THE EFFECTS OF THE CRISIS, AND THE BOLIVIAN ECONOMIC PERFORMANCE

June 2012

I. The effects of international crisis
II. The new Economic Model in Bolivian
III. Bolivian Economic Performance
IV. Public investment
V. International recognition to the Bolivian Economic
VI. Policies, objectives and strategy
I. THE EFFECTS OF INTERNATIONAL CRISIS
THE FOUR CRISES

- Nowadays the world not only confronts a financial crisis and its consequences in the real sector, it also confronts:
  - A climate crisis
  - An energy crisis
  - A food crisis
Economic policy actions in 2011 to face the international economic crisis

Anti-inflation policy:
- Appreciation of the national currency
- Release of tariffs on imported machinery and inputs for agriculture
- Prioritization of BDP (development bank) credits for food production
- Increase in Open Market Operations
- Regulation and prohibition of export of scarce food (sugar)
- Direct import of food (sugar, wheat flour)
- Deferral tariff on imports of food (wheat flour, corn)
- Austere fiscal policy

Policy to promote domestic demand
- Record level of public investment
- (social programs) Bonus: “Renta dignidad”, “Juancito Pinto” and “Juana Asurduy”
- Bonus of Bs1,000 (aprox.$us 145) to public employees
- Wage increases (to education and health sectors of 11%
Economic policy actions in 2011 to face the international economic crisis

Policy to promote agricultural production

- Law on "productive revolution"
- Fund "Warranty Propyme Union" and Fund "BDP for the agricultural sector"
- Financing for small producers (quinoa, sugar cane, and others).
- Strengthening the "National Institute of Agricultural and Forestry Innovation (INIAF)"

Conclusion:

- "Was to waterproof the Bolivian economy from the effects of the international crisis, we have not suffered from the crisis as neighboring countries have suffered,“
- However there may be a mechanism (commercial) through the neighboring countries (mainly Argentina and Brazil).
II. THE NEW ECONOMIC MODEL IN BOLIVIA
### DATOS GENERALES DE BOLIVIA

<table>
<thead>
<tr>
<th>Estadística</th>
<th>Datos</th>
</tr>
</thead>
<tbody>
<tr>
<td>Superficie</td>
<td>1.098.581 km²</td>
</tr>
<tr>
<td>Población</td>
<td>10.6 millones de habitantes</td>
</tr>
<tr>
<td>Capital</td>
<td>Sucre</td>
</tr>
<tr>
<td>Sede de Gobierno</td>
<td>La Paz</td>
</tr>
<tr>
<td>Idiomas oficiales</td>
<td>Español y 36 idiomas de las naciones y pueblos indígena originario campesino</td>
</tr>
<tr>
<td>Moneda</td>
<td>Boliviano</td>
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<tr>
<td>PIB Nominal</td>
<td>USD 24.252 millones (2011e)</td>
</tr>
<tr>
<td>PIB Per cápita</td>
<td>USD 2.283 (2011e)</td>
</tr>
</tbody>
</table>
The Economic Social Communitarian and Productive Model

- An active participation of the state in the economy. The state must intervene in the economy through its seven facets: planner, entrepreneur, investor, regulator, benefactor, developer, banker.
- Changing the primary export pattern by a process of industrialization and productive development.
- Redistribution of wealth generating sectors to sectors of surplus labor intensive and generate added value.
- Redistribution of income generation and employment opportunities and access to productive capital.
- Growth mainly based on domestic demand without losing sight of the external demand. ("two engines").
- Developing the ability to generate domestic savings to finance investment and reduced reliance on foreign borrowing.
- Preserving macroeconomic stability and promote economic and social development, economic growth with income redistribution.
THE ECONOMIC SOCIAL COMMUNITARIAN AND PRODUCTIVE MODEL

Strategic sectors: Generators of Surplus
- Hydrocarbons
- Mining
- Electricity
- Environmental Resources

Sectors that generate income and employment
- Industry, manufacturing and crafts
- Tourism
- Agricultural development
- Housing
- Trade, transport services, other services

Surplus

REDISTRIBUTIVE STATE

redistribution of income

Social programs
- Bonus "juancito pinto" (for children under 7 years)
- Bonus "Income dignity" to elderly (60 years)
- Bonus "Juana Azurduy" (for mothers with newborn children)
- Poverty reduction

Bonus "juancito pinto" (for children under 7 years)
III. BOLIVIAN ECONOMY PERFORMANCE
On August 10, 2010, the World Bank declared that Bolivia no longer a low income country and was declared a middle income country.
Bolivian: Real GDP Growth
1985-2011, March 2012 (p)
(in percentages)

(p) Preliminary
Source: National Statistic Institute (INE)
Elaborated: Ministry of Economy and Public Finances
Bolivia: Impact of domestic and external demand to GDP, 2000-2011 (p) (in percentages)

DOMESTIC DEMAND HAS SUSTAINED GROWTH

(p) Preliminary
Source: National Statistic Institute (INE)
Elaborated: Ministry of Economy and Public Finances
Bolivian: Exports, imports and trade balance
1990-2011, Accumulated of january to april, 2011-2012(p)
(in millions of USD)
The highest level of international reserves in the region, in terms of GDP.

Latin America: International Reserves, April 2012
(as percentage of PIB)
Bolivian: Net Foreign Direct Investment, 1985-2011
(in millions of USD)

Composition of FDI by economic sector, 2011

Latin America and the Caribbean: FDI – CEPAL
(as a percentage of GDP)
FISCAL SURPLUS SINCE 2006: SEVEN CONSECUTIVE YEARS

Bolivian: Surplus (deficit) of nonfinancial public sector (SPNF) y National Tresury (TGN),
1970- April 2012 (p), in percentage of PIB
Public deposits, net loans and re-monetization of the financial system, 1995 – April 2012
(in millions of USD and in percentages)

**DEPOSITS**
(in millions of USD)

**NET LOANS**
(in millions of USD)

**REMONETIZATION**
(In Percentages)

**SHARP DECLINE IN DOLLARIZATION – REMONETIZATION OF THE ECONOMY**
EXCHANGE RATE STABILITY
Selected Countries: Index of nominal exchange rate
January 2003- may 2012

Latin America
Depreciation-(appre.) annual accumulation
Bolivian: Annual accumulated inflation, 1985-may 2012
(in percentages)

MONTHLY INFLATION

Fuente: Instituto Nacional de Estadística (INE)
Elaboración: Ministerio de Economía y Finanzas Públicas, Red de Análisis Fiscal (RAF)
IV. PUBLIC DEBT INDICATORS
DECLINING DEBT

BOLIVIA: TOTAL DEBT INDICATORS (% Of GDP)

DEUDA PÚBLICA TOTAL/PIB
DEUDA EXTERNA TOTAL/PIB
DEUDA INTERNA TOTAL/PIB
Selected Countries: Public Debt as % of GDP, 2011

- Japón: 229.8%
- Grecia: 160.8%
- Italia: 120.1%
- Portugal: 106.8%
- EE. UU.: 102.9%
- Francia: 86.3%
- R. Unido: 82.5%
- Alemania: 81.5%
- España: 68.5%
- Brasil: 66.2%
- Venezuela: 45.5%
- Argentina: 44.2%
- Colombia: 34.7%
- Bolivia: 32.9%
- Perú: 21.6%
- Ecuador: 18.0%

Maastricht (60%)
CAN (50%)
MERCOSUR (40%)
MOODY’S: RISK RATING
RISK RATING
III. PUBLIC INVESTMENT AND INVESTMENT NEEDS
RECORD LEVEL IN PUBLIC INVESTMENT

Bolivian: Public Investment
1987-2011 y 2012 budget, in millions of USD

Public Investment by sector
PRIORITY: LAYING THE FOUNDATIONS OF INDUSTRIALIZATION

Hydrocarbons, Mining and Energy

Mining
- Lithium – Uyuni (I)
- Iron – Mutún (I)
- Zinc – Potosí, Oruro (PreI)
- Huanuni (I)
- Foundry Vinto (I)
- Complex Corocoro (F)

Hydrocarbons Industrialization
Refinement:
- Santa Cruz y Cochabamba (PreI)
- Separation plant: Rio Grande (Santa Cruz) y Tarija (PreI)
- Ammonia/Urea: Cochabamba (PreI)
- Gas to liquids, GTL: Gran Chaco (San Alberto, Sábalos, Margarita) (PreI)
- Pre-fabricated houses: Caracollo (I)

Hydroelectric power plants
- For export: Cachuela Esperanza, El Bala y Rositas (PreI)
- Domestic Market: Miguillas, Misicuni y San José (PreI)

Public Companies
- CARTONBOL (O)
- PAPELBOL (O)
- LACTEOSBOL (O)
- ECEBOL (I)
- AZUCARBOL (I)
- Bolivian Forest Enterprise (EFB) (PreI)
- Bolivian Almond Enterprise (EBA) (F)
- San Beunaventura Sugar Refinery (PreI)
V. INTERNATIONAL RECOGNITION TO THE BOLIVIAN ECONOMIC POLICIES
INTERNATIONAL RECOGNITION TO THE BOLIVIAN ECONOMIC PERFORMANCE

International Organisms

- **FMI**: The report of Article IV, highlights the macroeconomic management with a growth of GDP doubled between 2006 and 2011, and the low risk of debt crisis and inflation in check. June, 2012

- **Standard & Poo's (S & P)**: Upgraded the risk rating from B+ to BB-(outlook stable). Highlights the substantial reduction in debt burden, sustained economic growth, the international reserves, the fiscal surplus and re-monetization. May, 2012

- **Moody’s**: Upgraded the rating from B1 to Ba3, stable outlook, because in the past seven years managed a reduction of debt, strong economic growth, budget surpluses, increase public investment and foreign, and a significant increase in international reserves and tax revenues. June, 2012

- **CEPAL**: stimulus for the domestic market, sound macroeconomic policy, economic growth and growing level of investment. July, 2011
V.I. POLICIES, OBJECTIVES Y STRATEGY- PUBLIC DEBT
Council of Ministers of Public Debt (COIDEP) created with DS 29297 (October 3, 2007), has the coordinating role in the development and establishment of the Debt Policy and the Annual Debt. It also approves the "Guideline on Public Debt Strategies."

**General:**
- The objectives of the projects and programs will be consistent with the ability of external and internal debt of Bolivia.
- The hiring of debt will be consistent with the Plan of Economic and Social Development, Government Plan 2010-2015 and the PGDES.

**Domestic Debt:**
- Refinance maturities of capital by issuing new debt at favorable terms for the National Treasury.
- Diversify sources of funding through the democratization of access to debt securities issued by the Treasury.

**External Debt**
- Actions needed to access non-traditional financial markets by diversifying sources of current funding.
- The new structure will depend on external financing to sectorial needs and their ability to generate funds for repayment.
Some steps executed

Treasury Direct-Bolivia

- Access to Treasury instruments the whole population. Redistribution of public revenues.
- Transparency with the information of public debt.

Process of issuing bonds in international markets (Act 211 of 2012):

- This operation is very important because it will allow access to an alternative source of funding for prioritized projects.
- Increased visibility of the country in the international environment through continuous monitoring by rating agencies, financial analysts and institutional investors.
Issues to future: Development and implementation

b) Medium-Term Debt Management Strategies (MTDS): Elaboration and implementation
c) Others related to debt management

All these aspects help us to show people, institutions and the market intended to improve debt management.
Thanks for your attention