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**Statement by Mr. Chodos on Bolivia
Executive Board Meeting
June 14, 2021**

On behalf of the Bolivian authorities, we would like to thank the IMF staff for the constructive dialogue held during the 2021 Article IV Consultation, resuming this work after two years. Similarly, we convey their gratitude to IMF Management and staff for the commitment shown in carrying out technical assistance missions on priority issues for the country.

The report addressed relevant aspects the Bolivian economy is facing due to the poor economic and health management by the transitory government. The authorities had fruitful discussions with IMF staff; hence, there are points on which we agree. However, there are others on which we disagree.

For example, the authorities coincide with the staff's analysis and concerns about the increase in public debt by 20 points of GDP during the transitional administration.

Regarding the divergences, the staff's point of view on the benefits from currency flexibility cannot be assumed as a recommendation of a measure to be adopted since this outcome is still under debate. Another non-coincident aspect is the introduction of a personal income tax; in this respect, the authorities consider that tax revenues will be favored by the gradual economic recovery. In addition, they also do not agree with the statement that the critical economic situation is solely a result of the COVID-19 pandemic. It is worth considering the following issues.

The fragile Bolivian economic performance was due to the uncertainty caused by the political and social crisis unleashed in November 2019, followed by the transitional government's inadequate administration which deepened with the arrival of the pandemic in mid-March 2020.

The recessive measures such as the public investment stagnation, the deferral in tax collections and limitations on public companies' operation, implemented by the previous government, led to a fall in economic activity of 4.03 percent in March 2020 compared to the same month of 2019. This adverse outcome deepened with the arrival of the coronavirus, since the government established a rigid quarantine, lacking adequate planning, and causing a reduction in household income as well as high unemployment rates (11.6 percent in July 2020).

Later, in October 2020, the Bolivian people went to the polls to elect a new president. The result was a victory in the first round for Luis Alberto Arce Catacora with 55 percent of the total votes. Thus, since November 2020, the current government administration has been implementing a series of measures aimed at rebuilding the economy, prioritizing population health. In the health field, the

Health Strategic Plan is being applied and, in the economic flank, actions are being developed on both the demand and supply side.

Health Sector

In 2020, Bolivia was not adequately prepared to face the health emergency due to the Coronavirus pandemic. Only after the first positive case was detected in March, the transitional government had, as its only response, the adoption of a rigid quarantine in the country. Neither was the time of confinement used to acquire biosafety supplies, equipment, medicines, or vaccines to face COVID-19; on the contrary, hiring processes were marked by acts of corruption.

Different from the above, the current government implemented the Health Strategic Plan with the purchase of vaccines (2.7 million doses arriving in the country out of a total of 15 million), purchase of drugs (mostly for Intensive Care Units), supplies, reagents (2.2 million tests for early and massive detection), medical equipment, and other goods and services, for containment, diagnosis, and care of the COVID-19 pandemic.

Similarly, the "Plan for vaccination against COVID-19" is being promoted, which is governed by an ethical framework that includes the principle of equitable access with a solid technical basis, and that is coordinated, participatory and multisectoral, with advocacy that promotes voluntary vaccination of populations prioritized by their level of risk. In this context, the first sector to receive the vaccines was health personnel, followed by people aged 60 years and over, those with underlying disease and "healthy" people between 18 and 59 years old. Thus, the population to be vaccinated amounts to 7,180,428 people.

Immunization against the Coronavirus is progressing favorably in Bolivian territory. So far 1,878,702 doses have been administered between the first and second doses of the Sputnik V, AstraZeneca, Sinopharm, and Pfizer vaccines, according to the massive vaccination report through June 7, 2021. Regarding the objective population, 20.4 percent received the first dose and 5.6 percent the second dose.

Recent Economic Performance

In the first four months of 2021, the Bolivian economy achieved an estimated growth of 5.3 percent (Global Economic Activity Index), different from the 7.5 percent contraction registered in the same period of 2020, showing that the economic sectors are reversing the performance of a year marked by political, economic, and social instability, added to the Coronavirus pandemic in 2020.

This important achievement is explained by the reactivation of domestic demand, in line with the boost in public investment - a fundamental engine of economic growth due to the positive multiplier effect in different sectors of the Bolivian economy -, Bono contra el Hambre, that favored more than four million Bolivian people, an increase in the income of retirees, the application of the Refund of the Value Added Tax (Re-IVA), and Tax on Large Fortunes that only taxes natural persons who have a high economic capacity.

On the supply side, credit lines were created to support the productive sector and promote the import substitution policy ("SIBOLIVIA" Program). Likewise, it was implemented refinancing and/or reprogramming of credits with grace periods, promotion and recovery of tourism, measures to reactivate public companies and the modernization of the processes of acquisition of State assets through the creation of the electronic auction and the state virtual market, among the most relevant.

Fiscal Sector

For 2021, the country's economic authorities established, in the Fiscal-Financial Program, a fiscal deficit of approximately 9.7 percent of GDP, which will be lower than that recorded in 2020 (12.7 percent of GDP). This result is mainly due to the boost of public investment levels, which between November 2020 and April 2021 reached an execution of USD 1,304 million, 15.6 percent of the year programmed amount (USD 4,011 million) and an increase of around 60 percent with respect to the November 2019 - October 2020 period.

The government, through the economic authorities, revealed that it is working on the elaboration of the Social Economic Development Plan (PDES) 2021-2025, where productive public investment and short-term infrastructure projects are prioritized, which will contribute to the development of the country, within the framework of the consolidation of the natural resources industrialization, productive diversification, and energy matrix change.

External Sector

By April 2021, Bolivia recorded an accumulative surplus trade balance of USD 453 million compared to the same period of the previous year, when the balance reached USD 28 million. On the other hand, the flow of remittances from abroad reached USD 450 million, an amount 42.1 percent higher than that recorded during the first four months of 2020. Both results contribute to the strengthening of Net International Reserves, which are above the benchmark international coverage thresholds.

Monetary and Financial Sector

During the 2020 administration, the transitional government reduced the regulated portfolio limits favoring the lucrative interests of private banking against the social vision of financial services framed in the Financial Services Law, while on the other hand, measures of credit deferrals for 10 months were applied, which deteriorated the payment culture.

However, with the government legitimately elected, financial policies were followed to recover banks' stability and financial solvency. In this regard, the National Government instructed the capitalization of 100 percent of the profits; reestablishment of the minimum portfolio quotas for the prioritized sectors (productive and low-income housing); implementation of reprogramming and/or refinancing of credits with a six-month grace period; and constitution of the Fideicomisos para la Reactivación y Desarrollo de la Industria Nacional (FIRE DIN) with imports substitution (SIBOLIVIA) for an amount of approximately USD 133 million. All these measures have the purpose of maintaining a stable and solvent financial policy with adequate levels of liquidity that allow for the dynamizing and strengthening of the productive sector.

Social Sector

Starting in 2006, with the implementation of the Economic Social Community Productive Model (MESCP, by its Spanish acronym), the national government developed various measures to favor vulnerable population; thus, until October 2019, social indicators improved considerably, due to the policy of income redistribution and sustained growth.

With the economic measures carried out by the current government, a recovery is observed in the economic sectors and a decrease in the urban unemployment rate to 7.6 percent by April, being the lowest rate since July 2020, when it reached 11.6 percent. On the other hand, the redistributive and social protection policies will continue through the Bono Juancito Pinto, Bono Juana Azurduy, and Renta Dignidad, among others.

Economic Outlook and Conclusion

Considering the Bolivian economy's deterioration due to the poor economic management by the transitional government which was deepened by the pandemic, Bolivia's main challenge is economic recovery and reconstruction consolidation, through promoting public investment, the process of the industrialization, import substitution measures, boosting the productive sector, the continuity of social policy, and the efficiency of public spending.

Finally, after the IMF staff visit, the Bolivian economic performance has become encouraging as a result of the health and economic measures that the current government has been applying.