows. Bolivia will require substantial transfers of external resources to close the balance of payments gap and allow growth. Given the difficult medium and long term prognosis for the external account, it is important that this assistance be on highly concessional terms. The Bank's economic projections assume that these needs are met primarily by bilateral and multilateral disbursements and direct foreign investment (Table 4). For 1987, the estimates are as follows: multilateral gross disbursements US$282 million (including IMF), bilateral gross disbursements on loans US$132 million, official assistance on grant terms US$95 million, and net direct foreign investment US$20 million. No new financing from commercial banks is assumed with the exception of capitalization of interest. The solutions worked out for the commercial bank and Paris Club debt will have a major impact on actual financial requirements in the ensuing years, but the projections indicate increasing needs for external financing through the early 1990s.

D. Past Bank Group Operations and Bolivia's Relations with Other Agencies

21. The Bank Group has been actively involved in Bolivia since 1964. Total lending to date stands at about US$460 million; 16 credits, 15 loans, and one blend operation have been approved. Of this, US$295 million is outstanding and, as of September 30, 1986, US$86.5 million was undisbursed. Bolivia was an IDA country until 1975 (except for the Gas Pipeline loan), then borrowed for several years on Bank terms until the economic situation begun to deteriorate around 1978. An ill-fated structural adjustment loan was made in 1980 and its failure combined with worsening creditworthiness for the country and deterioration of economic management led to the cessation of Bank and IDA lending between FY81 and FY86. As a result our present portfolio (leaving aside the two operations approved in late FY86) is very small, consisting essentially of small remaining parts of old projects, most of which have had a troubled history. They were designed in a different era and were implemented during a period of economic turmoil with Bank/IDA disbursements stopped several times as Bolivia failed to service its obligations. The undisbursed balance on this portfolio stood at US$15 million as of October 31, 1986, and a large part is likely to be cancelled before the end of this fiscal year. By FY88, none of these older projects will remain alive.

22. Past Bank lending has been quite far-ranging and diverse, with an active involvement in several sectors, notably transportation (26% of total lending) and hydrocarbons, where the Bank played a key role in developing Bolivia's gas export potential. Other sectors where the Bank has been actively involved are power, mining (largely credit operations for the private sector), water supply, and urban. Our record in agriculture has been mixed, with some successful operations in earlier years focussed on the livestock sector; three more recent (two still ongoing) rural development projects have, however, faced serious implementation problems. Execution of many on-going projects was affected adversely by the shortage of local funds, changes in Government personnel, and periodic suspension of Bank disbursements and as a result the conclusions of recent PPARs have been quite negative, notably for the 1980 Structural Adjustment Loan. The current Government has made praiseworthy efforts to improve portfolio performance but faces a difficult, and in some instances, virtually impossible task in trying to resuscitate flawed or outmoded operations. Recent economic reforms and the appointment of qualified project managers by the current Government are expected to improve project execution in several cases.

23. While no new operations were approved between 1980 and May 1986, the Bank provided substantial technical assistance through its economic and sector work which was focussed on critical impediments to Bolivia's development. Many recommendations resulting from these efforts provided the basis for the current Government's stabilization and structural reform program and underpin specific programs now under active preparation; on the other hand, many reports remain on the shelf and events have largely bypassed them. Specific efforts included a comprehensive study on COMIBOL rehabilitation in 1981, proposals for mining tax reform, analyses of mining investment laws and fiscal reserve, a proposed reorganization of the troubled Agricultural Credit Bank (BAB), studies on pricing issues for agriculture, a sector paper on transport, an energy assessment, and a program proposing a full overhaul of auditing and procurement practices. These provide a fairly good base for our present efforts to support the Government's adjustment program and start to rebuild a lending program. Nonetheless, the very small size of the current portfolio and of our recent operational program plainly presents important disadvantages, and calls for special efforts to rebuild our knowledge of various sectors and to move quickly in preparing new lending operations in what remains a difficult operational environment. Our limited recent involvement is particularly apparent as we seek to review the public investment and expenditure programs. This work will require, in many sectors, a heavy initial investment in reconstituting knowledge of the sector.

24. The Bank response to the new policy initiatives launched in August 1985 was rapid and during that fiscal year two IDA-financed operations - the Reconstruction Import Credit for US$55 million to finance imports for key sectors, and the Vuelta Grande Project for US$15 million - were approved. The Bolivia country team was retailored with the creation of a new division in the Bank and an ambitious program of project preparation (supported by five new PPFs) and economic and sector work was launched. The Resident Mission in Bolivia has been reactivated with the appointment of a new Resident Representative in October 1986. Finally, the Bank has agreed to resurrect the Bolivian Consultative Group (dormant since 1977) with a first meeting in December 1986.

25. During the period of limited Bank involvement (1980-85) the IDB maintained an active presence in Bolivia, reflected in their current large project portfolio which stands at about US$460 million in undisbursed commitments. IDB has lent largely for transport and energy investment but also has important technical assistance efforts ongoing. The UN system also remained actively involved and the Secretary General himself, and other senior UN officials, have taken a lead in appealing for international support for Bolivia in recent years. IFAD has a relatively strong involvement in the agriculture sector, mostly for relatively small but quite soundly-conceived projects. The Fondo Financiero para el Desarrollo de la Cuenca del Plata (FONPLATA) and the Corporacion Andina de Fomento (CAF) provide some financing, although their terms are not very concessional. Among the bilateral agencies, Argentina and Brazil have been by far the most important, reflected in their current 50% share of Bolivia's bilateral debt. Most support has been supplier credits with some technical assistance and, in the case of Argentina, an important role for countertrade. The USA has a longstanding special interest in Bolivia, which has taken on special significance with the increasing prominence of issues around the cocaine trade. Other bilateral agencies with significant programs are the UK, Germany, and Japan, and, to a lesser extent, Switzerland, Holland, and Denmark. These latter countries have followed the developments of the past year closely and have expressed interest in supporting Bolivia's development efforts. Other important actors are non-governmental organizations, which are very active in Bolivia (some 197 operate there) but there are important problems in coordinating these activities. In sum, Bolivia has long been a country where external assistance plays an important role and there is evidence of particular interest in supporting Bolivia's program now. Aid coordination is poor, however, with information exchange limited and considerable overlapping in activity and even contradictory programs. This gives special importance to the Consultative Group as a vehicle for improving aid coordination by improving information flows and supporting the Government in presenting to donors and carrying through a coherent development program.

26. Original commercial bank debt in Bolivia stands at about US$650 million in principal but would total at least US$900 million if unpaid interest, penalties, etc. were added in (the latter figure is subject to dispute as there is, no legal agreement as of yet). It is held by some 140 banks, with US banks holding the lion's share. Bank of America chairs the Bolivia Advisory Committee. Bolivia has not serviced its commercial bank debt since March 1984. Several meetings have been held within the past year (most recently in September) and progress is being made. There is recognition on both sides that innovative solutions will be required and possibilities under discussion include debt equity swaps, interest subsidies, and buyback of Bolivia's debt at a deep discount. Recourse to new commercial bank lending in the short- and medium-term seems unlikely.

27. Bolivia's relations with the IMF over the past year have been good. A one-year Standby agreement was approved in June 1986 and Bolivia has met virtually all performance targets by comfortable margins. The Fund staff is now preparing to present proposals for access to the Compensatory Financing Facility and the Structural Adjustment Facility in December. Discussions on a further Standby are likely to begin in the spring of 1987.

E. Bank Assistance Strategy and Operational Program

28. The Government's stabilization program and medium-term strategy for economic reconstruction, recovery, and growth provide a good framework for an expansion of our operations in Bolivia. Our proposed assistance program, including economic and sector work, should allow us to be an active partner in the Government's efforts to rehabilitate the economy's productive capacity and play a central role in monitoring and supporting the implementation of policy reforms. Specifically, our strategy will focus on assisting the Government to: (i) sustain the implementation of the macroeconomic stabilization program and carry through structural adjustment reforms including specifically a change in the role of the state; (ii) rehabilitate and restructure the agriculture, mining, and hydrocarbon sectors with the view to diversifying exports and achieving efficient import substitution; (iii) reconstruct and rehabilitate essential infrastructure to minimize bottlenecks to increased production and to support increases in private investment; (iv) support major increases in public and private investment notably through strengthening the public investment program, enhancing the investment climate through appropriate policy measures, and reforming the financial sector; (v) alleviate the direct social impact of the stabilization programs especially on lower income groups; and (vi) reintroduce discipline in public sector management and administration to support the effective execution of the economic reforms and management of the economy. We also expect, in collaboration with the IMF, to support the Government in its efforts to restructure its commercial bank and bilateral debt.

29. In line with the above strategy, we will endeavor to (i) increase the quantity and quality of our economic and sector work program; (ii) strike a balance between policy-based and regular project lending with substantial institution-building components; (iii) to the extent possible, increase the size and number operations of IDA lending to increase the transfer of resources and rebuild our operational portfolio; and (iv) help to coordinate aid flows to Bolivia and participate in working out Bolivia's indebtedness problems including participation in commercial bank and Paris Club discussions.

Economic and Sector Work Program (ESW)

30. Through our proposed ESW program (FY87-89) we aim to continue a productive policy dialogue with the Government and assist in elaborating a realistic and actionable medium-term policy framework and a sound medium-term public expenditure program. Further, some planned studies would help rebuild, update, and fill in gaps in our knowledge of key sectors and could become the basis for policy-based and project lending and enable us to establish parameters and indicators for monitoring the performance of Government adjustment policies and programs.

31. The proposed ESW program for FY87-89 is as follows:

(a) an Updating Economic Memorandum has been prepared for the December 1986 Consultative Group Meeting. It provides a review of the new economic policies and performance in implementing them, and presents medium-term economic projections.

(b) the first stage of a Public Investment Program (PIP) Review has been completed, focusing on the analysis of the composition, level, and implementation constraints of the Government's 1986 and 1987 investment programs and a preliminary review of the agency project proposals for future years. A summary of findings has been circulated to the CG. A second stage in-depth Public Sector Expenditure Review (PSER) will be undertaken in the second half of FY87 (i.e. after the CG Meeting). The PSER will aim to provide advice and support to the Government in improving resource allocation and management as Bolivia moves from short-term stabilization to medium-term growth. It will entail in-depth reviews of sector strategies and investment and expenditure programs, criteria and means for developing investment programs and projects, and institutional mechanisms for project identification, screening, monitoring and implementation. A key objective is to ensure that investments are focused on the Government's strategic priorities within the macro-economic framework, including resource availability. We expect to undertake more limited public expenditure reviews on an annual basis in FY88 and FY89.

(c) Medium-Term Policy Framework. A joint Bank/IMF/Government Medium-Term Policy Framework Paper for the Structural Adjustment Facility has been completed (November 6, 1986) which outlines major macroeconomic and sectoral objectives in the medium-term. The FY87 work program (which did not include the SAF paper) includes a medium-term work-out paper to be prepared at the end of the fiscal year. If discussions during the CG meeting with multilateral and bilateral donors indicate that an elaboration of the medium-term scenario would be useful, we will update the PFP at the end of FY87-early FY88. In conjunction with the medium-term policy framework we plan to assist the Government with the analysis of the social impact of adjustment programs (with an emphasis on families) and of employment issues including specifically handling of redundant labor.

(d) Export Prospects. In preparation for the medium-term policy review we undertook a consultant review of export prospects which is being issued as a divisional working paper. This document provides a commodity-by-commodity review of past and proposed exports and a review of policy issues and institutional mechanisms needed to promote growth and a rapid, far-ranging diversification of exports. A major conclusion is that Bolivia's strategic focus for the medium-term should shift to Santa Cruz and agriculture geared to the Brazilian market and export via the Paraguay river system.

(e) Private Sector Investment Issues. Also in conjunction with the medium-term framework a working paper on private investment issues is being prepared. It provides an analysis of the Bolivian private sector and its present approach to investment and makes proposals on improving the investment climate and stimulating private investment.

(f) Country Economic Memorandum (CEM). We plan to prepare a full CEM in FY88 to provide an in-depth analysis of the Government's economic policies and performance and thus to underpin our dialogue with the Government on economic adjustment issues.

(g) A regional study of the Santa Cruz Department is planned for FY88 to provide a basis for development programs aimed at tapping the region's agricultural potential. The Review would address major strategic issues (assessing the Brazilian market, for example) and identify major bottlenecks to development (transport, land titling, services, credit, and agricultural research, for example). This study is urgent and should be advanced to FY87 if resources are available.

(h) A Financial Sector Study has started in FY87 and will be completed in FY88, to analyze the major problems and key policy constraints afflicting the Central Bank and the private banking sector and recommend measures for the system's rapid rehabilitation and restructuring to avoid a financial crisis that could set back the rehabilitation. This effort will be linked closely with the preparation of a possible policy-based financial sector loan (FY88) and will draw from the analyses and recommended actions under the proposed institutional development project for Public Sector Financial Management (FY87).

(i) Sector studies in agriculture, transport, health and nutrition and education are programmed in FY87 through FY89 to provide a comprehensive view of the status, problems and strategies for rehabilitation and development of these sectors. In addition, supervisory assistance will be provided to the Government in developing a UNDP-financed Energy Master Plan which will be a follow-up to the work carried out by the Energy Assessment of April 1983. Among the objectives of the exercise will be to propose energy sector strategies, identify investment possibilities and priorities, improve the financial viability of key energy institutions and improve the coordination of the energy sector.

(j) A study of employment problems and prospects will be initiated in FY88 and completed in FY89 which will examine the employment implications of the economic reform programs. A Poverty Study with a comprehensive analysis of basic needs, social indicators, the impact of the stabilization and adjustment programs on the poverty groups will be undertaken in FY89 and completed in FY90 as part of a Bank-wide effort on poverty analysis.

(k) A strategy statement on the role of women-in-development is planned for FY88 to review the results of analysis initiated in FY87 (monitoring of impact of adjustment programs, social services review) and make proposals on future action.

(1) A number of additional areas for such analysis have been identified and could be considered if resources are available. A first is a review of data sources and availability with a view to defining a program to improve information. A second possibility would be a full review of ecological issues to prepare an action plan. Third, given the active presence of NGO's in Bolivia a review of their activities with a view to defining better coordination mechanisms and areas for joint approach would be useful.

Proposed Lending Program

32. Bolivia's needs for assistance are enormous and areas where the Bank Group could provide effective support are myriad. This is particularly true because of the hiatus in lending from 1980-86 so that virtually all older projects are closed or near closing. Thus we need to rebuild and expand our program simultaneously. Our ability to expand our lending program will be determined first, by the Government's success in sustaining the economic program, second by IDA availability, third by staff resources allocated for Bolivia, and fourth by the Government's absorptive capacity for policy and institutional reform and investment. Our strategy is to build as rapidly as possible towards an effective lending program in the sectors which are critical for economic recovery and adjustment and to use our project preparation and appraisal work as a vehicle for assisting the Government in resource mobilization; thus cofinancing would be sought actively in all appropriate cases. Given the need to reactivate operations in many sectors, this suggests that the very limited IDA resources will tend to be distributed quite thinly among different operations. However, there are strong arguments for a wide involvement across sectors--notably the potential catalytic role we can play in mobilizing external resources, and the demand for broad knowledge of investment programs dictated by our own role in assessing the public sector expenditure program.

33. Our proposed lending program is based on two scenarios: (i) a high case of US$70-95 million (for three to four operations) per year through FY91 if the Government stays on track and keeps up the momentum of reforms (see Attachment I); and (ii) a low case of about US$20-30 million a year focussed on recovery of productive capacity and institution-building. The high case scenario gives priority to (i) policy-based lending for short-term recovery and rehabilitation, specifically programs linked to private sector investments and sector based policy reforms; (ii) institution-building support to assist in rebuilding priority public services and support improvements in the public expenditure management processes; and (iii) investment projects for the agriculture, transportation, energy, and mining sectors with emphasis on reduction of bottlenecks to production and processing. Modest resources are allocated for the social sectors; our aim would be to maximize cofinancing from other donor agencies. Social components (education and training, health, water supply and sanitation and urban development) in production-oriented and regional development projects will be encouraged, as appropriate. We have already launched an intensive program of project preparation supported by five project preparation facility advances for mining, energy (2 PPFs),

urban development, and the public sector financial management project. Work in cooperation with the UNDP is currently underway in several sectors, notably agriculture, energy and public sector management, to prepare investment proposals. We recommend work on a relatively large reserve program given the numerous project possibilities identified and uncertainties associated with projects in the regular lending program. Work on these operations should also be seen as part of the effort to strengthen public investment programming and resource mobilization.

34. The objectives for policy-based lending will be to provide quick-disbursing assistance to support the recovery and rehabilitation effort. Such lending will be based on the Government's economic program and include specific conditionality, within the medium-term policy framework. For the first two operations (the first and second Reconstruction Import Credits - FY86 and FY87), the most effective mechanism for assistance is direct financing for imports, linked specifically to recovery programs and key policy changes in the major sectors of activity. The first Reconstruction Credit is effective and, while it has taken longer than expected to start disbursements, the operation is soundly conceived and will provide support to clearly defined sector programs which contribute directly to economic recovery. The second operation, which should be appraised shortly, will be similar in conception, although efforts will be made to simplify implementation mechanisms. The major focus will be on promoting a reactivation of private investment, restructuring the energy sector, urgent improvements in transport, and design of an effective social action program; for the latter, the objective would be to agree with the Government on specific action measures to monitor the impact of adjustment programs and to address their major consequences, notably unemployment. These operations have great urgency and there is thus a premium on moving quickly with design and implementation. Looking ahead, we have included a Structural Adjustment Credit as an FY89 reserve; it would be based on a more comprehensive, well articulated medium-term adjustment program. We will review in one year's time whether a structural adjustment operation is the most appropriate vehicle for ensuring clear agreement on the macro-economic policy framework with the Government, or whether sector-based operations are better suited to Bolivia's circumstances.

35. The FY87-91 lending program includes sectoral adjustment operations in the financial, mining, and transport sectors and agriculture projects which would be based squarely on a medium-term policy framework for that sector. An energy sector adjustment operation is also a possibility but urgent needs would be addressed under RIC II and it is therefore carried in reserve. The proposed Financial Sector Credit (FY88) will be linked to policy adjustment measures in the financial sector and to strengthening of public and private financial institutions. The rehabilitation of financial institutions should improve resource mobilization and ultimately, increase the availability of credit to the private sector on reasonable terms, while minimizing direct costs to the Government arising from insolvent financial institutions. A Mining Sector Rehabilitation operation is planned for FY89(S) which will focus on the policy and institutional changes required to streamline and reestablish a viable COMIBOL operation and stimulate public and private mining diversification. This operation is urgent and should be advanced if work

progresses more quickly than expected. A Transport Sector Rehabilitation operation in FY89 will aim to support major maintenance and some reconstruction works in the road and railway systems and, if appropriate, include the construction of priority feeder roads nationwide. The operation would build on measures included in the RIC I and II operations.

36. A major objective of our operational program will be to support the Government's objective of redefining the role of the state, specifically by supporting institution-building programs for the core ministries and agencies. A first operation in FY87 will focus on financial management and specifically support development of new and better management systems for the Ministry of Finance, the Central Bank (in its role vis-a-vis the financial sector) and the Controller General. Support will be provided for implementation of the tax reform. We expect this to be the first of a series of similar projects aimed to reinforce the Government's economic management capacity. A second operation in FY88 would support improvements in public investment programs including specifically rebuilding the Ministry of Planning on a sound basis and providing resources to support professional reviews of investment proposals, joint financing with UNDP is being explored.

37. Project lending for agriculture, energy and power, and social services will focus primarily on rehabilitation, reestablishing the foundation for growth, and strengthening the sectors' absorptive capacity for future assistance. We expect that all projects will have important policy content and support the broader sector investment and expenditure programs. For the current fiscal year (FY87) we plan a small power rehabilitation project, which includes important studies to prepare a sector investment program, and institutional strengthening measures. For FY88, an urban project will follow on from the successful first project and will be focused on institutional strengthening of the La Paz Municipality and low-cost infrastructure development. In FY88 and 91 we plan two agricultural projects which are tentatively designed to address the development needs of the very different regions of Santa Cruz (commercial agriculture largely for export) and the Altiplano (smallholders subsistence agriculture). Other possible project ideas to explore are support for agricultural services, including credit, and development in the San Buenaventura area; these are carried as reserve projects. An energy sector project to develop LPG exports is included in FY89. The largest potential project investment during the program period is the Bolivian/Brazil gas pipeline (programmed as a reserve project for about US$50 million in FY90). This project, whose total cost could be as high as US$1 billion, has considerable potential for increasing gas export revenues, making Brazil the biggest market for Bolivian exports when the Argentine gas contract expires in 1992. We would propose that this project be considered for IBRD financing set up as an enclave operation with Brazil providing a guarantee based on gas receipts. There are good possibilities for further lending in the energy sector (hydrocarbons) but they are not yet included in the regular program because of uncertainties on future strategy (including unresolved issues on the role of the national oil companies) and limited IDA resources. If concrete proposals are prepared we should consider adding them to the regular lending program. We have included in the FY88 program a special operation for emergency reconstruction and rehabilitation geared towards employing displaced miners and other

laborers. It would specifically address the problems resulting from the stabilization programs and the collapse of Bolivia's major export markets. This operation would support the social action program which the Government is now preparing as a framework for its response to the social consequences of adjustment programs (paras. 15, 34). It would involve the Bank in a catalytic role in mobilizing and coordinating external support for this effort. In the outer years we plan continuing lending for the sectors outlined above, with new lending focussed on the social sectors. The program should be seen as fairly tentative still given the intensive efforts planned over the year ahead by the Bolivian Government to redefine sector strategies, and prepare coherent investment programs.

38. In the design and implementation of the lending program, special attention is needed on implementation arrangements, as this is proving to be the number one constraint to achieving Bolivia's policy objectives. Specifically, program and project design must recognize explicitly the limited implementation capacity of most agencies. Project design should be simple and clearly set out, and intensive supervision efforts will be essential. Given the acute shortage of budget resources and strict ceilings on public expenditures agreed upon with the Fund, we need to consider a high financing share: we propose a 75% share for IDA financing and 90% of total costs in most instances; an exception being institution building projects where we would propose a higher share.

39. If a low-case scenario must prevail, we will plan for one or at most two projects a year. Likely candidates would be export generating and rehabilitation projects in the agriculture and hydrocarbon sectors and very limited involvement in small enclave projects less directly affected by general economic policy problems and preferably with strong cost-recovery components (e.g. Santa Cruz agricultural development; Bolivia-Brazil gas pipeline; La Paz Municipal Development). If an intermediate scenario were to prevail (say US$55-60 million IDA a year) we would plan on reducing the current allocations for individual operations and seek to increase cofinancing in the first instance, but clearly our involvement in several sections would need to be curtailed or delayed. Specific proposed reductions for FY88 and FY89 would be in power/energy sectors and in the emergency program.

Bolivia Consultative Group and Aid Coordination

40. We anticipate an active role for the Bolivia Consultative Group, given the importance of resource mobilization needs for Bolivia. It is likely to occupy a central position in our operational strategy and demand substantial resources to prepare and conduct meetings. The first Consultative Group meeting since 1977 will take place on December 3-4, and will focus on the Government's medium-term strategy, and overall resource needs. The case will be presented for active measures to accelerate existing investment programs, financing for imports, and participation in the ongoing process of redefining sector strategies and investment programs with priority to mining, energy, transport, agriculture, and the social emergency program. It is likely that specific working group meetings on these sectors will be recommended as a result of the meeting and, possibly,

informal coordination meetings to review the Government's cocaine eradication proposals and the urgent appeal for support for the Emergency Social Program. A second formal meeting of the Consultative Group is planned for October-November 1987, at which time a full public investment program for 1988-90 and a review of priorities and issues by the Bank should be completed. We plan to hold a formal Consultative Group meeting each year.

41. Relations with the Fund. Close collaboration between the Bank and IMF staff has been established and efforts will be made to maintain this relationship without sacrificing each institution's independent judgement and interests. Close collaboration will continue in the months ahead in connection with the Bank's Second Reconstruction Credit, the Public Sector Financial Management Project, and Financial Sector Credit, which entail overlapping concerns with the IMF, and annual updates of the policy framework for the structural adjustment facility.

42. Relations with IDB. Special efforts will be needed to maintain close coordination with the IDB, which is at present the largest donor for Bolivia. In general relations between the Bank and IDB are cordial and information is exchanged regularly. However, better coordination on our policy stance in some areas should be our objective. Notably the IDB is proceeding with a large agricultural credit program in the absence of an agreed financial sector restructuring program which needs careful monitoring. IDB staff will participate in our financial sector mission as a first step in working towards a common approach to such lending. Likewise, differences in approach are evident in the energy sector.

43. Relations with Commercial Banks and the Paris Club. Bank staff attended the June 1986 Paris Club meeting and we plan to continue to monitor closely Bolivia's future negotiations in that forum. It appears likely that, given close linkage between aid and debt issue for Bolivia, issues for both bilateral and multilateral debt will arise in the context of the Consultative Group. The Government's most recent plan is to issue an invitation to all commercial banks to buy Bolivia's commercial bank debt at a very deep discount on the face value. The buy back period will be 90 days and the Government will undertake to renegotiate the remaining debt thereafter, on terms including interest rates below LIBOR and long pay back periods. We plan to keep closely in touch with Government-commercial bank negotiations in the future. At the request of the Coordinating Committee, the Bank has attended most commercial bank meetings with the Government and on some occasions has provided assistance in the form of an independent analysis of Bolivia's situation. We intend to continue assisting the Government in elaborating concrete proposals and expect this to become an important exercise for Bolivia.

IFC Program/MIGA

43. IFC should play a central role in the Bank Group's operational program for Bolivia given the vital role of private investment. IFC has not been active in recent years, but has recently started to reactivate its operations in Bolivia with the approval of a US$800,000 loan and US$400,000 equity convertible loan for a silver recovery project in the Cerro Rico de Potosi mines. IFC plans to continue its promotion efforts and has so far

identified a number of potential mining projects. Other priority areas include: hydrocarbons, in particular oil and gas exploration and associated activities such as transport and downstream processing facilities (an oil and gas production project with Tesoro Petroleum has been preappraised); industry, with emphasis on export-oriented projects; and development banks. It will also explore possible use of innovative investment approaches that would particularly benefit medium size investors, e.g. a package investment in three to five medium-size projects with BISA. If economic conditions continue to improve IFC currently plans to commit about US$15.0 million in Bolivia in the next four years. Between 1973 and 1981 IFC invested about US$3.3 million in mining and industrial projects. We plan to explore whether a larger role might be feasible.

45. MIGA. The Multilateral Investment Guarantee Agency's (MIGA) insurance coverage could play a useful role in enhancing the Government's efforts to attract foreign investment in Bolivia. The MIGA convention, which was signed by Bolivia on May 5, 1986, still awaits ratification of about 15 countries, with ratification expected around October 1987. Once ratified, MIGA could offer guarantees to interested foreign investors, provide technical assistance to promote investment opportunities in Bolivia. We will liaise closely with the staff responsible for the MIGA start-up operation to determine the opportune time for Bolivia to benefit from its facilities and services.

Other Issues

46. Our operational program will aim to achieve five additional objectives:

(a) Enhanced Trade with Brazil. A major area of hope for Bolivia could be strengthening of trade relations with Brazil which offers by far the best market for many potential products. We should explore ways in which we could support the negotiation of an agreement or set of agreements to facilitate this development. An immediate objective is to get the rail line to Corumba working well.

(b) Cocaine. Issues for cocaine will figure prominently in debate on Bolivia's future and the industry has vital, if murky, economic importance. Our strategy is in the first instance to learn what we can of the economic aspects and social impact of the cocaine industry and specifically prepare ourselves to respond to proposals for investment in eradication and particularly crop substitution. In addition, a program on the scale being discussed (US$300 million), will have important macro and development implications. We will work with the Government to ensure that these aspects are taken into account.

(c) Private Investment. Following our preliminary review of private sector issues, leaders in the Bolivian private sector have launched an initiative to prepare policy proposals and investment schemes for the short and medium term. The outline will be presented at the CG meeting. We plan to follow and, as appropriate, support this effort. More broadly, we will aim to support the recovery and development of private sector activities throughout our operational program.

(d) Ecological Review. Because we see serious ecological issues for Bolivia (notably forest destruction and uncontrolled settlement in the lowlands, soil erosion, endangered species, endemic diseases) we intend to explore ways in which a review to prepare an environmental strategy could be undertaken to set the stage for action programs in the future. A first stage might be accomplished through agricultural sector work.

(e) Women in Development. We will aim to define a practical strategy for addressing issues for women in development through our lending and economic and sector work programs.

F. Conclusions

47. The challenge to the Bank presented by Bolivia's program is enormous and calls for a sharp increase in both lending and staff resources. We believe that the increases proposed in this brief are justified because of the bold and visionary economic program which Bolivia's economic team is implementing and the extraordinarily difficult development challenges which the country faces. Donor interest in Bolivia is great and thus intensive Bank involvement could have an important catalytic effect for resource mobilization. We must recognize clearly, nonetheless, that the proposed program is difficult, demanding, and risky. The political situation remains volatile, decision-making and administration are exceptionally weak, and information and data are fragmented and frequently incomplete and contradictory. Implementation of any proposal is exceptionally difficult and extensive assistance is often required. Nonetheless, we recommend an effort at the level proposed, to be sustained as long as the economic program remains fully on track.

48. Any major departure from the economic program must, given the special efforts entailed, call for an immediate and careful review of the Bank's role and program. If the basic validity is threatened, then the program can and should be cut back. If this rather dramatic strategy is agreed upon, it should be clearly conveyed to the Government to ensure that the parameters and conditions of our support are clearly understood.

Table 1: GROWTH OF GDP AND THE MAJOR DEMAND AGGREGATES

	1985 Levels in US Dollar Terms /a ($)	Projected Real Rates of Growth (in %)									
		1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
GDP	3,781.6	-2.9	3.2	3.4	4.2	4.0	4.0	0.0	4.0	4.0	4.0
Total Consumption	3,488.7	-5.5	1.8	3.3	3.3	3.7	3.6	3.3	3.3	3.1	3.0
Private Consumption	2,899.0	-0.4	0.2	3.8	3.8	3.7	3.5	3.5	3.2	3.0	2.8
Public Consumption	589.7	-30.4	12.9	0.0	0.0	4.0	4.0	2.0	4.0	4.0	4.0
Total Investment	244.6	31.3	33.8	8.5	10.1	9.9	7.0	4.4	5.6	5.0	5.0
Private Fixed Investment	151.3	6.0	8.1	10.0	10.0	10.0	7.0	5.0	5.0	5.0	5.0
Public Fixed Investment	124.2	52.2	34.3	7.5	10.0	10.0	7.0	5.0	5.0	5.0	5.0
Inventory Accumulation	-30.9	-	-	-	-	-	-	-	-	-	-
Exports of Goods and Non-Factor Services	712.7	-1.4	1.6	2.5	6.4	3.4	4.8	-16.4	6.7	8.0	8.4
Less: Imports of Goods and Non-Factor Services	664.4	-2.3	9.3	5.0	6.0	6.0	4.9	1.9	4.2	4.2	4.2
Memo: Public Fixed Investment in Current Dollar Terms /b (in millions)	124.2	197.3	274.5	306.5	350.0	400.2	444.8	485.3	529.5	577.5	630.1

/a Converted to US dollars at real exchange rate of 1986. Units are millions.
/b Obtained by applying a world dollar inflation index to the Public Fixed Investment level expressed in real terms.

Table 2: SAVINGS/INVESTMENT BALANCE

	Shares of GDP (in %)			Change in Percentage Shares	
	1985	1990	1995	1995-90	1990-95
A. Total Investment	6.5	13.3	14.8	6.8	1.5
1. Private Fixed Investment	4.0	5.4	6.0	1.4	0.6
2. Public Fixed Investment	3.3	7.8	8.6	4.5	0.8
3. Inventory Accumulation	-0.8	0.1	0.1	0.9	0.0
B. Total Savings	6.5	13.3	14.8	6.8	1.5
1. Gross Domestic Savings	7.7	12.5	12.1	4.8	-0.4
A. Private	15.4	8.0	7.7	-7.4	-0.3
B. Public	-7.7	4.5	4.4	12.2	-0.1
2. Foreign Savings (Trade Deficit)	-1.3	0.7	2.6	2.1	1.9

Note: Totals may not add due to rounding.

Table 3: BALANCE OF PAYMENTS

	Flows in U.S. Dollar Millions											Growth Rates In Nominal Terms	
	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1985-90	1990-95
1. Resource Balance	48.5	-77.8	-190.7	-214.0	-225.9	-255.0	-270.7	-382.5	-381.0	-364.3	-334.8		
A. Exports of Goods & NFS	712.9	611.2	591.9	639.4	714.2	780.1	857.5	812.2	912.3	1035.4	1180.3	1.8%	8.6%
B. Imports of Goods & NFS	664.4	689.0	782.6	853.5	940.1	1035.1	1128.2	1194.8	1293.2	1399.8	1515.2	9.3%	7.9%
2. Factor Service Receipts	24.5	26.8	34.3	34.0	32.0	34.0	35.0	36.0	38.0	40.0	42.0		
3. Factor Service Payments	434.9	356.6	368.2	392.5	420.5	451.7	469.2	507.1	557.2	612.2	668.6		
A. Total Interest	336.6	271.6	286.2	307.5	332.4	360.6	375.2	410.8	457.2	508.2	560.7		
Paid	142.1	135.6	199.0	211.2	226.5	244.1	266.3	291.9	329.0	369.1	409.7		
Capitalized	194.5	136.0	87.2	96.3	105.9	116.5	108.9	118.9	128.2	139.1	151.0		
B. Other Factor Service Payments	98.3	85.0	82.0	85.0	88.0	91.0	94.0	97.0	100.0	104.0	108.0		
4. Private Transfers - Net	14.5	18.0	20.0	22.0	24.0	26.0	28.0	30.0	32.0	34.0	36.0		
Current Account Balance	-347.4	-389.6	-504.6	-550.5	-590.4	-646.6	-677.0	-823.6	-868.1	-902.5	-925.5		
Memo: Ratio of Current Account Balance to GDP (%)	-9.2	-10.2	-12.3	-12.5	-12.4	-12.6	-12.2	-14.3	-13.9	-13.4	-12.7		

Table 4: NET FINANCING REQUIREMENTS

	In millions of US Dollars						
	1986	1987	1988	1989	1990	1986-90	1991-95
Current Account Balance	-389.6	-504.6	-550.5	-590.4	-646.6	-2681.7	-4196.7
1. Net Official Transfers	77.0	95.0	101.0	106.0	111.0	490.0	646.0
2. Net Direct Foreign Investment	10.0	20.0	35.0	45.0	50.0	160.0	325.0
3. Net Disbursements on MLT Debt	295.3	352.1	374.3	388.2	336.5	1746.4	1263.2
a. IBRD and IDA: Net	2.9	55.8	30.5	19.1	14.6	122.9	316.0
(i) Gross Disbursements	20.2	73.4	48.7	37.7	33.7	213.7	406.3
(ii) Amortization	-17.3	-17.6	-18.2	-18.6	-19.1	-90.8	-90.3
b. IDB: Net	60.3	87.4	105.1	105.5	114.1	472.4	391.9
(i) Gross Disbursements	73.0	109.8	130.0	133.8	424.4	589.0	656.7
(ii) Amortization	-12.7	-22.4	-24.9	-28.3	-28.3	116.6	-264.8
c. IMF Trust Fund and SAF: Net	13.7	6.2	6.2	-4.6	-2.3	19.2	-31.4
(i) Gross Disbursments	21.7	14.2	14.2	0	0	50.1	0
(ii) Amortization	-8.0	-8.0	-8.0	-4.6	-2.3	-30.9	-31.4
d. Other Multilateral: Net	5.8	21.7	13.0	21.2	9.3	71.0	-18.8
(i) Gross Disbursements	31.0	42.9	26.9	35.6	29.5	165.9	144.5
(ii) Amortization	-25.2	-21.2	-13.9	-14.4	-20.2	-94.9	-163.3
(Sub-total: All Multilateral): Net	82.7	171.1	154.8	141.2	135.7	685.5	657.7
e. Bilateral (incl. Suppliers Cr.): Net	138.6	132.4	123.2	141.1	84.4	619.7	-40.1
(i) Gross Disbursements	138.6	132.4	123.2	141.1	149.7	685.0	850.4
a) Project Disbursements	76.5	93.9	123.2	141.1	149.7	584.4	850.4
b) Capitalized Interest	62.1	38.5	0	0	0	100.6	0
(ii) Amortization (after rescheduling)	0	0	0	0	-65.3	-65.3	-890.5
g. Financial Institutions: Net	73.9	48.7	96.3	105.9	116.5	441.3	645.4
(i) Gross Disbursements	73.9	48.7	96.3	105.9	116.5	441.3	645.4
(ii) Amortization	0	0	0	0	0	0	0
4. Net Short-term Debt	0.0	13.8	11.8	15.0	15.0	55.6	75.0
5. IMF Upper Tranches	86.2	18.6	39.4	14.9	-64.5	94.6	-149.6
(i) Purchases	116.0	41.6	41.6	20.8	0	220.0	0
(ii) Repurchases	-29.8	-23.0	-2.2	-5.9	-64.5	-125.4	-149.6
6. Change in Reserves (- = increase)	-174.5	5.0	-11.0	-9.0	-20.0	-209.5	-100.0
7. Errors and Omissions	95.6	0	0	0	0	95.6	0.0
. Remaining Unfinanced Gap	0	0	0	30.3	218.6	248.9	2137.2

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Proposed Lending Program 1987-91 (High Scenario)

Sector	Project	Status	Actual FY86	Current FY87	FY88	FY89	FY90	FY91
I. Non-Project								
A. Policy-based	(i) Reconstruction Import Credit I	-	55.0					
	(ii) RIC II	L		56.0				
	(iii) Financial Sector Credit	L			30.0			
B. Institutional Development	(i) Public Sector Financial Management I	M		8.0				
	(ii) Public Investment Programming	M			5.0			
	(iii) Public Sector Financial Management II	M				5.0		
II. Agriculture								
	(i) Agriculture I (lowlands)	S				15.0*		
	(ii) Agriculture II (Altiplano)	S						30.0
III. Energy and Power								
	(i) Vuelta Grande Gas Recycling	-	15.0					
	(ii) Power Rehabilitation	L		6.0				
	(iii) Power Distribution	S						25.0*
	(iv) Gas Utilization & Export	L					25.0	
IV. Mining								
	(i) Mining Sector Rehabilitation	S				20.0*		
V. Infrastructure								
	(i) Emergency Reconstruction -Special Operation	L			25.0			
	(ii) Transport Sector Rehabilitation	L				40.0		
VI. Industry and IDF								
	(i) Industrial Credit (DFC)	L						25.0
VII. Urban Development								
	(i) La Paz Municipal Development	L			10.0			
VIII. Social Services								
	(i) Education Sector	L					25.0	
	(ii) Water Supply & Sewerage	S					20.0*	
	(iii) Health	S						15.0*
TOTAL			70.0	70.0	70.0	70.0	60.0	95.0
No. of Projects			2	3	4	4	3	4
Reserve								
	(i) Agricultural Credit					20.0		
	(ii) Energy Sector					30.0		
	(iii) SAC I					40.0		
	(iv) San Buenaventura Regional Development						30.0	
	(v) Secondary Cities Development (Urban Development III)						15.0	
	(vi) Bolivia-Brazil Gas Pipeline						50.0[1/]	
	(vii) Railway Rehabilitation							15.0
	(viii) Oil and Gas Development							30.0

* Standby.

1/ IBRD-enclave operation.

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Country Summary

Economic and Sector Work by Task, FY86-88

Tasks	Aims and Coverage	Audience	FY86	FY87	FY88
A. Economic Reports					
Economic Update	Review economic policies for CG (completed)	Govt./Bank/ CG	5.0	14	
Public Sector Review	Review PIP for 1986-87	Govt./Bank/CG	6.0	20	
Public Sector Expenditre Review	Full review of Public Expenditure Program	Govt./Bank/CG		45	
Public Sector Exp. Review Update	Updating of the Public Expenditure Review	Govt./Bank/CG			25
Country Econ. Memo	Analyze economic developments	Govt./Bank		2	30
Export Prospects Study	Review of export performance prospects and issues	Govt./Bank		10	
Private Sector Rev.	Review investment climate	Govt./Bank		10	
Policy Framework Paper	Joint Bank/IMF Government Medium-Term Framework Paper	Govt./Bank/ IMF/CG		5	5
Santa Cruz Regional Study	Review of potential and bottle-neck to development of Region	Bank/Govt			40
Employment Study	Review employment implications of the economic reform programs	Govt./Bank			30
Women in Development Strategy	Review issues and propose strategic framework	Bank/Govt.			10
B. Sector Reports					
Agricultural Sector Review	Definition of medium-term strategy and framework for investment program for agric. sector	Govt./Bank	22.0	30	20
Financial Sector	Follow-up of Financial Mgt. Tech. Asst. Project	Govt./Bank	.1	42	
Education Sector Rev.	Review of strategy issues and public expenditure program for sector to proposed bank strategy	Govt./Bank		10	
Transport Sector Memo	Update Transport Sector Strategy Memo	Govt./Bank		8	
Social Sector Rev.	Review of strategy and public expenditure issues to assist in defining social action programs.	Govt./Bank			40
C. Other Economic Work (EWO)		Bank	10.0	20	
D. Other Sector Work (SWO)		Bank	14.0	3	

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