

BOLIVIA

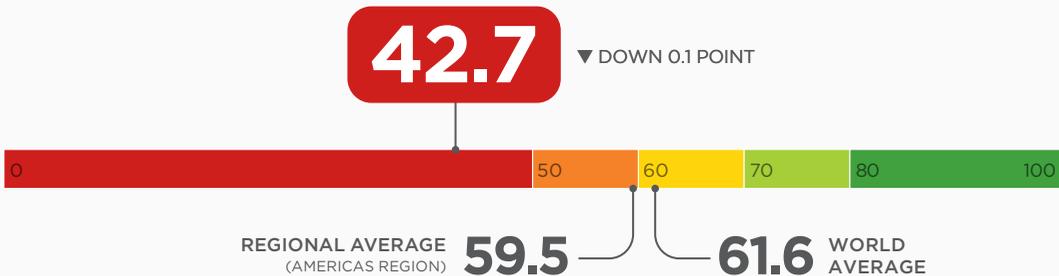
Bolivia's economic freedom score is 42.7, making its economy the 172nd freest in the 2021 *Index*. Its overall score has decreased by 0.1 point, primarily because of a decline in **trade freedom**. Bolivia is ranked 30th among 32 countries in the Americas region, and its overall score is below the regional and world averages.

Bolivia's economy still suffers from the pernicious impact of Chavista socialism, which sank it to the "repressed" category where it has languished for nearly a decade. The single-party authoritarianism of the Morales regime had a particularly devastating impact on six of the 12 *Index* indicators: property rights, judicial effectiveness, government integrity, fiscal health, investment freedom, and financial freedom. The climb back to economic freedom will be a steep one.

IMPACT OF COVID-19: As of December 1, 2020, 8,963 deaths had been attributed to the pandemic in Bolivia, and the economy was forecast to contract by 7.9 percent for the year.

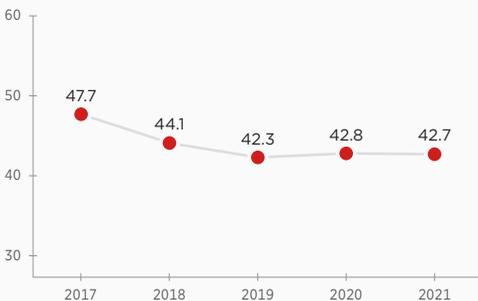


ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): -14.1

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
11.5 million

GDP (PPP):
\$93.4 billion
2.8% growth in 2019
5-year compound annual growth 4.1%
\$9,086 per capita

UNEMPLOYMENT:
3.5%

INFLATION (CPI):
1.8%

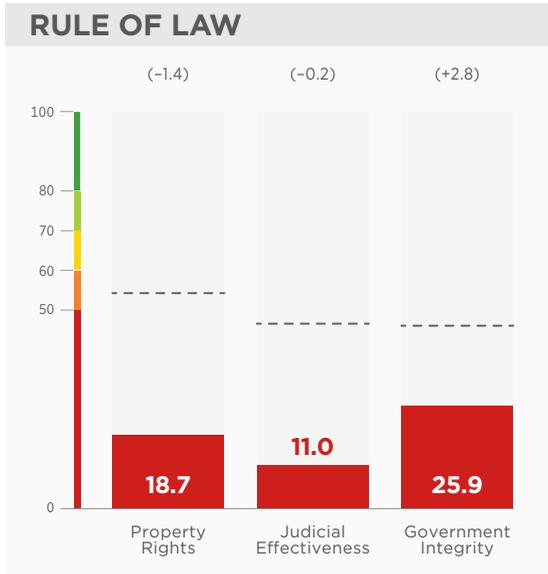
FDI INFLOW:
-\$159.5 million

PUBLIC DEBT:
57.5% of GDP

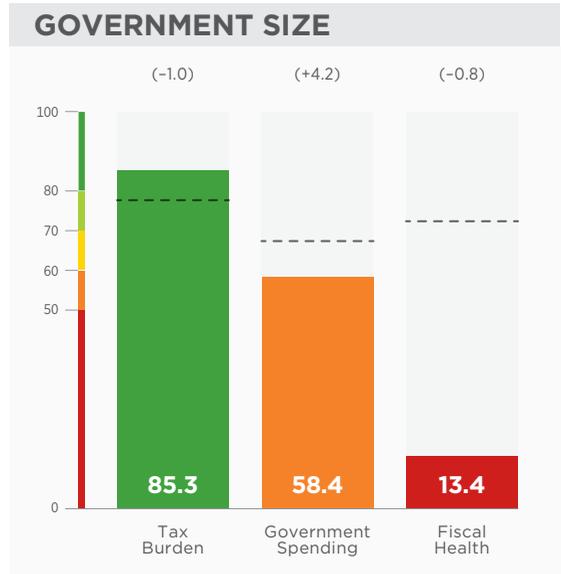
2019 data unless otherwise noted. Data compiled as of September 2020

BACKGROUND: Exports of natural gas to Brazil and Argentina have supported the Bolivian economy in recent years, but the country is still characterized by deeply rooted poverty, social unrest, and illegal drug activity. Political turmoil following the attempt by leftist former President Evo Morales to steal reelection in 2019 has subsided to some extent. Jeanine Añez of the Movimiento Demócrata Social party became interim president in November 2019. Elections in October 2020 resulted in the return to power of Evo Morales's MAS party, headed by new President Luis Arce. Prolonged pre-election political uncertainty caused Bolivia's sovereign credit rating to be downgraded and led to civil unrest. The combination of lower hydrocarbons output and global price fluctuations has led to reduced GDP growth. According to the World Bank, about 35 percent of Bolivians live in poverty.

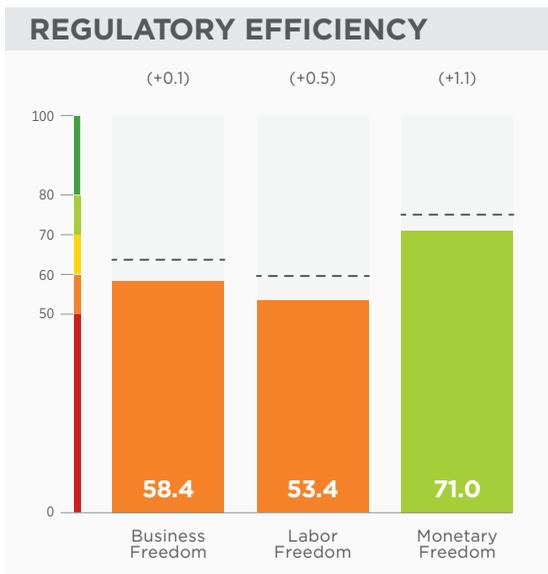
12 ECONOMIC FREEDOMS | BOLIVIA



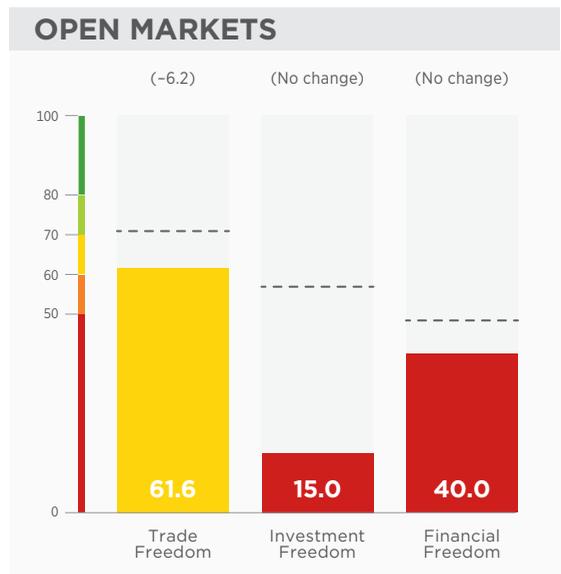
Property rights are legally protected, but weak enforcement of contracts and poor procedures for resolving insolvency are common. Although Bolivia is a party to the major intellectual property rights conventions, the government fails to provide adequate protections and dispute settlements for violations of intellectual property rights. Corruption is pervasive in the politicized and overburdened judiciary, law enforcement, and extractive industries.



The top individual income tax rate is 13 percent, and the top corporate tax rate is 25 percent. Other taxes include a value-added tax. The overall tax burden equals 26.0 percent of total domestic income. Government spending has amounted to 37.3 percent of total output (GDP) over the past three years, and budget deficits have averaged 7.7 percent of GDP. Public debt is equivalent to 57.5 percent of GDP.



Overall business freedom remains mostly unchanged and at a low level. Starting a business is now less expensive, and obtaining electricity is slightly less time-consuming. The labor code is outdated and burdensome. The government continues to fund very heavy energy subsidies while also subsidizing agribusinesses and maintaining controls on the prices of such products as sugar, maize, and bread.



Bolivia has four preferential trade agreements in force. The trade-weighted average tariff rate is 9.2 percent, and four nontariff measures are in force. The government prioritizes domestic investment over foreign investment. The financial sector is vulnerable to state interference. In 2020, the central bank injected more than \$500 million into the banking sector by purchasing bonds from the pension funds in an effort to increase liquidity.