

INTERNATIONAL MONETARY FUND

MASTER FILES

ROOM C-130

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The International Monetary Fund has approved the use of Fund resources totaling the equivalent of SDR 106.7 million by the Government of Bolivia. Of this total, SDR 64.1 million is available immediately under the compensatory financing facility as the result of an export shortfall in 1986 arising from adverse movements in world prices of Bolivia's major exports. An additional SDR 42.6 million is available over the next three years under the Structural Adjustment Facility (SAF), of which SDR 18.1 million can also be drawn immediately. Bolivia's quota in the Fund is SDR 90.7 million, and its outstanding financial obligations to the Fund resulting from past operations and transactions, but excluding Trust Fund loans, currently total the equivalent of SDR 48.5 million.

Since August 1985, the Government of Bolivia has embarked on a basic reorientation of economic policy. Prices, interest rates, the exchange rate, and wages in the private sector have been freed and the external trade and payments system has been liberalized. At the same time, the authorities have implemented an adjustment program which has been supported by a SDR 50 million stand-by arrangement from the Fund that was approved in June 1986. Substantial progress has been achieved in stabilizing the economy as inflation has been reduced sharply and international reserves increased. However, the economy remains in a deep recession, and unemployment has risen, largely because of the collapse in tin and petroleum prices and difficulties in mobilizing international aid flows.

The three-year program supported under the SAF aims at consolidating the stabilization effort undertaken since 1985 and is based on economic policies geared to the achievement of a sustainable rate of economic growth and balance of payments viability through export diversification, higher domestic savings, and price stability. The principal economic and financial objectives for the period 1987-89 are a real economic growth of about 3.5 percent a year, mainly as a result of expansion in sectors such as agriculture and mining other than tin; the reduction of the rate of inflation from about 65 percent in 1986 to about 5 percent in 1989; and overall balance of payments equilibrium.

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