



Decide with Confidence

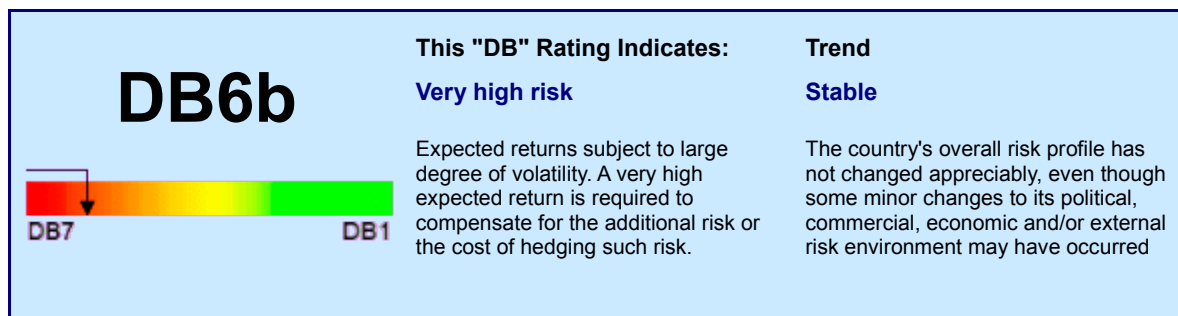
## D&B Country RiskLine Report

# BOLIVIA

Region : The Americas

Edition : January 2013

### D&B Country Risk Indicator



The 'DB' risk indicator provides a comparative, cross-border assessment of the risk of doing business in a country and encapsulates the risk that country-wide factors pose to the predictability of export payments and investment returns over a two year time horizon. The 'DB' risk indicator is a composite index of four over-arching country risk categories:

*Political risk* - internal and external security situation, policy competency and consistency, and other such factors that determine whether a country fosters an enabling business environment;

*Commercial risk* - the sanctity of contract, judicial competence, regulatory transparency, degree of systemic corruption, and other such factors that determine whether the business environment facilitates the conduct of commercial transactions;

*External risk* - the current account balance, capital flows, FX reserves, size of external debt and all such factors that determine whether a country can generate enough FX to meet its trade and foreign investment liabilities;

*Macroeconomic risk* - the inflation rate, government balance, money supply growth and all such macroeconomic factors that determine whether a country is able to deliver sustainable economic growth to provide further expansion in business opportunities.

The DB risk indicator is divided into seven bands, ranging from DB1 through DB7. Each band is subdivided into quartiles (a-d), with an 'a' designation representing slightly less risk than a 'b' designation and so on. Only the DB7 indicator is not divided into quartiles.

## Key Facts

<b>Population:</b>	10.1m
<b>Surface area (sq km):</b>	1,098,580
<b>Capital:</b>	La Paz
<b>Timezone:</b>	GMT -04:00
<b>Official languages:</b>	Spanish, Quechua, Aymara
<b>Head of state:</b>	President Juan Evo MORALES Ayma
<b>GDP (USD):</b>	23.9bn
<b>GDP per capita (USD):</b>	2,373
<b>Life expectancy (years):</b>	65
<b>Literacy (% of adult pop.):</b>	86.7

### Country Overview:

Bolivia is a landlocked country in the west of South America, bordering Argentina, Brazil, Chile, Paraguay and Peru. Its regional relations with Chile remain strained by its lack of coastal access.

Bolivia is one of Latin America's poorest and least developed countries, despite possessing considerable natural resources. In the 1990s economic growth improved as market-oriented reforms were implemented; however, by the end of the decade, political unrest and rising fiscal deficits dampened investor confidence. The development of the hydrocarbons sector by foreign investors has become a highly contentious issue in recent years.

Since his election in 2005, President Evo Morales has embarked on several controversial and radical reforms seeking to redistribute the profits of natural resource exploitation to the country's poor majority. Political uncertainty looks set to continue with Morales' policy agenda proving highly divisive, exacerbating regional and ethnic tensions between the wealthier, ethnic-European east and the poorer indigenous west.

## Trade & Commercial Environment

### Trade Terms

<b>Minimum Terms:</b>	CLC
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The minimum form of documentation or trading method that D&B advises its customers to consider when pursuing export trade with the stated country.

<b>Recommended Terms:</b>	CLC
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D&B's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

<b>Usual Terms:</b>	30-60 days
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Normal period of credit associated with transactions with companies in the stated country.

### Transfer Situation

<b>Local Delays:</b>	1-2 months
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The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

<b>FX/Bank Delays:</b>	1-2 months
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The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.

### Trade & Commercial Environment

Bolivia's commercial environment continues to deteriorate. The judicial system is becoming more vulnerable to political interference following recent reforms, while corruption is prevalent and still rising. Increased state intervention in the economy, the uncertain policy environment, and the openly hostile attitude towards private enterprise from the government will continue to undermine business performance. Moreover, the inadequate infrastructure and lack of access to financing will also remain major hindrances to doing business. Overall, in view of the payments performance of companies operating in Bolivia, D&B continues to recommend the use of CLC terms when trading with counterparties in the country.

### Export Credit Agencies

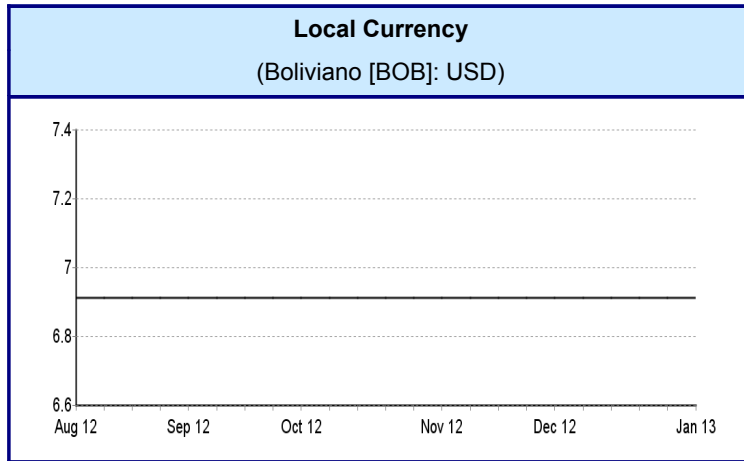
<b>US Eximbank</b>	No cover available
<b>Atradius</b>	ST cover available subject to approved ILC, no discretionary limits
<b>ECGD</b>	ST cover available, restricted MT cover
<b>Euler Hermes UK</b>	Restrictions will apply

### Economic Indicators

	2010	2011	2012	2013f	2014f
<b>Real GDP growth, %</b>	4.1	5.2	4.4	5.3	5.5
<b>Inflation, annual ave, %</b>	2.5	9.9	4.6	5.2	5.0
<b>Govt balance, % GDP</b>	1.7	0.8	0.9	0.6	1.5
<b>Trade balance, % GDP</b>	6.5	5.0	4.2	4.7	5.3
<b>C/A balance, % GDP</b>	4.4	2.2	2.4	2.6	3.0

### Currency Information

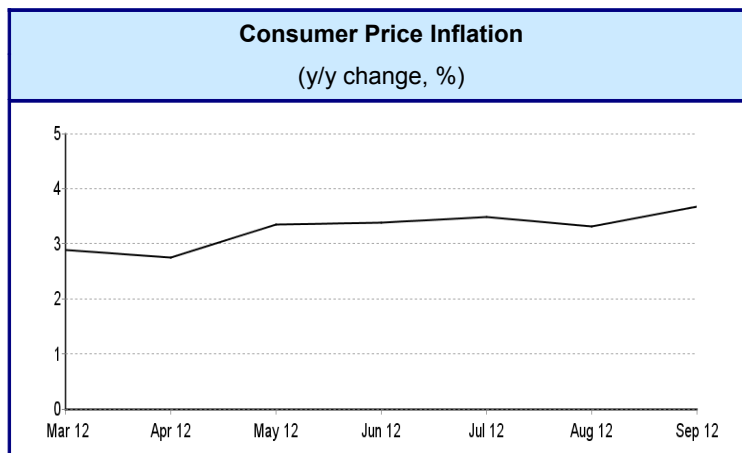
<b>Exchange Rates</b>	
(London, 07 Jan 13)	
EUR	9.0141
GBP	11.0812
JPY*	7.8487
USD	6.91
*(x 100)	



**Local Currency**  
(Boliviano [BOB]: USD)

	Aug 12	Sep 12	Oct 12	Nov 12	Dec 12	Jan 13
<b>Week 1</b>	6.910	6.910	6.910	6.910	6.910	6.910
<b>Week 2</b>	6.910	6.910	6.910	6.910	6.910	
<b>Week 3</b>	6.910	6.910	6.910	6.910	6.910	
<b>Week 4</b>	6.910	6.910	6.910	6.910	6.910	
<b>Week 5</b>			6.910		6.910	

## Consumer Price Inflation



**Data Table**

Mar 12	Apr 12	May 12	Jun 12	Jul 12	Aug 12	Sep 12
2.88	2.75	3.34	3.39	3.49	3.32	3.67

## Risk Factor

Despite positive economic prospects, Bolivia's risk outlook is being undermined by the increasing uncertainty over the security of foreign investment in the country after the recent controversial nationalisation of four companies (two power distribution firms, an investment management company and a service provider) owned by Spain's energy giant Iberdrola. On the face of it, the opposition has linked the expropriation to a widening corruption scandal that has engulfed Bolivia in recent months, arguing that the takeover was used as a smokescreen to deflect attention from the case; the scandal, which involves a US businessman and alleged extortion by a network of high-ranking state officials (including judges and prosecutors), has seriously undermined the credibility of the government's anti-corruption credentials and confidence in the efficacy of the 2011 judicial reforms (that is, the popular election of judicial organs). The timing of the expropriation reinforces the opposition's allegations, but the move is likely to have been driven by broader political considerations and (in particular) the need to bolster the power base of President Evo Morales who will seek re-election in 2014.

The recent promulgation of a law de-penalising the right to strike and protest, and extending immunity protection for labour unions, clearly highlights Morales' efforts to shore up waning public support for his administration ahead of the next presidential poll. The removal of punitive laws from the statute book is a key commitment by the government to the powerful Bolivian Workers' Central, the main labour union confederation: relations between the Morales government and its erstwhile ally has been soured in recent years over the so-called 'gasolinazo' (an attempted decrease in fuel subsidies at the end of 2010) and continued wage disputes.

However, with this latest nationalisation of foreign assets, the fourth in less than a year, the government is jeopardising the country's propensity to attract much-needed foreign investment inflows. Spain was the largest source of FDI to Bolivia in H1 2012 (the latest available data), but this was the second expropriation of business units owned by a Spanish energy firm in only a few months and is likely to adversely affect investment inflows. Worryingly, given the growing political challenges facing Morales, including the revival of the Amazon road project dispute with indigenous communities, there is a high risk of more nationalisations taking place in 2013-14. Meanwhile, the investment climate in the country is being further undermined by the weak legal framework for foreign investor protection: the Constitution limits foreign companies' access to international arbitrations in the case of conflicts with the government and mandates the renegotiation of all bilateral investment treaties (already under way) to incorporate relevant provisions. As such, disputes must be brought before local courts of arbitration.

## Glossary & Definitions

### DEFINITIONS

#### Minimum Terms:

The minimum form of documentation or trading method that D&B advises its customers to consider when pursuing export trade with the stated country.

#### Recommended Terms:

D&B's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

#### Usual Terms:

Normal period of credit associated with transactions with companies in the stated country.

#### Local Delays:

The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

#### F/X Bank Delays:

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.

C/A (current account) balance, % GDP:

Part of the balance of payments that records a nation's exports and imports of goods and services, and income and transfer payments.

DSR (debt service ratio), %:

Annual interest and principal payments on a country's external debts as a percentage of exports of goods and services.

Govt balance, % GDP:

The balance of government expenditure and receipts.

Real GDP growth, %:

GDP adjusted for inflation.

Inflation, %:

The increase in prices over a given period.

## GLOSSARY

CiA	Cash in Advance
CLC	Confirmed Letter of Credit
CWP	Claims Waiting Period
FX	Foreign Exchange
LC	Letter of Credit
LT	Long term
MT	Medium term
OA	Open Account
SD	Sight Draft
ST	Short term

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For information relating to D&B's Country Risk Services.

#### UK

Telephone: 01628 492700

Fax: 01628 492929

Email: [CountryRisk@dnb.com](mailto:CountryRisk@dnb.com)

#### USA Inquiry

Telephone: 1-800 234-3867 option 1, 1 and then 2

Email: [CountryRiskServices@dnb.com](mailto:CountryRiskServices@dnb.com)

#### Rest of World

Telephone: +44 1628 492700

Email: [CountryRisk@dnb.com](mailto:CountryRisk@dnb.com)

### D&B Customer Services

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Email: [CustomerHelp@dnb.com](mailto:CustomerHelp@dnb.com)

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