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EBS/98/159
Correction 1

CONFIDENTIAL

September 14, 1998

To: Members of the Executive Board

From: The Secretary

Subject: **Bolivia—Initiative for the Heavily Indebted Poor Countries—
Completion Point Document**

The following correction has been made in EBS/98/159 (9/4/98):

Page 17: revised

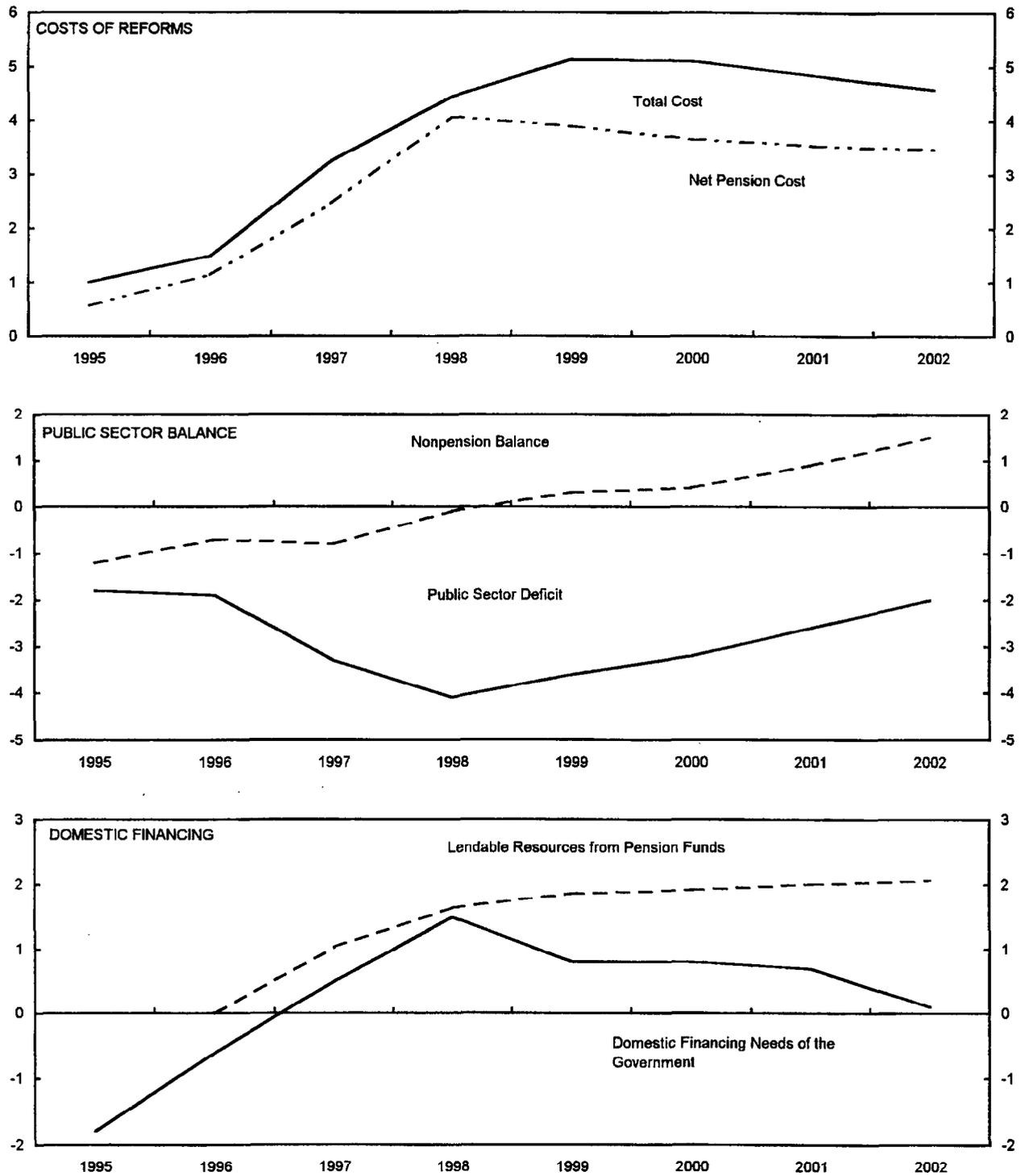
A corrected page is attached.

Att: (1)

Other Distribution:
Department Heads



Figure 4. Bolivia: The Fiscal Cost of Reforms and the Fiscal Position, 1995-2002
(In percent of GDP)



Sources: Ministry of Finance; and Bank/Fund staff estimates.

1997–98. To keep the external current account deficit on a sustainable path, it is crucial for the government to return the fiscal deficit gradually to its level of 1996 (prior to the pension reform) to help strengthen national savings. In this context, the HIPC assistance is projected to reduce the government's external debt-servicing costs by 0.7 percent of GDP a year in 1999–2001, making room for an increase in social sector spending from 10.8 percent of GDP in 1997 to 11.6 percent of GDP in 2001 (Table 8).

Box 4. Key Aspects of the Social Reform Program

Education

- reallocate budget resources from universities to primary and secondary education;
- increase the responsibility of local governments for education, to help ensure better school management and more parent participation;
- reward good teachers through a merit pay system;
- rehabilitate dilapidated schools; and
- ensure an adequate supply of learning materials.

Health

Implement recently published five-year national health plan which calls for:

- increased spending on basic health;
- reduced incidence of endemic diseases that affect a large portion of the population, particularly in rural areas;
- improved access of mothers and children to an integrated package of basic and nutrition services;
- improved the payment/reimbursement mechanisms for health interventions, through a basic health insurance scheme; and
- improved coordination of services provided across different levels of government.

V. CONCLUSIONS

25. Bolivia's economic policies and performance remain very strong, and IDA and IDB staff believe that, despite some delays, the authorities have made satisfactory progress on social policies within the constraints imposed by the fiscal situation. Moreover the HIPC assistance will lower the NPV of debt-to-export ratio at end-1997 to slightly below the original target of 225 percent, reduce the vulnerability of the economy to external shocks and make possible a permanent exit from further reschedulings. All multilateral and Paris Club creditors have provided satisfactory assurances of their participation in the HIPC Initiative for Bolivia, and strong efforts have been made to reach reschedulings on comparable terms with other bilateral creditors. **Accordingly, the staffs of the Fund and IDA believe that Bolivia has satisfied the conditions for reaching the completion point under the HIPC Initiative.**