

Table 1. Bolivia: Annual Fiscal Cost of Structural Reforms

(In percent of GDP)

	1995	1996	1997	Proj. 1998	Proj. 1999
Total costs	1.0	1.5	3.0	5.2	5.1
One-time costs	0.8	1.1	0.7	1.0	0.4
Recurrent costs	0.3	0.3	2.3	4.2	4.7
Pension reform (incremental cost from 1996) 1/	0.0	0.0	1.4	2.6	2.7
YPFB capitalization	0.0	0.0	0.7	1.1	1.1
Balance of YPFB	0.0	0.0	0.4	0.7	0.7
Change in royalties	0.0	0.0	0.2	0.4	0.4
Severance payments	0.4	0.7	0.5	0.7	0.1
General government	0.2	0.4	0.2	0.1	0.1
Enterprises	0.2	0.3	0.3	0.6	0.0
Cost of increased remuneration for bank reserves	0.0	0.0	0.0	0.2	0.2
Other	0.4	0.6	0.3	0.5	0.8
Education reform (training)	0.0	0.0	0.0	0.1	0.1
Wages (extraordinary increases and new positions)	0.1	0.1	0.1	0.2	0.4
Education	0.1	0.1	0.1	0.1	0.3
Civil service	0.0	0.0	0.1	0.1	0.1
Capitalization	0.2	0.3	0.1	0.0	0.0
Studies	0.1	0.3	0.0	0.0	0.0
Goods and services	0.1	0.1	0.1	0.2	0.2
Education	0.1	0.0	0.1	0.1	0.1
PIDI	0.0	0.0	0.0	0.1	0.1
Assumed interest payments for capitalized enterprises	0.0	0.1	0.0	0.0	0.0
Domestic	0.0	0.0	0.0	0.0	0.0
Abroad	0.0	0.1	0.0	0.0	0.0
Sectoral reforms	0.0	0.0	0.0	0.1	0.1
Investment in education (gross capital formation)	0.2	0.2	0.1	0.2	0.1

Sources: Ministry of Finance; and Fund staff estimates.

1/ 1998 excludes back payment of pension increments for the 1995-97 period mandated by a court ruling.

Table 2. Bolivia: Limits on the Deficit of the Combined Public Sector 1/ and Domestic Financing of the Combined Public Sector 2/

(Cumulative amounts in millions of bolivianos from January 1, 1998)

Date	Limits
I. Cumulative Deficit of the Combined Public Sector 3/	
June 30, 1998 4/	-969
September 30, 1998	-1157
December 31, 1998 5/	-1937
II. Cumulative Domestic Financing of the Combined Public Sector 6/	
June 30, 1998 4/	274
September 30, 1998	417
December 31, 1998 5/	716

1/ The combined deficit is the sum of domestic and external financing of the nonfinancial public sector, and the cash operating results of the central bank. The nonfinancial public sector comprises the central administration, public sector social security institutions, the local governments, other decentralized agencies, and the public enterprises.

2/ Defined as the sum of: (i) the increase in the net claims of the domestic financial system and the nonfinancial private sector on the nonfinancial public sector; (ii) the net increase in floating debt and fiscal certificates; less (iii) the cash operating profits of the central bank.

3/ These limits will be adjusted downward by the full amount of: (i) net proceeds from the sale of assets in excess of Bs385 million during 1998; and (ii) the difference between programmed cumulative cash outlays for severance payments to workers of public enterprises of Bs178 million (June 30, 1998), Bs179 million (September 30, 1998), and Bs270 million (December 31, 1998) and actual cash outlays. These limits will be also adjusted downward (upward) by the excess (deficiency) of actual interest relief from HIPC over projected interest relief.

4/ From Memorandum of Economic Policies of January 20, 1998.

5/ Performance criteria; other limits during program period are benchmarks.

6/ These limits will be adjusted downward by the full amount of: (i) any overdue obligations to foreign official creditors; (ii) net proceeds from the sale of assets in excess of the amount indicated in footnote 3 above; and (iii) the difference between the programmed cumulative cash outlays for severance payments listed in footnote 3 above and actual cash outlays. In addition, only the June 1998 limit will be adjusted upward by the full amount of the difference between projected cumulative external financing to the nonfinancial public sector and actual cumulative external financing with a maximum upward adjustment of Bs140 million. The December 1998 limit already reflects a lower level of external financing, and will not be adjusted for shortfalls in external financing. For 1999, these limits will be adjusted upward by a limited amount for shortfalls in external financing.

Table 3. Bolivia: Limits on the Changes in Net Domestic Assets of the Central Bank of Bolivia 1/2/

(Cumulative amounts in millions of bolivianos from January 1, 1998)

Time Period	Limits
June 30, 1998 3/	-43
September 30, 1998	52
December 31, 1998 4/	316

1/ Defined as the difference between changes in currency issue and changes in net international reserves of the central bank.

2/ The net international reserve flows will be measured by the difference in stocks. From May 1998, these limits will be adjusted downward by the difference between calculated bank required reserves (including excess bank reserves) using the previous reserve requirement system and the actual bank required reserves under the new system.

3/ From Memorandum of Economic Policies of January 20, 1998.

4/ Performance criterion; other limits during program period are benchmarks.

**Table 4. Bolivia: Minimum Gain of Net International Reserves
of the Central Bank of Bolivia 1/2/3/**

(Cumulative amounts in millions of U.S. dollars from January 1, 1998)

Date	Targets
June 30, 1998 4/	0
September 30, 1998	-29
December 31, 1998 5/	0

1/ Defined as central bank foreign assets, less all liabilities to nonresidents with an original maturity of up to and including one year plus outstanding purchases and disbursements from the Fund (excluding disbursements from the Trust Fund), net liabilities to the Latin American Reserve Fund and any other balance of payments loans, including bridging loans and those obtained by pledging the gold of the central bank.

2/ The net international reserve flows will be measured by the difference in stocks. From May 1998, these limits will be adjusted downward by the difference between calculated bank required reserves (including excess bank reserves) using the previous reserve requirement system and the actual bank required reserves under the new system.

3/ These targets will be adjusted upward by the full amount of: (i) any overdue obligations to foreign official creditors; and (ii) net proceeds from the sale of assets in excess of the amount indicated in footnote 3 of Table 2.

4/ From Memorandum of Economic Policies of January 20, 1998.

5/ Performance criterion; other limits during program period are benchmarks.

Table 5. Bolivia: Limits on the Increase of Public
and Publicly Guaranteed External Debt

(Cumulative amounts in millions of U.S. dollars from January 1, 1998)

Date	Short Term 1/	Maturities of
		More than One Year 2/
June 30, 1998 3/	--	-5
September 30, 1998	--	-10
December 31, 1998 4/	--	-10

1/ Excludes normal import credits.

2/ Excludes: (i) concessional loans with a grant element of 35 percent or more using the OECD commercial interest reference rates (CIRRs) for November 15 to December 14, 1997; (ii) changes in central bank liabilities defined in Table 4 as part of the net international reserves; (iii) planned prepayment to the Andean Development Corporation (CAF) of US\$32 million; and (iv) debt renegotiation with official creditors. Includes total outstanding external debt of: (i) the nonfinancial public sector as defined in footnote 1 of Table 2; (ii) the Central Bank; and (iii) the private sector with official guarantee.

3/ From Memorandum of Economic Policies of January 20, 1998.

4/ Performance criterion; other limits during program period are benchmarks.

Table 6. Bolivia: Benchmarks and Performance Criteria for the Implementation of Selected Structural Policy Measures

Policy Measures	Timetable for Measures
Public sector	
-- Set a ceiling on the annual growth of debt for each municipality and strengthen monitoring of these debt levels.	Budget 1999
-- Offer the national smelting company Vinto for sale.	October 1998
-- Develop plan for further strengthening of fiscal decentralization based on Fiscal Affairs Department recommendations.	October 1998
-- Publish bid for privatization of refineries of YPFB.	February 1999 1/
-- Design a master plan for the national road system.	December 1998
-- Transfer 70 percent of toll revenues (on existing national roads) to the SNC.	January 1999
-- Complete an evaluation of the costs of maintaining the road system.	March 1999
-- Develop plan for domestic tax administration reform, based on the recommendations from a coming Fiscal Affairs Department technical assistance mission.	March 1999
-- Complete privatization of the natural gas network, jet fuel stations, and natural gas bottling plants.	March 1999
-- Prepare a plan of action to reduce excess employment in the residual YPFB (including headquarters).	June 1999
-- Submit to congress draft amendments to the tax code that will strengthen the tax authorities' ability to enforce tax laws.	June 1999
-- Privatize refineries of YPFB.	June 1999
Financial sector	
-- Submit to congress a draft law to establish a deposit insurance system and a resolution trust corporation.	June 1999
-- Issue norms granting more authority to the superintendency of banks to reevaluate the quality of a bank's managers and owners and to revoke their banking license if necessary.	June 1999
-- Issue regulatory norms to be applied uniformly to all financial intermediaries.	June 1999
-- Issue new prudential norms on credit, interest rate, and liquidity risks and on the strengthening of internal and external auditing systems.	End-1999

Table 6. Bolivia: Benchmarks and Performance Criteria for the Implementation of Selected Structural Policy Measures

Policy Measures	Timetable for Measures
Customs reform	
-- Begin the implementation of the short-term action plan to improve customs administration.	September 1998
-- Passage of new customs law and required regulations.	June 1999
-- Develop a plan and secure financial resources for a new information system.	June 1999
-- Implement a new strategy of control including the creation of a unit to perform ex-post verification.	June 1999
-- Prepare an infrastructure plan for all customs posts.	June 1999
-- Implement new customs information system fully.	December 2000
-- Complete all planned infrastructure projects.	December 2000
Judicial reform	
-- Submit to congress a draft law on administrative procedures.	June 1999
-- Submit to congress revisions to the penal and civil code procedures.	End-1999
-- Submit to congress revisions to the commercial code.	End-2000
Labor reform	
-- Prepare draft proposal to serve as basis for discussions.	End-1998
-- Submit new draft labor legislation to congress.	End-1999

1/ Structural performance criterion.