

BOLIVIA COUNTRY REPORT 2008

Background and debt sustainability	<p>Bolivia is a Post HIPC/MDRI Lower Middle Income Country with a per capita GNI of US\$1,260 as of 2007 (WB Atlas Method), and was one of the first countries to benefit from the HIPC Initiative. For the original HIPC Initiative it reached decision point in September 1997 and completion point in September 1998 (and for enhanced HIPC, in February 2000 and June 2001 respectively). Its external debt burden has fallen sharply in the last decade, from 57% of GDP in 1997 to 17% in 2007. Real GDP growth averaged 4.8% in 2006-07, while inflation increased from 5% in 2006 to 11.7% in 2007. Major changes in economic and social policy have been introduced since January 2006 when a new Government took office, but political stability remains fragile.</p> <p>In assessing debt sustainability, Bolivia is using DSF indicators for external sustainability and CBP indicators for Domestic Debt, as well as the Andean Community indicator for total debt (50% of GDP). External Debt is sustainable but domestic debt has rapidly increased in the latest years, raising concerns for future sustainability.</p>
CBP support and impact	<p>Bolivia has benefited from support by CBP partners since before the HIPC Initiative, including support to technicians to convince policymakers to participate in the HIPC Initiative, and the BWIs that Bolivia was eligible for assistance. CBP support began with a demand assessment mission in 1998 and a national workshop in December 1999, which assisted Bolivia to make its case for maximum relief under the Enhanced HIPC Initiative. Thereafter during phase 1-3 of the CBP, Bolivia benefited from 2 national workshops, the first helping to assess the impact of enhanced HIPC completion point, and the second to define strategies for reducing domestic debt and mobilising better quality and more concessional new financing. It also received three institutional missions and a follow-up mission, and benefited from 8 regional workshops, as well as participating in the first intake of distance learning with 6 participants.</p> <p>During the last 10 years, Bolivia has implemented a process of decentralization, leaving sub-national governments responsible for more than 50% of public investment, including the enhanced HIPC debt relief anti-poverty spending. As they are entitled to contract debt, many debt sustainability problems have arisen at the sub-national level, impacting on overall national debt sustainability prospects. As a result, Government requested a special programme to train sub-national governments' officials to improve their capacity to analyse debt management and debt sustainability.</p> <p>During phase IV, Bolivia benefited from a Debt Strategy Workshop, which concluded that public external debt is sustainable, even with a limited amount of non-concessional borrowing, but efforts are needed to reduce domestic debt and rebalance revenue and debt service responsibilities between central and local government in order to overcome treasury liquidity problems, as well as to maximise high quality aid from traditional and new partners to fulfil the large financing needs related to Bolivia's new more ambitious poverty eradication targets. It also organised 5 Sub-National Workshops, successfully demonstrating that the methodology developed by CEMLA can increase sub-national government capacity, and mobilising partnership with the Municipalities Association and cofinancing from GTZ. Bolivia also participated in Regional Workshops on the DSF (2006), Domestic Debt (2007) and Training for Trainers (2008).</p> <p>Debt strategy and analysis capacity in Bolivia has increased significantly as a result of the CBP. However, Bolivia started the CBP self-assessment system with extremely high debt strategy capacity, having received considerable training, established a team and approved a strategy just before the self-assessment system started. As a result, it has been challenging to maintain these capacity levels, especially given repeated government and staff changes, resulting in a small fall as the national strategy updated in 2007 has not been formally approved or implemented. Legal and institutional frameworks have also become slightly less strong, for the same reasons, though coordination has improved during phase 4. On the other hand, the team in place to update the strategy has expanded, and several trainers are available in all areas related to debt strategy (so that the score on Indicator 3a has risen to 3). Long-term capacity-building plans have been initiated but not approved, partly due to lower Government commitment to debt strategy issues, reflecting lower debt levels due to debt relief.</p> <p>The main future challenges are to follow prudent new financing policies, maintain capacity on debt strategy issues, improving risk analysis, enhance sub-national governments' debt management, and improve the legal and institutional framework.</p>
Objectives	<p>The work plan for the remainder of the Phase 4 envisages the following events:</p>

and content of proposed country assistance	<ul style="list-style-type: none"> • One National Workshop to update strategies, focused either in new financing or domestic debt depending on country priorities, coupled with a sensitization seminar, which will help Bolivia increase its MT2a, and ST3a scores • Participation in a Medium Term Debt Strategy Regional Workshop, which addresses risk analysis. <p>However, given current political uncertainty and recent rapid staff turnover, the phase 4 targets may not be attained by the end of 2009.</p>
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Country Debt Strategy Progress					
Progress and Intended Results	CBP Logical Framework Performance Indicators	Initial Score (DRI - 1998)	Phase IV Baseline	Current Score (Aug 08)	Phase IV Target
	LT 1. Debt sustainability	3.0	4.0	4.0	4.0
	MT 2a. Debt management strategy updated at least once a year.	4.0	3.6	3.2	4.2
	MT2b. High-quality legal and institutional frameworks for debt strategy	3.0	2.4	2.6	3.2
	ST 3a Availability of trained personnel capable of formulating and executing national debt strategies	2.0	3.0	3.0	4.0
	ST 3c. High-quality capacity building plans which are implemented and annually updated.	1.0	2.0	2.0	3.0
Expenditure and Budget	Overall spending on Bolivia since the start of CBP activity has been US\$286,271. Total funding allocated to support specific events for Bolivia in phase 4 is US\$137,206.				