



BOLIVIA: FISCAL TRANSPARENCY ASSESSMENT

March 2014

This pilot Fiscal Transparency Assessment for Bolivia was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with the member country. It is based on the information available at the time it was completed on February 2014. The views expressed in this document are those of the staff team and do not necessarily reflect the views of the government of Bolivia or the Executive Board of the IMF.

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BOLIVIA

***FISCAL TRANSPARENCY
ASSESSMENT***

February 2014



**Mario Pessoa, David Gentry, Apolinar Veloz, Sumiko
Ogawa and Maria Eugenia Benavides Legarda**

INTERNATIONAL MONETARY FUND

Fiscal Affairs Department



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**Mario Pessoa, David Gentry, Apolinar Veloz, Sumiko Ogawa and
Maria Eugenia Benavides Legarda**

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LIST OF ABBREVIATIONS

ABC	Bolivian Road Agency (Agencia Boliviana de Carreteras)
AFI	Pension Fund Insurers (Aseguradoras de Fondos de Pensiones)
ASFI	Supervisory Authority of the Financial System (Autoridad de Supervision del Sistema Financiero)
BCB	Central Bank of Bolivia (Banco Central de Bolivia)
BOB	Bolivianos (Bolivian national currency)
CGE	Comptroller General of the State (Contraloria General del Estado)
COMIBOL	Mining Corporation of Bolivia (Corporacion Minera de Bolivia)
CPI	Consumer Price Index
DGSGIF	General Directorate for Management of Fiscal Information Systems
DSA	Debt Sustainability Analysis
EASBA	Empresa Azucarera San Buenaventura [sugar company]
ENDE	National Electricity Company (Empresa Nacional de Electricidad)
ENTEL	National Telecommunications Company (Empresa Nacional de Telecomunicaciones)
FAD	Fiscal Affairs Department of the International Monetary Fund
FAP	Provisional Savings Fund (Fondo de Ahorro Provisional)
GBS	General Budget of the State
GCOA	General Chart of Accounts
GDAFP	General Directorate of Analysis and Fiscal Policies
GDATF	General Directorate of Administration and Territorial Finances
G DFA	General Directorate of Fiscal Accounting (Direccion General de Contabilidad Fiscal)
GDP	Gross Domestic Product
GFSM 1986	IMF's Government Finance Statistics Manual of 1986
GFSM 2001	IMF's Government Finance Statistics Manual of 2001
GG	General Government
IAU	Internal Audit Unit
IMF	International Monetary Fund
INE	National Institute of Statistics
ISO	International Standardization Organization
MEFP	Ministry of Economy and Public Finance
MPR	Monetary Policy Report
MTBF	Medium-Term Budget Framework
NFPS	Nonfinancial Public Sector
QMS	Quality Management System
RMP	Report on Monetary Policy
SIGEP	Public Management Integrated System
SIGMA	Integrated Financial Management Information System
TGN	General Treasury of the Nation (Tesoro General de la Nacion)
US\$	US Dollars
VAT	Value Added Tax
VMBFA	Vice Ministry for the Budget and Fiscal Accounting
VPFS	Vice Ministry of Pensions and Financial Services
VTPC	Vice Ministry of Treasury and Public Credit
VTP	Vice Ministry of Tax Policy
YPFB	Yacimientos Petrolíferos Fiscales Bolivianos (state oil company)

EXECUTIVE SUMMARY

One of the most important aspects of sound fiscal management is the capacity of government to formulate and communicate fiscal policies. Fundamental to this is the production and publication of fiscal reports which are both timely and complete and written in an accessible language. The same applies to the preparation, approval, and budget execution data. Likewise, the identification and management of fiscal risks have become increasingly important in analyzing the fiscal situation in view of the recent international crises which have shown that part of the risks fell outside the traditional areas of attention by central governments.

In this respect, the new Fiscal Transparency Code of 2013, developed by the Fiscal Affairs Department (FAD) of the International Monetary Fund (IMF), is an instrument that seeks to reveal a country's fiscal transparency situation and help prevent fiscal crises. Empirical evidence would suggest that countries with the most transparent fiscal practices are better prepared for spearheading a macrofiscal policy and are more resistant to external shocks.¹

The purpose of this assessment is to facilitate countries in analyzing the fiscal situation vis-à-vis the appropriate basic, good and advanced practices to identify which areas might benefit from reforms to improve the coverage, opportunity and quality of the macro-fiscal information.

The revised Fiscal Transparency Code which came into effect in 2007 has replaced the Fiscal Transparency Code of 1998. The original Code was founded on four pillars: (i) clarity of roles and responsibilities; (ii) level of openness and transparency of the budget process; (iii) public availability of fiscal information; and (iv) assurance of integrity of fiscal information. It was more institutional in character and sought to identify whether the legal and institutional framework provided adequate mechanisms in guaranteeing a proper fiscal management. This Code was adopted in 93 countries, thus playing an important role in promoting improvements in the fiscal standards, institutions and reports.

¹ See IMF document "*Fiscal Transparency, Accountability, and Risk*" published in 2012 <http://www.imf.org/external/pp/longres.aspx?id=4709>. In this document Hameed (2005), Dabla-Norris et al. (2010) point out that the most transparent developing countries enjoy the best credit rating and maintain a better fiscal discipline. This finding has been supported by Alt and Lassen (2006), who found that a greater fiscal transparency is associated with public debt and the lowest deficit in 19 advanced economies. Arbatli and Escolano (2012) have gone further and broken down the relationship between transparency and credit rating in terms of the direct impact (reducing the current uncertainty in relation to the fiscal position) and the indirect impact (improving the primary balance and the gross debt over time). They found that the first case was more prominent in the developing countries, the second being more in evidence in the developed countries. In elucidating the significance of the causal relationship between the transparency and the fiscal results, Glennerster and Shin (2008) have relied on the data and fiscal reports published by the IMF in identifying a significant causal relationship between the publication and the guarantee of quality of the fiscal information and the lowest public debt.

The purpose of the revised Code is to provide national authorities and International Organizations, the markets and the public in general with: (i) a better understanding of the quality and consistency of the fiscal data published by government and, as the case may be, to help identify the differences or conceptual discrepancies that need to be reconciled; (ii) to provide a more comprehensive description of the principal risks affecting the government's fiscal planning; (iii) a clearer image as to how the country's fiscal information is managed as compared with international standards, and (iv) assistance in preparing a more specific and sequenced approach in dealing with the principal deficiencies in the identified transparency.

The assessment is divided into three pillars: (i) presentation of fiscal reports; (ii) development of fiscal projections and budgets; and (iii) analysis and management of fiscal risks. Chapters I, II and III of the report follow the same sequence. The revised Code is divided in 38 dimensions. For each dimension, the practice-based situation is assessed as 'BASIC' (yellow), 'GOOD' (light green), or 'ADVANCED' (dark green). If the practice is not up to the 'BASIC' assessment, the rating 'LESS THAN BASIC' (red) is adopted.

Bolivia has advanced significantly on fiscal transparency following the adoption of the new Political Constitution that identified transparency as one of the main morals/ethics principles of society. In 2009, Supreme Decree 29894 laid down regulations governing the establishment of transparency units in each public entities as operational units of the Ministry of Institutional Transparency and the Fight Against Corruption. Additionally, in 2010, Law N° 004 governing the Fight Against Corruption, Illicit Enrichment and Fortune Investigation "Marcelo Quiroga Santa Cruz" was approved. This Law provides mechanisms and procedures aimed at preventing and investigating acts of corruption in Bolivia, including provisions for indictments and sanctions.

With respect to the fiscal information prepared by the Ministry of Economy and Public Finance (MEFP), the ministry has introduced various measures aimed at making the preparation and publication of fiscal information more transparent, allowing for the availability of ample information on macro-fiscal indicators, budgetary execution and the financial statements of all public sector entities.

In 2008, for the first time, the MEFP prepared a self assessment of the public financial management. This was based on the Public Expenditure and Financial Accountability (PEFA) methodology. A new assessment of the public financial management performance was carried out in 2009 based on the PEFA methodology, with inputs from international experts and in coordination with the World Bank and the Inter-American Development Bank. The results of the assessment formed the basis for an Action Plan to Improve the Public Finances that was adopted under Ministerial Resolution N° 341 of 2 December 2010, thus institutionalizing the policy of fiscal transparency. This policy has been applied since 2011.

In September 2012, the MEFP got the Quality Management System Certification, thus accrediting the procedures under which information is obtained in relation to debt and fiscal

data of the Nonfinancial Public Sector. This process is in accordance with the requirements of ISO 9001:2008, which guarantees the reliability and transparency of data. One year after the accreditation, in September 2013, within the framework of the procedures adopted by the certified bodies, the MEFP was subjected to an external audit as a follow-up to the Quality Management System. The audit verified compliance with the requirements provided under ISO 9001:2008 and the MEFP decided to continue applying the relevant quality certification procedures.

The main observations in relation to this assessment are as follows. With respect to Pillar I - Presentation of Fiscal Reports, the main characteristic is the excellent coverage of the public sector flows and stocks of more than 90 percent of the budget execution of the public sector being accounted for in the budget. Only 11 of the 577 entities are not included in the budget,² and monthly reports are prepared on the nonfinancial public sector operations. By the same token, the information provided with respect to the economic, administrative, functional and programmatic classifications is considered adequate as is the internal consistency of the information vis-à-vis the various reports produced. The issues that merited improvements are related to the non preparation of audited annual consolidated financial statements of the central government and the absence of estimates and reports on tax expenditure.

On Pillar II - Fiscal Forecasts and Budgeting, the excellent budgetary coverage is worth noting as are the timely presentation and approval of the budget. The main issues that merits improvements relates to a budget that has significant increases throughout the year, coupled with year-on-year increases in excess of 30 percent in respect of expenditure and 50 percent in respect of revenues. From a fiscal policy point of view, a conservative approach is applied for the definition of budget revenues particularly in terms of the impacts on the predictability of expenditure. Moreover, no medium-term budget framework is in place. However, in this case the government is making progress to have the framework developed in 2014.

Finally, on Pillar III - Analysis and Management of Fiscal Risks, good information is available on the financial sector, debt management, and control of public corporations and subnational governments. However, there are no consolidated reports on macroeconomic fiscal risks and contingent liabilities.

Thus, the assessment shows that Bolivia has adopted a number of fiscal transparency practices which are classified as “ADVANCED” and “GOOD”, such as: (i) institutional coverage of fiscal reports covering 98 percent of the public sector entities; (ii) coverage of revenue and expenditure flows including monthly coverage of all entities of the non-financial public sector; (iii) publication of financial statements including assets, liabilities and net wealth of almost all entities in the public sector; (iv) monthly in-year fiscal reports; (v)

² The 11 entities not included in the budget are: Entel S.A. and its subsidiary DATACOM SRL; 7 subsidiaries of the YPFB: Andina S.A.; Chaco S.A.; Petroandina S.A.; Refinación S.A.; Transportes; Logística S.A.; Aviación S.A.; Banco Unión S.A. and Banco de Desarrollo Productivo.

internal consistency regarding fiscal information; (vi) budgetary unity; (vii) gross budgeting; (viii) macroeconomic projections; (ix) presentation and approval of the budget before the beginning of the fiscal year; (x) identification of fiscal policy objectives in the budget documentation; (xi) approval of one or few supplementary budgets each year; (xii) contingency reserve; (xiii) consolidated management of debt and guarantees; and (xiv) adequate monitoring of subnational governments and public corporations finances.

However, there are practices which are considered basic or less than basic that could be improved upon, for example: (i) preparation of an annual report on tax expenditure which should be part of the budget documents; (ii) preparation of an audited annual financial statements of the central government; (iii) implementation of a medium-term budget framework; (iv) identification of an independent institution that would be capable of evaluating the consistency of the fiscal forecasts; (v) preparation of a comprehensive fiscal risks report including macroeconomic scenarios and analysis of specific risks; (vi) extension of the scope of the fiscal sustainability analysis to include scenarios projecting variation in the inflation, economic growth, interest rate, exchange rate, and price of hydrocarbons, and publishing the results as part of the budget documentation; (vii) identification in the annual and modified budget the existing and new policies; (viii) modification and harmonization of the statistical, budgetary, and accounting classifications; (ix) improve the historical consistency of the fiscal information and utilize the same institutional classifiers and various fiscal reports so as to facilitate a comparison between them; and (x) improve the fiscal forecasts on revenues and expenditure to provide predictability for public managers on availability of resources.

With this in mind, the main recommendations to improve fiscal transparency and the fiscal risks analysis are summarized in Box 2, while Annex 2 sets out the action plan for implementing these recommendations. The fiscal transparency methodology is outlined in Annex 3.

Table 1. Summary of Fiscal Transparency Assessment

1. Fiscal Reports	2. Fiscal Forecasting & Budgeting	3. Fiscal Risk Analysis and Management
Coverage of Institutions (Advanced)	Unity (Advanced)	Macroeconomic Risks (Basic)
Coverage of Flows (Good)	Gross Budgeting (Advanced)	Specific Fiscal Risks (Less than Basic)
Coverage of Stocks (Good)	Macroeconomic forecasts (Good)	Contingency Reserves (Good)
Tax Expenditure (Less than Basic)	Medium-term Budget Framework (Less than Basic)	Asset and Liability Management (Advanced)
Frequency of In-Year Fiscal Reports (Advanced)	Fiscal Strategy Report (Less than Basic)	Guarantees (Good)
Timeliness of Annual Financial Statements (Advanced)	Budget Submission (Good)	Financial Sector Exposure (Basic)
Classification (Good)	Budget Approval (Good)	Long-Term Contracts (Good)
Internal Consistency (Advanced)	Fiscal Policy Objectives (Good)	Financial Derivatives (Not Applicable)
Historical Consistency (Basic)	Separation of Existing and New Policies (Basic)	Sub-national Governments (Good)
Comparability of Forecasts & Outturns (Basic)	Performance Information (Good)	Public Corporations (Good)
Statistical Independence (Basic)	Distributional Analysis (Advanced)	
External Audit (Less than Basic)	Fiscal Sustainability Analysis (Basic)	
Reliability (Less than Basic)	Independent Evaluation (Less than Basic)	
	Supplementary Budget (Good)	
	Forecast Reconciliation (Less than Basic)	

Advanced	8 (21%)
Good	15 (37%)
Basic	6 (18%)
Less than Basic	8 (21%)
Not Applicable	1 (3%)
Total	38 (100%)

Practices
Advanced
Good
Basic
Less than Basic
Not Applicable

Table 2. Recommendations to Improve Fiscal Transparency and Risk Analysis

Practice	Recommendation	Deadline
Coverage of Assets and Liabilities – 1.1.3	In the financial statements of central government, include the value of the reserves of natural resources.	2016
Tax expenditure – 1.1.4	Prepare an annual report on tax expenditure and identify the beneficiary sectors, the estimated value of the tax exemptions, and an evaluation of the results of the policy of exemptions.	2015
Budgetary, Statistical and Accounting Classification – 1.3.1	Refine the institutional classification, to be in line with the classifiers of the GFSM2001. Revise and update the accounting classifiers in accordance with the <i>GFSM2001</i> requirements and harmonize them with the budgetary and statistical classifiers. A number of recently nationalized companies has been classified as private companies.	2015
Historical consistency – 1.3.3	In the event of significant changes, develop and maintain parallel historical series containing the original data and the items affected by the changes in a manner to understand the impact of such changes.	2015
Comparability of fiscal information – 1.3.4	Publish budget execution information following a standardized sectorization of the Central Government, General Government, Nonfinancial Public Sector, and the Public Sector.	2016
External Audit and Reliability – 1.4.2 and 1.4.3	The financial statements of the Central Government should be subject to a financial audit prepared by an independent auditor on the reliability of the financial and budgetary information.	2015
Medium-term budget framework (MTBF) – 2.1.4	The Ministry of Economy and Public Finance should continue the efforts to implement an MTBF to cover a period of at least 3 years and which takes into consideration all of the budgetary entities of the public sector.	2018
Separation of Current and New Policies – 2.3.2	In the documents accompanying the annual and reformulated budgets, identify as comprehensively as possible the current and new policies geared to facilitating an evaluation of the budget.	2015
Fiscal sustainability analysis – 2.3.5	In the budget documents, extends the analysis of the evaluation of the macro-fiscal variables, illustrating multiple scenarios (pessimistic, average, and optimistic) for the evaluation of the main fiscal aggregates covering a minimum period of 20 years.	2016
Supplementary Budget 2.4.2	Improve realism of budgetary forecasts with respect to revenue and expenditure to provide to public managers a better predictability on the availability of resources and update the macroeconomic forecasts in the event of a budget reformulation.	2016
Macroeconomic Risks and Specific Fiscal Risks – 3.1.1, 3.1.2	<ul style="list-style-type: none"> - Prepare an annual report as part of the budget documents, setting out the fiscal risks. This document should contain information on risks related to macroeconomic variables, public debt, public corporations, debt guarantees, contingent liabilities, long-term contracts, natural disasters, financial institutions, subnational governments, and social security. - Prepare an actuarial study of the social security regimes for a minimum projected period of 30 years, to form part of the budget documents. 	2017

I. PRESENTATION OF FISCAL REPORTS

A. Introduction

1. **One of the most important aspects of good fiscal management is the capacity of the government to formulate and communicate fiscal policies.** Fundamental to this is the production and publication of fiscal reports that are timely and complete and written in an accessible language. The same applies to the preparation, approval, and execution of the budget. Likewise, the identification and management of fiscal risks has become increasingly important in view of the recent international crises which have demonstrated that part of the risks had fallen outside the traditional areas of attention.
2. **The new Fiscal Transparency Code developed by the Fiscal Affairs Department (FAD) of the International Monetary Fund (IMF) is an instrument that seeks to reveal a country's fiscal transparency situation and help prevent fiscal crises.** The evaluation is divided into three pillars: (i) presentation of fiscal reports; (ii) development of fiscal projections and budgeting; and (iii) analysis and management of fiscal risks. Chapters I, II and III of the report follow the same sequence. Annex 2 presents an Action Plan setting out the priorities and the sequence for implementing the recommendations.
3. **The Fiscal Transparency Code is divided into 38 dimensions.** For each dimension, the practice-based situation is assessed as '**BASIC**' (yellow), '**GOOD**' (light green), or '**ADVANCED**' (dark green). If the practice is not up to the 'BASIC' assessment, the rating '**LESS THAN BASIC**' (red) is adopted.

Table 3. List of Fiscal Reports

Report	Area Responsible	Content
Fiscal Dossier www.economiayfinanzas.gob.bo	General Directorate for Analysis and Fiscal Policies - Ministry of Economy and Public Finance	Half-yearly report presenting a fiscal analysis and information on revenue, expenditure and debt and other fiscal statistics
Tax Revenue Bulletin	General Directorate for Tax Studies - Ministry of Economy and Public Finance	Information on annual tax and customs revenue per category of taxes and per regional department
Guidelines and Budgetary Classifiers www.economiayfinanzas.gob.bo	General Directorate for Programming and Budget Management - Ministry of Economy and Public Finance	Manual with guidelines on budget formulation and budget classifiers
Report on Monetary Policy www.bcb.gob.bo	Central Bank of Bolivia	Half-yearly report with information on international background, inflation, economic performance, monetary and exchange rate policy, and details regarding risks on inflation projections
Financial Stability Report	Central Bank of Bolivia	Annual information on the

Report	Area Responsible	Content
www.bcb.gob.bo		macroeconomic environment, financial system, credit, payment system and a credit and liquidity risk analysis
Report on the Bolivian Economy www.economiayfinanzas.gob.bo	General Directorate for Analysis and Fiscal Policies - Ministry of Economy and Public Finance	Annual report with information on the national economy and the international economic climate
Bolivia: Results of a New Economic Model www.economiayfinanzas.gob.bo	Communications Unit - Ministry of Economy and Public Finance	Economic summary in a non-complicated language setting out the main macro-fiscal and social milestones
Institutional Transparency Report www.economiayfinanzas.gob.bo	Transparency Unit - Ministry of Economy and Public Finance	Annual report listing the main activities of the entities of the Ministry of Economy and Public Finance
Report of the Central Bank of Bolivia www.bcb.gob.bo	Central Bank of Bolivia	Annual report listing the main activities of the Central Bank of Bolivia

Source: Ministry of Economy and Public Finance, Central Bank of Bolivia

1.1. Coverage

Coverage of institutions (1.1.1)

4. **Budget approved and executed information of 566 out of the 577 entities of the Public Sector (98 percent) are consolidated in the budget reports—that covers more than 90 percent of the expenditure—and the reports are widely available to the public **ADVANCED**.** Only a few of the public financial institutions and banking corporations operating in the commercial sector are not included in the budget. The main justification for their exclusion is to avoid the introduction of unnecessary rigidity in management practices. However, this situation is currently regulated under Law N° 466 governing Public Corporations as adopted on 26 December 2013, which obliges public corporations to submit their budgets to the MEFP through the Strategic Council for Public Corporations.

Table 4. Public Sector: Total Financial Transactions—Revenues and Expenditure per Institutional Category—2011

(Amounts in BOB millions)

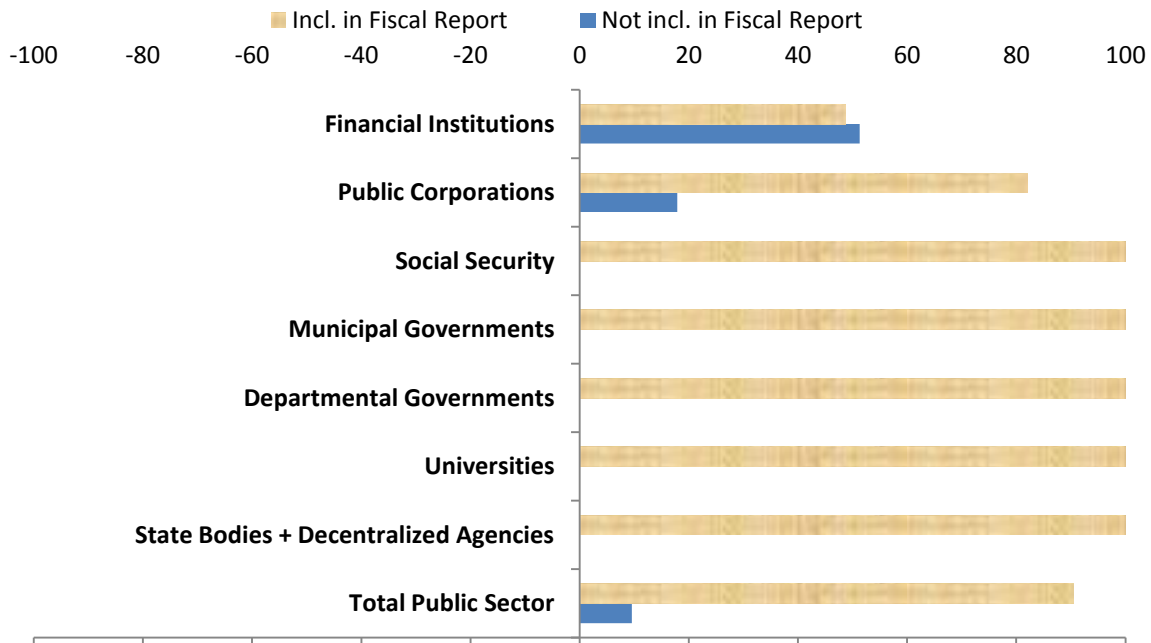
Institutional Classification	No. of Instit.	Revenue	Expenditure	Financing	% Expenditure
1. Public Sector	577	106.143	94,680	11,463	100.00
In percentage of GDP		63.9	57.0	6.9	
1.1 Nonfinancial Public Sector	569	104,492	93,558	10,934	98.81
1.1.1 General Government	526	51,554	45,979	5,575	48.56
1.1.1.1 Central Government	163	29,018	29,018	-	30.65
1.1.1.1.1 decentralized and State Bodies	148	25,853	26,210	(357)	27.68
1.1.1.1.2 Public Universities	15	3,165	2,808	357	2.97
1.1.1.2 Departmental governments	9	6,401	4,652	1,749	4.91
1.1.1.3 Municipal Governments	339	12,833	10,295	2,538	10.87
1.1.1.4 Social Security	15	3,302	2,014	1,288	2.13
1.1.2 Public Corporations	43	52,938	47,579	5,359	50.25
1.1.2.1 Budgetary Public Corporations	34	42,363	39,073	3,290	41.27
1.1.2.2 Non-budgetary Public Corporations (1)	9	10,575	8,506	2,069	8.98
1.2 Public Financial Institutions	8	1,651	1,122	529	1.19
1.2.1 Non-Bank Public Financial Institutions	5	173	103	70	0.11
1.2.2. Bank Financial Institutions	3	1,478	1,020	459	1.08
1.2.2.1 Budgetary Bank Financial Institutions – Central Bank	1	831	444	387	0.47
1.2.2.2 Non- budgetary Bank Financial Institutions (2)	2	647	576	72	0.61
Total Non-budgetary Entities (1.1.2.2 + 1.2.2.2)	11	11,222	9,082	2,141	9.59

Source: Ministry of Economy and Public Finance - Fiscal Dossier 2011 and annual financial statements of the non-budgetary corporations and public financial institutions.

(1) Entel S.A. and its subsidiary DATACOM SRL, and 7 subsidiaries of the YPF: Andina S.A.; Chaco S.A.; Petroandina S.A.; Refinación S.A.; Transportes; Logística S.A.; Aviación S.A.

(2) Banco Unión S.A. and Banco de Desarrollo Productivo.

Figure 1. Coverage of Public Sector Expenditure in Fiscal Reports per Institutional Classification—2011



Source: Ministry of Economy and Public Finance - Fiscal Dossier 2011 and annual financial statements of the non-budgetary entities.

Coverage of revenue, expenditure and other flows (1.1.2)

5. **The monthly published fiscal reports cover the cash flows and all accrued revenues and expenditures of the nonfinancial public sector (GOOD).** The Ministry of Economy and Public Finance publishes the Fiscal Dossier on a half-yearly basis, setting out the financial operations with respect to revenue and expenditure for the nonfinancial public sector. In addition, the Ministry of Economy and Public Finance website lists all of the budget outturn reports for each entity in the public sector on an individual basis. The Ministry of Economy and Public Finance website lists all of the budget execution reports for each entity in the public sector on an individual basis. The financial statements of the financial public corporations and of the nonfinancial public corporations not included in those reports represent some 9.6 percent of the total expenditure of the public sector. In 2012 the MEFP obtained ISO Certification 9001:2008 in respect of its fiscal data processes (see Box 1). The objective was to ensure that good quality standards and procedures governing the organization of information would be assured.

Box 1. ISO Certification 9001:2008 Obtained by the Ministry of Economy and Public Finance on the Quality of the Procedures to Manage Fiscal Information

In August 2012, the Ministry of Economy and Public Finance (MEFP) was granted ISO Certification 9001:2008 in respect of the Quality Management System (QMS) it employs with its information processes for Debt Information on the Autonomous Territorial Entities and Public Universities and for the Production of Fiscal Figures for the Nonfinancial Public Sector as administered by the General Directorate of the Territorial Administration and Finances of the Vice-Ministry of Treasury and Public Credit.

The ISO 9001:2008 standard developed by the International Organization for Standardization (ISO) lists the requirements which must be met by organizations in order to hold the QMS certification, which is aimed at improving customer satisfaction. Compliance with the ISO 9001:2008 standard demonstrates a capacity to supply products (goods or services) that meet the requirements of the client and of the organization and which is in keeping with other requirements such as laid down by law.

Following an external audit, the QMS certification was granted by the certification agencies of IRAM in Argentina which are internationally recognized through the IQNET and IBNORCA Certification of Bolivia. This certification is valid for a three-year period and is subject to external audits each year. ISO Certification provides assurance that the Ministry of Economy and Public Finance complies with the requirements listed in the ISO 9001:2008 standards, together with the requirements laid down under existing law by the Ministry of Economy and Public Finance and by the clients from whom the information was prepared.

The QMS calls for the production of a quality manual which sets out in document form the policies, objectives, guidelines, procedures, and the responsibilities that warrant compliance of the certified processes with the ISO 9001:2008 standard. Furthermore, it lays down documented procedures as well as instructions and guides which facilitate the administration and verification of the plans together with the various remedial and preventive actions and improvements that may be deemed necessary.

One year after the accreditation, in September 2013, within the framework of the procedures adopted by the certified bodies, the MEFP was subjected to an external audit as a follow-up to the Quality Management System. The audit verified compliance with the requirements provided under ISO 9001:2008 and the MEFP decided to continue applying the relevant quality certification procedures.

Source: Ministry of Economy and Public Finance

Coverage of assets and liabilities (1.1.3)

6. **The annual financial statements for virtually all of the entities of the Public Sector are published individually, reflecting the total financial assets and liabilities of each entity **GOOD**.** As required by the Comptroller General of the State (CGE), the annual financial statements of the Central Government and the audit opinions on the reliability of the Internal Audit Units (UAI) contain financial and non-financial information in regard to assets and liabilities. The non-financial assets records contain deficiencies in terms of coverage and evaluation.

7. **In that respect, it is important to point out that the Integrated Accounting Standards applied in Bolivia indicate that the Financial Statements of the Central Administration should be regarded as for a single accounting entity.** The financial

reports for all budgetary entities within the public sector are available on the MEFP website.³ The net worth of 131 decentralized institutions and public enterprises are included as part of the long-term receivables in the financial statements of the Central Government. On the other hand, the financial statements do not include the values of the reserves from natural resources. These details are accounted for in the financial statements of the public corporations which control these natural reserves.

Table 5 Financial Statements of the Executive Branch - 2011 and 2010
(Amounts in BOB)

Balance Sheet of Accounts	2011	2010
Assets	119,095,606,510	101,741,538,223
Current Assets	17,804,178,703	15,221,274,629
Available Assets	15,954,306,673	14,328,626,757
Short-Term Financial Investments	68,600,000	69,400,000
Short Term Receivables	1,604,640,726	681,562,256
Inventory of raw materials, materials and supplies	176,631,304	141,685,616
Non-Current Assets	101,291,427,807	86,520,263,594
Long-Term Receivables	2,964,518,620	3,369,340,605
Long-term Financial Investments	89,469,661,623	75,285,508,766
Fixed Assets	8,845,624,389	7,855,726,705
Intangible Assets	11,623,175	9,687,518
Liabilities	85,362,226,505	80,719,226,262
Current Liabilities	19,654,268,278	18,865,998,177
Floating Budgetary Debt	1,394,186,859	2,797,227,337
Other Short-Term Liabilities	64,803,624	543,701,165
Debt Due for Payment in the Short-term	3,783,910,861	3,188,696,754
Custody and Guarantee Funds Received	14,411,366,934	12,336,372,921
Non-Current Liabilities	65,707,958,227	61,853,228,085
Public Debt	65,707,958,227	61,853,228,085
Net worth	33,733,380,005	21,022,311,961
Total Assets and Liabilities	119,095,606,510	101,741,538,223
Total Assets and Liabilities in relation to GDP (%)	72	74

Source: MEFP – Financial statements of the Executive Branch 2011

8. In its financial statements, specifically in the notes to the accounts, YPFB provides the reserve estimates for the liquid and gaseous hydrocarbons (Table 6). The

³ See financial statements in <http://vmpe.economiayfinanzas.gob.bo/financiera0.asp>

reserve estimates proved by year-end 2012 stood at 8,162,589 MMpc of gas separation (12 years of production) and 169,154 Mbbls of condensed or un-condensed oil (11 years of production).

Table 6. Gas and Oil Reserves and Production—2012

Category	Gas Separation (MMpc)	Condensed or un-condensed Oil (Mbbls)
Proved	8,162,589	169,589
Probable	3,709,579	98,215
Possible	6,270,377	198,219
Production in 2012	660,608	15,087

Source: Notes to the accounts, YPFB Financial Statements 2012

Comment: Reserves quantified and certified by the firm of Ryder Scott CO. in 2009

Tax expenditure (1.1.4)

9. **Tax exemptions are authorized by law; however, annual reports are not prepared in regard to tax expenditure *(LESS THAN BASIC)*.** Tax exemptions are authorized by law as approved by the Plurinational Legislative Assembly. No annual reports are produced or published on tax expenditure. However, studies are prepared on the procedures governing each legal proposal and the Vice-Ministry of Tax Policy (VPT) draws up the justification grounds and analyzes the dominant factor, tax base, exemptions, estimated amount for collection, plus the settlement and payment of tax, among other things, as was the case recently with the tax on gambling and on the import of vehicles; however these studies are not published.⁴ The preparation of an annual report with an evaluation of tax expenditure per type of tax would be very useful in complementing the budget documentation and in facilitating an analysis on the benefits generated by the exemptions.

⁴ The Macroeconomic Group comprises of the Minister of the Economy and Public Finance, the Minister of Planning and Development, the Governor, Economic Policy Advisor and directors of the BCB, the National Institute of Statistics of Bolivia, UDAPE (Social and Economic Policy Analysis Unit), Vice Ministers of the economic areas and other entities, where required. This Group meets primarily to discuss issues of macroeconomic importance, to monitor macroeconomic stability and to promote sustained growth, thus contributing to additional economic and social development each time they meet. Other issues are also looked at as and when required by the Minister.

Table 7. Tax Exemption Laws

Nº	STANDARD	DESCRIPTION	REGION
1	Law N° 876	Grants a tax exemption for new manufacturing industry established in Oruro	Oruro
2	Law N° 877	The industries established in Potosí are liable for corporation and income tax purposes, with the exception of the mining royalties	Potosí
3	Law N° 967	Industries investing in excess of US\$ 100,000 at their location will be entitled to the benefits provided for under Laws 876, 877 and 967 (Supreme Decree N° 25305 VAT, transaction tax, income tax, tariff charges)	Potosí
4	Law N° 1834	Regulates listed and over-the-counter stocks (VAT and transaction tax in the divestment of goods or assets that are subject to the securitization procedures of securitized corporations)	National
5	Law N° 1850	Extends validity of the Free Trade and Industrial Zone in Cobija for a period of twenty years as from 27/03/98	Pando
6	Law N° 2068	Provides for incentives and financial sanctions in regard to immovable goods that are regarded as heritage property in Sucre. (Reductions in the real estate tax)	Sucre
7	Law N° 2206	Under this law, theater, dance, national music, painting, sculpture and cinema activities are exempt from VAT, transaction tax and income tax.	National
8	Law N° 2762	With the exception of personal income, relief from national, departmental and municipal taxes for all industries that locate themselves in Lajastambo.	Chuquisaca
9	Law N° 2685	Aims to promote the economic development of the city of El Alto (Supreme Decree N° 27945 of 20/12/2004 re income tax exemption, VAT and tariff charges)	El Alto
10	Law N° 2755	Provides for the establishment of a Free Industrial Economic and Commercial Zone in the municipality of Sucre	Sucre
11	Law N° 2739	Establishment of a Free Culture and Tourism Zone in the Chuquisaca Department	Chuquisaca
12	Law N° 2745	Municipalities in Chuquisaca established as a Free Zone to encourage new investments in the tourism and ecotourism sector, with total exemption from real estate tax, VAT and income tax for a period of ten years.	Chuquisaca
13	Law N° 2770	Exemption from tariff charges for the importation of goods donated to nonprofit public and private sports entities. Moreover, members of sports delegations representing Bolivia are exempt from paying departure tax.	National
14	Law N° 2809	Under this law, the national, departmental and municipal tax relief period is extended to ten years, with the exception of personal income, for all new manufacturing industry locating in Oruro with a capital investment in excess of one hundred thousand US Dollars (US\$ 100,000)	Oruro

N°	STANDARD	DESCRIPTION	REGION
15	Law N° 3316	Provides for an exemption from tariff and VAT charges in respect of imports of machinery and equipment produced outside of Bolivia for use by small and medium sized farming, manufacturing and crafts enterprises, and for metallurgy, small scale and cooperative mining established in Oruro.	Oruro
16	Law N° 3350	This law grants national priority for the construction and implementation of the Metropolitan Industrial Park in the city of Tarija, to be located in the Monte Cercado district in the Cercado Province, Tarija Department.	Tarija
17	Law N° 3097	The grounds and immovable property in the Santibanez Industrial Park belonging to businesses in the Industrial sector, together with the structures and buildings, will be exempt from real estate tax for a period of seven years as and from their registered change of ownership date.	Cochabamba
18	Law N° 3152	Provides for suspension of utility charges for a period of five years as and from the commencement of operations for companies involved in the generation of alternative energy in Pando, and in connection with VAT on imports, duties and admission rates for imports of machinery and equipment for use in these projects.	Pando
19	Law N° 3162	Under this law, immovable goods to be used exclusively in connection with international trade fair activities and which form part of the fixed assets of these institutions will be assessed at fifty percent of the tax base for real estate tax payment purposes, for a period of ten years.	National
20	Law N° 3249	Bolivian firms involved in the international transport of freight by land, including the transport of parcels, packages, documents or correspondence will be subject to the zero VAT regime. Application of this VAT rate does not imply that the liable entities may benefit from refunds in respect of Fiscal Credit (VAT), since this does not involve an exportation of services.	National
21	Law N° 3313	All productive economic activity that contributes to the establishment, implementation and/or strengthening of Human Urban Settlements zoned for Harmonious and Strategic Planning purposes will be exempt from income tax, VAT and transaction tax for a period not exceeding five years. Furthermore, they will be exempt from tariff charges and VAT on capital goods and imported input products.	National
22	Law N° 3279	Provides for suspension of utility charges for a period of five years as and from the commencement of operations for companies involved in the generation of alternative energy in the Department of the Beni, and in connection with VAT on imports, duties and admission rates in respect of imports of machinery and equipment for use in these projects.	Beni

Nº	STANDARD	DESCRIPTION	REGION
23	Law N° 3420	a) Income tax exemption for a period of ten years. b) Exemption from tariff charges and VAT in respect of imports of goods not produced in Bolivia. c) Single payment of three percent for minor imports of raw materials, with the exception of imports already eligible for tariff relief. d) Transaction tax exemption in respect of goods for use within the Special Economic Zone. e) Real estate tax exemption from for a period of up to three years.	Cochabamba
24	Law N° 291	Interest payable to lenders of public debt acquired via the issuance of securities in external capital markets will be exempt from income tax, together with payments for legal and financial services and other specialist services linked to the operation of public debt in the external capital markets.	National
25	Law N° 3058	a) Defined imports of goods, equipment, materials, machinery and other products will be exempt from tariff charges and VAT. b) Profit tax relief for a period not exceeding eight years. c) Temporary exemption from real estate tax for a minimum period of five years with no extension. Ad) Imports of goods, equipment and materials for the changeover from the Energy Matrix in the automotive area to Compressed Natural Gas (CNG) will be exempt from tariff charges and VAT.	National

Source: MEFP/VPT.

1.2 Frequency and Timeliness

Frequency of in-year fiscal reports (1.2.1)

10. **Bolivia publishes many fiscal reports such as: the consolidated operations of the nonfinancial public sector (NFPS); information on effective cash disbursements; monthly budget execution reports; and the annual financial statements (ADVANCED).** Comprehensive information is provided on the fiscal situation that are provided with a gap of up to 60 days between the reporting period and the release of the various reports. The fiscal information for the consolidated operations (government operations) and the actual cash operations of the nonfinancial public sector (NFPS) are prepared and published on a monthly basis. The same applies on an annual basis with regard to the consolidated operations of the State and of the NFPS, to the balance sheet of the Executive Branch, and to the Report on the Bolivian Economy and, half-yearly, to the Fiscal Dossier; in these last two publications, a compilation of the fiscal information is provided together with an analysis of the fiscal situation. The operations of the government and the financial statements are consolidated reports, with the elimination of reciprocal operations between the public entities particularly in relation to the transfers.

Table 8. Frequency and Timeliness of the Fiscal Reports over Course of the Year

Report	Period of days for reports	DELAY (days)
MONTHLY		
Budget execution per institution	0-10	≤29
Government Operations of the NFPS; GG; Public Corporations	0-15	≤29
Balance and servicing of domestic and external public debt	0	30-59
Payment of Domestic and External Public Debt	0	30-59
QUARTERLY		
Performance of public corporations	120	60-89
HALF-YEARLY		
Government Operations of the NFPS; GG; Public Corporations	0-15	60-89
Cash flow per entity itemized per month	0-15	60-89
Aggregated cash flow per entity itemized per month for GAD, GAM, and Universities	0-15	60-89
Balance of Domestic Public Debt	0	30-59
Balance of External Public Debt	0	60-89
Payment of External Debt of Public Sector	0	30-59
Payment of Domestic Public Debt	0	30-59
Stock of Subnational Debt per Territorial Entity	0	60-89
Servicing of Subnational Debt per Territorial Entity	0	60-89
YEARLY		
General Budget execution of the State and the NFPS	0-10	≥90
Government Operations of the NFPS; GG; Public Corporations,	0-15	≤29
Cash flow (Series of 7 years) per Governorate, Municipality, TGN	0-15	≥90
Balance of Domestic Public Debt	0	30-59
Balance of External Public Debt	0	≥90
Financial Statements of Executive Branch	60	30-59
Financial Statements of each Territorial Entity	60	30-59
Consolidated revenues and expenditure of public corporations	120	≥90

(1) Number of days allocated for dependencies to prepare the reports

Source: Half-Yearly Fiscal Dossier 2012 (first quarter); Report on the Bolivian Economy 2011; Web page of Ministry of Economy and Public Finances

Timeliness of the audited annual financial statements (1.2.2)

11. **A large number of the annual financial statements of each entity is audited either by the internal audit units or by independent auditing companies and are published within six months (AVANZADA).** The entities that produce fiscal information generally follow the deadlines established by law for the drawing up of fiscal statements. However, no uniform deadline applies for all of the agencies, with different periods applying in the preparation of the reports. Information from the budgetary sector and from part of the entities which make up the extrabudgetary sector is drawn up in accordance with the Bolivian Integrated Financial Management System (SIGMA). Their fiscal information is provided in real time and this enables the automatic production of statements. Some 95.9 percent of the entities with information in the system have been providing their financial statements since

December 2011, with 54.1 percent of these being provided with an opinion from internal audit units or from independent auditing firms and published within a period of 6 months. The General Directorate of Fiscal Accounting of the MEFP prepares the financial statements (consolidated at the end of the fiscal year) for the Executive Branch during the first quarter of the following year. This information is forwarded for auditing to the Comptroller General of the State (CGE). However, to date this task has not been carried out by the CGE.

Table 9. Number of entities with Financial Statements and Internal Audit Opinion in 2011 per sector

SECTOR	NUMBER	ENTITIES	
		WITH FINANCIAL STATEMENTS IN 2011	WITH AN INTERNAL AUDIT OPINION 2011
State Entities	3	2	2
Defense and Control Institutions	4	4	4
Decentralized Entities	85	78	56
Social Security	15	5	6
Universities	14	14	12
Autonomous Departmental Governments	9	9	9
Autonomous Municipal Governments	337	337	142
Public Corporations	27	26	23
Public Financial Administration	5	4	5
TOTAL	499	479	259

Source: MEFP, Directorate General for the Management of Fiscal Information Systems - Information and Financial Analysis Unit.

B. Quality

Classification (1.3.1)

12. **The fiscal reports include an institutional, functional, and economic classification, with separate detailing of budgetary revenues and expenditures. These classifications are partially consistent with international statistical standards. Also provided is a classification per program. The accounting classifiers are harmonized with the budgetary though not with the statistical classifiers. This prevents an adequate disclosure of the public finances statistics. Similarly, though not implementing IMF's Government Finance Statistics Manual (GFSM) 2001, the authorities are moving in this direction (GOOD).** The sectorization of the Public Sector in Bolivia differs to that defined in the GFSM2001 but a reorganization of the information using this methodology is feasible. Nationally, the classification diverges somewhat from the GFSM2001 in sectoral and conceptual terms, particularly when considered separately as entities: the General Treasury of

the Nation (TGN) and the Vice-presidency of the Plurinational State; Executing Units such as the Land Tenure Unit [Unidad Ejecutora de Titulación]; and programs such as the Decentralized Infrastructure for Rural Transfers [Infraestructura Decentralizada para Transferencia Rural], among others.

Table 10. Sectorization: GFSM2001 versus National Classification

MEFP2001	NATIONAL CLASSIFICATION	NATIONAL RECLASSIFICATION AS PER MEFP2001
PUBLIC SECTOR	PUBLIC SECTOR	
General Government	Nonfinacial Public Sector	
<i>Central Government</i>	General Government	
Budgetary	<i>Central Government</i>	Budgetary
Extrabudgetary	Authorities	Budgetary
Social Security	De-concentrated Entities	ExtraBudgetary
Funds	Decentralized Entities	
<i>State Governments</i>	Electoral Body	Budgetary
<i>Local Governments</i>	Control and Defense Insitutions	Budgetary
Public Corporations	Universities	Extrabudgetary
<i>Nonfinancial</i>	<i>Social Security</i>	Social Security Funds
<i>Financial</i>	<i>Autonomous Departmental Governments</i>	State Governments
	Governorates	
	<i>Autonomous Municipal Governments</i>	Local Governments
	Municipalities	
	Public Enterprises	Nonfinancial Public Corporations
	<i>National</i>	
	<i>Regional</i>	
	<i>Municipal</i>	
	Public Finance Sector	Financial Public Corporations
	<i>Non-Banking Financial Institutions</i>	
	<i>Banking Financial Institutions</i>	

Source: Ministry of Economy and Public Finance.

13. **The Budgetary classifiers are the same in all public sector institutions** by virtue of Supreme Decree 225558 of 2005. Revenue classifiers are detailed per item and financing source, whereas expenditure is classified based on the purpose of expenditure, object and function, financing entities, programs, economic sectors, and geographic classification. The budgetary classifiers are broad; except they are grouped under transfers which should correspond to subsidies. These are concepts that have different connotations under the GFSM2001 and which, given the circumstances in Bolivia, would be more relevant if itemized in different accounts. Equally, the classifier does not allow for a distinction to be drawn between the grants received from foreign countries and those received from international organizations.

14. **There is a General Chart of Accounts (GCOA) that is used fully and uniformly by the public entities, but not for those public corporations that have adopted their own charts of accounts that is in line with the official procedures for reporting the financial information.** The accounting classifiers are harmonized with the budgetary classifiers but not with the statistical classifiers; this prevents an adequate disclosure of the state of public finances. There are also discrepancies with the GFSM2001, since they do not have accounts that allow the disclosure of natural resource assets such as the substantial hydrocarbon reserves, insurance technical reserves, and valuables, among others, as is evident in Table 10. The chart for converting the national classifiers to the GFSM2001 classifiers is included in the Annex1 and comprises a guide showing how to migrate to the new classification. Some accounting classifiers such as the net wealth of decentralized institutions and public corporations are inconsistent in using strict technical standards governing the accounting systems, thus distorting the revenue and expenditure results for the period in question.

Internal consistency (1.3.2)

15. **Fiscal reports include a reconciliation of aggregate flows and stocks that are automatically generated by the Bolivian Integrated Financial Management Information System (SIGMA). This is in line with the budgetary operations and it simultaneously generates the accounting entries on the basis of accrual accounting (ADVANCED).** The SIGMA system has been in use in Bolivia since the year 2000. It allows for the recording of Central Government transactions and the incorporation of information covering some 96.7 percent of the public enterprises. Since this is an online integrated system, it can draw on the budgetary records to automatically generate the accounting records on the basis of accrual accounting, thus providing financial information on a permanent basis. Another system that was developed and currently being implemented is the Integrated Public Management System (SIGEP), which replaces the SIGMA system. Nationally, some 98 percent of the territorial entities recorded their budgets for the 2012 period in this information system. The system also accounts for a budget outturn coverage rate of 42.2 percent and it is anticipated that by 2014 it will be up and running for the totality of the territorial entities. The SIGEP has been configured in a more modern way and in two years' time it will replace the SIGMA in its entirety.

16. **As a producer of fiscal figures, particularly with reference to debt, the Ministry of Economy and Public Finance conducts reconciliations on a periodic and systematic basis between the results for the financial account and the financing obtained from the Central Bank of Bolivia.** In the past decade, the external debt of the public sector has been reduced from 64 percent of GDP in 2003 to 15 percent in November 2012, through repayments and substitution of the external debt by domestic debt. The national debt is being gradually restructured with greater emphasis on the national currency: 91 percent of the debt was in a foreign currency in 2005: this fell to 44 percent in November 2012. In October 2012, sovereign bonds were issued on the New York Stock Exchange in the amount of USD 500 million. The issue was well received by investors.

17. The government's debt operations are adjusted periodically in line with the floating debt and flows of fiscal certificates. On the other hand, the accounting figures are adjusted at the end of the period, principally with the accrual of interest from the debt and the convertibility of the debt balances, denominated in foreign currency and based on a fixed rate of exchange. In realizing the consolidation, the reciprocal transfer operations are eliminated. The balances due from the General Treasury of the Nation (TGN) and flows from the debt servicing are reconciled half-yearly with the BCB through the Public Credit General Office of the Ministry of Economy and Public Finance, and the differences adjusted as necessary.

Historical consistency (1.3.3)

18. **The fiscal information is reconciled and adjusted in a permanent manner both internally and at inter-institutional level. However, the series of historical figures including the debt and the deficit have not been subject to a methodological review, and in the case of atypical changes no reviews are prepared (BASIC).** The procedures used in reviewing and reconciling the information above and below the line among the institutions from whom the figures originate allow for a level of coherence in the information that is published periodically from the various sources. If there are significant changes, however, such as new entities being incorporated into the public sector as a result of nationalization of companies, the previous series are not retained, thus preventing an assessment of the impact of such changes.

Comparability of fiscal reports (1.3.4)

19. **The SIGMA allows for a comparison between the budget approved and executed by all of the public sector entities, though only of individual summary reports made available to the public on the Internet (BASIC)**⁵. The fiscal reports are prepared within the mandatory periods; however, no standard criteria are in place with regard to periodicity or sectorization, which renders it difficult to realize the reconciliation and verification processes. Despite having the information in the SIGMA system, plus information on reports of public interest, a small number of entities fail to furnish the requisite information in a timely fashion for consolidation purposes. The sole and primary source for the budgetary reports is the information in SIGMA, which allows for a comparison between budgetary income and expenditure with revenues generated and drawn upon, whereas for the remainder of the NFPS, the information above the line is provided directly by the entities.

⁵http://www.sigma.gob.bo/php/estadisticas_presupuesto.php

Table 11. Fiscal Reports Published in relation to Institutional Coverage and Periodicity

PUBLISHED FISCAL REPORTS	General Treasury of the Nation			Executive Branch			Autonomous Universities			Governorates			Municipalities			General Government			Corporations			Nonfinancial Public Sector			Consolidated Public Sector			By each Entity					
	2013	2012	2011	2012	2011	2010	2013	2012	2011	2013	2012	2011	2013	2012	2011	2013	2012	2011	2013	2012	2011	2013	2012	2011	2013	2012	2011	2013	2012	2011			
ACCOUNTING																																	
Balances					X	X																											X
Financial Statements					X	X																								X			
Notes					X	X																											
BUDGET																																	
Revenue budget outturn																								M						M			
Budget expenditure outturn																								M						M			
Budgetary expenditure report (daily)																														X			
Revenue budget outturn (monthly)																														X		X	X
Budget expenditure outturn (monthly)																														X		X	X
DEBT																																	
Internal debt (monthly)		X	X																														
Internal debt (annual)	X	X	X																														
STATISTICS																																	
Actual Cash Operations (Monthly)		D**	D				X*	X	X	X*	X	X	X*	X	X	X*	X	X	X*	X	X	X*	X	X				X*	X	X			

* February; ** June

Source: D – Fiscal Dossier; S – Report on the Bolivian Economy

20. **The information published on the same subject differs in relation to the disaggregated structure and presentation of some of the sub elements.** This renders comprehension of the aggregate figures more difficult, as will be seen in Table 12.

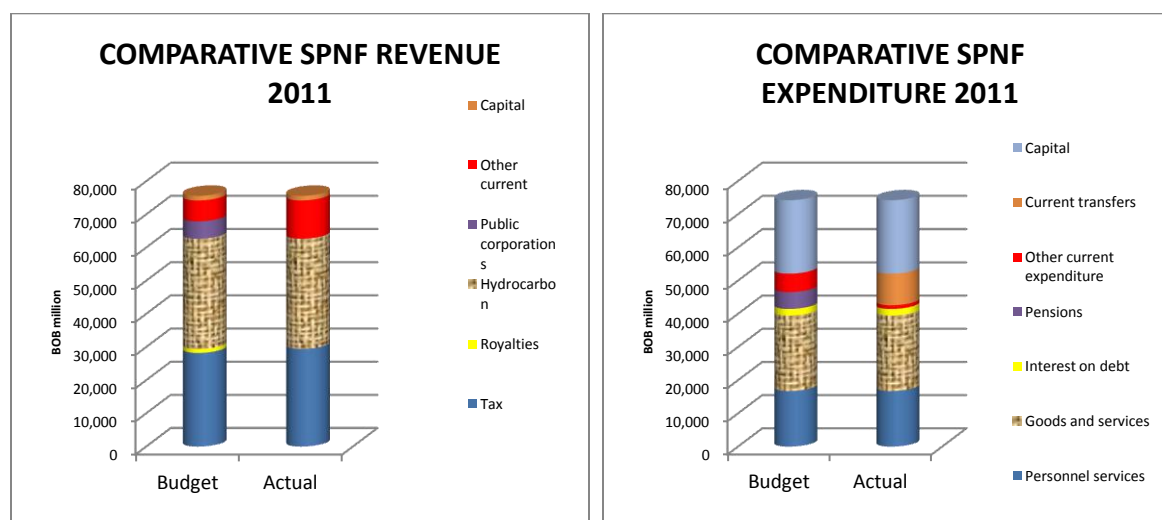
Table 12. Comparative Information regarding Fiscal Figures for the Nonfinancial Public Sector
(in BOB million)

CONCEPT	2011		
	Budget	Actual Cash Operations	Difference
TOTAL REVENUE	75,614	75,614	0.00
Current Revenue	74,240	74,240	0.00
Tax Revenue	28,240	29,433	(1,193)
Domestic revenue	26,144	0	26,144
Customs revenue	2,096	0	2,096
Income from Mining Royalties	1,193	0	1,193
Income from hydrocarbons	33,262	33,262	0
Sales	30,830	0	30,830
Taxes	2,432	0	2,432
Royalties	0	0	0
Income from public corporations	5,249	0	5,249

CONCEPT	2011		
	Budget	Actual Cash Operations	Difference
Other current revenues	6,296	11,545	(5,249)
Capital Revenue	1,374	1,374	0.00
TOTAL EXPENDITURE	74,232	74,232	0.00
Current Expenditure	52,119	52,119	0.00
Personnel services	16,726	16,726	0
Goods and services	22,764	22,764	0
Interest on debt	1,991	1,991	0
Pensions	5,101	0	5,101
Other current expenditure	5,537	1,118	4,419
Current transfers	0	9,520	(9,520)
Capital expenditure	22,113	22,113	0.00

Source: Report on the Bolivian Economy. Ministry of the Economy and Finance. Analysis and Fiscal Studies Unit. General Directorate of Administration and Territorial Finances. website: http://medios.economiayfinanzas.gob.bo/VTCP/documentos/dgpf/diciembre2011/SPNF_2011.xlsx

Figure 2. Discrepancy in the Disaggregation of Information in Various Reports



Source: Report on the Bolivian Economy. Ministry of the Economy and Finance. Analysis and Fiscal Studies Unit. General Directorate of Administration and Territorial Finances. website: http://medios.economiayfinanzas.gob.bo/VTCP/documentos/dgpf/diciembre2011/SPNF_2011.xlsx

C. Integrity

Statistical independence (1.4.1)

21. The preparation of the NFPS fiscal statistics in line with the IMF's GFSM 1986 is the responsibility of the General Directorate of the Territorial Administration and Finances (GDTAF), an unit of the MEFP Vice Ministry of the Treasury and Public Credit (BASIC). The GDTAF is a third level agency of the Ministry of Economy and Public

Finance which is tasked with generating the FSM of the NFPS for internal use as well as managing and monitoring the implementation of information systems and databases for the administration of the territorial finances. It also manages the production and dissemination of the financial and fiscal information of the territorial entities.

External audit (1.4.2)

22. **The annual financial statements of the Central Government are not audited by the Comptroller General of the State (CGE), which is the external auditor and Bolivia's supreme audit institution (LESS THAN BASIC).** The General Directorate of Fiscal Accounting of the Ministry of Economy and Public Finance prepares and forwards the Financial Statements of the Executive Branch up to 31 March of the following year. However, these figures are not audited by the Comptroller General of the State (CGS). Under the Constitution, the CGS is an institution that is independent of government with functional, financial and administrative autonomy. In recent years, the CGS was charged with conducting special audits aimed at investigating complaints made within Bolivian society. The Ministry of Economy and Public Finance has tried in the past two years to assign an independent auditing firm to audit the Financial Statements of the Executive Branch. However, on both occasions it was unsuccessful in securing these services. In March 2013, an operational audit was carried out by the CGS, thus initiating the financial auditing process for the Financial Statements of the Executive Branch of the Plurinational State. This was accepted by the Ministry of Economy and Public Finance.

23. **In Bolivia, all entities within the public sector are obliged by law to have an Internal Audit Unit (IAU).** There are currently some 300 Internal Audit Units in operation. At the beginning of the following year, the IAUs prepare a reliability report in regard to the budget outturn data and to the robustness of the internal controls. These reports are published on the Ministry of Economy and Public Finance's website.

24. **The existing accounting and financial systems together with the information made available by the IAU would facilitate the preparation of an audit report by the CGS, having regard to the fact that coverage of this report for the Executive Branch is a little less than that for Central Government (90.95 percent of the expenditure accrued by the Central Government in 2011 – Box 13).** The assignment of independent auditing firms remains a good alternative in connection with the preparation of independent audit opinions that attest to the reliability and reasonableness of financial statements prepared by the Executive Branch. The Ministry of Economy and Public Finance is extending the coverage of the Integrated Financial Management System (SIGAF) so as to gradually incorporate the financial statements of the Central Government and subsequently of the general government.

Table 13. Expenditure accrued by the Central Government in 2011
(in BOB)

Entity	Accrued Expenditure	%
EXECUTIVE BRANCH	9,896,806,929	90.95
Vice Presidency of the Plurinational State	26,901,822	0.25
Ministry of Foreign Affairs	233,633,825	2.15
Ministry of Government	2,017,715,585	18.54
Ministry of Education	964,748,548	8.87
Ministry of Defense	2,424,006,013	22.28
Ministry of the Presidency	117,485,844	1.08
Ministry of Justice	49,170,353	0.45
Ministry of Economy and Public Finance	153,891,360	1.41
Ministry of Productive Development and Plural Economy	74,460,099	0.68
Ministry of Health and Sport	708,343,115	6.51
Ministry of Rural Development and Lands	656,550,810	6.03
Ministry of Inst. Transparency and Fight Against Corruption	20,647,535	0.19
Ministry of Autonomy	41,337,293	0.38
Ministry of Cultures	35,599,317	0.33
Ministry of Planning of Development	79,147,960	0.73
Ministry of Labor, Employment and Social Security	38,274,866	0.35
Ministry of Mining and Metallurgy	140,332,311	1.29
Ministry of Mining and Metallurgy	301,466,042	2.77
Ministry of Legal Defense of the State	486,413	0.00
Ministry of Public Works, Services and Housing	1,389,613,624	12.77
Ministry of the Environment and Water	357,450,451	3.28
Ministry of Communications	65,148,138	0.60
Supreme Counsel of Plurinational Defense	395,605	0.00
OTHER BRANCHES	973,402,812	8.95
Plurinational Legislative Assembly	145,601,515	1.34
Judicial Body and Plurinational Constitutional Tribunal	406,118,258	3.73
Plurinational Electoral Body	209,624,916	1.93
Comptroller General of the State	60,419,166	0.56
Public Ministry	106,539,167	0.98
Office of the Ombudsman	28,732,924	0.26
Attorney General of the State	16,366,866	0.15
DECENTRALIZED PUBLIC INSTITUTIONS	8,546,610	0.08
PUBLIC UNIVERSITIES	2,934,620	0.03
CENTRAL GOVERNMENT	10,881,690,971	100.00

Source: Ministry of Economy and Public Finance – Budget Statistics and outturn per Entity 2011

Reliability (1.4.3)

25. **The CGE does not audit the financial statements of the public sector entities. Only annual reliability reports are prepared by the internal audit units with respect to the individual financial statements of some public sector entities **LESS THAN BASIC**.** The General Directorate of Fiscal Accounting (GDFA) receives financial statements of the public sector entities by the 28th of February, prepares the financial statements of the Executive Branch by the 31st of March, and forwards this to the Ministry of Economy and Public Finance to be subsequently sent to the CGS. The financial statements of the Executive Branch as at December 2011 were not audited by the CGE. It incorporates the net wealth position of the decentralized entities and in this context to be the financial statements of the central government, it would have to include the social security funds to be compliant with the GFSM2001.

26. The reliability of the financial statements of the Ministry of Economy and Public Finance—without including the General Treasury of the Nation (TGN)—as it was the case for various entities, was individually audited by the internal audit unit of the Ministry of Economy and Public Finance in observance of the budget and accounting standards. The internal audit units determined that the information in the budget execution reports is reliable, except in relation to the documentation of fixed assets, which in 44.97 percent of the total present value of the assets is not supported by documentation of its property.

27. Of the 124 institutions that submitted their financial statements to the GDFA, which covers approximately 25 percent of the public sector, 68 were subject to reliability tests by the internal audit units and 3 by independent auditors.

D. Recommendations

1.1.3 – Coverage of Assets and Liabilities - Include the value of the reserves of natural resources in the financial statements of the Central Government.

1.1.4 – Tax expenditure - Prepare an annual report on tax expenditure and identify the beneficiary sectors, the estimated value of the tax exemptions, and an evaluation of the results of the policy of exemptions.

1.3.1 – Budgetary, Statistical and Accounting Classification - Refine the institutional classification, to be in line with the classifiers of the GFSM2001. Revise and update the accounting classifiers in accordance with the *GFSM2001* requirements and harmonize them with the budgetary and statistical classifiers. A number of recently nationalized companies has been classified as private companies.

1.3.3 - Historical consistency – In the event of significant changes, develop and maintain parallel historical series containing the original data and the items affected by the changes in a manner to understand the impact of such changes.

1.3.4 – Comparability of fiscal reports - Publish budget execution information following a standardized sectorization of the Central Government, General Government, Nonfinancial Public Sector, and the Public Sector.

1.4.2 and 1.4.3 – External Audit and Reliability - The financial statements of the Central Government should be subject to a financial audit prepared by an independent auditor on the reliability of the financial and budgetary information.

E. Conclusions

Table 14. Summary Assessment of Fiscal Report Practices

Item	DIMENSION	PRINCIPLE	EVALUATION
1	Presentation of fiscal reports	Fiscal reports should provide a complete general overview that is relevant, timely, and reliable with respect to the government's financial position, as well as its financial performance.	
1.1	Coverage	<i>Fiscal reports should provide an exhaustive general overview of the government's fiscal activities</i>	
1.1.1	Coverage of Institutions	Fiscal reports cover all entities engaged in public activity that are delineated according to international standards.	Budget approved and executed information of 566 out of the 577 entities of the Public Sector (98 percent) are consolidated in the budget reports—that covers more than 90 percent of the expenditure—and the reports are widely available to the public (ADVANCED).
1.1.2	Coverage of revenues, expenditures, and other flows	Fiscal reports cover all government revenues, expenditures, and financing.	<i>The monthly published fiscal reports cover the cash flows and all accrued revenues and expenditures of the nonfinancial public sector (GOOD).</i>
1.1.3	Coverage of assets and liabilities	Fiscal reports include a balance sheet of government assets, liabilities, and net worth.	<i>The annual financial statements for virtually all of the entities of the Public Sector are published individually, reflecting the total financial assets and liabilities of each entity (GOOD).</i>
1.1.4	Tax expenditure	The government regularly discloses all revenue loss from tax expenditure.	<i>Tax exemptions are authorized by law; however, annual reports are not prepared in regard to tax expenditure (LESS THAN BASIC).</i>
1.2	Frequency and Timeliness	<i>Fiscal reports should be published on a frequent and timely basis</i>	
1.2.1	Frequency of in-year fiscal reports	In-year fiscal reports are published on a frequent and regular basis.	Bolivia publishes many fiscal reports such as: the consolidated operations of the nonfinancial public sector (NFPS); information on effective cash disbursements; monthly budget execution reports; and the annual financial statements. (ADVANCED).
1.2.2	Timeliness of annual financial statements	Final year-end financial statements are published in a timely manner.	A large number of the annual financial statements of each entity is audited either by the internal audit units or by independent auditing companies and are published within six months (ADVANCED).
1.3	Quality	<i>The information in fiscal reports should be relevant, internationally comparable, and internally and historically consistent</i>	

Item	DIMENSION	PRINCIPLE	EVALUATION
1.3.1	Classification	Fiscal reports classify information in ways that the government's use of public resources, and facilitates international comparisons.	<i>The fiscal reports include an institutional, functional, and economic classification, with separate detailing of budgetary revenues and expenditures. These classifications are partially consistent with international statistical standards. Also provided is a classification per program. The accounting classifiers are harmonized with the budgetary though not with the statistical classifiers. This prevents an adequate disclosure of the public finances statistics. Similarly, though not implementing IMF's Government Finance Statistics Manual (GFSM) 2001, the authorities are moving in this direction (GOOD).</i>
1.3.2	Internal consistency	Fiscal reports are internally consistent and include reconciliations between alternative measures of summary fiscal aggregates.	<i>Fiscal reports include a reconciliation of aggregate flows and stocks that are automatically generated by the Bolivian Integrated Financial Management Information System (SIGMA). This is in line with the budgetary operations and it simultaneously generates the accounting entries on the basis of accrual accounting (ADVANCED).</i>
1.3.3	Historical consistency	Material revisions to historical fiscal data in fiscal reports are disclosed and explained.	<i>The fiscal information is reconciled and adjusted in a permanent manner both internally and at inter-institutional level. However, the series of historical figures including the debt and the deficit have not been subject to a methodological review, and in the case of atypical changes no reviews are prepared (BASIC).</i>
1.3.4	Comparability of fiscal reports	Fiscal forecasts, budgets, and fiscal reports are presented on a comparable basis, with any deviations explained.	<i>The SIGMA allows for a comparison between the budget approved and executed by all of the public sector entities, though only of individual summary reports made available to the public on the Internet (BASIC).</i>
1.4	Reliability	<i>Fiscal reports should be reliable and subject to external scrutiny</i>	
1.4.1	Statistical independence	Responsibility for preparing and disseminating fiscal statistics is vested in a specific body that is independent and ensures consistency with international statistical standards.	<i>The preparation of the NFPS fiscal statistics in line with the IMF's GFSM 1986 is the responsibility of the General Directorate of the Territorial Administration and Finances (GDTAF), an unit of the MEFP Vice Ministry of the Treasury and Public Credit (BASIC).</i>
1.4.2	External audit	Government's annual financial statements are audited by the supreme audit institution and an audit opinion issued according to international audit standards.	<i>The annual financial statements of the Central Government are not audited by the Comptroller General of the State (CGE), which is the external auditor and Bolivia's supreme audit institution (LESS THAN BASIC).</i>
1.4.3	Reliability	The reliability of the government's fiscal reports is confirmed by an independent assessment.	<i>The CGE does not audit the financial statements of the public sector entities. Only annual reliability reports are prepared by the internal audit units with respect to the individual financial statements of some public sector entities (LESS THAN BASIC).</i>

II. FISCAL FORECASTING AND BUDGETING

A. Introduction

Table 15. List of Budget Documents

Report	Area Responsible	Content
Fiscal Dossier www.economiayfinanzas.gob.bo	General Directorate for Analysis and Fiscal Policies - Ministry of Economy and Public Finance	Half-yearly report presenting a fiscal analysis and figures for the performance of revenue, expenditure and debt plus other fiscal statistics
Report on Monetary Policy www.bcb.gob.bo	Central Bank of Bolivia	Half-yearly report with information on international context, inflation, economic performance, monetary and exchange policy, and details regarding risks of projected inflation
General Budget of the State www.sigma.gob.bo/php/estadisticas_presupuesto.php?&id_item=523	General Directorate for Management of Fiscal Information System - Ministry of Economy and Public Finance	Information regarding budget as approved, modified and executed by the public sector
Fiscal-Financial Program www.economiayfinanzas.gob.bo	General Directorate for Analysis and Fiscal Policies - Ministry of Economy and Public Finance, Central Bank of Bolivia	The agreement between the Ministry of Economy and Public Finance and the Central Bank of Bolivia sets out the principal macroeconomic objectives for each financial year and reflects the coordination of fiscal, monetary and exchange policy.
Annual Report of the BCB www.bcb.gob.bo	Central Bank of Bolivia	Annual report on the economic environment, inflation and policies of the BCB (monetary and exchange policy, accompanying measures for dealing with inflation and inflation outlook and monetary policy guidelines), institutional management, activities and financial statements of the BCB.
Financial Stability Report www.bcb.gob.bo	Central Bank of Bolivia	Annual information on the macroeconomic environment, financial system, credit, payment system and a credit and liquidity risk analysis
Report on the Bolivian Economy www.economiayfinanzas.gob.bo	General Directorate for Analysis and Fiscal Policies - Ministry of Economy and Public Finance	Annual report with information on the national economy and the international economic climate
Bolivia: Results of a New Economic Model www.economiayfinanzas.gob.bo	Communications Unit - Ministry of Economy and Public Finance	Economic summary in a non-complicated language setting out the principal macro-fiscal and social milestones

B. Comprehensiveness

Unity (2.1.1)

28. **The General Budget of the State (GBS) includes all tax and non-tax revenues, domestic and external financing and revenues from donors, as well as expenditure appropriations for all entities of the public sector (ADVANCED).** The policy objective of including the entire public sector in the budget, as adopted by virtue of Article 321 of the Constitution and applied for the first time in the budget for 2011, is to include all revenues, expenditures, and financing of all entities of the public sector. There are no extrabudgetary funds. The only exception to this policy is in relation to the public corporations which, though subject to allocation limits, can exceed the expenditure appropriations without any budgetary modifications in the event that effective revenue exceeds the estimated figures. This information on exceeding revenues and expenditures is available in the budget execution reports and in the financial statements. See Section 1.1.1 Institutional Coverage.

29. **Article 340 of the 2009 Constitution authorizes the Executive Branch to establish standards governing the preparation and presentation of the budget for the Public Sector.** The same budgetary classifiers are applied throughout the entire public sector, even though it is possible to aggregate more detailed codes under the standard classifiers, as they may be required by the entities. Public corporations comply with the budgetary classifier standards notwithstanding they may have internal complementary systems for their budgets, expenditure management, and accounting systems. The Executive Branch determines also the calendar for the preparation of the budget, that is consistent with the dates to present to the consolidated budget by the MEFP.

Gross budgeting (2.1.2)

30. **The budget is presented in a consistent manner in gross terms (ADVANCED).** Transfers from the budgetary allocations of the Central Government to other entities of the public sector and to the social security are shown in gross and net terms. The VAT refunds are allocated in the budget. Only revolving funds are shown in net terms. The main revolving fund is used to set up a financing project with external resources after an agreement has been signed with the donor, even though the funds are not yet in place. In this case, the revolving fund will be reimbursed by the external financing. The expenditure corresponding with the project financed with external resources is posted in gross terms, as is all expenditure.

Macroeconomic forecasts (2.1.3)

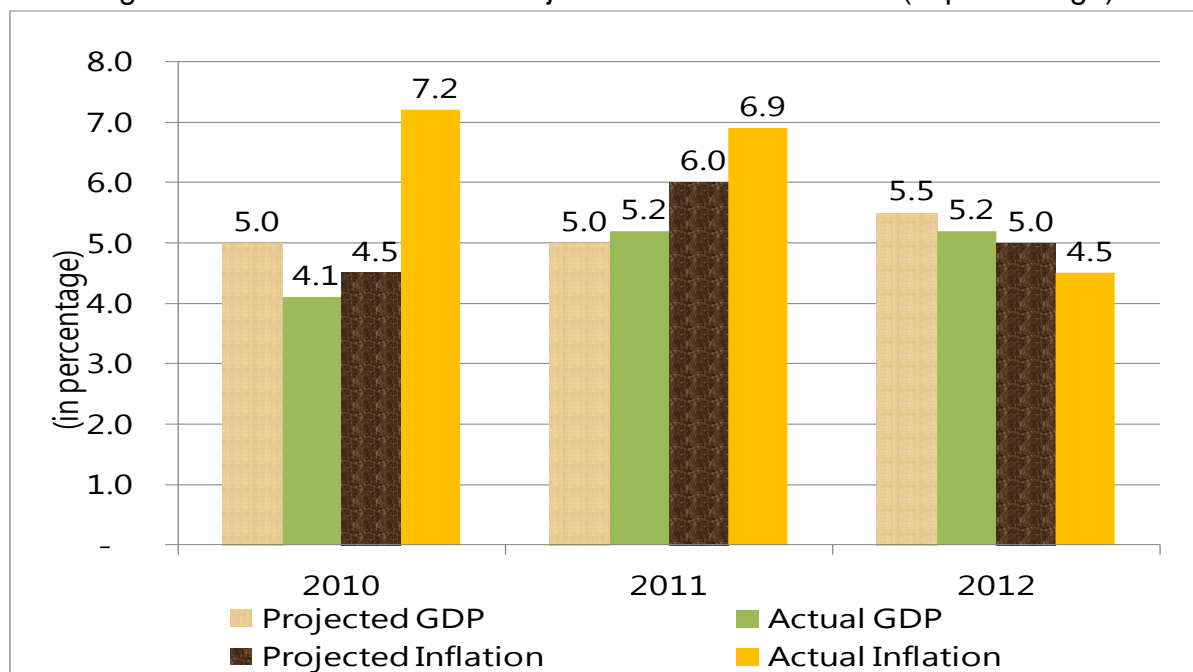
31. **In June/July, the MEFP and the Central Bank of Bolivia prepare the macroeconomic projections together with the assumptions on which they are based (Fiscal Dossier). These figures are then used in the preparation of the budget: they are included and published in the budget outline submission from the MEFP and are published in the BCB report by the first quarter of the following year (GOOD).** The variables used in the formulation of the budget are the real GDP growth rate and the

Consumer Price Index (CPI) inflation projections for the budgetary year in question, as included in the Fiscal-Financial Program and approved by the MEFP and the BCB.

32. **In the Monetary Policy Report (MPR), published in February and August, the BCB discusses and analyses the underlying assumptions for these projections in addition to the inflation projection risk.** The MPR includes also the balance of payments projections. The MEFP General Directorate of Analysis and Fiscal Policy draws up also an internal analysis looking at different scenarios in relation to the price of oil (pessimistic, moderate and optimistic outlook) for consideration by the Macroeconomic Group for budget formulation purposes. Inclusion of more detailed components of key macroeconomic variables in the MPR and budget documents together with the inclusion of additional currently analyzed variables for internal discussion would elevate the practice to a higher level of transparency. The MEFP also prepares a report on the Bolivian Economy, reviewing the performance of the economy during the previous year together with the outlook for the following year in terms of GDP growth, inflation, fiscal surplus, and public investment.

33. **Errors in the projections during the past three years were relatively few, notwithstanding some variations due to the increase in the price of food above the CPI projected rate of inflation for 2010 and 2011.** The real GDP projections deviated moderately by 0.3 percentage points on average during the years 2010-12 and the projections tend to be larger than the actual result. During the same period, the CPI projected inflation figures recorded a more significant deviation of 1.3 percentage points, a relatively major deviation. To a lesser degree, this reflects the weather conditions associated with the pressure on agricultural supplies, a rise in international food prices, and the impact of a temporary increase in the fuel prices.

Figure 3. GDP and Inflation: Projections and Actual Data (in percentage)



Ministry of Economy and Public Finance; Central Bank of Bolivia and IMF WEO

*For average projections of the position (4.5-5.5 percent for real growth of GDP; 3.5-5.5 percent for inflation)

Medium-term budget framework (2.1.4)

34. **A medium-term budget framework is to be prepared for 2014: at the present time, the budget documents merely include projections for the current year **LESS THAN BASIC**.** The authorities are working on a medium-term budgetary framework. An information system is now in place to record the incoming data from the entities as well as the implementation methodology and the procedure forms for the multiannual program. To this end, the Ministry of Economy and Public Finance has a medium-term model financing program in place. What is lacking is an updating of the most relevant variables together with a debt sustainability analysis and consequently the Ministry has been compiling medium-term projections from the public enterprises for the past 2 years, covering a period of up to 5 years. This process needs to be exhaustive in order to cover the remainder of the nonfinancial public sector before being able to include the medium-term projections in the budget documents. As soon as the medium-term budgetary framework has been established, the authorities will consider publication of its projections in respect of revenue, expenditure and financing by economic category and by ministry or program in order to improve transparency.

C. Timeliness

Fiscal strategy report (2.2.1)

35. **The MEFP prepares half-yearly reports (Fiscal Dossier), published within 90 days of their completion (BASIC); however, they do not update the macroeconomic and fiscal framework (LESS THAN BASIC).** The Fiscal Dossier is published every six months on the MEFP's website, with details on fiscal effect and developments in the public sector debt for each half of the year. The report includes detailed statistics on the budget execution data for the consolidated nonfinancial public sector, General Government, and public corporations. Information is also provided on large entities such as the YPFB, COMIBOL, and ABC, as well as internal and external debt. However, the report does not discuss any review of the macroeconomic projections nor their implications on key fiscal variables. Neither does it discuss the outlook for the rest of the fiscal year, including the impact of changes in the macroeconomic projections.

36. **The Report on the Bolivian Economy includes an analysis of the global economy, of the development of the economy and sets out the economic prospects for Bolivia for the current financial year.** The BCB updates the projections on inflation and GDP growth in its half-yearly Report (MPR), published in August. For its part, the MEFP provides the Macroeconomic Group with a budgetary framework for the short-term. These analyses are not published. Moreover, the supplemental budgets do include revised macroeconomic assumptions. During the Macrofiscal Program implementation process, the fiscal projections are updated periodically in respect of the current financial year. Similarly, when calculating

the macroeconomic variables for the following year, which provide an input for the General Budget of the State, the projections for the macroeconomic and fiscal variables are updated by mid-year and presented to the Macroeconomic Group.

Budget submission (2.2.2)

37. **The budget is submitted to the Plurinational Legislative Assembly two months prior to the beginning of the fiscal year (GOOD).** Under Article 321 of the 2009 Constitution, the budget must be presented to the Plurinational Legislative Assembly at least two months prior to the beginning of the fiscal year. The budget is submitted to the Plurinational Legislative Assembly at the end of October each year.

Table 16. Time elapsed between submission and approval of annual budget for 2013

Date	Action
	Commencement of budget preparation
May/4/2012	- Autonomous Departmental Governments
May/30/2012	- Autonomous Municipal Governments
Augt/1/2012	Dispatch of Maximums and Guidelines
Sep/7/2012	Date of Submission to Ministry of Economy and Public Finance
Oct/9/2012	Dispatch of draft General Budget of the State Law 2013 to the Ministry of the Presidency
	Processing of draft General Budget of the State (GBS) Law 2013
Dec/11/2012	Adoption of General Budget of the State (GBS) Law 2013 (Law N° 317 of 11 December 2012)

Source: Ministry of Economy and Public Finance.

Budget approval (2.2.3)

38. **In general, the Plurinational Legislative Assembly approves and publishes the budget up to one month prior to the beginning of the fiscal year (GOOD).** Both the draft budget and the approved budget are published.

Table 17. Budget approval dates for 2011–13

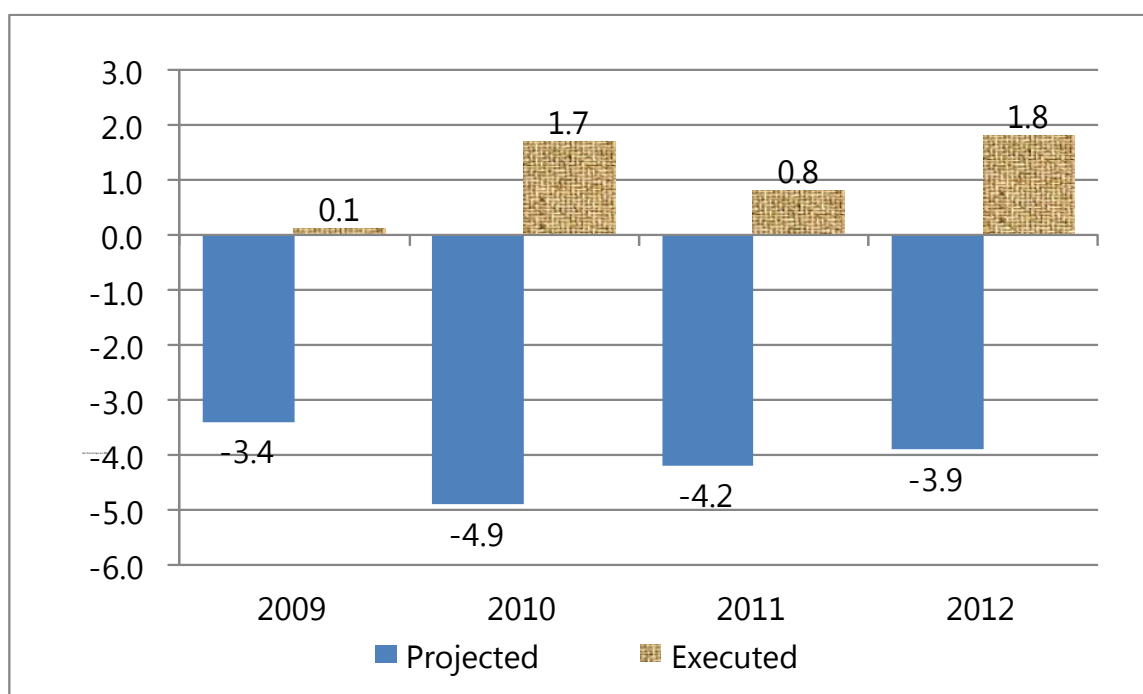
Date	Adoption
11/28/2010	Adoption of GBS 2011 (Law N° 062 of 28 of November 2010)
12/23/2011	Adoption of GBS 2012 (Law N° 211 of 23 December 2011)
12/11/2012	Adoption of GBS 2013 (Law N° 317 of 11 December 2012)

Source: Ministry of Economy and Public Finance

Forecast	500	800		2.2 % of GDP	3,150	2,800	2,800	2,800
(In USD millions)								
Net International Reserves of the BCB								
Forecast		500	1,700	-300	-400	410	-210	-650
Outturn	1,516	1,952	2,374	325	923	2,160	1,712	...
(as a percentage of)								
Growth in GDP								
Forecast				5.0	4.5-5.5	5.0	5.5	5.5
Outturn	4.8	4.6	6.2	3.4	4.1	5.2	5.2	...
Inflation at end of period								
Forecast				8.0	3.5-5.5	6.0	5.0	4.8
Outturn	4.9	11.7	11.8	0.3	7.2	6.9	4.5	...

Source: Fiscal-Financial Programs 2006-2013, Fiscal Dossier; and BCB.

Figure 4. Projected and Executed Fiscal Balances
(in percentage)



Source: MEFP, Vice Ministry of Treasury and Public Credit.

Table 19. Projected and Actual Revenue and Expenditure of the Nonfinancial Public Sector
(in BOB millions)

Item	2011				2012		
	Original	Final	Actual	Actual / Final (% dif.)	Original	Actual	Actual / Original (% dif.)
Current revenue	76,435	99,641	113,370	13.8	89,430	116,850	30.7
Operating income ¹	40,534	52,122	47,922	-8.1	42,491	61,850	45.6
Tax revenue	27,250	34,745	40,522	16.6	37,216	41,927	12.7
Capital revenue	2,401	2,776	6,898	148.5	2,494	2,749	10.2
Current expenditure	69,453	78,720	91,225	15.9	83,610	101,035	20.8
Goods and services	35,222	45,374	39,176	-13.7	38,892	57,898	48.9
Misc. current expenditure ²	4,607	...	15,601
Capital expenditure	25,003	28,250	18,681	-33.9	27,474	43,484	58.3

Source: MEFP, Vice Ministry of Budget and Fiscal Accounting, and IMF Staff calculations.

¹ Operating income includes taxes on hydrocarbons.

² 'Miscellaneous current expenditure' includes hydrocarbon subsidies.

41. **Bolivia does not calculate the non-hydrocarbon fiscal balance.** Given the significance of the hydrocarbon sector (approximately 40 percent of the nonfinancial public sector revenue), it would be important to calculate and include this as a fiscal policy objective. In the last five years, the non-hydrocarbon fiscal balance has stood at between -7.5 and -10.3 percent. The non-hydrocarbon fiscal balance is an important indicator with respect to long-term fiscal stability as it shows the financing capacity of the government in respect of revenues that are non-dependent on natural resources.

Table 20. General and Non-Hydrocarbon Fiscal Balances of NFPS
(in percentage of GDP)

Indicator	2008	2009	2010	2011		2012
				Prel.	Proj.	
General balance	3.6	0.2	1.7	0.8		0.9
Non-hydrocarbon balance ¹	-7.5	-10.3	-8.1	-8.7		-9.4

Source: IMF staff calculations, Article IV, 2012

¹ The hydrocarbon balance includes IDH, royalties, and current balance of the public corporations, net of capital expenditure of the YPFB.

Separation of existing and new policies (2.3.2)

42. **New policy measures are discussed in qualitative terms in the budget documents (BASIC).** The General Budget of the State (GBS) which is submitted to the Plurinational Legislative Assembly in October points out qualitative guidelines for the budget and, in some cases, describes major changes including budget appropriations for investments in key sectors. For example, in the 2013 budget the government itemized authorizations for credit

granted to YPFB and the National Electricity Company (ENDE) and for the construction of the Railway Transport System, in addition to the capital increase contribution committed in respect of the Latin American Reserve Fund. However, the budget documentation does not include information on the revenues or costs associated with new policies nor any prognosis of the fiscal impact of policy decisions.

Performance information (2.3.3)

43. **The budget includes data on performance indicators at output level **(GOOD)**.**

The nonfinancial information on outputs was included for the first time as part of the budgetary process in 2011. The output data entered in the SIGMA for each program includes a summary of the anticipated results and associated indicators, as well as the baseline data and the target result for the relevant budget year. The actual results are published in the annual Report on the Bolivian Economy. The MEFP defines on a standard programmatic classification to all municipalities and departments. All other budget entities determine their own programmatic classification in line with the government's national targets. The Ministry of Development Planning carries out its own evaluations but this information does not form part of the budgetary process. For example, a Ministry of Hydrocarbons and Energy program presents the following information on performance in accordance with the SIGMA:

Strategic Objective: energy security guaranteed based on independence and equity.

Description of Objective: the energy security is guaranteed independence and fairness.

Social Economic Development Plan: 3.3.1.1 Development of the generation and transmission infrastructure for electricity to meet domestic and external demand.

Table 21. Planned Results of Ministry of Hydrocarbons and Energy Program

Planned Results	Baseline	Objective for the year
Electrical power, urban coverage	90.10 %	100%
Electrical power, rural coverage	52.7 %	70%
Electricity generation	1211.5 MW	1769.5 MW
Transmission of electrical power	3007.9 km	4777 km

Source: Ministry of Development Planning.

Distributional analysis (2.3.4)

44. **Comprehensive budget information is available and accessible to the public **(ADVANCED)**.** The Social Communication Unit of the MEFP and the Vice Ministry of Budget and Fiscal Accounting publish a range of documents (in Spanish) aimed at different segments of the public:

- ECONOMIC ZOOM, a periodic bulletin which is frequently distributed as a supplement to a newspaper. In 2012, some 14 issues were published. ZOOM provides

a variety of news and fiscal, economic and social information pertaining to a selection of economic and social groups and destined for the educated reader.

- **BOLIVIA IN FIGURES**, a set of nine leaflets in one folder, containing numerical fiscal economic and social data for each department.
- **HOW IS THE PUBLIC BUDGET PREPARED?**, a full-color résumé containing eight pages on the legal basis, the annual cycle, policies, and aggregate budget information.
- **GENERAL SUMMARY** of the General Budget of the State. This document contains a more detailed outlook on the annual budget, with ample text and data. In 2012, this ran to 242 pages.
- Cards, bifolds and trifolds with information on public finances, debt, municipal finances, and other economic issues.

Fiscal sustainability analysis (2.3.5)

45. **The MEFP together with the BCB and the Ministry of Development Planning are responsible for forecasting the fiscal and macroeconomic variables for the current year and preparing a long-term debt sustainability analysis covering a 20-year period (BASIC); however, this analysis is not published (LESS THAN BASIC).** The debt sustainability analysis of the public debt reviews the main macroeconomic and fiscal variables and provides an overview of the underlying macroeconomic and fiscal assumptions. This annual analysis also includes a projection of the investments by YPFB.⁶ The debt sustainability analysis forms the basis for guidelines and policies which are effectively disseminated and published on a permanent basis. Furthermore, a debt sustainability analysis of the public sector is prepared by the BCB⁷ and the MEFP which also covers a period of 20 years. This report is founded on a baseline scenario which incorporates all of the assumptions that are used for the projection. A program of indicators is then calculated in three scenarios (optimistic, moderate, and pessimistic) which show that the external debt follows a sustainable trajectory⁸ in the long term.⁹

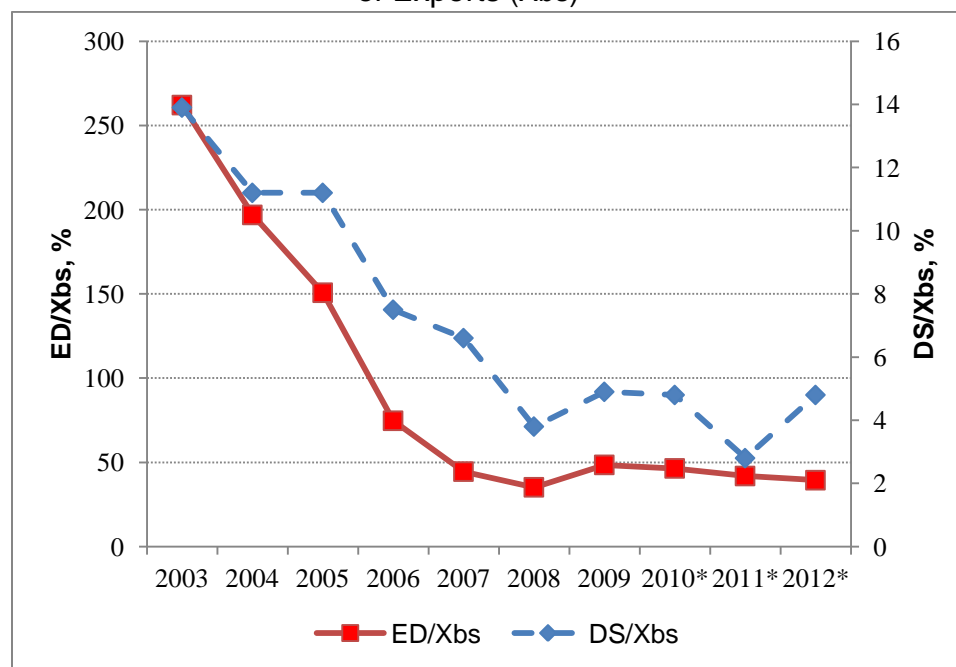
⁶ MEFP y BCB: ‘Macroeconomic Projections and Public Debt Sustainability Analysis 2011-2031’ [in Spanish], La Paz, Bolivia, May 2011, page 25.

⁷ The BCB prepares a separate, more detailed analysis of the external public debt which incorporates the external debt per term, per debtor, per type of interest, per currency, bilateral and multilateral.

⁸ Central Bank of Bolivia: ‘Report on External Public Debt as at 31 December 2012’ [in Spanish], La Paz, 2012.

⁹ The following indicators are calculated: debt servicing (DS) in relation to GDP; external debt (ED) in relation to exports; gross reserves (GR) vis-à-vis external debt (ED); and net international reserves (NIR) vis-à-vis external debt (ED).

Figure 5. External Debt (ED) and Debt Servicing (DS) as a percentage of Exports (Xbs)

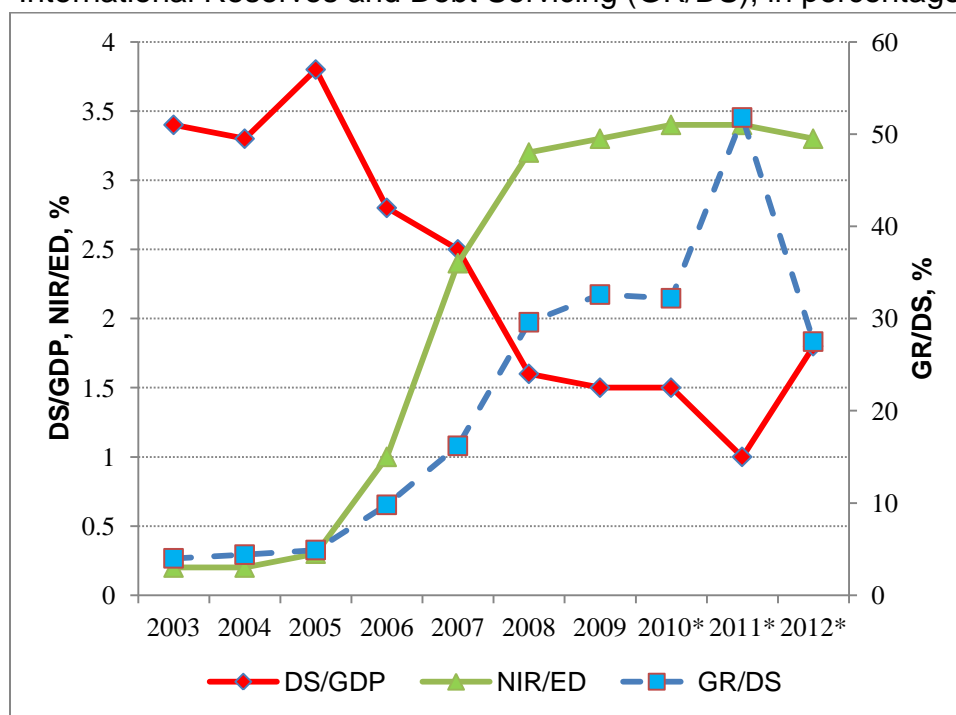


Source: BCB Report on External Public Debt.

46. **The debt sustainability analysis of the external debt prepared by the International Monetary Fund (IMF) has found that the external debt of Bolivia is sustainable and had the capacity to recover after simulating exchange rate and international fuel prices shocks.¹⁰**

¹⁰ The sustainability tests conducted by the IMF in relation to external debt in Bolivia assessed shocks of a 30% devaluation and a reduction in the international prices of oil. In both cases, the external debt situation in Bolivia deteriorated, albeit not significantly, and return to manageable levels. See IMF: 'Debt Sustainability Analysis', Staff Report, Washington DC, May 2012, page 3.

Figure 6. Relationship between Debt Servicing and GDP (DS/GDP), Net International Reserves and the External Debt (NIR/ED), and between Gross International Reserves and Debt Servicing (GR/DS), in percentage



Source: BCB, Public External Debt Report.

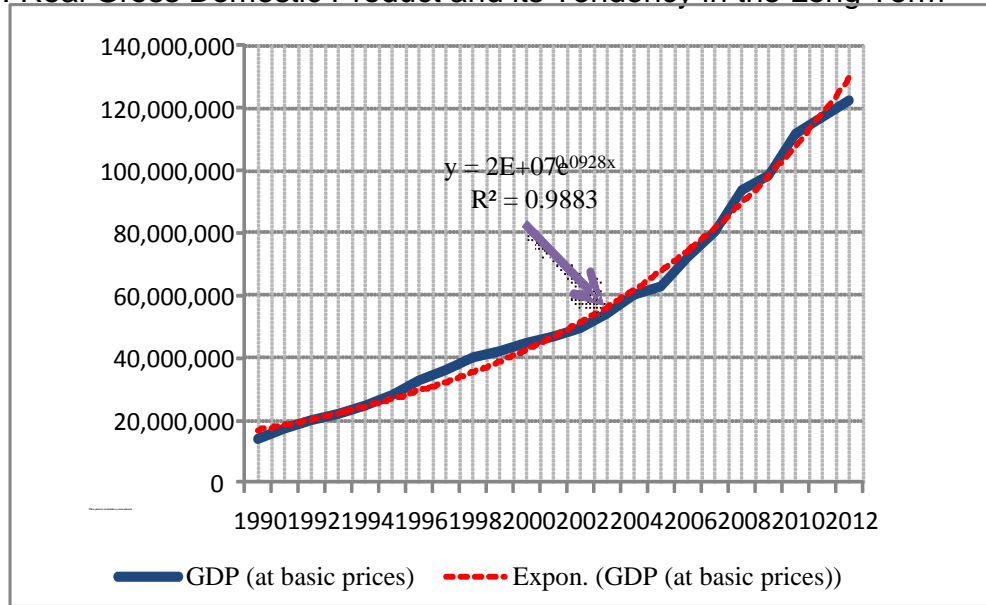
47. **The fiscal authorities mitigated the public debt risks by implementing measures such as: lengthening the maturity, reducing rates of interest, and replacing external debt by domestic debt, thus reducing the risk of fluctuation of the exchange rate.**

Currently, domestic debt is significantly larger than external debt but it is more stable in the long-term, according to this analysis. However, no sensitivity analysis is conducted in regard to domestic debt which for example could assess the impact of interest rate fluctuation on issuing new domestic debt. This situation is minimized by the fact that the overall domestic debt of the Treasury is subject to fixed interest rates, which serves to reduce the risks and costs associated with variations in the domestic interest rate.

48. **The interest rate should also be subject to a sensitivity analysis.** One could examine whether public investment might eventually put pressure on domestic demand, thus provoking inflationary pressures, or cause the Central Bank of Bolivia to increase interest rates in an effort to avoid inflation. These potential risks tend to become more likely as the current product remains very close to the potential as is currently the case in Bolivia.¹¹

¹¹ In Figure 7, one can see the real GDP rising very close to its long-term tendency, so that any macroeconomic stimulus, be they fiscal or monetary, can lead to an increase in price level variations.

Figure 7. Real Gross Domestic Product and its Tendency in the Long Term

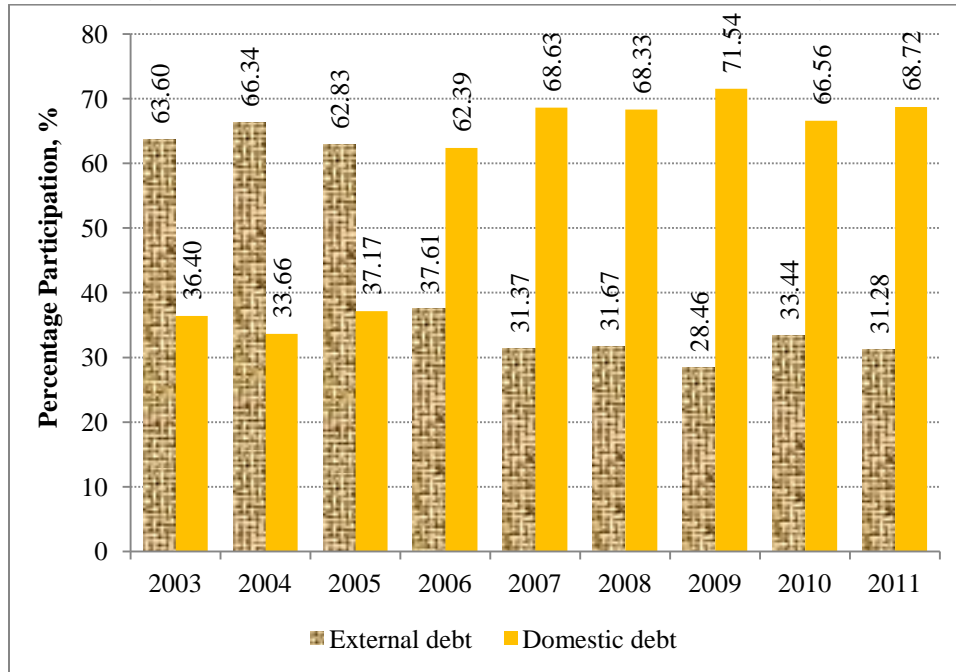


Source: National Statistics Institute

49. **The debt sustainability analysis should also take into account the behavior of the active or passive interest rates.** For example, the real (passive) interest rates were negative in 2010 and 2011, with inflation in the order of 7.2 percent and 6.9 percent respectively; in 2012, the rate of inflation stood at 4.54 percent and this kept interest rates in a similar position as in the previous two years. One might expect therefore to see a rise in the internal absorption in view of the minimal cost of financing for consumer durables and investment.¹² This gives rise to conditions for accelerating economic growth and for price levels to rise. One aspect that conflicts with this tendency is the fact that active interest rates have generally remained higher compared with the rate of inflation (Table 22).

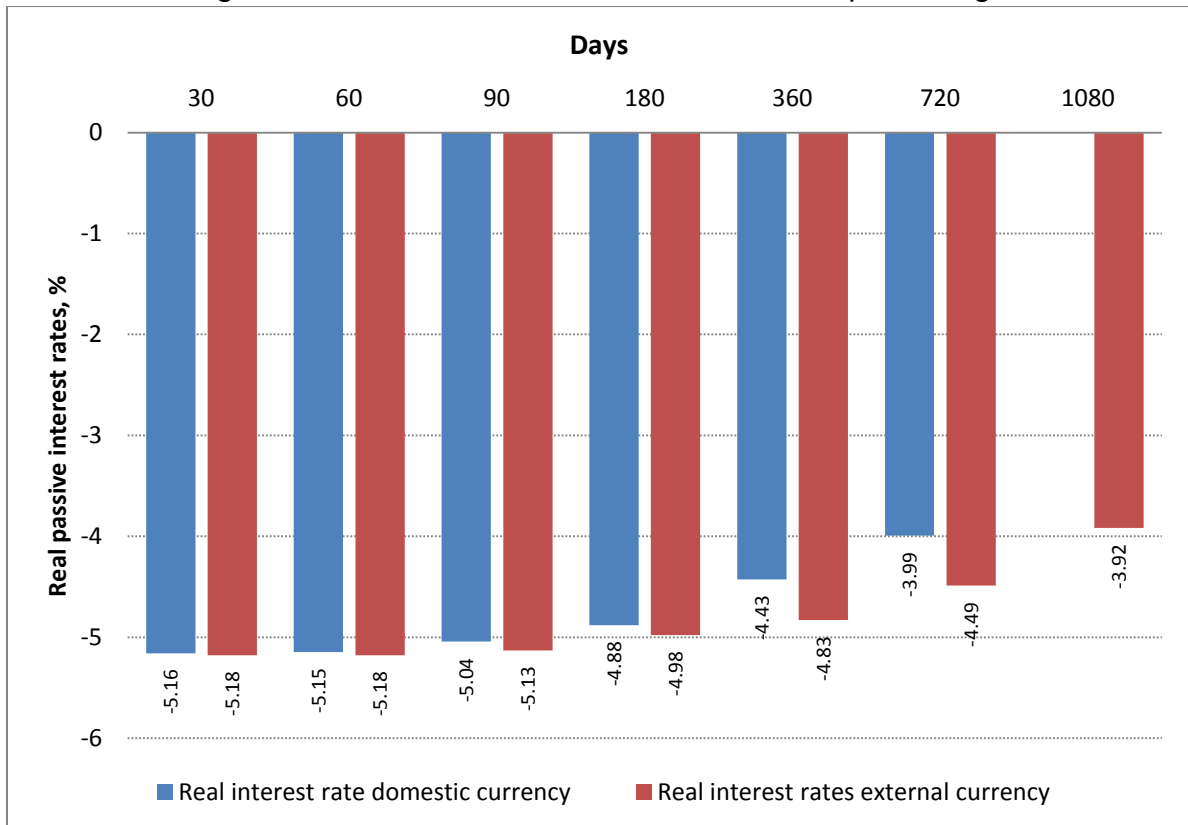
¹² International Monetary Fund: 'Financial Stability Assessment-Update', Washington DC, Staff Report 2011, page 10.

Figure 8. Composition of Public Debt, in percentages



Source: Fiscal Dossier, 2011, page 22.

Figure 9. Real Passive Interest Rate in 2011 in percentage



Source: BCB, <http://www.bcb.gov.bo/?q=indicadores/tasas>

50. In public debt administration terms, a variation in the types of domestic interest rates is quite discernible, given that in 2011, 73 percent of Bolivian debt originated in the country.¹³

**Table 22. Active and Passive Interest Rates
(in percentage)**

Financial system average active interest rates (Domestic Currency)			
	2010	2011	2012
Banks	9.97%	10.92%	11.09%
Cooperatives	17.52%	16.05%	16.09%
Private Financial Funds	25.32%	22.41%	20.35%
Mutuals	7.28%	7.17%	7.83%
Financial system average passive interest rates (Domestic Currency)			
	2010	2011	2012
Banks	1.06%	1.45%	1.69%
Cooperatives	2.30%	2.35%	2.83%
Private Financial Funds	1.56%	1.88%	2.47%
Mutuals	0.47%	0.63%	1.42%

Source: Central Bank of Bolivia, www.bcb.gob.bo.

E. Credibility

Independent evaluation (2.4.1)

51. The macroeconomic and fiscal projections are prepared by the MEFP and the BCB; however, they are not subject to independent external assessment (**LESS THAN BASIC**). The MEFP is responsible for the macrofiscal projections (revenue, expenditure, and financing), whereas the macroeconomic variable forecasts are provided by the BCB, mainly in terms of the exchange rate, net credit, and inflation. A Financial Fiscal Program is prepared annually by the BCB and the MEFP to follow up on the projected performance of the macroeconomic variables¹⁴ and to guarantee consistency in the fiscal and monetary policies in accordance with the objectives pursued by the government.

¹³ Of the investments in pension funds (Bs\$3,091 millions in 2010), 50 percent are in government bonds at fixed and long-term interest rates. See IMF: Article IV of 28 April 2011, Annex II, page 40.

¹⁴ The BCB and the MEFP prepare forecasts on GDP, inflation, net domestic credit, net international reserves (NIR), and the general balance of the public sector.

Supplementary Budget¹⁵ (2.4.2)

52. **Prior approval by the Plurinational Legislative Assembly is required before implementing any expenditure and transferring revenue to the subnational governments and autonomous entities (GOOD).** Approval is also required from the Plurinational Legislative Assembly to increase wages and salaries (with the exception of negotiated salary increases — that can be approved solely by the Ministry of Economy and Public Finance), transfers of funds from capital expenditure to recurrent expenditure, and transfers of funds from road construction projects to other projects. The Executive has greater flexibility in reallocating funds within the limitations established by the Plurinational Legislative Assembly. The Ministry of Economy and Public Finance has the authority to approve changes in the financing among budgetary entities, including the ministries. In view of the prioritization of the ministries' budgets in sectoral financing, the Ministry of Economy and Public Finance exercises a significant authority in executing the budget. In addition, each budgetary entity has the authority to transfer funds between the programs under their responsibility.

53. **The Budget in Bolivia has been very conservative in recent years, given the volatility of revenues from natural resources.** Historically, prices of natural resources, particularly petroleum and gas, have been on the high side so that aggregate budgets had to be revised upwards during the fiscal year. Actual revenues frequently superseded the revenue estimates in quite significant terms. For example, the budgets in 2011 and 2012 rose by 17.1 percent and 22.7 percent respectively (See Table 23).

54. **Moreover, it is easier and more politically opportune from a fiscal point of view to augment funds during the year rather than to cut back on budgetary allocations,** as would be necessary when revenues are based on a medium range probability distribution forecast. This would signify however that the managers must plan their operations in a period of less than a fiscal year, thus possibly reducing the efficiency and effectiveness of the programs.

55. **Where revenues are affected by high volatility conditions, it would be good practice to save for future use revenues above of the projected figures to have a more predictable level of expenditure.** This would require a political commitment to not spend significant amount of resources. The mission accepts that this may not be viable in Bolivia at the present time.

56. **A conservative budget is unable to explain significant reductions in certain expenditure during the fiscal year.** Significant reductions in certain expenditure during the fiscal year may not constitute a conservative budget. Such reductions would suggest that a budgetary analysis could be improved upon, or that the effective date for the policy changes

¹⁵ The budget nomenclature adopted in Bolivia equivalent to 'supplementary budget' is 'reformulated budget' or 'modified budget' or 'additional budget'.

with major budgetary repercussions will be more in accordance with the budgetary process over time. This is particularly evident in the case of wages and salaries in the reformulated budget for 2011.

57. **Unusually, revenues are subject to strict control in Bolivia.** Budgets must be adjusted by the Plurinational Legislative Assembly when the total effective revenue differs from the total estimated revenue approved in the budget. Changes in the composition of the revenues do not require legislative approval. This would suggest that at least one supplementary budget will take place towards the end of the fiscal year.

58. **In 2011 and 2012, Bolivia introduced two reformulated budgets: for example, the general budgets for the years 2011 and 2012 were increased by 17.1 percent and 22.7 percent respectively.** Reformulated budgets are a predictable result of a conservative budgetary policy and the requirement necessitating approval from the Plurinational Legislative Assembly where effective revenue is concerned. The government policy is not to go against the expectations of the public entities and to maintain a conservative budget from the outset.

**Table 23. Changes to Public Sector Budget Approved by the Legislative
2011 and 2012
(in BOB millions)**

Resources	2011			2012		
	Budget	Current	% Δ	Budget	Current	% Δ
TOTAL RESOURCES	119.471	139.897	17.1 %	145.943	179.090	22.7%
Current revenue	76.434	99.641	30.4 %	89.430	116.850	30.7%
Operational revenue	40.534	52.122	28.6 %	42.491	61.850	45.6%
Tax revenue	27.250	34.745	27.5 %	37.216	41.927	12.7%
Miscellaneous current revenue	8.650	12.774	47.7 %	9.723	13.073	34.5%
Capital revenue	2.401	2.776	15.6 %	2.494	2.749	10.2%
Financial sources	40.636	37.480	-7.8%	54.019	59.491	10.1%
Expenditure	2011			2012		
	Budget	Current	% Δ	Budget	Current	% Δ
TOTAL EXPENDITURE	119.471	139.897	17.1 %	145.943	179.090	22.7%
Current expenditure	69.453	78.720	13.3 %	83.610	101.035	20.8%
Payroll and wages	17.474	14.669	-16.1%	20.766	20.985	1.1%
Goods and services	35.222	45.374	28.8 %	38.892	57.898	48.9%
Misc. current expenditure	16.757	18.677	11.5 %	23.952	22.152	-7,5%
Capital expenditure	25.002	32.927	31.7 %	27.474	43.484	58.3%
Use of funds	25.016	28.250	12.9 %	34.859	34.571	-0.8%

Source: Ministry of Economy and Public Finance.

Forecast reconciliation (2.4.3)

59. **The Ministry of Economy and Public Finance prepares annual revenue, expenditure and financing forecasts, but does not explain the material changes generated by the updating of forecasts on previous periods (LESS THAN BASIC).** Explanation is not provided whether deviations are related to changes in fiscal policy,

variations in macroeconomic conditions or other factors. The Government's adopted policy is not to introduce changes in the aggregated and projected macroeconomic figures, even though it is carrying out these studies internally. The Government takes the view that such changes could give rise to false expectations. The submission to the Assembly of reformulated budgets provides a good opportunity for updating the projections and for evaluating the results to date.

F. Recommendations

2.1.4 – Medium-term Budget Framework - The Ministry of Economy and Public Finance should continue the efforts to implement an MTBF to cover a period of at least 3 years and which takes into consideration all of the budgetary entities of the public sector.

2.3.2 – Separation of Existing and New Policies - In the documents accompanying the annual and reformulated budgets, identify as comprehensively as possible the current and new policies geared to facilitating an evaluation of the budget.

2.3.5 – Fiscal Sustainability Analysis - In the budget documents, extends the analysis of the evaluation of the macro-fiscal variables, illustrating multiple scenarios (pessimistic, average, and optimistic) for the evaluation of the main fiscal aggregates covering a minimum period of 20 years.

2.4.2 – Supplementary Budget - Improve realism of budgetary forecasts with respect to revenue and expenditure to provide to public managers a better predictability on the availability of resources and update the macroeconomic forecasts in the event of a budget reformulation.

G. Conclusions

Table 24. Summary Evaluation of Fiscal Projection and Budgeting Practices

Item	DIMENSION	PRINCIPLE	EVALUATION
2	Development of fiscal projections and budgets	Fiscal projections and budgets must clearly provide the objectives and intentions of Central Government policies as well as exhaustive, timely, and credible projections regarding the development of public finances	
2.1	<i>Scope</i>	<i>Fiscal forecasts and budgets must provide an exhaustive general overview of fiscal outlooks</i>	
2.1.1	Unity	Revenues, expenditures, and financing of the central government are authorized by the legislature.	The General Budget of the State (GBS) includes all tax and non-tax revenues, domestic and external financing and revenues from donors, as well as expenditure appropriations for all entities of the public sector (ADVANCED).
2.1.2	Gross budgeting	Revenues and expenditures are presented on a gross basis in budget documentation.	The budget is presented in a consistent manner in gross terms (ADVANCED).
2.1.3	Macroeconomic forecasts	The macroeconomic forecasts on which the budget	In June/July, the MEFP and the Central Bank of Bolivia prepare the macroeconomic

Item	DIMENSION	PRINCIPLE	EVALUATION
		projections are based are disclosed and explained.	<i>projections together with the assumptions on which they are based (Fiscal Dossier). These figures are then used in the preparation of the budget: they are included and published in the budget outline submission from the MEFP and are published in the BCB report by the first quarter of the following year (GOOD).</i>
2.1.4	Medium-term budget framework	Budget documentation includes projections of revenues, expenditures, and financing over the medium-term.	<i>A medium-term budget framework is to be prepared for 2014: at the present time, the budget documents merely include projections for the current year (LESS THAN BASIC).</i>
2.2	Timeliness	<i>The government should provide timely updates on fiscal outlooks</i>	
2.2.1	Fiscal Strategy Report	The government provides a mid-year report summarizing macroeconomic and fiscal developments since the last budget and the macroeconomic and fiscal forecasts for the preparation of the upcoming budget.	The MEFP prepares half-yearly reports (Fiscal Dossier), published within 90 days of their completion (BASIC); however, they do not update the macroeconomic and fiscal framework (LESS THAN BASIC).
2.2.2	Budget submission	The legislature and the public are consistently given adequate time to scrutinize and approve the annual budget before the start of the financial year.	<i>The budget is submitted to the Legislative Assembly two months prior to the beginning of the fiscal year (GOOD).</i>
2.2.3	Budget approval	The approval and publication of the budget consistently provides adequate time for its effective execution.	<i>In general, the Legislative Assembly approves and publishes the budget up to one month prior to the beginning of the fiscal year (GOOD).</i>
2.3	Policy Guidance	<i>Fiscal forecasts and budgets must be presented so as to facilitate analysis of policies and accountability</i>	
2.3.1	Fiscal policy objectives	The government states and reports on clear and measurable objectives for the public finances.	<i>The government each year declares and sets out the specific numerical targets with respect to the principal fiscal aggregates for the fiscal year (GOOD).</i>
2.3.2	Separation of existing and new policies	The fiscal forecasts and budget documentation distinguishes the yield of cost of existing policies from the fiscal impact of any new policy measures.	New policy measures are discussed in the budget documents and fiscal projections (BASIC).
2.3.3	Performance information	Budget documentation provides information regarding the objectives and results achieved and intended under each major government policy area.	<i>The budget includes data on performance indicators at product level (GOOD).</i>
2.3.4	Distributional analysis	Government provides a clear, accessible, and useful summary of the financial implications of its major policies for citizens.	Comprehensive budget information is available and accessible to the public (ADVANCED).

Item	DIMENSION	PRINCIPLE	EVALUATION
2.3.5	Fiscal sustainability analysis	The government regularly publishes the projected evolution of the public finances over the long-term.	The MEFP together with the BCB and the Ministry of Development Planning are responsible for forecasting the fiscal and macroeconomic variables for the current year and preparing a long-term debt sustainability analysis covering a 20-year period (BASIC); however this analysis is not published (LESS THAN BASIC).
2.4	<i>Credibility</i>	<i>Fiscal forecasts and budgets must be credible</i>	
2.4.1	Independent evaluation	The government's fiscal forecasts are subject to independent evaluation, where available.	<i>The macroeconomic and fiscal projections are prepared by the MEFP and the BCB; however, they are not subject to independent external assessment (LESS THAN BASIC).</i>
2.4.2	Supplementary budget	Any material changes to the approved budget are authorized by the legislature.	<i>Prior approval by the Legislative Assembly is required before implementing any expenditure and transferring revenue to the subnational governments and autonomous entities (GOOD).</i>
2.4.3	Forecast reconciliation	Budget documentation and any subsequent updates explain any material changes to the government's previous revenues, expenditures, and financing forecasts.	<i>The Ministry of Economy and Public Finance prepares annual revenue, expenditure and financing forecasts, but does not explain the material changes generated by the updating of forecasts on previous periods (LESS THAN BASIC).</i>

III. ANALYSIS AND MANAGEMENT OF FISCAL RISKS

A. Introduction

Table 25. Fiscal Risk Reports

Report	Area Responsible	Content
Monthly Bulletin of the Pension System www.economiayfinanzas.gob.bo	Vice-Ministry of Pensions and Financial Services of the Ministry of Economy and Public Finance	Information on number of pensioners per type of pension system, levies and payments, and performance of the Pension Savings Fund
Report on Monetary Policy www.bcb.gob.bo	Central Bank of Bolivia	Annual report with information regarding international context, inflation, economic performance, monetary and exchange policy, and inflation risk analysis.
Financial Stability Report www.bcb.gob.bo	Central Bank of Bolivia	Information provided annually on the macroeconomic situation, financial system, credit, the payment system including credit and liquidity risk analysis
YPFB Annual Report www.yxfb.gob.bo	YPFB	Annual report on the company's performance with information on the production of natural gas and other hydrocarbons and fuels
Fiscal Dossier www.economiayfinanzas.gob.bo	General Directorate for Analysis and Fiscal Policies - Ministry of Economy and Public Finance	Half-yearly report presenting a fiscal analysis and information of revenue, expenditure and debt plus other fiscal statistics
Report on the Bolivian Economy www.economiayfinanzas.gob.bo	General Directorate for Analysis and Fiscal Policies - Ministry of Economy and Public Finance	Annual report with information on the domestic and international economy.
BCB Annual Report www.bcb.gob.bo	Central Bank of Bolivia	Annual report on the Bolivian economy and on the policies, activities and financial statements of the BCB.

B. Risk Analysis

Macroeconomic risks (3.1.1)

60. **The Ministry of Economy and Public Finance prepares for internal purposes a debt sustainability analysis report but there is no comprehensive report on the macroeconomic risks that is submitted together with the budget proposal (BASIC).** The Ministry of Economy and Public Finance also prepares an internal analysis on the impact of changes in the key macroeconomic variables, primarily with respect to fluctuations in oil prices. The Ministry of Economy and Public Finance at the request of the Macroeconomic

Group prepares an analysis on the impact of other macroeconomics variables, such as changes in real GDP growth rate and inflation. A document to be presented together with the budget proposal should be prepared to provide an analysis of the sensitivity of the main fiscal variables that may impact the fiscal forecasts. The main macrofiscal variables are the GDP growth, inflation, interest rate, and exchange rate. Each of these variables is referred to in the following paragraphs.

Economic growth

61. **It is important to assess the impact of GDP growth on revenues and expenditures.** For example, it is important to know the elasticity of revenues in relation to the GDP growth. Tax revenue in Bolivia has increased at a faster rate than the economy in recent years, except during 2007 and 2009 which was primarily due to the policies of reforming the tax system. While the Bolivian economy has been growing at a relatively fast and stable rate since the mid-2000s, tax elasticity of more than one would give the impression that the impact on revenues would be more severe in the event of an economic recession.

Table 26. Specific Elasticity of Tax Revenues and Hydrocarbon Taxes

Item	2008	2009	2010	2011
Change in Nominal GDP	17.2	0.9	13.3	20.5
Change in Tax Revenue (TR)	27.3	-7.8	16.8	27.9
TR-GDP Elasticity	1.6	-9.2	1.3	1.4
Variation in prices of hydrocarbons	36.4	-36.3	27.9	31.6
Variation in hydrocarbon taxes (IH) ¹	37.6	-6.0	5.4	16.1
Elasticity in hydrocarbon prices	1.0	0.2	0.2	0.5

Source: Fiscal Dossier; IMF WEO; and staff calculations

¹ Adding up of 'Taxes and royalties on hydrocarbons' and 'Hydrocarbons'.

Inflation

62. **The government should assess the fiscal impact of inflationary variations.** This analysis is to assess the fiscal impact of a variation in inflation either above or below the projected figure used to prepare the budget. This constitutes a sensitivity analysis of the inflationary variations. For example, the policy of the government this year is to ensure that salaries remain in line with inflation. In turn, this may have a certain fiscal impact on the salaries of the public officials and on pensions if inflation levels should rise higher than expected. Wage negotiations take place after the budget has been approved. If wages exceed the budgeted amount, the Ministry of Economy and Public Finance must approve the change in order to supplement the initially projected salary amounts.

Table 27. Inflation and Changes in the Wage Bill

Indicator	2008	2009	2010	2011
Inflation, annual average	14.0	3.4	2.5	9.9
Variation in expenditure for staff services	13.5	16.6	6.4	19.0

Source: Fiscal Dossier and staff calculations

Public Debt

63. **The variation of the interest rate differently from the used in the fiscal forecasts is a fiscal risk.** For example, in its annual Report on the Bolivian Economy and in the Fiscal Dossier, the Ministry of Economy and Public Finance discusses the development of the domestic and external debt plus the indicators regarding sustainability of the debt, though solely from a historical perspective. The government has implemented a policy aimed at reducing public debt and dedollarizing the economy. It has also created the Inter-Ministerial Council of Public Debt which determines policy in regard to indebtedness. As a result of this development, public debt fell by 30 percentage points in relation to GDP between 2005 and 2013 and it now stands at about 15 percent.

Table 28. Public Debt Indicators

Indicator	2005	2009	2010	2011	Umbral DSF	Criterion
						MERCOSU R
I. External Debt Indicators (M. and LP)						
Stock of Debt in Nominal Value / GDP	51.6	14.9	14.6	14.5		40
Stock of Debt in Present Value / GDP	24.8	12.8	13.0	13.4	40	
Stock of Debt in Present Value / Exports	71.6	40.8	35.8	35.5	150	
Servicing of Debt before HIPC / Exports ¹	15.6	8.8	7.8	5.1		
Servicing of Debt after HIPC / Exports	11.1	4.1	4.2	2.5	20	
Servicing of Debt after HIPC / GDP	3.8	1.3	1.5	1.0		
II. Domestic debt Indicators: Stock of Debt in:						
TGN / GDP Nominal Value	21.8	17.4	16.9	13.6		
BCB / GDP Nominal Value	1.3	10.1	7.0	7.3		
Nominal TGN Value / Fiscal Revenue	71.2	45.6	46.3	36.6		

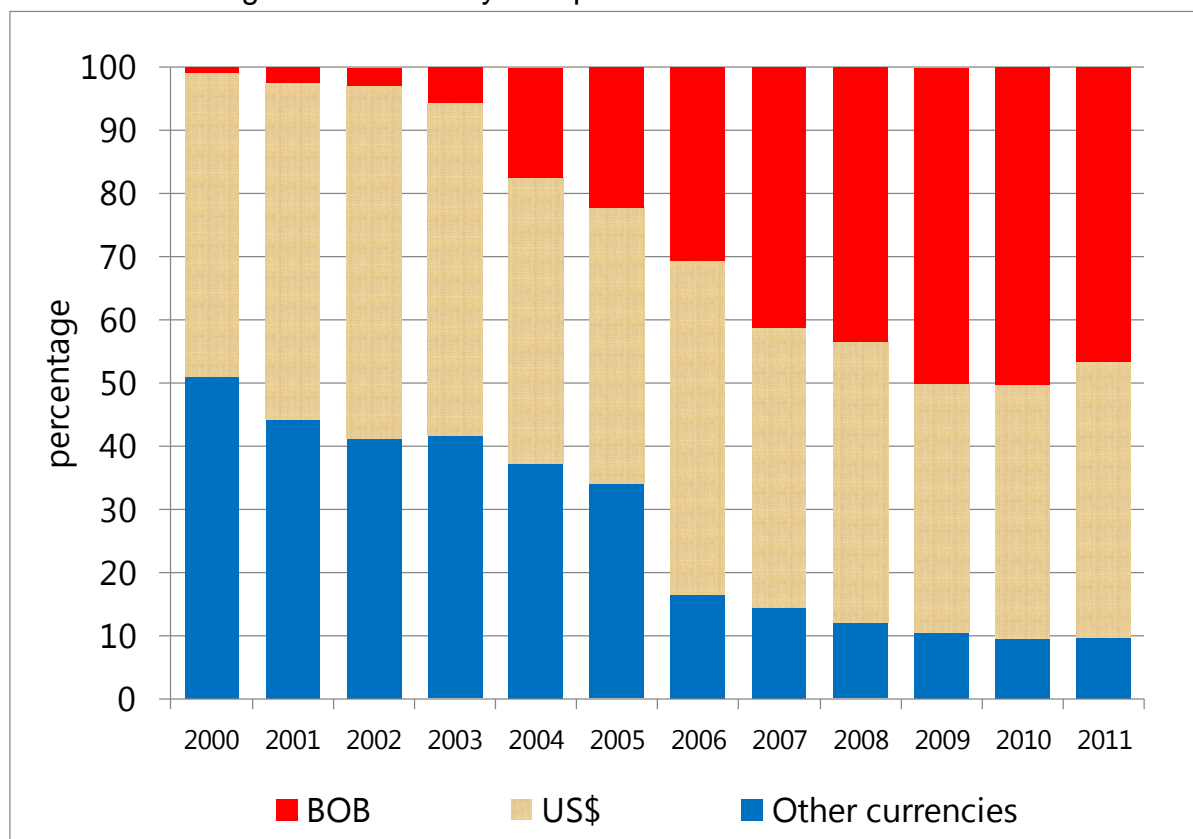
Source: Annual Report 2011 (BCB), page 45

¹ Debt flows are not taken into consideration in the arrangements for grants, rescheduling, and debt stock alleviation.

Exchange rate

64. **Fluctuations in the exchange rate can impact on the financing and servicing of the government's debt, not to mention trade-related revenues.** The BCB adopts a crawling peg regime and has maintained a fixed rate of exchange against the US dollar since the end of 2011. In view of the decrease in the debt to GDP ratio and the reduction in the amount of debt in foreign currency and a small amount of customs revenue, the risk of fluctuations in the exchange rate would appear to be limited in the current circumstances.

Figure 10. Currency Composition of Public Sector Debt



Source: Fiscal Dossier; and IMF staff calculations

Note: US\$ includes internal and external debt denominated in dollars, and domestic debt associated to the dollar.

Specific fiscal risks (3.1.2)

65. **The government does not report regularly on the main sources of specific risks, such as contingent liabilities, affecting its fiscal forecasts (*MENOS QUE BASIC*).** For example, volatility in the price of hydrocarbons, fluctuations on the financial returns of the pension funds, and quasi-fiscal operations, are specific risks to the fiscal forecasts. These risks are not reported as contingent liabilities, neither discussed in the fiscal estimates.

Prices of Hydrocarbons

66. **Volatility in the price of hydrocarbons represents a fiscal risk.** Prices of fuels are very volatile on the international market and this volatility impacts on public revenues. Such changes have an effect on financing, particularly when the government lacks the budgetary reserves to deal with reduced revenue. In the case of Bolivia, export gas prices are fixed contractually and currently these prices are at double the price on the international markets. When these contracts expire in about 10 years, it is possible that the new prices may be fixed in line with prices for gas on the international market. As a prudential measure, each year as the General Budget of the State is prepared, the government adopts a conservative approach on the commodity prices, based on domestic revenue referential figures. Consequently, the

spending authorization for public entities is reduced, however, if the behavior of prices remains satisfactory, the entities may receive more revenue. If prices happen to fall, this contingency measure will have been provided for in the conservative projections.

67. **Given the importance of revenues from hydrocarbons exports to Argentina and Brazil, it would also be important to have a sensitivity analysis in this area.** The disadvantages could be limited because of the structure of the contracts and it may have an impact because of the capacity of the pipelines together with the consumption in Brazil and Argentina. The contract with Brazil expires in 2019 and with Argentina in 2026. The WTI (West Texas Intermediate) prices of the last three and six months are used as the reference for defining the prices for the following quarter and half-year period, respectively. The contractual conditions are available to the public.

Pension Funds

68. **Before 2010, pension fund investments were mainly in Treasury Bonds and deposits in the financial system, representing 83.4 percent of total investments.** Returns from these investments decreased. A persistent fall in revenues can have future financial risks as a result and for this reason it is important that an actuarial study be conducted to assess the deficit or surplus tendencies during the past three years. It should be noted that an actuarial calculation is conducted every five years in accordance with the Pensions Act. The Vice Ministry of Pensions and Financial Services is currently in the process of assigning an actuarial study.

69. **The current monetary policy encourages consumption by maintaining passive interest rates lower or on par with the rate of inflation.** At the present time, the noncompliance risk is low because the payment of pensions in the Integral Pension System (SIP) is the prime responsibility of the General Treasury of the Nation (TGN) through the payment of the Contribution Payment scheme.

**Table 29. Pension Fund Assets
(in percentage)**

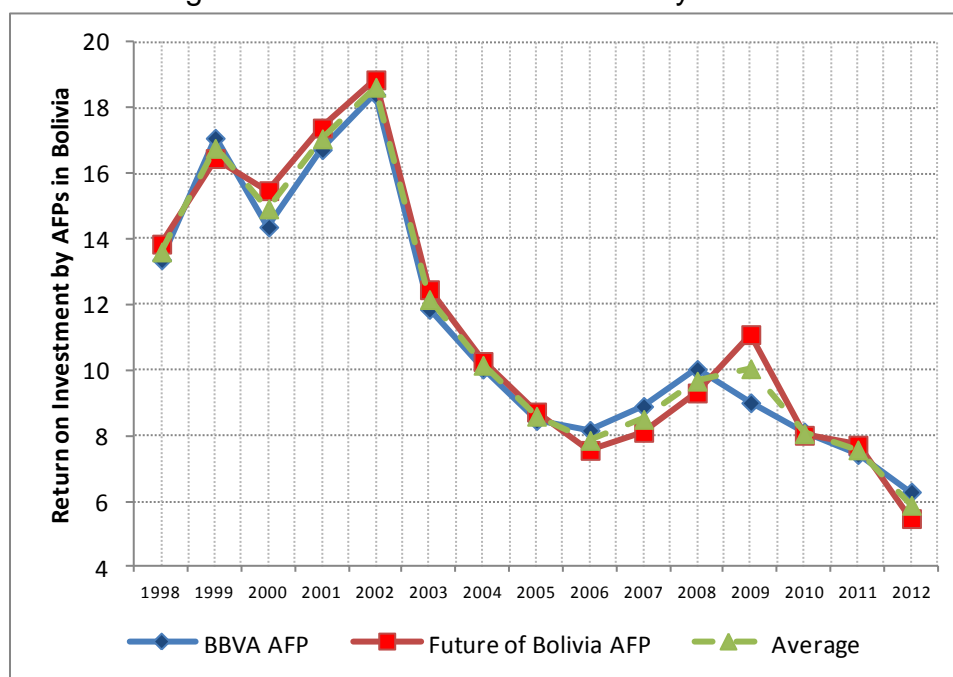
Instruments	2007	2008	2009	2010
Treasury Bonds	72.37	68.59	62.65	56.54
Deposits in Financial System	15.81	18.55	24.40	26.94
Investment Funds	1.03	1.08	1.19	1.43
Investment Abroad	2.23	-	-	-
Private Funds	0.41	3.81	4.80	4.59
Other	8.14	8.05	6.96	10.50
Total	100.00	100.00	100.00	100.00

Source: IMF staff.

70. **Similarly, the Pension Fund Insurers (AFPs) hold Treasury bonds in their portfolio as preferred investment instruments by the AFPs.** According to the reports on investment of the Pension Savings Fund (FAP), the returns on Treasury Bonds are more attractive than other instruments such as for example the yields from the fixed rate deposits

of the banks. Similarly, in the last three years (2010-2012), Treasury Bonds have yielded the best return in terms of the overall FAP investment portfolio. For this reason, the AFPs have preferably invested in these bonds. The issuance of Sovereign Bonds in 2012 prompted the investment choice by the AFP.

Figure 11. Returns on Investments by the AFP



Source: MEFP, Vice-Ministry of Pensions and Financial Services.

**Table 30. Average Profitability of AFP Portfolio
(TGN bonds and Banking Sector Deposits– in percentage)**

Type	Dec-05	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12
TGN bonds	7.35	8.98	12.01	11.62	5.14	4.05	5.29	4.85
Banking sector deposits	5.00	5.84	9.50	9.72	5.77	2.50	4.23	1.98
Total Portfolio FAP	6.72	7.34	11.30	17.02	5.85	3.28	4.67	2.40

Source: Vice Ministry of Pensions and Financial Services; database of the Authority for the Inspection and Monitoring of Pensions and Insurance (APS).

Quasi-Fiscal Operations

71. **The government engages in quasi-fiscal operations with some of the strategic corporations of the public sector.** These operations are financed through the international reserves of the BCB. If a public corporation fails to fulfill its financial liabilities towards the BCB, as approved under the Law, the Treasury will take over the relevant corporation's debt¹⁶. To avoid Treasury intervention, it is necessary that the selection, evaluation and

¹⁶ At the present time, the BCB plans to lend US\$ 1,200 million to FINPRO, of which US\$ 600 million is refundable to the BCB. Under the Monetary and Fiscal Program 2013, the estimated credit extended by the BCB

(continued...)

tracking of projects financed via this mechanism yield a higher return than the interest rate on the financial liabilities. In this respect, the Ministry of Economy and Public Finance has stated that under the current regulation, each project is assessed and approved by the sectoral ministry which in turn acts to minimize the risk.

72. **As a consequence of the process of nationalizing strategic corporations, a number of private firms have filed lawsuits to secure higher levels of compensation.** Of the 15 firms currently claiming compensation, seven have secured out-of-court payments from the government, amounting to US\$ 264.6 million.¹⁷ Of the remaining eight, three are still awaiting a decision on the indemnification they are to receive and five have decisions pending in regard to the amount of their compensation. It should be noted that a provision is made in the annual budget for this specific contingency so that the government may settle these financial liabilities once a settlement has been reached.

to the strategic public companies and to the Treasury (TGN) amounts to BOB 15,248 million. These loans are in provided in Bolivianos.

¹⁷ Information from the Ministry of Mines and Metalurgy, Ministry of Hydrocarbons and Energy, Ministry of the Environment and Water, and the Ministry of Labor, Services and Housing.

Table 31. Summary of Main Nationalized Entities

Entity	Year	Sector	Compensation paid (in USD millions)	Legal proceedings
Aguas del Illimani S.A.	2006	Water	5.5 ⁽¹⁾	None
Empresa Metalúrgica Vinto S.A.	2007	Minerals	Nothing	None
Petrobras Bolivia Refinación S.A.	2007	Hydrocarbons	112	None
Compañía Logística Hidrocarburos Bolivia	2008	Hydrocarbons	12.0	None
Empresa Nacional Telecomunicaciones.	2008	Telecoms	100.0	None
Transredes S.A.	2008	Hydrocarbons	Pending	None
Andina S.A.	2008	Hydrocarbons	6.2	None
Chaco S.A.	2009	Hydrocarbons	Nothing	Ongoing
Corani S.A.	2010	Electricity	18.7 ⁽²⁾	Settled ⁽³⁾
Fábrica Nacional de Cemento S.A.	2010	Manufacture	Pending	Ongoing
Guaracachi S.A.	2010	Electricity	Nothing	Ongoing
Valle Hermoso S.A.	2010	Electricity	10.2 ⁽⁴⁾	None
Colquiri zinc and tin mine.	2012	Mineral	Pending ⁽⁵⁾	None
ELFEC S.A.	2012	Electricity	Pending	None
Transportadora de Electricidad S.A.	2012	Electricity	Pending ⁽⁶⁾	None

Sources: Ministry of Mines and Metallurgy, Ministry of Hydrocarbons and Energy, Ministry of the Environment and Water and Ministry of Labor, Services and Housing

(1) US\$ 5.5 million was paid to Aguas del Illimani S.A. in Treasury Bonds.

(2) US\$ 18,425,000 was paid to Inversiones Econergy Bolivia S.A., GDF SUEZ, Econergy International and Econergy Bermuda Holding Company Ltd. and US\$ 240,000 was paid to Carlson Dividend Facility S.A.

(3) Carlson Dividend Facility S.A. did not file legal proceedings, whereas the lawsuits involving Inversiones Econergy Bolivia S.A., GDF SUEZ, Econergy International and Econergy Bermuda Holding Company Ltd, were settled for the sum of US\$ 18,425,000. Source: Fiscal Dossier; and IMF staff calculations.

(4) US\$ 10,245,627 was paid to Inversiones Econergy Bolivia S.A., Bolivian Generating Group L.L.C. (BGG) and Valle Hermoso S.A.

(5) The Supreme Decree required compensation payments to be made for the nationalization of machinery, equipment, and material of the Compañía Minera Colquiri S.A.

(6) The Supreme Decree ordered an appraisal by an independent evaluator of the investments by TDE S.A in the company. No such expert has been assigned to date as the maximum period of 120 days has yet to expire.

C. Risk Management

Contingency reserves (3.2.1)

73. **The budget includes an allocation for contingencies based on transparent criteria as defined by law (GOOD).** The government has created appropriations in the annual budget for contingency reserves to cover calamities such as natural disasters. These appropriations are consigned in the Central Government budget, and subnational governments are obliged to allocate resources to cover emergencies. A transparent mechanism exists to provide for these contingencies. All expenditure items must be authorized by law prior to execution. When a calamity occurs, the allocation of resources set aside for contingencies is approved and assigned to the relevant entities. The approved amount in contingency reserves rose in the 2013 budget to 0.15 percent of total expenditure for that year, which is equivalent to BOB 64.5 million.

Assets and liabilities management (3.2.2)

74. **All debts, acquisitions, and alienations of major assets are authorized by legislation, and disclosed (ADVANCED).** In recent years the government has been implementing a policy to expand state participation in the economy by the establishment and nationalization of strategic corporations. Currently, the government has participation in 28 financial and nonfinancial corporations with a capital contribution of more than BOB 13,167 million.

Table 32. Government Participation in Public Corporations

Company	Participation	Sector	Capital contribution	
Yacimientos Petrolíferos Fiscales Bolivianos	>51%	Hydrocarbons	2,441,056,184	(1)
Empresa Nacional de Electricidad	>60%	Energy	1,095,467,479	(1)
Corporación Minera de Bolivia	100%	Mining	5,736,521,517	(1)
Empresa Metalúrgica Vinto	100%	Mining	233,324,420	(1)
Empresa de Correos de Bolivia	100%	Communications	162,022,558	(1)
Transportes Aéreos de Bolivia	100%	Communications	39,700,000	(1)
Bolivia TV	100%	Communications	10,328,566	(1)
Corpor. Fuerzas Armadas Desarrollo Nac.	100%	National Defense	24,690,421	(1)
Empresa Naviera de Bolivia	100%	Transport	209,100,000	(1)
Empresa Apoyo Producción de Alimentos	100%	Farming	1,119,176,348	(2)
Empresa Siderúrgica de Mutun	100%	Mining	15,514,088	(1)
Lácteos de Bolivia	100%	Industry	37,346,000	(2)
Papeles de Bolivia	100%	Industry	182,018,001	(2)
Cartones de Bolivia	100%	Industry	57,332,912	(2)
Boliviana de Aviación	100%	Transport	235,448,173	(2)
Empresa de Cementos de Bolivia	100%	Industry	5,900,000	(2)
Depósitos Aduaneros de Bolivia	100%	Multisectoral	30,341,297	(1)
Azucares de Bolivia	100%	Farming	9,252,001	(2)
Empresa Boliviana de Almendra	100%	Farming	41,910,150	(2)
Empresa Pública Nac. Estratégica Espacial	100%	Communications	315,366,043	(2)
Empresa Azucarera San Buenaventura	100%	Farming	Not available	(3)
Empresa Boliviana de Construcción	100%	Transport	Not available	(3)
Empresa Nacional Textil	100%	Industry	54,598,443	(2)
Empresa de Construcciones del Ejercito	100%	Transport	Not available	(5)
Empresa Misicuni	100%	Sanitation	869,741,562	(2)
Empresa Nac. de Telecomunicaciones S.A.	>51%	Communications	Not available	(4)
Banco Unión	97.42%	Financing	390.291	
Banco de Desarrollo Productivo	80%	Financing	240,521,091	
Total			13,167,067,545	

Source: Ministry of Economy and Public Finance – General Directorate for Programming and Budget Management

(1) Financial statements 2011; (2) Source: SIGMA capital contributions 2011 (3) No capital contributions, subsidies only; (4) No information from this entity (5) Capital contribution unspecified as yet – it will be quantified as part of the liquidation.

Guarantees (3.2.3)

75. **The Treasury grants guarantees to public corporations (except YPFB) that have investment projects defined in the expansion plans of public corporations or in the National Development Plan, and to those that are financed by the BCB. These guarantees are authorized by law and published. However, no specific ceiling applies to new guarantees **GOOD**.** Loans extended to ENDE, COMIBOL and EASBA are backed by Treasury Guarantee Bonds though not in the case of loans obtained by YPFB. To date, the amount of guarantees authorized by law for this purpose comes to BOB 28.6 billion. Funding is financed by the BCB, with contracts approved in the amount of BOB 16.5 billion, and disbursements of BOB 7 billion. It is worth noting that public corporations enterprises are part of the GBS and hold their accounts with the General Treasury of the Nation (TGN).

Table 33. Credit Committed, Approved, and Disbursed by the BCB to the National Strategic Productive Corporations 2012 – (amounts in BOB millions)

Company	Committed under Financial Laws	Approved by BCB	Disbursed	Balance to be disbursed	Amount used
YPBF	13,979	12,052	3,930	8,122	3,930
ENDE	6,967	2,421	1,769	652	1,769
COMIBOL	6,168	836	271	565	270
EASBA	1,500	1,255	1,052	203	1,052
Total	28,614	16,564	7,022	9,542	7,021

Source: BCB – information up to 8 November 2012.

Financial sector exposure (3.2.4)

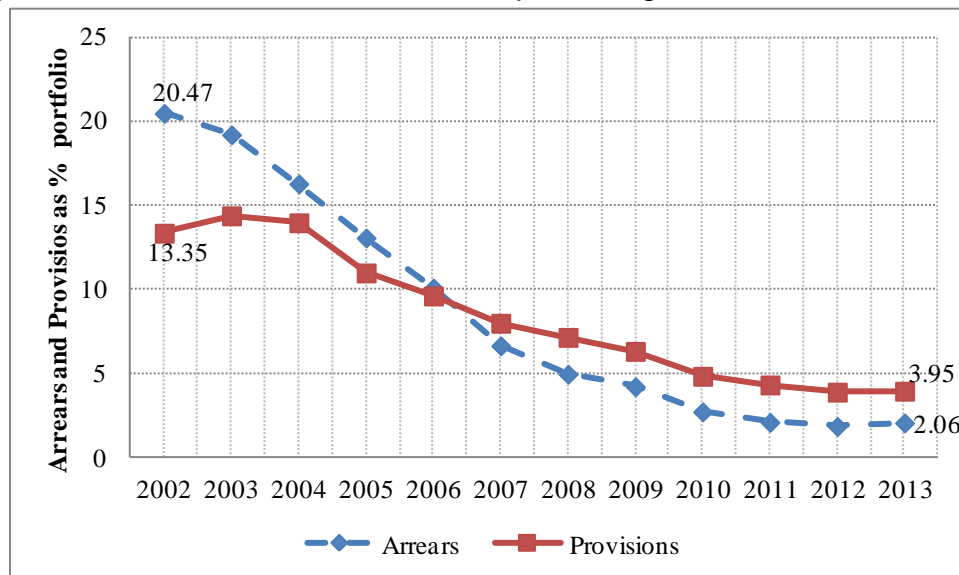
76. **The specific support provided by government to the financial sector such as deposit insurance is quantified and disclosed **BASIC**.** The financing sector receives no financial support from the government at the present time. The government has no analysis of its exposure to risks in the financial system. According to studies carried out by the Supervisory Authority of the Financial System (ASFI), the banking sector in Bolivia is generally well capitalized; it has a relatively low default portfolio and is adequately funded. No potential risks are envisaged by the government in the near future. Therefore, for the moment it will require no financial aid from the government. A Financial Restructuring Fund (FRF)¹⁸ is available which can be drawn upon in the event of the liquidation of a banking institution whose resources are from own funds. The banking sector has created anticyclical provisions, as for example in accordance with the Basel III regulatory standard, to protect the

¹⁸ According to the ASFI, the FRF currently stands at US\$ 318 million; this amount would sufficiently cover the liabilities of any financial institution in the event of its liquidation.

commercial banks from the negative effects of the economic cycle. Similarly, the Financial Services Act was approved by Constitutional Mandate in August 2013. Under this law, users of financial services are protected and the State has the power to regulate interest rates for the productive sector and for social housing purposes. The government has not prepared a document assessing risks in general, and of the banking system in particular, nor does it have an analysis in relation to the stability of the financial system and its relation with the government.

77. **Nonetheless, recent indicators from the banking sector in Bolivia do not point to any immediate risks.** The prudential regulations of the financial system comprise of a set of indicators for measuring its robustness. In that sense, the Capital Adequacy Ratio (CAR), which under the prudential regulations stands at 8 percent, is currently exceeded by the banks in Bolivia. The CAR stood at 11 percent in 2011 and according to recent figures it stood at 12 percent in 2012. On the other hand, the default portfolio stands at 2 percent; almost all of this is covered by the provisions, with capital returns close on 20 percent. In addition, the financial system provides for a banking relief fund which according to ASFI can deal with problems facing any entity within the Bolivian financial system without government intervention.

Figure 12. Arrears and Provisions as a percentage of Gross Loan Portfolio



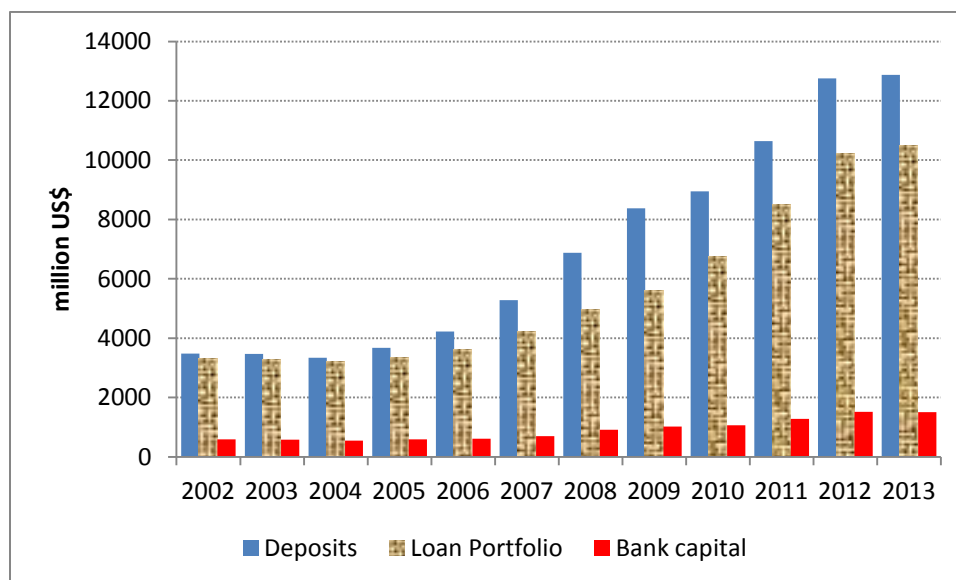
Source: ASFI Principal Variables of the Financial System, March 2013, Page 2.

78. **The Bolivianization of deposits and credits in the banking system has eliminated the risks associated with devaluation.¹⁹ Moreover, the monetization of external assets has led to an increase in banking liquidity and this, together with the implementation of**

¹⁹ To achieve this, however, a complex system of minimum variable reserve ratio was put in place, including a tax on foreign currency transactions, limitations on the foreign exchange position, low external assets as a percentage of total assets and differential interest rates for foreign currency operations with the BCB.

a close to zero interest-rate policy, has resulted in an increase in banking credit and boosted the benefits of the financial system. According to the authorities, the increase in banking credit has been in response to a better dynamic in the economy, which showed sustained (nominal) increases in GDP in the period 2010–12.

Figure 13. Deposits, Loan Portfolio and Bank Assets

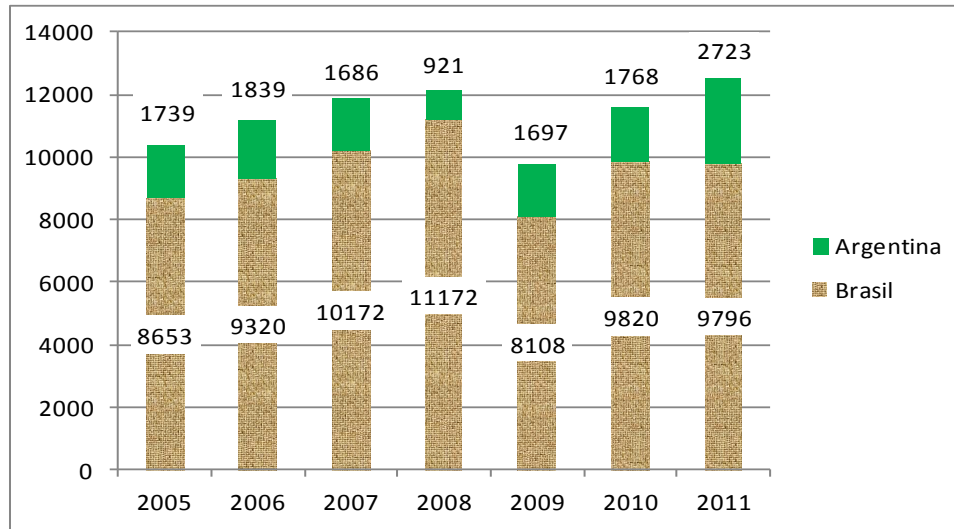


Source: ASFI: Principal Variables of the Financial System, March 2013, Page 3.

Long-term contracts (3.2.5)

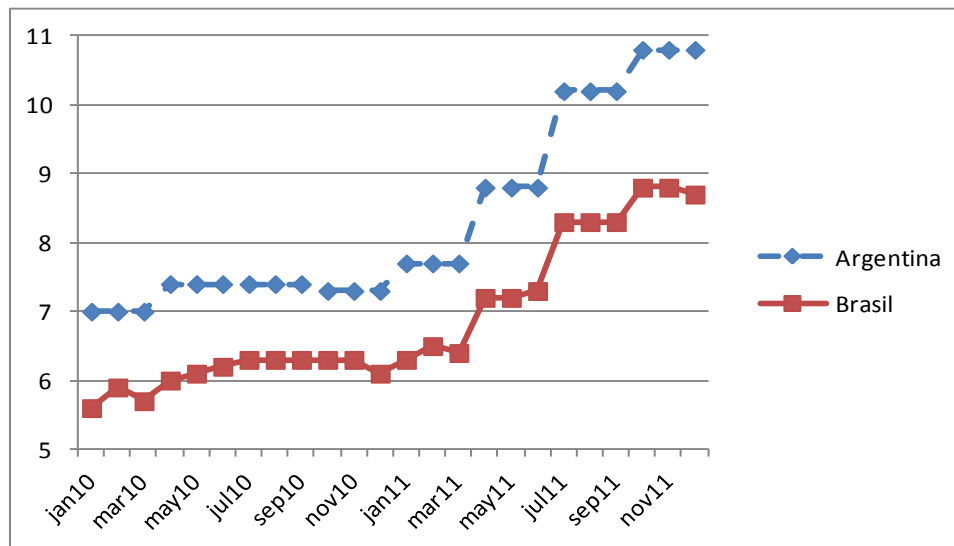
79. **No long-term contracts exist between the public sector and the private sector. However, there are contracts in place governing gas exports to neighboring countries and the long-term liabilities are known and disclosed (GOOD).** The main supply contracts for gas are with Argentina and Brazil. These contracts define the prices and conditions relative to the supply of gas, the obligations of both parties, payment terms, and penalties for non-compliance.

Figure 14. Volume of Exports of Natural Gas
(values in millions of cubic metres)



Source: Ministry of Economy and Public Finance - Report on the Bolivian Economy 2011

Figure 15. Export Prices of Natural Gas
(values in US Dollars per million BTU)



Source: Ministry of Economy and Public Finance - Report on the Bolivian Economy 2011

Financial derivatives (3.2.6)

80. **Both the government and public corporations have no financial derivatives (NOT APPLICABLE).** Neither the government nor the public corporations are involved in executing transactions involving derivatives. However, the authorities are assessing how best to design and utilize such transactions for the purposes of reducing the risks associated with the price of natural gas and public debt. Should the government decide to invest in derivative

contracts, it would be advisable to inform on its exposure and notional values at least annually.

D. Fiscal Coordination

Subnational governments (3.3.1)

81. **The subnational government's fiscal situation is published annually and a legal limit exists in regard to the indebtedness of subnational governments. This is monitored by the Ministry of Economy and Public Finance (GOOD).** The financial statements of the Governorates are published annually on the MEFP website which also shows the budget outturn on a monthly basis.

Table 34. Balance Sheet and Public Debt of Departmental Governments in 2011
(value in BOB)

Governorate	Assets	Liabilities	Net worth	Public Debt
Chuquisaca	2,024,192,996	337,103,266	1,687,089,730	299,352,822
La Paz	3,920,960,431	323,958,682	3,597,001,749	281,565,767
Cochabamba	4,153,808,395	261,311,859	3,892,496,536	189,243,929
Oruro	1,350,032,170	1,348,752,257	1,279,913	47,973,448
Potosi	3,045,132,184	422,178,480	2,622,953,704	256,166,863
Tarija	7,182,684,531	414,043,472	6,768,641,059	318,405,596
Santa Cruz	2,664,805,870	646,828,731	2,017,977,139	291,347,107
Beni	1,438,844,944	103,468,823	1,335,376,121	96,027,441
Pando	916,086,583	48,990,287	867,096,296	27,615,616
Total	26,696,548,104	3,906,635,857	22,789,912,247	1,807,698,589

Source: Ministry of Economy and Public Finance: Department's Financial Statements 2011.

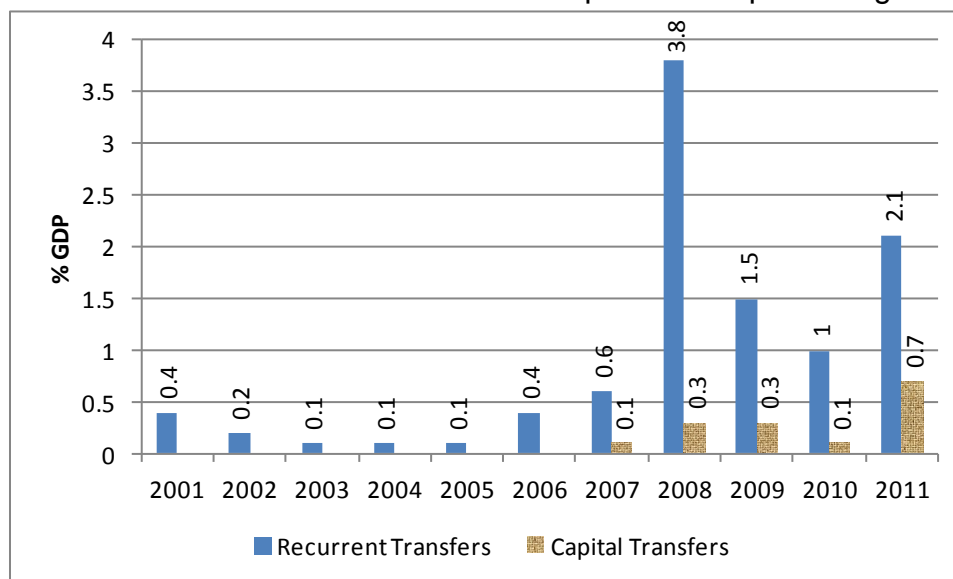
Public corporations (3.3.2)

82. **The budgets of the public corporations are part of the General Budget of the State and they are approved by the Plurinational Legislative Assembly. Current and capital transfers from the Treasury to public corporations appear in aggregate figures in the budget; quasi-fiscal operations are authorized by law and regulatory procedures are in place for the government to recover its resources. No regulatory procedures yet exist governing the transfer of earnings from public corporations to the Treasury (GOOD).** The budget execution report records, in aggregate terms, all current and capital transfers executed by the public corporations²⁰ for a period of 20 years. It would be desirable if all support, direct or indirect, as well as any quasi-fiscal activity of the government

²⁰ Ministry of Economy and Public Finance: Fiscal Dossier, La Paz, 2011, page 62.

concerning state enterprises were to be made public and published annually. Both current and capital transfers were small as a percentage of GDP in the past 11 years. In 2008, the Central Government transferred 3.8 percent of GDP to public corporations for current expenditure and only 0.8 percent of GDP for capital expenditure purposes.

Figure 16. Transfers from CG to Public Enterprises as a percentage of GDP



Source: Fiscal Dossier, 2011, page 62.

E. Recommendations

3.1.1 – Macroeconomic Risks - Prepare an annual report as part of the budget documents, setting out the fiscal risks. This document should contain information on risks related to macroeconomic variables, public debt, public corporations, debt guarantees, contingent liabilities, long-term contracts, natural disasters, financial institutions, subnational governments, and social security.

3.1.2 – Specific Risks - Prepare an actuarial study of the social security regimes for a minimum projected period of 30 years, to form part of the budget documents.

F. Conclusions

Table 35. Summary Assessment of Risk Analysis and Management Practices

Item	DIMENSION	PRINCIPLE	EVALUATION TRANSPARENCY
3	Analysis and management of fiscal risks	Governments must analyze and manage fiscal risks and ensure effective coordination of fiscal decision-making of the entire public sector	
3.1	Risks analysis	Governments must publish regular reports on the risks to which their fiscal outlooks are subject	

Item	DIMENSION	PRINCIPLE	EVALUATION TRANSPARENCY
3.1.1	Macroeconomic risks	The government reports on how fiscal outcomes might differ from forecasts as a result of macroeconomic shocks.	The Ministry of Economy and Public Finance prepares for internal purposes a debt sustainability analysis report but there is no comprehensive report on the macroeconomic risks that is submitted together with the budget proposal (BASIC).
3.1.2	Specific fiscal risks	The government regularly reports on the main sources of specific risks to its fiscal forecasts, such as contingent liabilities.	The government does not report regularly on the main sources of specific risks, such as contingent liabilities, affecting its fiscal forecasts (LESS THAN BASIC).
3.2	Risk management	Specific fiscal risks affecting public finances must be monitored and managed regularly	
3.2.1	Contingency reserves	The budget has adequate and transparent provision for contingencies that arise during budget execution.	The budget includes an allocation for contingencies based on transparent criteria as defined by law (GOOD).
3.2.2	Assets and liabilities management	Risks relating to major assets and liabilities should be disclosed and managed.	All debts, acquisitions and alienations of major assets are authorized by legislation, and disclosed (ADVANCED).
3.2.3	Guarantees	Government guarantees are regularly disclosed and actively managed.	The Treasury grants guarantees to public corporations (except YPF) that have investment projects defined in the expansion plans of public corporations or in the National Development Plan, and to those that are financed by the BCB. These guarantees are authorized by law and published. However, no specific ceiling applies to new guarantees (GOOD).
3.2.4	Financial Sector Exposure	The government's potential fiscal exposure to the financial sector is analyzed and managed.	The specific support provided by government to the financial sector, such as deposit insurance, is quantified and disclosed (BASIC).
3.2.5	Long-term contracts	The government's rights and obligations under long-term contracts, including public-private partnerships and contracts for the exploitation of resources, are regularly disclosed and actively managed.	No long-term contracts exist between the public sector and the private sector. However, there are contracts in place governing gas exports to neighboring countries and the long-term liabilities are known and disclosed (GOOD).
3.2.6	Financial derivatives	The government's derivative positions are regularly disclosed, assessed, and managed in the context of the overall balance sheet.	Both the government and public enterprises have no financial derivatives (NOT APPLICABLE).
3.3	Fiscal Coordination	The fiscal relationships of the entire public sector must be clear and coordinated.	
3.3.1	Subnational governments	Consolidated and comprehensive information is on the fiscal conditions of the subnational government is collected and published.	The subnational government's fiscal situations is published annually and a legal limit exists in regard to the indebtedness of subnational governments. This is monitored by the Ministry of Economy and Public Finance (GOOD).
3.3.2	Public corporations	Government oversees and regularly publishes comprehensive information on the fiscal performance of public corporations.	The budgets of the public corporations are part of the General Budget of the State and they are approved by the Plurinational Legislative Assembly. Current and capital transfers from the Treasury to public corporations appear in aggregate figures in the budget; quasi-fiscal operations are authorized by law and regulatory procedures are in place for the government to recover its resources. No regulatory procedures yet exist governing the transfer of earnings from public corporations to the Treasury (GOOD).

Annex 1. Chart for converting the national classifiers to the *GFSM2001* Ministry of Economy and Public Finance 2001

NATIONAL CLASSIFIER	GFSM2001 CLASSIFIER
10000 ASSET	6 ASSETS
11000 CURRENT ASSETS	
11100 Disposable	6202 Bank notes, currency and deposits
11200 Short term financial investments	6203 Securities other than shares
11300 Payable in the short term	6208 Other accounts receivable
11350 Granting of short-term loan to SPNF	6214 Loans
11360 Granting of short-term loan to SPF and Priv and /External sectors	6214 Loans
11364 To external sector	6214 Loans
11400 Provision for short term bad debts	Memorandum entry
11500 Consumer goods	612 Inventory
Not itemized	613 Valuables
11600 Other current assets	6208 Other accounts receivable
12000 NON CURRENT ASSETS	
12100 Payable in the long-term	6208 Other accounts receivable
12150 Granting of long-term loan to SPNF	6214 Loans
12160 Granting of short-term loan to SPF and Priv and /External sectors	6214 Loans
12164 To the external sector	6224 Loans
12200 Long term financial investments	62 Financial assets
12210 Shares and equity investments	6205 Shares and other equity investments
12220 Bonds and long-term securities	6203 Securities other than shares
12230 Trust funds	6202 Bank notes, currency and deposits
12240 Net wealth of decentralized institutions and companies	
Not itemized	6206 Insurance technical reserves
Not itemized	6207 Financial derivatives
12300 Fixed asset (usable goods)	611 Fixed asset (CR)
12311 Buildings	6111 Buildings and structures
12313 Production machinery and equipment	6112 Machinery and equipment
12320 Lands	6141 Lands
Not itemized	6142 Underground assets
12330 Livestock	6143 Other assets from natural resources
12340 Other fixed assets	6113 Other fixed assets
12400 Accumulated depreciation of fixed asset	611 Fixed asset (CR)
12500 Intangible asset	6144 Intangible non-produced assets
12600 Accumulated depreciation of intangible asset	611 Fixed asset (CR)
12700 Long term deferred assets	6208 Other accounts receivable
20000 LIABILITIES	63 LIABILITIES
21100 SHORT-TERM LIABILITIES	
21171 Amortization of public internal debt	6314 Loans
21172 Amortization of public external debt	6324 Loans
21200 Debt due for payment in the short term	6308 Other accounts receivable
21230 Internal loans repayable in the short term	6314 Loans
21240 External loans repayable in the short term	6324 Loans
21300 Short-term deferred liabilities	6308 Other accounts receivable
21400 Short-term provisions and technical reserves	6308 Other accounts receivable
21420 Short-term technical reserves	6306 Insurance technical reserve
21500 Custody and guarantee funds received	6302 Bank notes, currency and deposits
21600 Other short-term liabilities	6308 Other accounts receivable
21700 Carry-back administrative debts	6318 Other accounts receivable
22200 NON-CURRENT LIABILITIES	

Annex 1. Chart for converting the national classifiers to the GFSM 2001 (contd.)

22100	Long-term liabilities	6308	Other accounts receivable
22200	Debt due for payment in the long term	6308	Other accounts receivable
22310	Internal public debt	6314	Loans
	Not itemized	6313	Securities other than shares
22320	External public debt	6324	Loans
	Not itemized	6323	Securities other than shares
	Not itemized	6305	Equities and other capital investments
22400	Long-term deferred liabilities	6318	Other accounts receivable
22500	Long-term provisions and technical reserves	6308	Other accounts receivable
22520	Long-term technical reserves	6306	Insurance technical reserve
22600	Long-term trust funds received	6312	Bank notes, currency and deposits
	Not itemized	6321	Special drawing rights
30000	EQUITY	6	NET WEALTH
40000	RESULTS ON EXPOSURE TO INFLATION	4	HOLDING GAINS AND LOSSES
	NATIONAL CLASSIFIER		GFSM2001 CLASSIFIER
50000	CURRENT RESOURCES	1	REVENUE
51000	Tax revenue	11	Taxes
52000	Sale of goods and services	142	Sale of goods and services
53000	Royalties	1415	Lease of tangible non-produced assets
54000	Miscellaneous income	145	Miscellaneous non-identified income
54500	Fines	143	Fines, financial penalties and pledged deposits transferred
55000	Interest and other property related income	1411	Interest
55400	Dividends	1412	Dividends
	Not itemized	1413	Withdrawal of revenues from the quasi-corporations
	Not itemized	1414	Income from property allocated to holders of insurance policies
56000	Social security contributions	121	Social security contributions
	Not itemized	122	Other social contributions
57000	Current transfers received	1441	Miscellaneous voluntary transfers of grants - Current
	Not itemized	1442	Miscellaneous voluntary transfers of grants - Capital
58000	Current grants received	13	Grants
58100	Internal grants	1331	From other General Government agencies - Current
58200	External grants	1311	From foreign governments - Current
	Not itemized	1321	From international organizations - Current
	Not itemized	1332	From other General Government agencies - Capital
	Not itemized	1312	From foreign governments - Capital
	Not itemized	1322	From international organizations - Capital
59000	Revenue to be classified	145	Miscellaneous non-identified revenue
	Not itemized	143	Financial penalties and pledged deposits transferred
60000	CURRENT EXPENDITURE	2	EXPENDITURE
61000	Consumer expenditure	211	Wages and salaries
61100	Wages and salaries	212	Social contributions
61200	Employer's social contributions	273	Social contributions paid by employer
61300	Social benefits	22	Use of goods and services
61400	Cost of goods and services		

Annex 1. Chart for converting the national classifiers to the GFSM 2001 (contd.)

61700	Depreciation and amortization	23	Fixed capital consumption
62000	Interest and other property related income	24	Interest
62110	Interest on Internal Debt	242	To resident bodies other than General Government
	Not itemized	243	To other agencies of General Government
62130	Interest on External Debt	241	To non-resident bodies
62210	Land rental	281	Property expenses non-interest related
62300	Rights on intangibles	28	Other expenses
63000	Social security benefits	271	Social security benefits
	Not itemized	272	Social assistance benefits
64000	Provisions and losses in currency exchange operations		Memorandum item
64200	Currency exchange losses	4324	Loans
65000	Transfers granted	26	Grants
	Not itemized	25	Subsidies
65100	To Private Sector	252	Subsidies to private companies
65200	To Nonfinancial Public Sector	251	Subsidies to public companies
	Not itemized	2631	Grants to other General Government agencies - current
	Not itemized	2632	Grants to other General Government agencies - capital
65300	To Financial Public Sector	282	Miscellaneous capital expenditure
65400	To External Sector	2611	To foreign governments - current
	Not itemized	2612	To foreign governments - capital
	Not itemized	2621	To international organizations - current
	Not itemized	2622	To international organizations - capital
66000	Commissions, bonuses and other remunerations on sales	28	Miscellaneous expenditure
67000	Miscellaneous expenditure	28	Miscellaneous expenditure

Source: Vice-Ministry of Budget and Accounting. Chart of Account Management 2012

Annex 2. Recommendations and action plan to improve fiscal transparency information and risk analysis

Recommendation	2014	2015	2016	2017	2018	Responsible agency
Coverage of Assets and Liabilities – 1.1.3						
In the financial statements of central government, include the value of the reserves of natural resources.	Update the studies on the value of reserves of natural resources and identify the accountable entity responsible for recording the information.	Record the assets corresponding to the reserves of natural resources under the Central Government assets.	Gradually extend coverage of the financial statements of the Executive Branch until equivalent coverage is obtained for Central Government.			Ministry of Economy and Public Finance (MEFP), General Directorate of Fiscal Accounting (DGCF)
Tax expenditure – 1.1.4						
Prepare an annual report on tax expenditure and identify the beneficiary sectors, the estimated value of the tax exemptions, and an evaluation of the results of the policy of exemptions.	Review the laws providing fiscal incentives, exemptions and releases under the various tax categories and identify the tax expenditure.	Prepare a report on tax expenditure per category of taxes for each sector, expressed in GDP percentage terms and submit as part of the budget documentation.				MEFP, VPT, VPCF
Budgetary, Statistical and Accounting Classification – 1.3.1						
Refine the institutional classification, to be in line with the classifiers of the GFSM2001. Revise and update the accounting classifiers in accordance with the <i>GFSM2001</i> requirements and harmonize them with the budgetary and statistical classifiers. A number of recently nationalized companies has been classified as private companies.	Revise the institutional classification and harmonize it in accordance with the <i>GFSM2001</i> .	Revise the General Chart of Accounts (GCoA) in line with the statistical classifiers and harmonize them.				Ministry of Economy and Public Finance (MEFP), General Directorate of Fiscal Accounting (DGCF)

Recommendation	2014	2015	2016	2017	2018	Responsible agency
Historical Consistency – 1.3.3						
In the event of significant changes, develop and maintain parallel historical series containing the original data and the items affected by the changes in a manner to understand the impact of such changes.	Reconcile the historical series for fiscal information to incorporate the reconciliations and internal adjustment realized.	Publish the budget execution report with details of internal and historical coherence, making adjustments above and below the line in a manner that will show the impact of changes over time.				Ministry of Economy and Public Finance, General Directorate of Fiscal Accounting
Comparability of Fiscal Reports – 1.3.4						
Publish budget execution information following a standardized sectorization of the Central Government, General Government, Nonfinancial Public Sector, and the Public Sector.	Standardize the periodicity of the publication of budget execution reports and standardize the sectorialization.	Publish budget execution reports that are periodically comparable and homogenous on a sectoral basis and publish them in the SIGMA system.	Gradually increase coverage to obtain the same periodicity and disaggregation structure of the public sector as a whole.			Ministry of Economy and Public Finance, General Directorate of Fiscal Accounting
External Audit and Reliability – 1.4.2 and 1.4.3						
The financial statements of the Central Government should be subject to a financial audit prepared by an independent auditor on the reliability of the financial and budgetary information.	Identify an independent auditing firm capable of preparing an audit report of the Central Government financial statements.	Perform financial audits of the Central Government's financial statements and obtain an audit opinion in relation to same.				Ministry of Economy and Public Finance, General Directorate of Fiscal Accounting

Recommendation	2014	2015	2016	2017	2018	Responsible agency
Medium-Term Budget Framework (MTBF) – 2.1.4						
The Ministry of Economy and Public Finance should continue the efforts to implement an MTBF to cover a period of at least 3 years and which takes into consideration all of the budgetary entities of the public sector.	Prepare the first fiscal projection for the next 5 years.	Establish specific fiscal objectives in the budget aimed at maintaining fiscal stability in the medium and long term.	Prepare and approve the MTBF in the Plurinational Legislative Assembly.	Prepare and approve the financial ceilings for the annual budgets based on the MTBF.	Assess the effectiveness of the MTBF.	MEFP, VPCM, VTCP, VPT
Separation of Current and New Policies – 2.3.2						
In the documents accompanying the annual and reformulated budgets, identify as comprehensively as possible the current and new policies geared to facilitating an evaluation of the budget.	In the budget proposal, provide information that distinguishes the new and existing policies, initially in qualitative terms.	Gradually include information on the costs associated with new policies and inform on how these new policies will be costed.				MEFP, VPCF
Fiscal Sustainability Analysis – 2.3.5						
In the budget documents, extends the analysis of the evaluation of the macro-fiscal variables, illustrating multiple scenarios (pessimistic, average, and optimistic) for the evaluation of the main fiscal aggregates covering a minimum period of 20 years.	Publish the public debt sustainability report prepared by the Ministry of Economy and Public Finance.	Conduct a sensitivity analysis in relation to changes in all of the variables affecting its sustainability, illustrating multiple scenarios and covering different periods.	Extend the sustainability analysis in relation to public debt (external and domestic), covering a period of 30 years.			MEFP, BCB

Recommendation	2014	2015	2016	2017	2018	Responsible agency
Supplementary Budget 2.4.2						
Improve realism of budgetary forecasts with respect to revenue and expenditure to provide to public managers a better predictability on the availability of resources and update the macroeconomic forecasts in the event of a budget reformulation.	Improve the fiscal forecasts relative to revenues and expenditure to gradually reduce the difference between the initial budget and the budget executed at the end of the year. The target is for discrepancies to amount no more than 5 percent in aggregate terms (Criterion "A" of the PEFA assessment of Indicator PI-1), so that by the end of the period, the revised budgets will not differ greatly.					MEFP, VPCF
Macroeconomic and Specific Fiscal Risks – 3.1.1 and 3.1.2						
Prepare an annual report as part of the budget documents, setting out the fiscal risks. This document should contain information on risks related to macroeconomic variables, public debt, public corporations, debt guarantees, contingent liabilities, long-term contracts, natural disasters, financial institutions, subnational governments, and social security.	Select a unit within the MEFP responsible for preparing a fiscal risks report. Determine the structure of the report and appoint units responsible for providing the information; and prepare a test report to confirm the methodology and consistency of the information.	Publish the first report on fiscal risks including discussion on risks related to macrofiscal variables, public corporations, and the financial sector. Outline policies for mitigating the fiscal risks.	Include information on long-term contracts for exports of hydrocarbons, subnational governments, and debt guarantees.	Include information on contingent liabilities such as pensions and lawsuits against the government.		MEFP
Prepare an actuarial study of the social security regimes for a minimum projected period of 30 years, to form part of the budget documents.	Identify a firm to conduct an actuarial study of the social security regimes.	Prepare a study on the main social security regimes.	Assess the potential fiscal impacts and devise policies to minimize them.	In the budget documents, outline the fiscal impacts of the social security regimes.		

Annex 3. Fiscal Transparency Code Methodology

	DIMENSION	PRINCIPLE	PRACTICE			REFERENCE
			BASIC	GOOD	ADVANCED	
1	PRESENTATION OF FISCAL REPORTS	Fiscal reports should provide a complete general overview that is relevant, timely, and reliable with respect to the government's financial position and its financial performance.				
<i>1.1</i>	<i>Coverage</i>	<i>Fiscal reports should provide an exhaustive general overview of the government's fiscal activities</i>				
1.1.1	Institutional coverage	Fiscal reports cover all entities participating in public activity as established in international standards.	All Central Government entities are consolidated in the fiscal reports.	All Central Government entities are consolidated in the fiscal reports.	All Central Government entities are consolidated in the fiscal reports.	MEFP 2001 PO of the TF
1.1.2	Coverage of flows	Fiscal reports cover all revenues, expenditures, and other government outflows.	All revenues and cash expenditure are listed in the fiscal reports.	All revenues, cash flows and accrued expenditure are listed in the fiscal reports.	All revenues, cash flows, accrued expenditure and other economic outflows are listed in the fiscal reports.	MEFP 2001 PO of the TF
1.1.3	Coverage of balances	Fiscal reports cover a balance sheet of the government's assets and liabilities.	Actual and overall debt are covered in the fiscal reports.	All financial assets and liabilities are listed in the fiscal reports.	All financial and nonfinancial assets and liabilities are listed in the fiscal reports.	MEFP 2001 PO of the TF
1.1.4	Tax expenditure	The government manages and discloses all revenue losses resulting from tax expenditure.	Tax expenditure is authorized by law and estimated revenue losses are published annually as a minimum.	The tax expenditure is authorized by law and estimated revenue losses are estimated per sector or policy area, and published annually as a minimum.	The tax expenditure is authorized by law and estimated revenue losses are estimated per sector or policy area, and published annually as a minimum. The volume of tax expenditure is subject to controls or budgetary objectives are set relative to the extent of such expenditure.	OECD TF Code PEFA PO of G-20
<i>1.2</i>	<i>Frequency and timeliness</i>	<i>Fiscal reports should be published on a frequent and timely basis</i>				

	DIMENSION	PRINCIPLE	PRACTICE			REFERENCE
			BASIC	GOOD	ADVANCED	
1.2.1	Frequency of fiscal reports over the course of the financial year	Fiscal reports are published on a frequent and regular basis.	Fiscal reports are published half-yearly during the financial year.	Fiscal reports are published quarterly during the financial year.	Fiscal reports are published monthly during the financial year.	MEFP 2001 PO of the TF SGDD/NEDD OECD
1.2.2	Timeliness of the annual audited fiscal reports	Audited annual fiscal reports are published on a timely basis.	Audited annual fiscal reports are published within a period of 12 months from the end of the financial year.	Audited annual fiscal reports are published within a period of 9 months from the end of the financial year.	Audited annual fiscal reports are published within a period of 6 months from the end of the financial year.	PO of the TF TF Code OECD PO of G-20
1.3	Quality	<i>The information in fiscal reports should be relevant, internationally comparable, and internally and historically consistent</i>				
1.3.1	Classification	The fiscal reports clearly classify information on the use of public resources by the government consistent with international standards.	The fiscal reports include an administrative and economic classification that conforms with international standards, with separate details on all sources of income, including the activities associated with natural resources.	The fiscal reports include an administrative, economic and functional classification that conforms with international standards, with separate details on all sources of income, including the activities associated with natural resources.	The fiscal reports include an administrative, economic, functional and programmatic classification that conforms with international standards, where applicable, with separate details on all sources of income, including the activities associated with natural resources.	MEFP 2001 OECD TF Code PEFA
1.3.2	Internal consistency	Fiscal reports should be internally consistent and include reconciliations between alternative measures of summarized fiscal aggregates.	The fiscal reports include a reconciliation of aggregate flows and balances.	The fiscal reports include separate reconciliations, both of aggregate flows and balances.	The fiscal reports include reconciliations of the aggregate flows and balances, internally and between both.	MECAD
1.3.3	Historical consistency	Material reviews of historical fiscal data should be disclosed and explained.	Material reviews of historical fiscal data are prepared.	Material reviews of historical fiscal data are prepared and include a conversion table between the temporary series to the new series.	Material reviews of historical fiscal data are prepared and include a conversion table between the temporary series to the new series, together with notes explaining fundamental revisions.	MECAD

	DIMENSION	PRINCIPLE	PRACTICE			REFERENCE
			BASIC	GOOD	ADVANCED	
1.3.4	Comparability of fiscal reports	Fiscal reports must be comparable, with explanations for all deviations.	At least one fiscal report corresponds directly to the budget.	A comparison is drawn between all fiscal reports and a detailed explanation provided regarding the differences.	A comparison is drawn between all fiscal reports; all differences are quantified and subject to a detailed explanation.	OECD PO of the TF
1.4	Reliability	<i>Fiscal reports should be reliable and subject to external scrutiny.</i>				
1.4.1	Statistical independence	Responsibility for preparing and disseminating fiscal statistics is assigned to a specific body which is independent and guarantees consistency with international statistical standards.	A specific governmental body is responsible for preparing and disclosing the fiscal statistics in accordance with international statistical standards.	A semi-autonomous body is responsible for preparing and disclosing the fiscal statistics in accordance with international statistical standards.	An autonomous body is responsible for preparing and disclosing the fiscal statistics in accordance with international statistical standards.	MECAD PO of G-20 TF Code
1.4.2	External audit	The country's supreme audit institution audits the government's annual fiscal reports and the audit opinion complies with international auditing standards.	The government's annual fiscal reports are subject to an audit executed and published by the country's supreme audit institution.	The government's annual fiscal reports are subject to an audit executed and published by the country's supreme audit institution in compliance with the ISSAI standards I and 2.	The government's annual fiscal reports are subject to an audit executed and published by the country's supreme audit institution, fully in compliance with the International Standards on Auditing for Supreme Audit Institutions (ISSAI) standards.	INTOSAI TF Code OECD PO of G-20 PEFA
1.4.3	Reliability	The reliability of the government's fiscal reports has been confirmed by an independent evaluation.	A report is prepared validating the reliability of the annual fiscal reports and the fiscal statistics subscribe to the GDDS framework.	The annual fiscal reports are subject to less stringent auditing standards and the fiscal statistics subscribe to the SDDS framework.	The annual fiscal reports report are not subject to auditing standards and the fiscal statistics subscribe to the SDDS framework +.	INTOSAI GDDS SDDS SDDS+ PEFA
2	DEVELOPMENT OF FISCAL PROJECTIONS AND BUDGETS	Fiscal projections and budgets must clearly provide the objectives and intentions of Central Government policies as well as exhaustive, timely, and credible projections regarding the development of public finances				
2.1	Scope	<i>Fiscal forecasts and budgets must provide an exhaustive general overview of fiscal outlooks.</i>				

	DIMENSION	PRINCIPLE	PRACTICE			REFERENCE
			BASIC	GOOD	ADVANCED	
2.1.1	Unity	The legislature authorizes the revenues, expenditures, and financing of the Central Government.	All revenues and expenditures in respect of ministries and Central Government bodies are authorized in the budget legislation.	All revenues and expenditures in respect of ministries, agencies, donors and extrabudgetary funds of the Central Government bodies are authorized in the budget legislation.	All revenues and expenditures in respect of ministries, agencies, donors and extrabudgetary funds and social security funds of the Central Government bodies are authorized in the budget legislation.	PEFA TF Code OECD
2.1.2	Gross budgeting	In the budget documentation, revenues and expenditures are presented in gross terms.	All domestic tax revenues and associated costs are presented in gross terms.	All domestic tax and nontax revenues and associated costs are presented in gross terms.	All domestic and external revenues and associated costs are presented in gross terms.	OECD TF Code PEFA
2.1.3	Macroeconomic projections	Macroeconomic forecasts on which budgetary projections are based should be disclosed and explained.	The budget documentation includes a forecast of the key macroeconomic variables.	The budget documentation includes a forecast of the key macroeconomic variables and the assumptions on which they are based.	The budget documentation includes a detailed forecast and an explanation of the key macroeconomic variables together with the assumptions on which they are based.	OECD TF Code PEFA
2.1.4	Medium-term budgetary framework	The budget documentation includes medium-term projections of revenues, expenditures, and financing.	The budget documentation includes medium-term projections of revenues and aggregated expenditure per department and/or ministry and financing.	The budget documentation includes medium-term projections of revenues and aggregated expenditure per department and/or ministry, and financing per economic category.	The budget documentation includes medium-term projections of revenues and aggregated expenditure per department and/or ministry, and financing per economic category and per program.	OECD TF Code PEFA
2.2	Timeliness	<i>The government should provide timely updates on fiscal outlooks</i>				
2.2.1	Fiscal Strategy Report	The government provides a mid-year report summarizing macroeconomic and fiscal developments since the last budget and the macroeconomic and fiscal framework for preparation of the next budget.	The government provides a mid-year report summarizing macroeconomic and fiscal developments since the last budget and a review of the macroeconomic and fiscal framework for the current year.	The government provides a mid-year report summarizing macroeconomic and fiscal developments since the last budget and a revised macroeconomic and fiscal framework for the current and next year.	The government provides a mid-year report summarizing macroeconomic and fiscal developments since the last budget and a revised macroeconomic and fiscal framework for the current year and the medium-term.	TF Code OECD PO of G-20

	DIMENSION	PRINCIPLE	PRACTICE			REFERENCE
			BASIC	GOOD	ADVANCED	
2.2.2	Budget proposal	The legislature and the public must consistently be given sufficient time to examine and approve the annual budgeting prior to the beginning of the financial year.	The budget is presented to the legislature and published at least one month before the beginning of the financial year.	The budget is presented to the legislature and published at least two months before the beginning of the year.	The budget is presented to the legislature and published at least three months before the beginning of the year.	OECD TF Code
2.2.3	Budget approval	Approval and publication of the budget law consistently provide sufficient time for effective execution of the budget.	The budget law is approved and published no later than one month after the start of the year.	The budget law is approved and published at the beginning of the year.	The budget law is approved and published no later than one month before the beginning of the year.	PEFA
2.3	Policy Orientation	<i>Fiscal forecasts and budgets must be presented which facilitate analysis of policies and accountability</i>				
2.3.1	Objectives of fiscal policies	The government declares and sets out clear and measurable objectives for public finances.	The government on a regular basis declares and sets out the specific numerical targets with respect to the principal fiscal aggregates for a predetermined period.	The government on a regular basis declares and sets out the numerical targets which are at once specific and for a predetermined period.	The government on a regular basis declares and sets out the numerical targets which are at once specific and for a predetermined period, having been in place for three or more years.	TF Code OECD PO of G-20
2.3.2	Separation of current and new policies	The budget documentation distinguishes between the return on or cost of current policies and the fiscal impact of any new policy measure.	The budget documentation includes a qualitative explanation of the most important policy decisions.	The budget documentation includes an estimation of what the most important policy decisions may yield or cost.	The budget documentation includes a baseline forecast based on constant policies, estimates of the revenues or costs associated with all new policy decisions and a prognosis subsequent to the measures which show the fiscal impact of these decisions.	TF Code PO of G-20 OECD PEFA
2.3.3	Information on performance	The budget documentation provides information on the objectives and results planned and achieved under government policies in the most important areas of policy.	The budget documentation provides information on the inputs required in each key area of government policy.	The budget documentation provides information on the output that will be required in each key area of government policy.	The budget documentation provides information on the products, methods and objectives to be achieved in each key area of government policy.	TF Code PO of G-20 OECD

	DIMENSION	PRINCIPLE	PRACTICE			REFERENCE
			BASIC	GOOD	ADVANCED	
2.3.4	Distributive analysis	The government provides a clear, accessible, and useful summary of the budget's consequences for citizens.	The government provides a clear, accessible, and useful summary of the budget's consequences for the average citizen.	The government provides a detailed explanation of the financial impact of the budgetary decisions on the different income groups.	The government publishes a detailed outline of the financial impact of the budgetary decisions on the different income groups, including the demographic or regional groups.	PEFA
2.3.5	Fiscal sustainability analysis	The government regularly publishes projections on trends in long-term government finance.	The fiscal forecasts are published covering a minimum period of 10 years.	Multiple alternative scenarios are published pertaining to the development of the key fiscal aggregates for the next 20 years or more based on a corpus of macroeconomic assumptions.	Multiple alternative scenarios are published pertaining to the development of the key fiscal aggregates, including social security, for the next 30 years, based on a range of macroeconomic and demographic assumptions regarding natural resources among other things.	PO of G-20 TF Code OECD
2.4	Credibility	<i>Fiscal forecasts and budgets must be credible.</i>				
2.4.1	Independent assessment	If possible, the government's forecasts are subject to external evaluation.	The budget documentation includes comparisons between the government's macroeconomic forecasts and forecasts by independent analysts, where possible.	An independent entity assesses the credibility of the government's economic forecast.	An independent entity assesses the credibility of the government's economic and fiscal forecast.	PO of G-20 TF Code
2.4.2	Supplemental budget	Any change in the approved budget must be properly authorized by the legislature.	A supplemental budget regularizes all expenditure over and above the figure approved in the budget.	A supplemental budget must be introduced before the total cost exceeds the figures in the budget.	A supplemental budget must be introduced before implementing budgetary expenditure per sector which is not intended to impact on the overall budget except in very exceptional cases.	2007 TF Code PEFA

	DIMENSION	PRINCIPLE	PRACTICE			REFERENCE
			BASIC	GOOD	ADVANCED	
2.4.3	Reconciliation of forecasts	The budget documentation explains material changes in the government's earlier forecasts of revenues, expenditures, and financing.	The differences between the successive versions of the government's forecasts of revenues, expenditures, and financing are outlined in aggregate terms.	The differences between the successive versions of the government's forecasts of revenues, expenditures, and financing are disaggregated in terms of their impact on the macroeconomic determinants and other factors.	The differences between the successive versions of the government's forecasts of revenues and expenditures are disaggregated in terms of their impact on the macroeconomic determinants, policy changes and other factors.	OECD
3	ANALYSIS AND MANAGEMENT OF FISCAL RISKS	Governments must analyze and manage fiscal risks and ensure effective coordination of fiscal decision-making for the entire public sector.				
3.1	Risks analysis	<i>Governments must publish regular reports on the risks to which their fiscal outlooks are subject.</i>				
3.1.1	Macroeconomic risks	The government reports on how fiscal outcomes differ from forecasts arising from macroeconomic risks.	The budget documentation summarizes the sensitivity of the fiscal forecasts compared with the principal macroeconomic assumptions.	The budget documentation outlines the alternative fiscal forecasts on the basis of optimistic and pessimistic scenarios.	The budget documentation includes probability forecasts in relation to the fiscal balances.	TF Code OECD PO of G-20
3.1.2	Specific fiscal risks	The government reports regularly on the principal sources of specific risks, such as contingent liabilities, affecting its fiscal forecasts.	The principal specific risks affecting the fiscal forecasts are explained in qualitative terms.	The principal specific risks affecting the fiscal forecasts are shown together with the scale of the risks.	The principal specific risks affecting the fiscal forecasts are shown together with the scale of the risks and probability, where possible.	OECD TF Code PEFA PO of G-20
3.2	Risk management	<i>Specific fiscal risks affecting public finances must be monitored and managed regularly.</i>				
3.2.1	Contingency reserves	The budget includes adequate and transparent provisions in respect of contingencies that arise during the execution of the budget.	The budget includes an allocation for contingencies.	The budget includes an allocation for contingencies based on transparent access criteria.	The budget includes an allocation for contingencies based on transparent access criteria and regular reports on their use during the course of the year.	PO of G-20

	DIMENSION	PRINCIPLE	PRACTICE			REFERENCE
			BASIC	GOOD	ADVANCED	
3.2.2	Management of assets and liabilities	The acquisition of major financial assets and the discharging of major liabilities should be authorized by law.	All debts are authorized by legislation and disclosed.	All debts, acquisitions and alienations of major assets are authorized by legislation, and disclosed.	All assets and liabilities are authorized by legislation, and disclosed. They are managed in accordance with a published strategy.	OECD TF Code
3.2.3	Guarantees	Government guarantees are disclosed on a regular basis and managed actively.	All government guarantees together with the beneficiaries and the value of each guarantee are published at least once yearly.	All government guarantees together with the beneficiaries and the value of each guarantee along with other specific characteristics, such the justification for issuing new guarantees, are published at least once yearly.	All government guarantees together with the beneficiaries and the value of each guarantee along with other specific characteristics, such the justification for issuing new guarantees, are published at least once yearly. The issuing of guarantees is regulated in accordance with published criteria and the maximum value of new guarantees is authorized by law.	OECD TF Code PEFA PO of G-20
3.2.4	Financial sector exposure	The government's potential fiscal exposure to the financial sector is analyzed and managed.	The specific support provided by government to the financial sector via deposit insurance is quantified and disclosed annually.	The government's potential fiscal exposure to the public sector is discussed in a fiscal risk report and disclosed at least once yearly.	The government's potential fiscal exposure to the public sector is informed by quantified assessments of the stability of the financial sector and disclosed at least once yearly.	
3.2.5	Long-term contracts	The government's obligations arising from long-term contracts, including public-private partnerships, are disclosed and managed.	The government publishes at least once yearly its total obligations arising from long-term contracts.	The government publishes at least once yearly its total obligations arising from long-term contracts plus the projected yearly payments during the terms of the contracts.	The government publishes at least once yearly its total obligations arising from long-term contracts together and projected yearly payments during the terms of the contracts. A limit is set in regard to the accumulated liabilities.	TF Code

	DIMENSION	PRINCIPLE	PRACTICE			REFERENCE
			BASIC	GOOD	ADVANCED	
3.2.6	Financial derivatives	The government's derivatives positions are regularly disclosed, evaluated, and managed in the context of the government's financial statements.	The government's derivatives positions plus their notional values are disclosed at least once annually.	The government's derivatives positions in addition to their notional and market values are disclosed at least once annually.	The government's derivatives positions plus their notional and market values are disclosed at least once annually and a sensitivity analysis is conducted with respect to the associated derivatives, assets and liabilities vis-à-vis the key financial parameters.	
3.3	<i>Fiscal coordination</i>	<i>The fiscal relationships of the entire public sector must be clear and coordinated.</i>				
3.3.1	Subnational governments	Information is compiled and published on the subnational government's fiscal situation.	The fiscal situation of the subnational governments is published annually.	The fiscal situation of the subnational governments is published annually and a legal limit exists in regard to the liability indebtedness of subnational governments.	The fiscal situation of the subnational governments is published quarterly and a legal limit exists in regard to the liability indebtedness of subnational governments.	TF Code PO of G-20 PEFA
3.3.2	Public enterprises	The government regularly supervises and publishes information on the fiscal outcomes of public enterprises.	All direct transfers between the government and public enterprises are disclosed at least once yearly.	All direct transfers and indirect support between the government and public enterprises are disclosed at least once yearly.	All direct and indirect transfers between the government and public enterprises, including the value of any quasi-fiscal activity undertaken by the public enterprises, are disclosed at least once yearly.	TF Code PEFA