

June 15, 2021

**The Acting Chair's Summing Up
Bolivia—2021 Article IV Consultation
Executive Board Meeting 21/60
June 14, 2021**

Executive Directors agreed with the thrust of the staff appraisal. They commended the Bolivian authorities for their proactive response to the pandemic, including the fiscal support to households and businesses, enhanced support to the health sector, and their strong efforts to increase vaccination. While Directors agreed that macroeconomic policies should continue supporting the recovery in the near term, they also emphasized the importance of safeguarding medium-term fiscal and external sustainability while fostering a more inclusive, greener economy.

Directors commended the authorities' strong fiscal response to the crisis. They recommended sustaining the necessary targeted financial support for affected households while the health crisis endures. At the same time, Directors stressed the need to place near-term policy efforts in the context of a clear medium-term plan that brings the fiscal deficit to a sustainable level over the medium term and stabilizes the debt-to-GDP ratio. They emphasized that the fiscal consolidation should include measures to mobilize revenue and to rationalize and refocus expenditure to continue improving social welfare and reducing poverty.

Directors noted the authorities' preference for maintaining the current exchange rate regime, which has resulted in low and stable inflation. At the same time, they encouraged the authorities to further explore the potential benefits of, and needed preconditions for, carefully allowing greater exchange rate flexibility over the medium term, noting that this transition would require substantial preparatory work but could increase resilience to exogenous shocks, forestall a further loss of reserves, and increase competitiveness of non-hydrocarbon industries. Directors welcomed the support provided to the financial sector during the pandemic through a loan-deferral program, and encouraged the supervisory authority to strengthen its monitoring of bank profitability, liquidity, and capital while the moratoria are in effect.

Directors encouraged the authorities to implement structural reforms that foster private domestic investment and foreign direct investment. To this end, they recommended phasing out price and export restrictions, relaxing credit quotas and interest rate caps, reducing subsidies to state-owned enterprises in the hydrocarbon sector, and addressing social equity concerns through targeted fiscal support. Directors noted that addressing governance issues and uncertainty in the regulatory environment is crucial to support job creation and boost long-term growth.

Directors commended the impressive reduction in poverty achieved since the mid-2000s and noted that continued progress in poverty alleviation will depend on increasing support to the education and public health systems. They welcomed the authorities' ongoing investment in greener energy sources to diversify domestic energy consumption away from fossil fuels, provide new sources of revenue, and bolster the economic recovery.

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