Bolivia's economic freedom score is 44.1, making its economy the 173rd freest in the 2018 Index. Its overall score has decreased by 3.6 points, triggered by a plunge in the scores for fiscal health, government integrity, and property rights and moderately lower scores for judicial effectiveness and government spending. Bolivia is ranked 30th among 32 countries in the Americas region, and its overall score is below the regional and world averages.

Bolivia's overall economic development remains severely hampered by structural and institutional problems. Heavily dependent on the hydrocarbon sector, the economy lacks dynamism. Other problems include poor economic infrastructure, a weak regulatory framework, lack of access to market financing, a nontransparent investment regime, pervasive corruption, and weak rule of law. The state's presence in economic activity is gradually increasing through nationalization, and the judiciary is becoming more vulnerable to political interference.

NOTABLE SUCCESSES:
Tax Policy and Trade Freedom

CONCERNS:
Investment Freedom, Rule of Law, and Financial Freedom

OVERALL SCORE CHANGE SINCE 2014:
-4.3

BACKGROUND: Resource-rich Bolivia has enjoyed strong economic growth from exports of natural gas to Brazil and Argentina but also faces deep-rooted poverty, social unrest, and illegal drug activity. President Evo Morales began his third consecutive five-year term in 2015. His Movement Toward Socialism (MAS) controls all political institutions and suppresses dissent. In 2016, voters rejected his plan to run for a fourth term, but Morales has already accepted his party's nomination as candidate for the 2019 presidential election, and the MAS is trying to change the constitution to permit him to remain in office beyond 2020. Lower gas prices and a severe drought have dimmed the fiscal and economic outlook. Nearly 40 percent of Bolivians live below the poverty line.
Although Bolivia’s highest courts have occasionally asserted some independence, the ruling MAS party tightly controls all institutions. The inadequate land title verification system and an unreliable dispute resolution process create risk and uncertainty in real property acquisition. The judiciary is overburdened, vulnerable to undue influence by the executive and legislative branches, and plagued with allegations of corruption.

The top income tax rate is 13 percent, and the corporate tax rate is 25 percent. Other taxes include value-added and transactions taxes. The overall tax burden equals 25.3 percent of total domestic income. Over the past three years, government spending has amounted to 42.2 percent of total output (GDP), and budget deficits have averaged 5.6 percent of GDP. Public debt is equivalent to 42.1 percent of GDP.

Corruption, lack of legal security, and unclear international arbitration measures significantly impede entrepreneurial activity. Officials commonly engage in corrupt practices with impunity. Between 60 percent and 70 percent of workers participate in the informal economy. There is a surplus of unskilled labor, but finding skilled workers is difficult. Gasoline, diesel, kerosene, natural gas, liquefied petroleum gas, jet fuel, and fuel oil subsidies approach 8 percent of GDP.

Trade is significant for Bolivia’s economy; the combined value of exports and imports equals 57 percent of GDP. The average applied tariff rate is 4.8 percent. Nontariff barriers impede trade. The prevalence of state-owned enterprises limits foreign investment. The financial sector remains vulnerable to state interference, with credit to the private sector expanding slowly. Capital markets are focused on trading in government bonds.